Annual Report 2012

Delivering
Sustainable
Performance

دانة غاز
DANAGAS

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Delivering
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Performance

Our Vision

To be the leading private sector natural gas company in the Middle East, North Africa and South Asia (MENASA) region, generating value for our stakeholders.

Our Strategy

- Focus on sustainable growth in the MENASA region across the natural gas value chain.
- Leverage strategic relationships to maintain competitive advantage.
- Continuously enhance technical and commercial skills to develop and operate assets safely and efficiently.

Our Values

We set and apply the highest standards of conduct and accountability.

We respect and value everyone and embrace all kinds of diversity.

We strive to devise and implement innovative ways to improve our business and fulfill our commitments.

We aim to provide a safe and environmentally friendly workplace for our employees and business partners and to minimise the adverse effects of our operations on communities and the environment.

Contents

Glossary

AED	United Arab Emirates Dirham	Bcf	Billions of standard cubic feet
bpd	barrels per day	MMboe	Millions of barrels of oil equivalent
boepd	barrels of oil equivalent per day	MMb	Millions of barrels
kboepd	Thousand barrels of oil equivalent per day	Tcf	Trillions of cubic feet
MMscfpd	Millions of standard cubic feet per day	Tpd	Tonnes per day

Gas is converted to barrels of oil equivalent using a conversion factor of 6000 standard cubic feet per barrel.

Group Operational Footprint

UAE

Sharjah Offshore Concession

In the UAE, Dana Gas is the operator of the Sharjah Offshore Concession. During 2012, the company received final approvals from the governments of Ajman and Sharjah to proceed with the development of the Zora Field, which straddles Sharjah and Ajman waters. Target production from the field is 40MMscfpd.

UAE Gas Project

The UAE Gas Project to process and transport 600MMscfpd of imported gas from Iran continues to await commencement of gas deliveries. Dana Gas owns a 35% interest in Crescent Natural Gas Corporation Limited (CNGCL), the marketing organisation, and owns 100% of UGTC and Sajgas which respectively transport and process the gas. UGTC owns 50% of, and operates, a joint venture with Emarat for a 48” gas pipeline in the UAE, with a capacity of 1000MMscfd to transport gas to customers in Sharjah .

Iraq

Kurdistan Region of Iraq

In the Kurdistan Region of Iraq Dana Gas holds a 40% interest in Pearl Petroleum Company Ltd. (PPCL) jointly with Crescent Petroleum (40%), OMV (10%) and MOL (10%). Dana Gas is joint operator, together with Crescent Petroleum, of the Khor Mor Field which during 2012 produced gas at an average gross rate of 310 MMscfpd, condensate at an average gross rate of 14036 bpd and LPG at a gross rate of 235 Tpd, with the gas being supplied to two power stations in the region.

Appraisal work on Khor Mor and Chemchemal Fields is required to delineate the fields and progress full development plans.

Longer term plans are to increase production capacity to meet local gas requirements and for export regionally and to Europe.

Egypt

Dana Gas Egypt

Dana Gas Egypt is a 100% operator of eleven producing fields and 5 fields currently under development in the Nile Delta and produces from one field in Upper Egypt. During 2012, the Company produced 57 Bcf of gas and 2.2 MMb of liquids, for an average rate of 32.2 kboepd. The focus for 2013 will be to bring the new fields on stream, increase the throughput of our El Wastani plant to 200 MMscfpd and to improve our LPG recovery efficiency.

EBGDCo

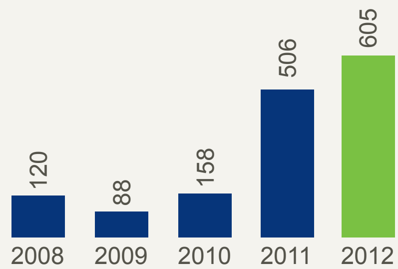
The Company, through its subsidiary Danagaz Bahrain, is a 26.4% shareholder in the Egyptian Bahraini Gas Derivative Company ‘EBGDCO’ which own and operate a Liquids Extraction Plant in the Ras Shukeir in Egypt in partnership with the Egyptian Natural Gas Holding Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP).The plant began operating commercially on 1st October 2012 and in its first 3 months, the plant has processed a combined 12,340 metric tonnes of Propane (10,500) and Butane (1,840). The plant is processing about 90 MMscfpd, and the feed gas rate is expected to increase gradually once gas is received from gas fields in and around Ras Shukeir.

Group 2012 Highlights

Net Profit

AED 605 million

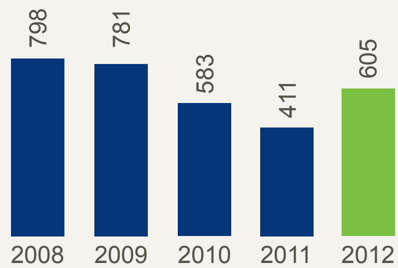
2011 AED 506 million



Cash Balance

AED 605 million

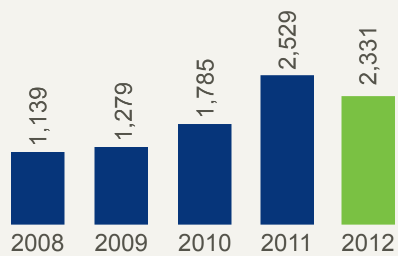
2011 AED 411 million



Gross Revenue

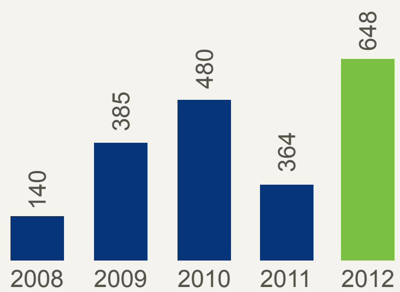
AED 2,331 million

2011 AED 2,529 million



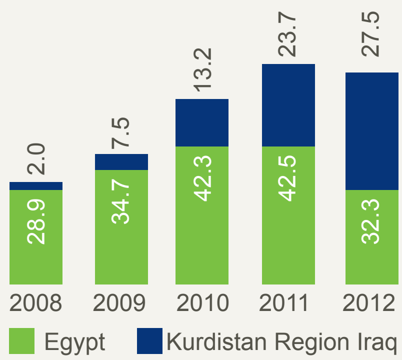
Operating Cash Flow

AED 648 million
2011 AED 364 million



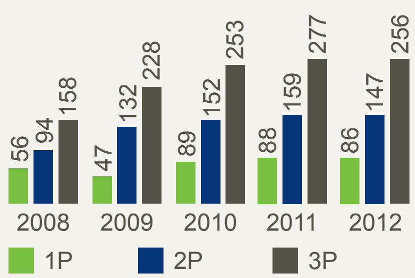
Production

59,800 boepd
2011 66,200 boepd



2P Reserves (excluding Kurdistan Region of Iraq)

147 MMboe
2011 159 MMboe



Group Structure

Diagram shows a simplified Group Structure

Chairman's Statement

Chairman's Statement

The Company has a sustainable financial structure in place for the long term, and we look ahead to the future with optimism.

In 2012, Dana Gas made significant progress in all areas of its business culminating in a strong financial performance for the year. Agreement was reached regarding the refinancing of the Sukuk as announced on 10th December 2012, and encouraging progress was made with the collection of outstanding receivables. The Company's operations continued to perform robustly and exploration and appraisal activities have led to a series of commercial discoveries which the Company is developing during 2013. The Company has a sustainable financial structure in place for the long term, and we look ahead to the future with optimism.

The Company's financial strength was evident in the net profit growth of 20% in 2012. This significant increase reflected higher realized oil prices and optimized cost management throughout the year. Gross revenues, however, were slightly lower at AED 2.3 billion compared to AED 2.5 billion in 2011, reflecting the cash preservation policy the Board had implemented in Egypt given the delays in collection of receivables. As a result of this policy, the Company was able to increase the cash balance at 31st December 2012 to AED 605 million, an improvement of 47% from AED 411 million in 2011. During the year the Company collected over AED 1.1 billion from its share of receivables in Egypt and the Kurdistan Region of Iraq and managed all its expenditures, including quarterly Sukuk profit payments, within this cash generation. The outlook for Dana Gas remains strong and we consider it to have sufficient resources to fund its investments for 2013.

Sukuk Refinancing

A priority for the Company in 2012 was to find a consensual solution for the US$ 1 billion Sukuk that matured on 31st October 2012. I am glad to report that an agreement was reached with the Ad Hoc Committee, representing a majority of the Sukukholders, which allows a more flexible and sustainable financial structure and balances the interests of all stakeholders. The agreement will enable the Company to move forward in pursuit of its growth strategy on a firm footing. The Company will be pursuing the steps necessary for formal approval from shareholders, existing Sukukholders and regulators, in order to successfully complete the transaction in early May 2013.

Dr. Adel Khalid Al-Sabeeh
Chairman of the Board

Focus on the Region

We take great pride in our vision, regional identity and partnerships. The Company continues to develop and maintain strong relationships with its stakeholders including shareholders, governments, partners and local communities. Dana Gas' development projects offer significant potential for the Company, and the Board remains committed to furthering exploration and production activities in Egypt, the Kurdistan Region of Iraq and the United Arab Emirates, all of which offer great opportunity for enhancing long-term shareholder value.

With the global demand for energy in general and natural gas in particular on the rise, the fundamentals of the energy industry remain strong. The International Energy Agency (IEA) has forecast that Middle East gas demand is set to rise by 79 billion cubic meters, a 20% increase, from 2011 to 2017, outstripping incremental supply. Dana Gas, as an established and important player in this market, continues to make a positive contribution to that growth. As the only independent MENA-focused gas producing company, Dana Gas is well placed to benefit from the projected increase in long term regional demand for gas. The Company's investment in the Kurdistan Region of Iraq is now providing energy to over 4 million people. The Company is the sixth largest gas producer in Egypt through its production in the Upper Nile region. The supply of gas for power generation is at the heart of economic development for the markets in which Dana Gas is now a significant operator, and the Company remains committed to mutual long-term prosperity.

Operations

Dana Gas made significant progress in its exploration program in Egypt. The Company undertook a seven-well drilling program of which four wells made discoveries which have been declared commercial. The resulting estimates have had a positive impact on reserves and enabled the Company to maintain gross proved reserves (1P), as at 31st December 2012, of 86 million barrels of oil equivalent (MMboe), in line with 2011's 88 MMboe.

Dana Gas is also proud that its joint-venture LPG extraction plant at Ras Shukeir in Egypt came on-stream in October 2012. The project has already contributed additional revenue which has been used to pay back

the first installment of the Project's loan. This will continue to be another stream of the Company's long-term revenue proposition, especially when the plant's throughput reaches the plant's name plate capacity, yielding an estimated 120,000 tons per year of propane and butane.

Dana Gas and its joint venture partners celebrated the JV's fourth year of operations in the Kurdistan Region of Iraq. Production growth continued and the total Khor Mor field is now producing approximately 80,000 barrels of oil equivalent per day with further plans to expand daily production in 2013. LPG sales are expected to be restored in June 2013 following the completion of repairs to the LPG loading bay.

In the UAE, agreements have been reached with the Governments of the Emirates of Sharjah and Ajman to develop the Zora offshore gas field. Once on-stream, Zora will provide a valuable source of gas for local power generation in the northern Emirates.

Board and Management

I would also like to take this opportunity to express our gratitude to the continued support of our Honorary Chairman, His Highness Sheikh Ahmed bin Sultan Al-Qasimi.

On behalf of the Board and the Management of Dana Gas, I would like to thank our shareholders for their confidence in Dana Gas and its growth potential. I would also like to welcome Mr. Ahmed Al-Midfa and Mr. Salah Al-Qahtani who joined the Board in 2012. I would also like to express the Board's thanks and gratitude to Mr. Adib Al-Zamil and Sheikha Hanadi Nasser Al-Thani who retired from the Board.

There is no doubt that our most important asset is our employees. I would like to thank the management team and staff for their commitment, hard work and expertise which has been vital to the success of Dana Gas and achieving another year of sustainable performance.

Conclusion

To conclude, Dana Gas made great progress in 2012, despite the current challenges in the region and globally. We finished the year with a stronger cash position and better financial structure, and are well placed to deliver value to shareholders. These factors, together with the positive industry dynamics, give us considerable optimism and confidence for the Company's future.

Chief Executive Officer's Statement and Operating Review

Chief Executive Officer's Statement and Operating Review

Dana Gas delivered another year of good operating performance

I am pleased to state that in 2012, Dana Gas delivered another year of good operating performance, with net profit growth of 20% increasing to AED 605 million, compared to AED 506 million in 2011, considering the challenging political and economic environment in the areas of our operations. Dana Gas improved its cash balance to AED 605 million. Our strategy has enabled us to capture increased value from our existing assets and, with optimised cost management, we have strengthened further the foundations for a sustainable performance.

Revenues

During the year 2012, the Company achieved gross revenues of AED 2.3 billion which were slightly lower than AED 2.5 billion in 2011, reflecting the conservative cash policy implemented by the Company, given the delays in collection of receivables, and also the temporary suspension of the Liquefied Petroleum Gas (LPG) production in the Kurdistan Region of Iraq following damage to the LPG loading bay by a third party tanker incident in June 2012.

Cash Flow

In 2012, our cash flow from operations increased to AED 648 million from AED 364 million in 2011. This increase was primarily due to the higher level of collections in Egypt and Kurdistan when compared to 2011. Our cash-management strategy has been to manage our expenditure within our internal cash generation, whilst preserving the cash balance at the beginning of the year. Dana Gas cash balance at 31st December 2012 increased to AED 605 million, an improvement of 47% from AED 411 million in 2011 as a result of the conservative cash policy adopted by the Board.

Receivables

The Company collected over AED 1.1 billion from its share of receivables of which AED 596 million was collected in Egypt and AED 525 million in the Kurdistan Region of Iraq. The Group's trade receivables at the end of the year stood at AED 2.2 billion as compared to AED 1.7 billion in 2011. This increase was due to the slow rate of collections in Egypt and Kurdistan, as compared to revenue billed. Receivables in Egypt constitute 39% of the total, and the balance relates to receivables in Kurdistan.

Sukuk Refinancing

In December 2012, the Company announced the terms of its refinancing agreement with the Ad Hoc Committee of Sukukholders. The Company is currently pursuing the steps necessary for

Rashid Saif Al-Jarwan
Executive Director & Acting CEO

seeking the consent of the shareholders and existing Sukukholders. The agreement allows a more flexible and sustainable financial structure and balances the interests of all stakeholders. Our focus in 2013 will remain on the completion of Sukuk restructuring, raising additional finance for our projects and ongoing plans to manage our liquidity with a focus on receivables collection.

OPERATING REVIEW

The Company's Net Production averaged 59,800 barrels of oil equivalent per day (boepd) from its interests in Egypt and the Kurdistan Region of Iraq.

Egypt - Nile Delta

Inspite of political unrest, Dana Gas Egypt produced gas, LPG, condensate and crude oil at an average rate of just over 32,200 boepd (2011: 42,500 boepd). Production is expected to increase as compression facilities are added and new fields are brought on stream.

During 2013, we aim to increase the throughput of our El Wastani plant to above 180 MMscfpd and will commence work to improve our LPG recovery efficiency to around 98%, thus adding an additional value stream.

In 2012, the Group conducted a seven-well exploration programme in Egypt, with a 57% success rate. Out of these seven exploration wells, five of the wells were drilled in the Nile Delta concessions, with West Sama-1, Balsam-1 and Alyam-1 adding new resources whilst two exploration wells were drilled in the Komombo Concession, with West Al Baraka-1 adding new resources.

Egypt – EBGDCO

The Company, through its subsidiary Danagaz Bahrain, is a 26.4% shareholder in the Egyptian Bahraini Gas Derivative Company (EBGDCO) which owns and operates a Liquids Extraction Plant in the Ras Shukeir in Egypt in partnership with the Egyptian Natural Gas Holding Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP). The construction and start-up of the LPG facilities was completed in the second quarter of 2012. The plant began operating commercially on 1st October 2012 and in its first 3 months, the plant has processed a combined 12,340 metric tonnes of propane (10,500) and butane (1,840). Currently, the plant is processing about 90 MMscfpd, and the feed gas rate is expected to increase gradually once gas is received from gas fields in and around Ras Shukeir.

Chief Executive Officer's Statement and Operating Review

Reserves MMboe (figures rounded)

Country	Concession	Proved (1P)	Proved plus Probable (2P)	Proved plus Probable plus Possible (3P)
Egypt	El Manzala	10.0	16.0	26.6
	West El Manzala	46.0	75.1	134.6
	West El Qantara	21.4	39.0	60.9
	Komombo	0.2	0.5	0.9
UAE	Sharjah Offshore	8.7	16.6	33.4
	Total	86.3	147.2	256.4

Kurdistan Region of Iraq
In the Kurdistan Region of Iraq, Dana Gas' interests are held via a 40% shareholding in Pearl Petroleum Company Ltd. ("PPCL"), our partners being Crescent Petroleum with 40%, OMV of Austria with 10% and MOL of Hungary with 10%. Together with our partners, we produce gas from the Khor Mor Field and deliver it to power stations at Erbil and Bazian.

In the Kurdistan Region of Iraq, the Company continued with its partners to increase its production, achieving an average company share rate of 27,500 boepd (2011: 23,700 boepd). LPG production is scheduled to resume in the second quarter of 2013 following completion of repairs to the LPG loading facilities.

Whilst our current focus remains on continuing production, our long term objective is to fully exploit the potential of the Khor Mor and Chemchemal fields to supply gas to both domestic and export markets. Our experience of production from the Khor Mor field and the well test data that we have obtained demonstrates that this is a highly prolific, world class gas field. With our partners Crescent Petroleum, OMV and MOL, we are well positioned to make the most of these opportunities.

Cash collections from our liquid hydrocarbons sales improved considerably in 2012. Condensate and LPG has been partially delivered to private buyers, under the direction of the Kurdistan Regional Government, which has secured immediate cash payment for part of our production. In addition, transfer payments from the Iraqi Federal Government to the Kurdish Regional Government were also received.

UAE – UAE Gas Project
The UAE Gas Project to process and transport imported gas remains in preservation mode due to failure of the committed 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, Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, no gas has been received since 2010 and the SajGas plant and system remains in preservation mode.

Crescent Petroleum is pursuing with the international arbitration to seek a ruling in its binding 25 year gas supply contract with NIOC and appropriate remedy. In February 2013 a liability hearing was convened in the Hague and is ongoing.

UAE – Sharjah Offshore

In November 2012, the Company signed a set of agreements with the Governments of Sharjah and Ajman to jointly develop the shared field located around 33 kilometres 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. The Concession Agreement covers a total area of over 1,000 square kilometres including part of the Zora Gas Field, which straddles the Sharjah-Ajman border and has established gas reserves and a ready market.

The project agreement entails engineering, construction and installation of a new unmanned platform, offshore pipeline and onshore gas plant, together with two horizontal gas production wells for the development of the gas field. Initial gas production from the field is planned for 2014. Developing the gas field marks the first development and production project for the company in the UAE and GCC region. The produced gas will be used mainly for power generation which will make significant savings in fuel cost.

Reserves

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

HSSE and Risk Management

Safety is a core value for Dana Gas. In June 2012 a third party tanker being loaded at the LPG loading bay in Khor Mor exploded resulting in fatalities. Subsequent investigations revealed latent defects in the tanker shell. The incident in Khor Mor has been examined in detail to assess lessons to be learned and take remedial actions. We have also undertaken a number of initiatives including increased HSSE risk awareness training, implementation of the Group Operating Risk Management System (ORMS), increased HSSE audits and commitment to full reporting of all incidents across the Company.

Given regional events, the Company's operations have faced some commercial and political challenges, but we remain unwavering in our determination to assess and resolve these risks, and to continue to contribute to the economic wellbeing of the regions where we operate. This lies at the heart of Dana Gas' vision and strategy for the region.

Dana Gas has a comprehensive business risk management framework in place which continued to be strengthened in 2012, with the Board maintaining oversight of the significant risks facing the business and working through the Management team ensuring that appropriate mitigation strategies are in place.

Looking forward

2012 demonstrated once again that the Dana Gas strategy and approach are robust and can provide Dana Gas with a competitive advantage in the future business environment. We benefit from an established long-term asset base with a broad spread of future opportunities in the Region. This is underpinned by the skills, experience and focus of all our colleagues at Dana Gas. I thank them for their hard work, commitment and passion for value creation; they are central to the Group's success. We are continuously building our resources, capabilities and skill sets across the Group. As the scale and complexity of our portfolio increases we are ensuring that we are fully prepared for the next phase of growth.

Financial Review

Financial Review

2012 was a good year financially for the Group, with a 20% increase in Net profits and Cash flow from operations increasing to AED 648 million from AED 364 million generated in 2011. The Company ended the year with a cash balance of AED 605 million; an increase of 47% from the opening balance of AED 411 million as a result of management's effort to recalibrate cash inflow with spend.

Gross revenues were slightly lower at AED 2.3 billion compared to AED 2.5 billion in 2011, reflecting the conservative cash policy implemented by the Company in Egypt, due to the delays in collection of receivables, and also temporary suspension of Liquefied Petroleum Gas (LPG) production in the Kurdistan Region of Iraq following the damage to the LPG loading bay by a third party LPG tanker accident in June 2012. Revenues are expected to increase once new discoveries in Egypt are brought to production and the Kurdistan LPG loading bay is repaired by 2nd Quarter 2013.

Gross Profit

The Group reported a gross profit of AED 1.3 billion, a decrease of 2% over the previous year. This decrease was due to lower production in Egypt partially mitigated by higher production in Kurdistan and reduced depletion and depreciation charge in Egypt.

Exploration Write Offs

During 2012, the Group conducted a seven-well exploration program, with a 57% success rate. Out of these seven exploration wells, five were drilled in the Nile Delta concession, with West Sama-1, Balsam-1 and Alyam-1 adding new resources whilst two exploration wells were drilled in the Komombo concession, with West Al Baraka-1 adding new resources. The drilling cost of the three dry wells amounting to AED 33 million, were written off during the year.

Comprehensive Income

The total comprehensive income for the year stood at AED 711 million compared to AED 180 million in 2011. The comprehensive income for 2012 includes an unrealised gain of AED 106 million (2011: loss of AED 326 million) on Dana Gas's 3% shareholding in MOL, the Hungarian-listed Oil and Gas Company and a key partner in Dana Gas's Kurdistan operations. MOL's share price at end of 2012 was similar to that of end 2011, with the HUF/US$ exchange rate contributing to most of the increase in value. The unrealised gain/loss is booked directly to equity in line with the Company's published accounting policy.

Balance Sheet

Total assets at the year-end stood at AED 12.9 billion, an increase of 7% from last year's total assets of AED 12.1 billion. This increase was largely due to increase in trade receivables and

Key Financial Metrics

	2012 AED Million	2011 AED Million	% Change
Sales Revenue	2,331	2,529	(8)
Gross Profit	1,308	1,335	(2)
Profit After Tax	605	506	20
Total Comprehensive Income	711	180	295
EBITDAX	1,469	1,595	(8)
Cash From Operations	648	364	78

valuation of available for sale assets at the year end. Total net assets at year end amounted to AED 8.8 billion and the book value per share was AED 1.34 (2011: AED 1.23 per share).

Capital Investment

Capital investment in 2012 was AED 312 million, resulting in a cumulative capital investment of over AED 1.4 billion in the past three years. In Egypt, the Group invested approximately AED 268 million while in Sharjah an amount of AED 40 million was spent on the Zora project. In the Kurdistan Region of Iraq, the Group's share of capital expenditure was AED 4 million.

Available for sale financial assets

At the end of 2012, the Group held 3,161,116 ordinary shares in MOL received as consideration for the disposal of an interest in Pearl Petroleum in May 2009. These shares are listed on the Budapest Stock Exchange and are being marked to market on the balance sheet date. During the year, the Group recorded an un-realised profit of AED 106 million, as compared to a loss of AED 326 million in 2011. Subsequent to year end, in February 2013, the Group sold 1,675,000 ordinary shares in MOL through a book building process realising AED 495 million for the Group.

Trade receivables

The Group's trade receivables at the end of the year stood at AED 2.2 billion as compared to AED 1.7 billion in 2011. This increase was due to the slow rate of collections in Egypt and Kurdistan, as compared to revenue billed. Receivables in Egypt constitute 39% of the total and the balance relates to receivables in Kurdistan. During 2012, the Group managed to collect a total of AED 1.1 billion of which AED 596 million was collected in Egypt and AED 525 million in Kurdistan.

Cash from Operations

In 2012, cash flow from operations increased by 78% to AED 648 million from AED 364 million in 2011. This increase was primarily due to the higher level of collections in Egypt and Kurdistan when compared to 2011. We commenced the year with a cash balance of AED 411 million and ended the year with a balance of AED 605 million, an increase of AED 194 million. Our cash-management strategy has been to manage our spend within our internal cash generation whilst preserving the cash balance at the beginning of the year. As mentioned above, the partial realisation of our investment in MOL subsequent to the year end has given an added boost to our cash balance. We started 2013 with renewed plans to manage our liquidity with specific focus on receivable collections and seeking completion of Sukuk restructuring and additional finance for our projects.

Financial Review

FINANCIAL STRATEGY

In 2012, the Egyptian bank market conditions remained uncertain in view of the continuing political events that resulted in uncertainty. In 2013, we expect things to improve with respect to the bank market conditions, once things stabilize.

From a Global Capital markets perspective, 2012 has been a challenging year for markets globally on the back of European crisis and the resulting macro pressures. We expect the situation to improve in 2013. In any case, it is important to stress that the Dana Gas story is backed by strong fundamentals, a valuable asset base and a strong management team with established relationships across the region.

We will continue to focus on value creation for shareholders through focused investment in our core assets and growth from new business development opportunities that meet our investment criteria.

For 2013, we will continue to fund the investment requirements with internal cash flows and appropriate available third party financing for our Sharjah Western Offshore Zora gas field development project.

Sukuk Refinancing

The Company announced earlier that a standstill and lockup agreement has been reached with an "Ad-Hoc committee" of Sukuk certificate holders on 10th December 2012 for the refinancing transaction (the "Transaction") in relation to its US$1 billion 7.5% Sukuk-al-Mudarabah due 31 October 2012 (the "Existing Sukuk"). It also stated that the standstill and lockup agreement had a detailed set of terms, conditions and implementation schedule.

The salient features of the same are reduction in the Company's outstanding debt from US$1 billion to US$850 million via US$70 million of cash pay-down and cancellation of another US$80 million of the Existing Sukuk already owned by the Company. The remaining $850 million will be split into two tranches to ensure potential dilution for shareholders remains substantially similar to current levels of Existing Sukuk: a US$425 million Ordinary Sukuk and US$425 million Convertible Sukuk (together the "New Sukuks"), each with 5-year maturity to ensure long term financing.

Ordinary Sukuk will have a profit rate of 9% per annum and Convertible Sukuk will have a profit rate of 7% per annum with the combined average at 8% per annum, representing a slight increase over the Existing Sukuk profit rate of 7.5% per annum. However, this average profit rate of 8%, together with the lower debt

amount of US$850 million, constitutes a lower debt servicing obligation on the Company as compared to the debt servicing obligation under the Existing Sukuk.

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

The above agreement allows a more flexible and sustainable financial structure and balances the interests of all stakeholders.

The Company is currently pursuing the steps necessary for seeking the consent of the shareholders, existing Sukuk holders and the approvals of the regulatory authorities, as necessary, in order to successfully complete the Transaction early in the second quarter of 2013.

Health, Safety, Security and Environment

Health, Safety, Security and Environment

This was the first full year in which we have operated under the Group Operating Risk Management System (ORMS). The steady improvement in compliance with this system has been a focus over 2012 with the clear set of requirements set out in the document enabling structured conversations with Joint Venture Companies towards improvements in our ability to deliver safe, responsible and reliable production. The year concluded with the completion of the first comprehensive audit of our Wasco Joint venture in Egypt against the ORMS. This audit was conducted as part of the Board of Directors Assurance Program. We also conducted a review of the ORMS and have made a number of clarifications and improvements in Version 2 of this key document.

The most significant event in HSE in 2012, was the sad death of five workers (two employees and three tanker drivers) in our Khor Mor plant in Kurdistan. All five suffered severe burns when a third party LPG tanker, being loaded at the LPG loading bays, suffered a catastrophic failure of the tanker shell.

We have continued to build our suite of Group Practices that support the ORMS with the issue of a Practice which sets out how HSSE risks will be managed in our projects. As the year progressed the focus on process safety has increased dramatically whilst maintaining close attention to personal safety, health, environment and security.

Performance

The Executive Management of Dana Gas have continued their drive towards full reporting of incidents across the company, the results of which are evident in the greater number of leading as well as lagging reports.

Personal Safety

Fourteen of our colleagues (ten employees and four contractors) suffered recordable injuries during the year as a result of working with Dana Gas in addition to the five fatalities in Kurdistan. There was a small rise in the number of people injured in Kurdistan, Egypt as well as the UAE. At the end of 2012 the Total Recordable Injury Frequency was 0.75 against our target of 0.35. Whereas we were disappointed to miss our target, we are confident that the level of reporting of injuries has increased and we now have a solid base of learning on which to drive down the number of people hurt in 2013.

There were 4 high potential incidents in 2012, a decrease on 2011 where we saw 12 high potential incidents. The decrease across the Group is, however, partially attributable to the cessation of LPG loading in the second half of the year as a result of the explosion and destruction of the LPG loading facility, which had been a common source of high potential incidents in 2011.

For the second year running we achieved zero major road accidents, a remarkable achievement across the Group considering

the dangers on the roads that we have to drive every day. This achievement is a result of a clear understanding of the risks we face on roads and robust road safety practices.

The rigour of investigation of incidents has improved as the year has progressed delivering greater insight into the causes of accidents allowing for measures to be taken to avoid accidents in the future.

In 2012 management continuously stressed the importance of reporting safety observations. Across the Group nearly 6000 safety observations reports were generated leading to dangerous conditions and acts being corrected before they had the chance to become accidents. We will maintain our focus on this important leading metric into 2013 challenging the organization to observe and correct even more conditions with the aim of driving down the number of accidents.

Process Safety

The integrity of our assets is measured by our ability to avoid releases of gases and liquids from our process facilities. There were 148 incidents of loss of primary containment in 2011. In 2012 we have delivered a reduction in LOPC events down to 67. We recognize that this number is still too high and will continue our focus on driving down releases in 2013 through the strengthening of our asset integrity capability across the Group.

Environment

There were seven reported significant releases (more than 1 barrel) of hydrocarbon to the environment in 2012. We are seeing a steadily decreasing number of flow line releases in Egypt owing to a focused program improving corrosion control and inspection.

Dana Gas considers its global environmental responsibility as a priority and in 2012 completed a green house gas (GHG) foot printing report, which was designed to serve as the reference point for future GHG assessments. The base year 2011 was selected for the initial footprint. The report, which included both direct and indirect emissions, set the baseline at 355,420 tonnes equivalent of CO2 for 2011.

Health

The focus on health management from 2011 has continued in 2012 notably in our Khor Mor facility, being a remote facility. The remainder of the staff at this facility was run through fitness for work medicals and we have now initiated a set of studies looking at work place health hazards.

Security

Security management is an integral part of our HSSE efforts. There were 6 recorded security incidents in our activities in 2012, down from 10 in 2011. Incidents included community related disruption in Egypt as well as an attempt to disrupt the gas pipeline from the Khor Mor plant in Kurdistan.

Health, Safety, Security and Environment

We maintain a robust security management structure in the Kurdish Region of Iraq for the protection of our workforce and facilities where we work closely with the National Oil Field Police. In Egypt and indeed in Kurdistan, our relationship with the community surrounding our fields continues to be a key element in our ability to avoid serious incidents.

HSSE Risks

Throughout 2012 we continued our focus on the themed risks shown in the 2011 Annual Report, making steady progress as well as developing operation specific risks which we continue to address. In 2013, we will continue with our focus on HSSE risk understanding, driving down our risk profile through the attention of the Senior Executives and downwards throughout the workforce.

Risk Theme	Controls put in place in 2012
Developing a consistent safety culture across the Group	• A continued focus on the ORMS has enabled a structured engagement with joint venture companies in Egypt as well as Kurdistan. • In Egypt we are working in close coordination with JV partners on HSE culture, in 2012 culminating in the 4Q audit of the major Joint Venture (Wasco) against the Dana Gas ORMS. A Steering Committee of senior managers has been developed to ensure follow up of this audit. • In Kurdistan a technical management team for operations has been established in Erbil and is tasked with the development of a Business Unit specific Operating Risk Management System for this activity set, amongst other operational improvements. • A balanced HSSE scorecard for the Group including lagging as well as leading KPI's has enabled focused efforts over the year.
Consistency in assessment of HSSE risks across the Group	• Whilst maintaining close attention to personal safety, health and environment, throughout 2012 there has been an increased focus on process safety in design as well as drilling and production. • Increased levels of reporting, in a Group wide reporting and action tracking system, as well as auditing has enabled a greater understanding of risk across the company. • 2013 budgets and plans were challenged to ensure they addressed known risks.
Project HSSE Assurance	• We continue to work with our partners in the Joint Venture companies towards full implementation of the Dana Gas HSSE in Projects Practice which sets out clear expectations for the addressing of HSSE (including process safety) risks in projects.
Ensuring we identify and manage major accident hazards	• As we audit facilities and investigate process related incidents we are rapidly evolving our knowledge of major accident hazards across the Group. These hazards and key controls are reported to the Board of Directors quarterly. • We realize that investigations and audits are points in time and that our workforce needs to have the competence to identify major accident hazards in design as well as production operations. To this end we have embarked on a program of assessed training courses for key employees in the fundamentals of process safety.
Consistency in the HSSE Standards of Contractors	• As drilling and workover activities have ramped up in Egypt considerable effort was expended working with drilling contractors on pre-spud HSE and then on an ongoing basis during activities. • We recognize the importance of consistent approaches to contracting and are in the process of developing a Contractor Management Practice, a goal we did not achieve in 2012.

Risk Management

Risk Management

Risk Management Summary

Dana Gas is committed to an effective risk management approach that protects the Group's business, people and reputation while enhancing shareholder value.

The oil and gas industry is inherently high risk and as a consequence the management and mitigation of risk is a dynamic and vital business process.

Our approach to risk management aims to identify key risks as early as possible and to either reduce or remove those risks. If that is not possible, then we respond quickly when a risk crystallises to reduce that risk to an acceptable level.

Dana Gas recognises that risk is an integral and unavoidable component of its business and consists of both threats to be managed and opportunities to be exploited.

Managing exposure to risk and capitalizing on the opportunities presented will enable us to achieve our corporate objectives and vision of becoming the leading private sector natural gas company operating in the Middle East, North Africa and South Asia (MENASA) region.

Risk Management Framework

Dana Gas has adopted industry best practice in risk management as a philosophy to protect the Group from business and HSSE risks, maximise opportunity and safeguard shareholder value.

To achieve this, an Enterprise Risk Management Framework has been established to identify, evaluate and assist in the management of the risks faced by the Group. The process operates on a mandatory basis across the Group and provides the Board with assurance that the major risks faced by the Group have been identified and are regularly assessed, and that wherever possible, there are controls in place to eliminate, reduce or manage these risks.

The Risk Management Framework, based on ISO 31000, is an integral part of good management practice, reflecting the statutory requirements of the UAE and other international Corporate Governance Codes.

The Risk Framework considers strategic, operational, financial and compliance risks and covers projects, assets, business units, countries and corporate functions. The framework includes a formal process that is designed to facilitate the systematic and continuous identification, analysis, mitigation, monitoring and reporting of those risks which could threaten the Group's ability to deliver its objectives.

Risk Management Responsibilities

Risk management is a Board level responsibility and a fundamental part of good business practice. Dana Gas has formal risk management processes in place throughout the Group, with designated Director level responsibility for the key Group risks.

In each area of risk, Executive Directors are supported by members of the senior management with group, business unit or in-country roles. We combine Board level awareness of risks with the assessment of specific risk exposures originating from and identified by the Group's country level and other business units.

Risk assessments and evaluations are incorporated into key business processes, including strategy and business planning, business development, project management and HSSE management processes.

Risk Management Oversight

The Dana Gas Board receives as a minimum quarterly reports on the significant risks facing the business. At the management level, a Risk Committee was established in 2011, composed of key members of the Executive Leadership Team.

The terms of reference of the Risk Committee include oversight and monitoring of the significant risks facing the business and review of the proposed mitigation strategies. The Committee meets once every quarter and the key outputs are available to the Board and Senior Management. Following the risk oversight processes makes it clear whether risks have been eliminated, mitigated or managed, or whether these measures are in progress, or the risk has increased to the point of requiring immediate attention.

Risk reporting is co-ordinated by the Corporate Risk Manager. Risk workshops are held annually to take a high level corporate view of the key risks facing the Dana Gas Group. These risks and the proposed mitigation strategies are submitted to the Board quarterly and included in the Annual Report and Accounts.

RISK FACTORS AND UNCERTAINTIES

Dana Gas' businesses in the MENA region are exposed to a number of risks and uncertainties, which could, either on their own or in combination with others, potentially have a material adverse effect on the Group's strategy, business, performance, results and/or reputation. In turn, these may impact shareholder returns, including dividends and/or Dana Gas's share price. The Group continues to define and develop processes for identifying and managing these risks. Some of the risks listed below may be outside the control of Dana Gas and the Group may also be affected adversely by other risks and uncertainties besides those listed here.

Operations

The Company's levels of production (and therefore revenues) are dependent on the continued operational performance of its producing assets. The Company's producing assets are subject to a number of operational issues including: reduced availability of those assets due to planned activities such as maintenance or shutdowns, unplanned outages, asset integrity and HSSE incidents and the performance of joint venture partners and contractors.

Funding and Liquidity

The Group's funding requirements depend on a broad range of factors including, for example, receivables, commodity prices, currency exchange rates, some of which are outside the Group's control and may cause capital requirements to vary materially from planned levels. Increases in the Group's capital requirements could adversely affect the Group's business and financial performance (including gearing), and the Group's ability to access finance on attractive terms may be limited.

A credit or debt crisis affecting sovereign states, banks, financial markets and/or the economy more generally could affect the Group's ability to raise capital. Dana Gas is also exposed to liquidity risks, including risks associated with refinancing borrowings as they mature and the risk that financial assets cannot readily be converted to cash without loss of value.

Health, Safety, Security and Environment

The production, transmission and distribution of hydrocarbons and associated products present a number of HSSE risks and the inherent potential for accidents or incidents. These include: asset integrity failure (leading to a loss of containment of hydrocarbons and other hazardous materials), personal health and safety, natural disasters and breaches of security. Major accidents or incidents and/or the failure to manage these risks could result in injury or loss of life, damage to the environment, or loss of certain facilities with an associated loss or deferment of production and revenues.

Project Delivery

The Group's future gas and oil production is, to a significant extent, dependent upon successful completion of development projects within budgeted costs, time and technical requirements. The successful delivery of projects may be subject to availability of funding, sub-surface uncertainties, legal and regulatory compliance, availability and performance of suppliers, and availability of critical equipment and material.

Political

The success of Dana Gas depends in part upon understanding and managing the political, economic and market conditions in the many diverse economies around the MENA region in which it does business. Specific country risks that could have an effect on Dana Gas's business include political violence and uprisings, regional and governmental instability, re-interpretation of existing tax laws, government intervention in license awards, increased royalty payments and political obstacles to key project delivery.

Oil and Gas Prices Risk

The Company's cash flows and profitability are sensitive to commodity prices for crude oil and other hydrocarbons. Crude oil prices have fluctuated widely in the past and are likely to be volatile in the future. Prices for oil are based on world supply and demand and a number of other factors including government regulation, exchange rate fluctuations, speculative activity and social and political conditions.

Exploration

Dana Gas' future gas and oil production is highly dependent upon finding, acquiring and developing new reserves. In general, the rate of production from natural gas and oil reservoirs declines as reserves are depleted. The Group needs to replace these depleted reserves with new proved reserves cost-effectively and on a consistent basis. This could be affected by a number of factors including barriers to gaining new exploration acreage, funding constraints, inaccurate interpretation of geological and engineering data and disruptions to the successful implementation of the drilling programme.

Insurance

The transfer of risks to the insurance market may be affected and influenced by constraints on the availability of cover, market appetite and capacity, pricing and the decisions of regulatory authorities. Some of the major risks associated with the Group's activities cannot or may not be reasonably or economically insured. Dana Gas may incur significant losses from different types of risks that are not covered by insurance.

Corporate Governance

Corporate Governance

Early Corporate Governance Vision

Dana Gas has recognized from the outset that the adoption of best corporate governance practices is fundamental to building a strong, firm and successful reputation as a leading company in the Region and in the oil and gas sector of the Middle East.

The first step in this regard was taken in April 2006 a few months after the incorporation of the Company. Dana Gas commissioned the International Finance Corporation (part of the World Bank Group) to assess corporate governance practices within the Company with a view to improve the efficiency and effectiveness of the Board of Directors, strengthening the control environment and ensuring that the disclosure and transparency practices of the Company are consistent with the latest developments in international standards.

The Board of Directors of Dana Gas is committed to ensuring long term value growth for its Shareholders and strongly believes in the role of effective corporate governance standards in the realization of sustained growth. By establishing appropriate strategic objectives and translating them into business plans, this will further the growth of the Company.

The Board of Directors and Executive Management adhere strictly to implement corporate governance practices and see it as a means to develop and improve the standards of transparency, honesty, effective control, and professional conduct. This in turn enhances the confidence of investors and serves the interest of both shareholders and employees, as well as society, partners and customers locally, regionally and internationally.

Dana Gas is committed to implementing UAE Ministerial Resolution No. 518/2009 related to Corporate Governance Regulations and Institutional Control Standards. Dana Gas amended its Articles of Association in 2010 to fully conform with the requirements of the Ministerial Resolution 518/2009.

The Company follows the principles prescribed in the Ministerial Resolution No. 518/2009 relating to Corporate Governance Regulations and Institutional Control Standards at all levels: The Compliance Officer, Corporate Secretary and the Internal Control Manager oversee commitment and adherence to corporate governance guidelines by employees, departments and subsidiaries. At the level of the Board of Directors, the Audit Committee and the Corporate Governance Committee are committed to ensure compliance with applicable policies and regulations. The Committees present reports on corporate governance matters periodically to the Board of Directors.

Dealings of Directors and Employees and their Relatives in the Securities of the Company

In June 2011, the Company issued the Rules Governing Dealings by Directors and Employees in the securities of the Company.

The Rules include all relevant provisions in the regulations and rules issued by the Securities and Commodities Authority and Abu Dhabi Stock Exchange. It defines the periods during which Directors and Employees are not permitted to deal in the Company's securities. None of the Directors or Employees traded in the Company's securities during the ban periods set out in the Securities and Commodities Authority Resolution No. 2/2001. There were no dealings by the Board of Directors or their relatives in the Securities of the Company during the year 2012.

Functions and Composition of the Board of Directors

The Company's Articles of Association provide that the Board of Directors is vested with full authority and powers for oversight of the affairs of the Company and is generally responsible for approval of the Company's strategy and business plans and supervision of the Executive Management.

Functions of the Board of Directors:

The Board of Directors works on achieving the desired Company growth in value for the shareholders. The main responsibilities of the Board of Directors are as stated below:

1. Establishing the strategy and business plan;
2. Approving the annual budget and the allocation of resources;
3. Defining investment priorities and approving business opportunities;
4. Supervising soundness of financial results and reports and effectiveness of internal controls;
5. Establishing the responsibility and accountability matrix with appropriate powers;
6. Assessment of executive management performance; and
7. Deciding on the appointment and succession of senior executives

The Chairman presides over the meetings of the Board and ensures effectiveness of its deliberations and availability of the necessary information for discharging its functions. The responsibilities of the Chairman of the Board of Directors include the following:

1. Ensuring the effective performance by the Board and timely discussion of all main topics presented to the Board of Directors;
2. Preparing and approving the agenda of the meetings of the Board of Directors taking into consideration matters proposed by the other Directors. The Chairman may delegate this responsibility under his supervision to a Director or the Corporate Secretary;
3. Encouraging Directors to actively participate in the deliberations of the Board of Directors to achieve the best interests of the Company;
4. Taking appropriate actions to ensuring efficient communication with Shareholders and communicating their opinions to the Board of Directors;
5. Facilitating efficient means for participation by the Directors in particular Non-Executive Directors and to promote constructive working relationship between Executive and Non-Executive Directors.

Constitution of the Board of Directors

The Board of Directors consists of 18 Members. The majority of them are leading businessmen from the GCC countries, in addition to other Members with outstanding experience in the oil and gas sector.

The Board includes 12 Independent Members, 17 Non-Executive Members, and 1 Executive Member. Most of the Directors have occupied their seats in the Board since the incorporation of the Company in November 2005. 3 Members were elected in April 2009 and 2 new Members were elected in June 2012.

The Board is elected by the General Assembly every 3 years. The current Board of Directors was elected on 7 June 2012.

The current Board of Directors Members are as follows:

SN	Directors	Category	Date of Joining	Qualifications	Experience
1	Dr. Adel Al-Sabeeh, Chairman	Non-Executive Independent	Nov. 2005	PhD in Mechanical Engineering "North Carolina State University" USA	Dr. Al-Sabeeh is the Chairman and Managing Director of National Industries Company (NIC) in Kuwait. He is also the Chairman of the Board of Directors of Dana Gas. Dr. Adel was a former Chairman of Kuwait Petroleum Company (KPC). He also held several ministerial posts like Ministry of Oil, Electricity and Water, Housing Affairs and Health. In addition, he held high esteemed positions at Kuwait University as Vice President for research.
2	Dr. Tawfeeq Almoayed, Vice Chairman	Non-Executive Independent	Nov. 2005	Bachelors Degree in Electrical Engineering with First Class Honours PHD in Telecommunications "Queen Mary College, London University" Fellow of the Institution of Engineering and Technology UK	Dr. Almoayed is the Chairman of T.A. Almoayed and Sons WLL and Chairman of Almoayed Wilhelmsen Ltd. He is also the Vice Chairman of the Board of Directors of Dana Gas. In addition, he is Vice-Chairman of A.K. Almoayed Group and Board Member of Kimberly Clark Holding Company. Through numerous positions in his professional expertise in the intricacies of successfully doing business in the Middle East.

SN	Directors	Category	Date of Joining	Qualifications	Experience
					Dr. Almoayed is recognized as a partner, co-investor and strategic advisor to regional and internal multinationals operating in the Gulf Cooperative Council States. His working experience ranges from petrochemical, telecom, consultancy and shipping.
3	Mr. Hamid Dhiya Jafar	Non-Executive Non-Independent	Nov. 2005	Masters Degree in Engineering (Thermodynamics and Fluid Flow) "Cambridge University" UK	Mr. Hamid Jafar is the Chairman of the Board of the Crescent Group of companies. In addition to his primary business in oil and gas, Mr. Hamid has a variety of global commercial interests including container shipping, terminal operations, transport and logistics, real estate, power generation and private equity. Mr. Hamid has also promoted important projects in higher education at Cambridge University. He is also an active supporter of many charities.
4	HE Sheikh Sultan Bin Ahmed Al-Qasimi	Non-Executive Non-Independent	Nov. 2005	B.Sc. in Business Administration "Arkansas State University", USA Masters in Computer Information Systems "University of Detroit Mercy" USA	HE Sheikh Al-Qasimi is the Deputy Chairman of the Sharjah Petroleum Council and Chairman of Sharjah Pipeline Co. (Anabeeb). In addition, he is the Chairman of the Board of several companies as Basma Group, Green Plant LLC, Sharjah Media Corporation and the Medical Waste Company (WEKAYA) LLC. HE Sheikh Al-Qasimi has extensive experience in the areas of trade development, tourism, media, and oil as well as in the commercial sector.
5	Sheikha Hanadi Nasser Al-Thani	Non-Executive Independent	April 2009	Executive MBA "London Business School" Bachelors Degree in Economics "Qatar University" Masters Degree in Economics "University of London"	Sheikha Al-Thani is the Founder and Chairperson of AMWAL, CEO of Al Waab City Real Estate development project and Vice Chairman of Nasser Bin Khaled Al Thani & Sons Group in Qatar. In addition, she is the Founding Chairperson of "INJAZ QATAR" and a Board Member of "INJAZ Al-ARAB". She is a fervent supporter of community activities and serves as a trustee on the Board of the Arab Women's International Forum.
6	Mr. Ahmed Rashid Al-Arbeed	Non-Executive Non-Independent	Nov. 2005	Bachelors Degree in Petroleum & Natural Gas Engineering "Pennsylvania State University" USA	Mr. Al-Arbeed is the General Manager of Seven Sisters Company in Kuwait. He served as a former Chief Executive Officer of Dana Gas. He is a former Chairman & Managing Director of Kuwait Oil Company (KOC) and also for Kuwait Foreign Petroleum Exploration Co. (KUFPEC). He established the Oil Development Company (ODC), a subsidiary of KPC.

SN	Directors	Category	Date of Joining	Qualifications	Experience
7	Mr. Said Youssef Arrata	Non-Executive Non-Independent	Feb. 2007	B.Sc. in Petroleum Engineering "Cairo University" Several post-graduate accreditations at various universities in North America	Mr. Arrata is the Chairman and CEO of Sea Dragon Energy in Canada, a public Company involved in exploration and production of oil and gas concessions operating and producing in Egypt. He is a Board Member at Deep Well Oil and Gas Incorporation. He is a former CEO of Centurion Energy International, and served in senior management positions in major global oil companies in Canada and around the world.
8	Mr. Ziad Abdulla Galadari	Non-Executive Independent	Nov. 2005	Bachelors of Laws (LLB) "UAE University"	Mr. Galadari is the Founder & Chairman of Galadari Advocates & Legal Consultants. He is also the Chairman of Galadari Investments Group and the Higher Organizing Committee for Dubai International Arabian Horse Championship.
9	Mr. Majid Hamid Jafar	Non-Executive Non-Independent	Nov. 2005	Bachelors and Masters Degree in Engineering (Fluid Mechanics and Thermodynamics) "Cambridge University, Churchill College" UK MA (with distinction) in International Studies and Diplomacy from "University of London's School of Oriental & African Studies" MBA (with distinction) from "Harvard Business School" USA	Mr. Majid Jafar is the CEO of Crescent Petroleum, the Middle East's oldest private oil & gas Company, and Vice-Chairman of the Crescent Group of companies. In addition, he is the Board Managing Director of Dana Gas. His previous experience was with Shell International's Exploration & Production and Gas & Power Divisions. Mr. Majid Jafar is also an active member of the World Economic Forum Global Agenda Council for Youth Unemployment, the Royal Institute for International Affairs in London, the Young Presidents Organization and the Young Arab Leaders Organization, and is an accredited Director of the Institute of Directors (IoD Mudara) in Dubai.
10	Mr. Rashid Saif Al-Jarwan	Executive Non-Independent	January 2008	Bachelors Degree in Petroleum & Natural Gas Engineering "Pennsylvania State University" USA	Mr. Al-Jarwan is the Executive Director of Dana Gas in addition to his current role as Acting CEO. He was the General Manager for Dana Gas for 3 years and ADGAS for 8 years. He held various executive and technical positions in the ADNOC Group of companies for 28 years in Abu Dhabi. He served on the Board of National Petroleum Construction Co., National Drilling Co., FERTIL, Abu Dhabi and Sharjah Industrial Development.

SN	Directors	Category	Date of Joining	Qualifications	Experience
11	Mr. Abdulaziz Hamad Al-Jomaih	Non-Executive Independent	Nov. 2005	Masters Degree in Public Administration "University of Southern California" USA Bachelors Degree in Engineering "King Saud University" Saudi Arabia	Mr. Al-Jomaih is the Managing Director of International Investments of Aljomaih Group. In addition, he is Vice-Chairman of Arcapita Bank in Bahrain and Managing Director of Pergola Holding & its subsidiaries.
12	Mr. Abdullah Ali Al-Majdouie	Non-Executive Independent	April 2009	Bachelors and Masters Degree in Science College of Industrial Management, King Fahd University for Petroleum & Mineral (KFUPM), KSA	Mr. Al-Majdouie is the Group President and Vice Chairman of Almajdouie Group since 1986. In addition, he serves as Chairman of several companies in Saudi Arabia and UAE. In addition, he is a Counseling Member at Tharawat in Dubai and a member of several social and charitable institutions.
13	Mr. Ahmed Mohammed Al-Midfa	Non-Executive Independent	June 2012	Bacelors Degree in Business Administration Cairo University Egypt	Mr. Al-Midfa is the Chairman of Sharjah Chamber of Commerce & Industry, and Expo Centre Sharjah. In addition, he serves as Chairman of Ruwad Establishment in Sharjah and Third Vice President of the Germany Arab Chamber of Commerce, and also Chairman of International Association of Exposition Management Arabian Gulf Chapter. He is a Former Director of the Bureau of H.H the Ruler of Sharjah and Director General of Sharjah Ports and Customs Department and Second Deputy Chairman of the Federal National Council. In addition, he serves on the Board of various Chambers of Commerce and Business Councils.
14	Mr. Varouj Abraham Nerguizian	Non-Executive Independent	Nov. 2005	Sciences Economiques "Universite' Saint Joseph" Lebanon "Universite' Lyon Lumiere" France	Mr. Nerguizian is the Executive Director and General Manager of Bank of Sharjah since 1992. He is the Chairman and General Manager of Emirates Lebanon Bank SAL, Lebanon (member of Bank of Sharjah Group) since 2008. He is also a Founding Member and Chairman of the Lebanese Educational Fund SA and of the Lycee' Libanais Francophone Prive, Dubai a non-profit educational initiative that caters to the needs of the Lebanese and Francophone communities of the UAE since 2003.

SN	Directors	Category	Date of Joining	Qualifications	Experience
15	Mr. Nasser Mohamed Al-Nowais	Non-Executive Independent	April 2009	Bachelors Degree in Business & Public Administration “New York University” USA	Mr. Al-Nowais is the Chairman of Rotana Hotel Management Corp. Ltd. and Aswaq Management & Services. In addition, he is the Managing Director of Abu Dhabi Trade Center.He served as Former Under-Secretary of UAE Ministry of Finance, and a Former Chairman of Arab Insurance Group.
16	Mr. Salah Abdel Hadi Al-Qahtani	Non-Executive Independent	June 2012	Bachelors Degree in Business Administration “Houston University” USA	Mr. Al-Qahtani is the Vice Chairman of Abdel Hadi Abdullah Al-Qahtani & Sons Group of Companies in Dammam, and the Chairman of Young Arab Leaders. He serves on the Board of several companies.
17	Mr. Khalid Abdulrahman Al-Rajhi	Non-Executive Independent	Nov. 2005	Bachelors Degree in Finance “King Fahd University for Petroleum & Minerals” (KFUPM) KSA	Mr. Al-Rajhi is the Chief Executive Officer of Al-Rajhi Partners & Al-Rajhi Holdings in KSA. The companies invest in financial services, infrastructure, telecoms, real estate oil, gas and natural resources both in Saudi Arabia and abroad. In addition, he serves as Chairman/ Member of the Board of several companies.
18	Mr. Rashad Muhammad Al-Zubair	Non-Executive Independent	Nov. 2005	Bachelors Degree in Business Administration “University of Colorado” USA	Mr. Al-Zubair is the Chairman of The Zubair Corporation (Z-Corp) in Sultanate of Oman. He is also the Chairman of Oman Arab Bank and Vice Chairman of Barr Al Jissah Resort Co. operated by Shangri-La. He is a former Deputy Chairman of the Oman Business Council and member of its founding Directors and also a former Director of Oman International Development and Investment Company SAOG (OMNIVEST) and also a Director of the Capital Market Authority.

Membership of Boards of Directors in other companies

Dana Gas’ Directors act as board members of leading companies, banks and business institutions as stated below:

SN	Directors	Directorship in other companies
1	Dr. Adel Khalid Al-Sabeeh, Chairman	-Chairman, Proclad Group International Ltd. (subsidiary of National Industry Group), Kuwait -Former Chairman, Kuwait Petroleum Corporation -Chairman, Saudi Lime Industries, Saudi Arabia -Chairman, Saudi Insulated Blocks, Saudi Arabia -Deputy Chairman, Ikarus Petroleum Industries Company, Kuwait -Board Member, Kuwait Foundations of Advancement of Science

SN	Directors	Directorship in other companies
2	Dr. Tawfeeq Abdulrahman Almoayed, Vice Chairman	-Chairman, TA Almoayed and Sons WLL -Chairman, Almoayed Wilhelmsen Ltd. -Vice-Chairman, A.K. Almoayed Group -Board Member, Kimberly Clark Holding Company -Founding Chairman & Managing Director, Gulf Petro-Chemical Industries Co. -Former First Deputy Chairman, Bahrain Telecommunications Co. (BATELCO) and Executive Committee Member -Fellow of the Institution of Engineering and Technology, UK
3	Mr. Hamid Dhiya Jafar	-Chairman, Crescent Group of companies -Chairman, Gulftainer Ltd. -Founding Shareholder, URUK Group -Founding Shareholder, Abraaj Capital -Founder, UAE Chapters of the Young Presidents Organization and the World Presidents Organization -Member, International Chief Executives Organization -Chairman of the Finance Committee, American University of Sharjah -Member of the Board of Trustees, American University of Sharjah
4	HE Sheikh Sultan Bin Ahmed Al-Qasimi	-Deputy Chairman, Sharjah Petroleum Council -Deputy Chairman, Sharjah Equestrian & Racing Club -Chairman, Sharjah Pipeline Company (Anabeeb) -Deputy Chairman, Sharjah LPG Co. -Chairman, Basma Group -Chairman, Green Plant LLC -Chairman, Sharjah Commerce and Tourism Development Authority -Chairman, Sharjah Media Corporation -Member of Sharjah Executive Council -Chairman of the Medical Waste Co. (WEKAYA) LLC -Chairman, Sharjah National Oil Company
5	Sheikha Hanadi Nasser Al-Thani	-Founder and Chairperson, AMWAL, Qatar -CEO, Al-Waab City Real Estate Development Project, Qatar -Deputy CEO, Nasser Bin Khaled Al Thani & Sons Group, Qatar -Chairperson, INJAZ Qatar -Board Member, INJAZ AL-ARAB -Member of the Board of Trustees, Arab Women’s International Forum -Member of the Board of Trustees, College of Business and Economics, Qatar University -Member, Advisory Board of The Arab Business Angels Network (ABAN) -Founding Member, Qatar National Competitiveness Council
6	Mr. Ahmed Rashid Al-Arbeed	-Member, Kuwait Engineering Society -Member, Society of Petroleum Engineers in USA -Member, Association of International Petroleum Negotiators
7	Mr. Said Youssef Arrata	-Chairman and Chief Executive Officer, Sea Dragon Energy in Canada -Board Member, Deep Well Oil and Gas Incorporation
8	Mr. Ziad Abdulla Galadari	-Founder & Chairman, Galadari Advocates & Legal Consultants -Chairman, Galadari Investments Group -Chairman, Dubai International Arabian Horse Championship -Board Member, Emirates Equestrian Federation & Jebel Ali Racecourse Council -Board Member, Dubai World Trade Centre -Board Member, DU Telecommunications Services
9	Mr. Majid Hamid Jafar	-CEO, Crescent Petroleum -Vice-Chairman, Crescent Group of companies -Board Member, Arab Forum for Environment and Development (AFED) -Board Member, Sharjah Chamber of Commerce -Board Member, Sharjah Expo -Board Member, Iraq Energy Institute -Board Member, Carnegie Middle East Center -Board Member, the New Leaders of International Institute of Education (IIE)

SN	Directors	Directorship in other companies
10	Mr. Rashid Saif Al-Jarwan	- Board Member, Emirates General Petroleum Corporation (EMARAT) - Board Member, Oman Insurance Company - Board Member, Dubai International Financial Centre Investments (DIFC)
11	Mr. Abdulaziz Hamad Al-Jomaih	-Managing Director, International Investments of Aljomaih Group -Vice-Chairman, Arcapita Bank, Bahrain -Managing Director, Pergola Holding & its subsidiaries -Board Member, Etihad Etisalat Company, KSA -Board Member, Pearl Initiative (A United Nations Initiative), UAE
12	Mr. Abdullah Ali Al-Majdouie	-Vice Chairman, Almajdouie Group -Chairman, Almajdouie PSC Heavy Lift Co., Bahrain -Chairman, Almajdouie De Rijke Logistic Co. -Chairman, Rabigh Petrochemical Logistic LLC -Chairman, Star Marines Services, Dubai -Board Member, Al Hassa Development Co. -Board Member, Arbah Capital Investment Co. -Board Member, Prince Mohammed Bin Fahd University -Counseling Member, Tharawat, Dubai -Member of several social and charitable institutions
13	Mr. Ahmed Mohammed Al-Midfa	-Chairman, Sharjah Chamber of Commerce & Industry -Chairman, Expo Centre Sharjah -Chairman, International Association of Exposition Management (IAEM) Arabian Gulf Chapter -Chairman, Ruwad Establishment at Sharjah -Co-Chairman of Joint Business Council UAE-Germany -Vice President, Federation Arab of Industry Leather -Board Member, UAE Federation of Chambers of Commerce and Industry -Board Member, University of Sharjah -Board Member, Arab Federation for Protection of Intellectual Property Rights -Board Member, the Joint Portuguese-Arab Chamber of Commerce -Board Member, Germany-Arab Chamber of Commerce -Board Member, National US-Arab Chamber of Commerce -Board Member, Egyptian-UAE Business Council -Board Member, Oman-UAE Business Council -Board Member, Tunisian-UAE Business Council
14	Mr. Varouj Abraham Nerguizian	-Executive Director and General Manager, Bank of Sharjah -Chairman and General Manager, Emirates Lebanon Bank SAL, Lebanon -Board Member, Growthgate PEF -Founding Member and Chairman, Lebanese Educational Fund SA -Founding Member and Chairman, Lycee' Libanais Francophone Prive', Dubai (non-profit educational institution)
15	Mr. Nasser Mohamed Al-Nowais	-Chairman, Rotana Hotel Management Corp Ltd -Chairman, Aswaq Management & Services -Managing Director, Abu Dhabi Trade Center -Board Member, Abu Dhabi Council for Economic Development
16	Mr. Salah Abdel Hadi Al-Qahtani	-Vice Chairman, Abdel Hadi Abdullah Al-Qahtani & Sons Group of Companies -Chairman, Young Arab Leaders -Founder and Director, United Gas Technology Co. -Board Member, Evolvence Capital -Board Member, Merchant Bridge & Company -Board Member, "Business Owner Union" (Islamic Chamber of Commerce & Industry), Jeddah, ICC -Board Member, Strategic Planning Committee of FFA Private Bank -Board Member, National Committee for Saudi Red Crescent

SN	Directors	Directorship in other companies
17	Mr. Khalid Abdulrahman Al-Rajhi	-CEO, Al Rajhi Partners & Al-Rajhi Holdings, KSA -Chairman, Procare Hospitals, Khobar -Chairman, Al-Salam Schools, Khobar -Chairman, Fakhri Hospital, Khobar -Chairman, Saudi Cement Company -Board Member, Bank Al Bilad -Board Member, Walaa Insurance Company -Board Member, Takween Advance Industries -Member, Research & Scientific Programs Fund (KFUPM) -Member, Higher Council, Eastern Province (Government Sector) -Member, Prisoners' Affairs Committee (Government Sector) -Member, "UN Pearl Initiative Program"
18	Mr. Rashad Muhammad Al-Zubair	-Chairman, The Zubair Corporation ("Z-Corp"), Sultanate of Oman -Chairman, Oman Arab Bank -Vice Chairman, Barr Al Jissah Resort Co. SAOC

Directors' Remuneration

The Directors receive an annual payment in addition to an attendance fee. The Remuneration and Nominations Committee proposes the annual Directors' remuneration and if endorsed by the Board of Directors, the proposal will be submitted to the General Assembly for approval in accordance with the Company's Articles of Association. The Directors' remuneration is disclosed in the annual financial statements of the Company. Executive Directors are not entitled to any Directors' remuneration.

The following table shows the total remuneration for the Members of Board of Directors and Committees during the fiscal year of 2011, which was approved by the Annual General Assembly in April 2012:

Board Member	Total Remuneration
HH Sheikh Ahmed Bin Sultan Al-Qasimi	500,000
Dr. Adel Al-Sabeeh	500,000
Dr. Tawfeeq Almoayed	500,000
Mr. Hamid Jafar	500,000
HE Sheikh Sultan Bin Ahmed Al-Qasimi	500,000
Sheikha Hanadi Nasser Al-Thani	500,000
Mr. Ahmed Al-Arbeed	-
Mr. Said Arrata	500,000
Mr. Ziad Galadari	500,000
Mr. Majid Jafar	500,000
Mr. Rashid Al-Jarwan	-
Mr. Abdulaziz Al-Jomaih	500,000
Mr. Abdullah Al-Majdouie	500,000
Mr. Varouj Nerguizian	500,000
Mr. Nasser Al-Nowais	500,000
Mr. Khalid Al-Rajhi	500,000
Mr. Adib Al-Zamil	500,000
Mr. Rashad Al-Zubair	500,000
Total	8,000,000

Attendance Allowance for Board and Committee Meetings
In addition to the annual remuneration, the Members of the Board of Directors received a lump sum of AED 15,000 as attendance allowance for Board and Committee meetings, which is not paid in case of no show.

Proposed remuneration of the Board of Directors for the Year 2012
The Board of Directors has approved the recommendation presented by the Remuneration & Nominations Committee on the Directors' remuneration for the year 2012 to be similar as the previous year 2011 (as per the above table). The recommendation will be presented to the next Annual General Assembly Meeting in April 2013 for ratification.

Even if the Company has not distributed dividends to Shareholders, the Board Members may be granted remuneration for the financial year according to Article 33 of the Company's Article of Association which provides that the Company may pay Directors a fixed annual remuneration, or an additional fee or compensation to any member as determined by the Board and approved by the Annual General Assembly. The Company is an exempt Company in accordance with the provisions of Federal Law No. 15/1998.

The following table shows the attendance allowances in AED for Board Committees during the fiscal year of 2011 which was approved by the Annual General Assembly in April 2012:

Board Member	Corporate Governance, Remuneration & Nominations Committee	Audit & Compliance Committee	Board Steering Committee	Total
Dr. Adel Al-Sabeeh, Chairman			75,000	75,000
Dr. Tawfeeq Almoayed, Vice Chairman	100,000		75,000	175,000
Mr. Hamid D. Jafar			100,000	100,000
HE Sheikh Sultan Bin Ahmed Al-Qasimi		75,000		75,000
Sheikha Hanadi Nasser Al-Thani	75,000			75,000
Mr. Ahmed Al-Arbeed	-	-	-	-
Mr. Said Arrata	75,000		75,000	150,000
Mr. Ziad Galadari	75,000		75,000	150,000
Mr. Majid Jafar	75,000			75,000
Mr. Rashid Al-Jarwan				-
Mr. Abdulaziz Al-Jomaih		75,000		75,000
Mr. Abdullah Al-Majdouie		75,000		75,000
Mr. Varouj Nerguizian		100,000	75,000	175,000
Mr. Nasser Al Nowais		75,000		75,000
Mr. Khalid Al-Rajhi		75,000		75,000
Mr. Adib Al-Zamil	75,000			75,000
Mr. Rashad Al-Zubair	75,000			75,000
Total	550,000	475,000	475,000	1,500,000

Mr. Salah Al-Qahtani joined the Audit Committee and Mr. Ahmed Al-Midfa joined the Corporate Governance, Remuneration & Nominations Committee in September, 2012. Therefore, they are not entitled for committees' attendance allowance for 2011. Their annual remuneration and attendance allowance for Board and committee meetings for 2012 will be subject to approval by the next General Assembly in April 2013.

Committees' attendance allowances for 2012 will be presented in the General Assembly Meeting in April 2013. Allowances are fixed amounts paid to Committee Members where the amount of AED 100,000 is paid to Committee Chairman and AED 75,000 is paid to Committee Member. The Committees have been reconstituted in September 2012, therefore membership in committees has changed.

The table below shows the committees' attendance allowances for 2012 that will be presented in the General Assembly Meeting for ratification

Board Member	Corporate Governance, Remuneration & Nominations Committee	Audit & Compliance Committee	Board Steering Committee	Total
Dr. Adel Al-Sabeeh, Chairman			91,670	91,670
Dr. Tawfeeq Almoayed, Vice Chairman	66,670		75,000	141,670
Mr. Hamid D. Jafar			33,330	33,330
HE Sheikh Sultan Bin Ahmed Al-Qasimi		50,000		50,000
Sheikha Hanadi Nasser Al-Thani	50,000			50,000
Mr. Ahmed Al-Arbeed				-
Mr. Said Arrata	75,000		50,000	125,000
Mr. Ziad Galadari	83,330		75,000	158,330
Mr. Majid Jafar	50,000	25,000	25,000	100,000
Mr. Rashid Al-Jarwan				-
Mr. Abdulaziz Al-Jomaih		75,000		75,000
Mr. Abdullah Al-Majdouie	25,000	50,000		75,000
Mr. Ahmed Al-Midfa	25,000			25,000
Mr. Varouj Nerguizian		100,000	75,000	175,000
Mr. Nasser Al-Nowais		75,000		75,000
Mr. Salah Al-Qahtani		25,000		25,000
Mr. Khalid Al-Rajhi		50,000		50,000
Mr. Adib Al-Zamil	25,000			25,000
Mr. Rashad Al-Zubair	75,000			75,000
Total	475,000	450,000	425,000	1,350,000

Board of Directors' Meetings

According to the Company's Articles of Association, the Board of Directors meets every 3 months. The Board of Directors had (8) meetings during the year 2012 as shown in the below table, exceeding the rules of governance prescribed by the Securities and Commodities Authority which requires (6) Board meetings per year.

Board Member	4 Jan	22 Feb	25 April	7 June	29 July	26 Sept	5 Nov	18 Nov
Dr. Adel Al-Sabeeh, Chairman	x	o	o	x	o	o	o	o
Dr. Tawfeeq Almoayed, Vice Chairman	o	o	o	o	o	o	x	o
Mr. Hamid Jafar	o	o	o	o	o	o	o	o
HE Sheikh Sultan Bin Ahmed Al-Qasimi	x	o	o	x	o	o	x	x
Sheikha Hanadi Nasser Al Thani	x	o	o	x	o	x	o	x
Mr. Ahmed Al-Arbeed	o	o	o	o	o	o	x	o
Mr. Said Arrata	o	o	o	x	x	x	o	o
Mr. Ziad Galadari	o	o	o	o	x	o	x	o
Mr. Majid Jafar	o	o	o	o	o	o	o	o
Mr. Rashid Al-Jarwan	o	o	o	o	o	o	o	o
Mr. Abdulaziz Al-Jomaih	o	o	o	x	o	o	o	x
Mr. Abdullah Al-Majdouie	o	o	o	o	o	o	o	o
Mr. Ahmed Al-Midfa (from June 2012)	N/A	N/A	N/A	N/A	o	o	x	x
Mr. Varouj Nerguizian	o	o	o	o	o	o	o	o
Mr. Nasser Al-Nowais	o	o	o	o	o	o	o	o
Mr. Salah Al-Qahtani (from June 2012)	N/A	N/A	N/A	N/A	x	o	o	o
Mr. Khalid Al-Rajhi	o	o	x	x	x	x	x	o
Mr. Adib Al-Zamil (till April 2012)	o	o	x	N/A	N/A	N/A	N/A	N/A
Mr. Rashad Al-Zubair	x	x	x	o	o	o	o	o

(o) present (x) absent (N/A) Not Applicable

Responsibilities of the Executive Management

The Board of Directors has delegated the Company's Executive Management the following functions and responsibilities:

1. Management of the day to day affairs and business of the Company and plans laid down by the Board of Directors to achieve Company's strategies and to execute the policies;
2. To submit to the Board of Directors accurate periodic reports about the financial position of the Company, its business, actions taken to manage risks and internal control procedures;
3. To provide the Board of Directors with all information and documents required for the meetings of the Board of Directors on a timely basis;
4. To identify and submit studies and proposals relating to business development and new investment opportunities;
5. To provide regulatory bodies (Ministry of Economy, Securities and Commodities Authority, Abu Dhabi Securities Exchange) with information, statements and documents as required in accordance with applicable laws, rules and regulations.

During 2012, the Board of Directors delegated Mr. Hamid Jafar, Board Director, the task of leading the negotiations with the Sukukholders concerning restructuring of the Company's Sukuk issued in 2007.

Details of transactions with related parties (Stakeholders)

Related parties represent joint ventures, major Shareholders, Directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

	2012		2011	
	Revenues	Fees for management services	Revenues	Fees for management services
	USD mm	USD mm	USD mm	USD mm
Joint ventures	1	-	1	-
Major shareholders	-	1	-	-
	1	1	1	-

Senior Executives of the Company

The following table shows the names of the Senior Executives of the Company with their designations, appointment dates and total remuneration and bonus paid to them.

Name	Job Title	Date of appointment	Total remuneration for 2012 (Salary + Allowances) excluding expenses claims	Total Bonuses Paid in 2012
Mr. Rashid Al-Jarwan	Executive Director Acting CEO	April 2009 Sept. 2012	AED 1,589,531	AED 812,552
Mr. Donald Dorn-Lopez	Technical Director	Sept. 2009	AED 1,617,939	AED 789,260

External Auditors

Brief Summary on External Auditors

On 20th April, 2011 the Annual General Assembly re-appointed Ernst & Young as external auditors for the Company's financial accounts for the year 2012. They have been appointed as external auditors for the past seven years. No other external auditor other than the Company's auditor provided any other services during the fiscal year 2012.

Ernst & Young is one of the top four audit firms in the world with a network of 167,000 in more than 140 countries. It is an independent professional firm, which has been in the region since 1923 and has evolved during this period to become one of the largest four companies for accounting services in the world.

The industries covered by the firm include oil and gas, financial/banking, technology and communications, healthcare, manufacturing and industrial services, infrastructure & PPP services, hotel and leisure, consumer products and allied sectors. The firm's enterprises and major clients include government ministries, major oil companies (public as well as private), airlines, central banks and financial institutions.

External Auditors' Fees

The external auditors' fees are disclosed in the annual financial statements. The statutory fees for 2012 amounted to AED 350,000 as approved by the AGM.

The Audit and Compliance Committee

The Audit and Compliance Committee consists of the following Members:

Members of the Committee	Title
Mr. Varouj Nerguizian	Chair-Independent Director
Mr. Majid Jafar	Non-Executive Director
Mr. Abdulaziz Al-Jomaih	Independent Director
Mr. Nasser Al-Nowais	Independent Director
Mr. Salah Al-Qahtani	Independent Director

Most of the Members of the Audit Committee come from a financial business or banking background and are familiar with financial, accounting, banking and business administration matters. A majority of the Members are independent directors.

The role of the Audit and Compliance Committee is to assist the Board of Directors in performing its function of supervision over the finances of the Company and ensuring compliance with applicable regulations. In order to perform the tasks entrusted to it, the Committee carries out the functions prescribed by the Ministerial Resolution No. 518/2009 including:

1. Reviewing the quarterly financial statements;
2. Supervision of the preparation and compiling of the Company's financial statements, and the procedure for preparation of financial reports;
3. Ensuring the soundness and correctness of the Company's financial statements and reports;
4. Reviewing risk management and internal control procedures;
5. Recommendation of the fees of the Company's external auditors;
6. Recommendation related to the Internal Audit Department's plans and activities in the Company.

In addition to the above the Committee performs the functions and competencies prescribed in the Ministerial Resolutions No. 518/2009.

The table below shows the number and dates of meetings held by the A&C Committee during 2012:

Members of the A&C Committee	29 January	13 May	8 August	25 September	31 October	17 November
Mr. Varouj Nerguizian (Chair)	o	o	o	o	o	o
Mr. Majid Jafar (from Sept. 2012)	N/A	N/A	N/A	x	o	o
Mr. Abdulaziz Al-Jomaih	x	o	x	o	x	x
Mr. Abdullah Al-Majdouie (till Aug. 2012)	x	x	o	N/A	N/A	N/A
Mr. Nasser Al-Nowais	o	o	o	o	o	o
Mr. Salah Al-Qahtani (from Sept. 2012)	N/A	N/A	N/A	x	o	o
HE Sheikh Sultan Bin Ahmed Al-Qasimi (till Aug. 2012)	x	x	x	N/A	N/A	N/A
Mr. Khalid Al-Rajhi (till Aug. 2012)	o	o	o	N/A	N/A	N/A

(o) Present (x) Absent N/A Not Applicable

Corporate Governance, Remuneration & Nominations Committee

The Corporate Governance, Remuneration & Nominations Committee is composed of the following Members:

Members of the Committee	Title
Mr. Ziad Galadari	Chair-Independent Director
Mr. Said Arrata	Non-Executive Director
Mr. Abdullah Al-Majdouie	Independent Director
Mr. Ahmed Al-Midfa	Independent Director
Mr. Rashad Al-Zubair	Independent Director

The majority of the Members of the Committee including its Chairman are independent directors and are possessed with considerable knowledge and expertise in corporate governance related regulations, remuneration, salaries and benefits policies.

The Committee oversees the compliance of the governing bodies of the Company including the General Assembly and the Board of Directors with corporate governance best practice, in addition to assisting the Board in relation to the appointment of senior executives, appraisal of management performance, succession plans, remuneration policies and nominations to the Board of Directors membership as provided by the Ministerial Resolution No. 518/2009.

To achieve its objectives the Committee exercises the following functions:
1. Preparing proposals of remuneration, salary, benefits and incentives policies;
2. Preparing proposals for human resources policies to improve performance and promote work environment and loyalty;
3. Recommending appropriate corporate governance standards and overseeing related Board of Directors' procedures and performance;
4. Reviewing non-financial disclosure standards;
5. Reviewing directors' remuneration and making appropriate recommendations to the Board;
6. Reviewing and approving senior employees' succession plans;
7. Maintaining good relationships with Shareholders, investors and regulators;
8. Conducting and supervising nominations to the Board of Directors.

The table below shows the number and dates of meetings held by the CGR&N Committee during 2012:

	Dates of meetings		
Members of the CGR&N Committee	25 April	28 July	25 September
Dr. Tawfeeq Almoayed (Chair till Aug. 2012)	o	o	o
Mr. Said Arrata	o	x	x
Mr. Ziad Galadari (Chair from Sept. 2012)	x	o	o
Mr. Majid Jafar (till Aug. 2012)	o	o	o
Mr. Abdullah Al-Majdouie (from Sept. 2012)	N/A	N/A	o
Mr. Ahmed Al-Midfa (from Sept. 2012)	N/A	N/A	o
Sheikha Hanadi Nasser Al-Thani (till Aug. 2012)	o	x	x
Mr. Adib Al-Zamil (till April 2012)	x	N/A	N/A
Mr. Rashad Al-Zubair	x	o	o

(o) Present (x) Absent N/A Not Applicable

Internal Control System

The Board of Directors established an Internal Control Department and defined its functions and appointed a manager for the department who reports to the Board of Directors on the following:

1. Assessing and scrutinizing the various risks facing the Company;
2. Preparing risks register to be updated quarterly and annually;
3. Preparing audit plan for the risks and the register in accordance with the directions of the Board of Directors and the Audit and Compliance Committee;
4. Ensuring availability of resources to carry out audit work and internal audit plan;
5. Implementing the plan and submit a periodical report to the Board of Directors and to the Audit Committee with observations on the procedures taken by the Executive Management with respect to them.

The Internal Control Department enjoys independence in performing its functions. It reports to the Board of Directors which acknowledges its responsibility for the internal control system and its effectiveness. The Internal Control Manager adopts the appropriate procedures to ensure the implementation of the directives of the Board of Directors in this regard. He raises any irregularities of the control system or Company's regulations and its policies and the Board's directives to the Board of Directors to take the appropriate action.

The Internal Control Department audits the internal control systems of the Company, its subsidiaries and affiliates with significant shares owned by Dana Gas. The Department has full power and authority to obtain information on those companies from any of its employees and its various departments at group level.

The Internal Control Manager prepares an annual audit plan and submits it to the Board of Directors for approval as deemed appropriate. The plan involves the comprehensive assessment of the risks facing the Company to address them properly and effectively.

The annual plan includes a list of the work and activities of the Department during the year including audit work. It also includes a specific oversight work scope with its timeline.

The Internal Control Manager, Mr. Mohammed Ali Baig, was appointed in December 2010. He has 22 years of experience working with multinational organizations in Pakistan, Middle East, United States and in the GCC countries with "Arthur Andersen" Company for 6 years and with "Qatar Gas" for 4 years.

Compliance during 2012

The Company had no fines during the fiscal year of 2012.

Corporate Social Responsibility

Dana Gas' corporate social responsibility activities span the countries where it operates. The Company's objective has been to play an active role supporting local communities located within its vicinity. Dana Gas has implemented a number of projects and programs in education, health and social activities in accordance with an annual corporate social responsibility plan approved by the Board of Directors.

The table below shows the Company's social contributions during the year 2012:

The Company's Corporate Social Responsibility during the year 2012

Activity	Purpose	Institution
UAE		
Educational Research	Educational	The American University in Sharjah (AUS)
Dana Gas Award for Distinguished	Educational	The American University in Sharjah (AUS)
Global Energy Forum	Relations	The Supreme Council for Energy in Dubai
Egypt		
Renovation of public nursery	Educational	Educational Enhancement
Regional Study with 15 partners	Study	Regional Study on Responsible Business
Public Awareness on CSR	Training	National CSR Center
Free educational material on internet	Educational	Skoool Portal (ESI)
Development of a joint committee on CSR	Industrial	Petro CSR Committee
Kurdistan Region of Iraq		
Providing the maternity hospital with ultrasound machine and lab for patients in Chemchemal.	Health	
Providing school supplies, stationaries and renovation works to 5 schools in Qadir Karam town. Providing nurseries in Chemchemal and a school in Qarachwar village. In addition to awarding scholarships for an MBA at the American University of Iraq, Suleymania to 10 students.	Educational	

Supplying potable water to 21 villages in Qadir Karam town during summer. Drilling two wells in two remote villages to provide potable water. Drilling water wells in Chemchemal, Shoresh and Qadir Karam as part of the Drought Program. Cleaning water sources and irrigation canals of 18 villages in Qadir Karam. In addition to providing Shwan area with a chlorine water purification system.	Health
Providing electricity to Qadir Karam town and three villages near the plant. Providing electricity to Qadir Karam town and three villages near the plant. Providing power generators to 8 villages in Qadir Karam town. Donation of 250 kva and 400 kva generators to Qadir Karam town and Sangaw District.	Community

General Information

Schedule of share price in the market at the end of each month of the fiscal year of 2012

Dana Gas Share Price (AED) – 2012	Month-End	High	Low
31 January	0.40	0.41	0.38
28 February	0.52	0.53	0.50
31 March	0.49	0.50	0.49
30 April	0.45	0.46	0.44
31 May	0.39	0.40	0.39
30 June	0.37	0.38	0.37
31 July	0.39	0.40	0.38
31 August	0.38	0.39	0.38
30 September	0.42	0.43	0.42
31 October	0.41	0.41	0.41
30 November	0.40	0.41	0.40
31 December	0.45	0.46	0.44

Statement on Company's shares performance with the market index

Date	DG Price	ADX Index	Energy Index
1 January	0.45	2397	1222
1 February	0.42	2466	1228
1 March	0.50	2624	1313
1 April	0.50	2568	1372
1 May	0.44	2505	1237
1 June	0.39	2427	1168
1 July	0.38	2460	1212
1 August	0.40	2517	1250
1 September	0.38	2557	1271
1 October	0.43	2635	1295
1 November	0.42	2673	1317
1 December	0.40	2677	1272

Statement of Shareholders' ownership as of 31/12/2012

Type	UAE	GCC	Arab	Others
Individuals	1,236,215,278	1,131,068,621	254,911,136	152,015,129
Companies	799,709,060	786,539,758	58,096,887	1,836,175,015
Governments	287,879,989	59,390,427	-	-
TOTAL	2,323,804,327	1,976,998,806	313,008,023	1,988,190,144

Statement of Shareholders owning 5% or more of the Company's capital

Citizenship	Investor Name	Quantity	%
GBR	Crescent Petroleum Co. Ltd.	1,328,108,236	20.12%

Major events encountered by the Company during 2012

1. Election of a new Board of Directors of the Company which comprises of of eighteen (18) members in June 2012.
2. In 2012, the Group conducted a seven-well exploration program with a 57% success rate. Out of these seven exploration wells, five were drilled in the Nile Delta concession.
3. Due to the delay of payment of the Company's receivables, the Group production decreased by 10% compared to year 2011 producing 59,800 boepd. The gross proved, probable and possible reserves are estimated to be 256 MMboe.
4. The Group's net profit after tax is AED 605 million during this year; an increase of 20% over 2011 records.
5. In June, two LPG road tankers, belonging to a third party LPG trader, caused a fire during filling at the loading facility of Khor Mor LPG Plant in Kurdistan Region of Iraq, leading to 5 fatalities and damaging the loading bay which is currently under rebuild.
6. In September, the Company was awarded for recognition of good governance practice by the regulatory authorities. The Company has also been recognized for complying with best practice by the International Finance Corporation, the private sector arm of the World Bank Group.
7. In November, the Company signed a set of agreements with the Sharjah and Ajman Governments to jointly develop the shared field located around 40 km off the two coasts. These included a unitization agreement for management of the shared field, gas sales and purchase agreements and the joint operating agreement.
8. In December, two new gas discoveries were made (Balsam-1 and Alyam-1) by the Company in the Nile Delta in Egypt.
9. The Egyptian Bahrain Gas Derivative Company's (EBGDCO) natural gas liquids extraction plant in Egypt started operating commercially in August 2012 and exported its first cargo from Ras Shukeir in October 2012. Dana Gas owns 26% of EBGDCO.
10. The Company and the Ad Hoc Committee of Sukukholders reached an agreement in November 2012 to restructure the existing Sukuk maturing after five years, and reduce the Sukuk's outstanding debt to US$ 850 Million.

Communication with Shareholders, Investors and Media

Dana Gas is keen to maintain regular contacts with its shareholders, investors and financial analysts to inform them on the Company's business activities and financial position through regular direct meetings with financials, press and shareholders through the Annual General Assembly Meetings in addition to regular press releases for important developments and activities. All information about the Company's activities and its financial affairs are also available at the Company's website www.danagas.com

Dr. Adel Khalid Al-Sabeeh,
Chairman of the Board

Board Members


HH Sheikh Ahmed Bin Sultan
Al-Qasimi. Honorary Chairman


Dr. Adel Al-Sabeeh
Chairman


Dr. Tawfeeq Almoayed
Vice Chairman


Mr. Hamid Jafar
Director


H.E. Sheikh Sultan Bin Ahmed
Al-Qasimi, Director


Mr. Ahmed Al-Arbeed
Director


Mr. Said Arrata
Director


Mr. Ziad Galadari
Director


Mr. Majid Jafar
Board Managing Director


Mr. Rashid Al-Jarwan
Executive Director & Acting CEO


Mr. Abdulaziz Al-Jomaih
Director


Mr. Abdullah Al-Majdouie
Director


Mr. Ahmed Al-Midfa
Director


Mr. Varouj Nerguizian
Director


Mr. Nasser Al-Nowais
Director


Mr. Salah Al-Qahtani
Director


Mr. Khalid Al-Rajhi
Director


Mr. Rashad Al-Zubair
Director

International Advisory Board

International Advisory Board
Dana Gas has adopted the concept of the International Advisory Board (IAB).

The purpose of this board is to provide strategic advice to the Board of Directors and the management, as well as to identify specific business opportunities and build relationships worldwide.

International Advisory Board:
(Left to Right)

Dr. Nader Sultan
Former CEO of Kuwait Petroleum Corporation and Director of the Oxford Energy Seminar

Dr. Joseph Stanislaw
Former CEO of Cambridge Energy Research Associates (CERA)

Dr. Burckhard Bergmann
Former Member of the board of Russian gas company Gazprom

Sir Graham Hearne
Chairman of the International Advisory Board, former Chairman of Enterprise Oil Plc of the UK

Lord Simon of Highbury
Former Chairman of British Petroleum (BP)

Mr. Kai Hietarinta
Former Vice-Chairman of Neste Oy of Finland

Mr. Nordine Ait-Laoussine
Former Algerian Oil Minister and former Head of Sonatrach

Our People

Our People

Equality, Diversity and Development

Dana Gas PJSC continues to be the leading private sector natural gas company in the Middle East, North Africa, South Asia (MENASA) region creating value for the benefit of our shareholders and for the wellbeing and the economic growth of the region.

Our people are recruited and compensated in line with our strategy to attract and retain the necessary talent to strengthen and support the successful delivery against our corporate targets as approved by the Board of Directors. We are certain this is the key aspect for Dana Gas Group to ultimately enhance Shareholder value.

Resourcing, Attraction and Retention Philosophies

Our success derives from the competence and dedication of our Employees.

Dana Gas was able to continue its success in building capacity and capability at all levels, combining global and regional searches to identify and attract skilled people. It is part of our evolving culture to value expertise in a way that will generate the necessary proficiency that we require across the Group now and for the future.

Our compensation and remuneration philosophy continues to recognize and incentivise performance while aligning Employees to Shareholders' interests.

Diversity

Dana Gas strives to create a collaborative workplace from various backgrounds and experiences. We respect and value everyone, and embrace diversity which brings understanding and connection to the communities in which we operate. It helps us better understand the needs of our varied partners, customers, clients and shareholders. Dana Gas is committed to equal opportunities and does not condone discrimination of any kind. These values have helped us to build and maintain the diverse and robust community that Dana Gas is today.

Talent Development

Developing our people and helping them to reach their full potential are key elements to deliver our Group's business strategy. This continues to be one of our main priorities. We recognize that the success of our strategy depends on the success of our Employees, and we therefore provide individual attention and team training. In 2012 we spent 265 days in learning and development activities across all disciplines.

Dana Gas believes in training, coaching, mentoring and encouraging employees to develop, both personally as well as professionally. Where it is beneficial to the Employee and the organization, we encourage transfers between Business Units in the Group to share technical

skills, build broad experience across the group, and develop people to increase and broaden their competencies.

Performance Management and Evaluation

In order to accomplish the Group objectives, Dana Gas firstly defines the criteria by which to measure success. Then goals are set, performance reviewed periodically, results assessed and employees recognized for their contributions. Dana Gas understands that praise is an important motivator and wants to create a team-spirit where we recognize achievement and support each other to accomplish our shared goals.

As we look ahead to 2013, Dana Gas continues its journey towards developing a catalogue of capabilities and behaviours needed to deliver broader and more complex services. This will help Dana Gas to continue resourcing, developing and retaining the highly qualified and motivated people we need.

We are also continuing to enhance our internal communications across the Group and encourage an open and honest dialogue among Employees, Departments, Operating Units and Asset Management Teams.

Operational and Behavioural Change

Sharpening individual as well as operational performance continues to be the Executive Management's priority. We are focused on building a simple, lean and efficient organization with clear responsibilities and accountabilities enabling faster decision making while enhancing control.

Dana Gas has a strong shared focus on maintaining a healthy and safe working environment. In order to continue improving each day, Dana Gas encourages all Employees to report any incidents that affect their health and safety, with the goal of causing no accidents nor harm to people and minimizing any adverse effect on the environment.

Employee Engagement, Communication and Feedback

Dana Gas believes in open dialogue and values employee feedback and experience on the business. Employees are a vital stakeholder group. Our Quarterly Performance Reviews serve in communicating our operational as well as financial results and by keeping everyone informed and consulted about changes that affect them as well as the Group.

Head count, Net To Company's Interest, as of the 31st of December 2012					
	Employees	Contractors	JV Employees	JV Contractors	Subtotal
UAE- DG Corporate	29	1	0	0	30
UAE- DG Operations	17	3	0	0	20
UAE - Sajgas	16	17	0	0	33
UAE - UGTC	12	0	0	0	12
KSA - DG Office	0	1	0	0	1
Iraq, KRI - DG Office	7	0	0	0	7
Iraq, KRI - CreDan (40% DG)	0	0	171	1	172
Egypt - DG Office	120	14	0	0	134
Egypt - WASCO (100% DG)	7	0	374	313	694
Egypt - EBGDCO (26% DG)	1	0	14	11	26
Egypt - Komombo (50% DG)	1	2	11	14	28
Subtotal	210	38	570	339	
Total					1157

Note:
- WASCO Employees are, for the great majority, EGPC Employees
- Employee Numbers have been rounded off

Corporate Social Responsibility

Corporate Social Responsibility

Dana Gas continues to play an active role as an agent of change in its contribution to the development of the communities and region in which it operates.

The Group recognises that Corporate Social Responsibility (CSR) is about managing business interactions with people, the environment and the economy, by directly contributing to economic and social development in a way that safeguards natural resources whilst respecting the rights of each individual. The Company is focused on delivering sustainable long-term value to its stakeholders, while making a positive contribution to the societies in which we operate.

Dana Gas is seeking to integrate its CSR activities into the core of how we work and do business as an organization that operates across the Middle East and North Africa region.

Dana Gas is working towards undergoing transformation in the way we do business where CSR is no longer managed as a separate deliverable, but as part of the experience of being an employee in an organization that lives its values. Whether it is environmental, supporting entrepreneurs, focusing humanitarian efforts, or supporting a renowned football club, we fully understand its role in sustainability and CSR, and how it can foster an environment that embeds a CSR ethic in its activities and business practices. This is an effort that Dana Gas has undertaken since its establishment, and it prides itself in continuing along this path despite the financial difficult times the world and the company have passed through.

We remain strongly committed to our CSR efforts, whether helping improve healthcare standards for individuals in the rural areas where the company's concessions are located, or through promoting knowledge sharing. The company aims to continue offering as much assistance as possible, conscious of its responsibility in making the world a better place to live.

We endeavour to make a positive and lasting contribution to society and we believe the best way of achieving this is by empowering them with the best tools for sustainable development.

During 2012, our contributions focused on education and sharing of knowledge, sports, health and sustainable community development were added by a key regional project aimed at educating the future generations in responsible business.

Education and Sharing Knowledge

Dana Gas continues its proud sponsorship of the "Dana Gas Chemical Engineer Chair" at the American University of Sharjah, the support for which is planned to last until 2015. During this period, we will work closely to develop novel research in the field of oil & gas.

As further support to the University of Sharjah, which is regarded as one of the region's best universities, the Company annually presents the "Dana Gas Excellence Awards", in which top graduating seniors who have graduated with honours are recognized for their outstanding achievements.

The idea of the "Educational Enhancement" has been developed with the aim of targeting schools and nurseries in communities where the current physical condition, educational materials and tools affect the delivery of a proper educational service.

The intervention has and will continue to focus on physical and technological upgrade of selected schools and nurseries alongside a capacity building component targeting the Facilities' Management, Student Council and Board of Trustees.

An excellent example of such a pursuit was the effort by Dana Gas Egypt to renovate and equip a local nursery serving several hundred children in a village close to our operating site.

Skoool (ESI) - During 2012 Dana Gas has supported the 'Skoool' ESI online portal initiative. Egypt's top free education portal reached a mega success in the second phase with more than 2.7 million subscribers. The second phase focused on increasing the content and grades covered in this free online web page that is currently offering digital remake for the Egyptian curricula.

Skoool portal in Egypt is currently receiving massive national recognition following its immense coverage. The portal has added huge value to students in Egypt allowing them to access free educational material online.

Responsible Business

Together with more than 15 partners including top universities, corporate organizations and foundations in the region, Dana Gas is the oil and gas sector's representative in a group conducting a study on responsible business practice in the region. The partners include the American University in Cairo, American University in Beirut, Emirates Foundation, King Abdullah Foundation, Coca Cola, Aramex and Nestle.

In addition, and with other key players in the area of CSR, the company contributed to the development of training activities and public awareness on CSR in close cooperation with the National Egyptian Center for Corporate Social Responsibility.

The project is currently in its last year of development. This year marked the development of local sector studies and training over 200 participants on different capacity building programs on the understanding and implementation of CSR.

Petroleum CSR committee

During 2012, Dana Gas supported and was a part of the industry initiative in Egypt for the development of a joint committee on CSR in partnership with Oil and Gas companies.

Dana Gas Egypt hosted the first committee meeting and managed to secure the attendance of the top 10 petro companies in Egypt. Currently, the charter and the structure of the legal committee are being developed to ensure its sustainability.

Auditors' Report and Financial Statements

SajGas Plant, UAE

Independent Auditors Report to the Shareholders of Dana Gas PJSC

Report on the financial statements

We have audited the accompanying consolidated financial statements of Dana Gas PJSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB), and the applicable provisions of the articles of association of Dana Gas PJSC and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

(i) We draw attention to note 11 to the 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 20 to the consolidated financial statements which discusses the refinancing of the Sukuk which matured in October 2012.

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

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements include in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the Articles of Association of Dana Gas PJSC; proper books of account have been kept by Dana Gas PJSC, an inventory was duly carried out and the contents of the report of the Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the Articles of Association of Dana Gas PJSC have occurred during the year which would have had a material effect on the business of Dana Gas PJSC or on its financial position.

Ernst & Young

Signed by
Anthony O'Sullivan
Registration No. 687
For Ernst & Young

Sharjah, United Arab Emirates
13 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 USD mm	2012 AED mm	2011 USD mm	2011 AED mm
Revenue		**636**	**2,331**	690	2,529
Royalties		**(136)**	**(499)**	(169)	(619)
Net revenue	5	**500**	**1,832**	521	1,910
Cost of sales		**(54)**	**(198)**	(47)	(172)
Depreciation and depletion	10	**(89)**	**(326)**	(110)	(403)
Gross profit		**357**	**1,308**	364	1,335
Investment and finance income	6	**14**	**52**	3	11
Other income		**-**	**-**	1	4
Impairment	7	**(9)**	**(33)**	-	-
Change in fair value of investment property	12	**(3)**	**(11)**	(6)	(22)
General and administration expenses		**(36)**	**(132)**	(40)	(147)
Finance costs	8	**(86)**	**(315)**	(87)	(319)
Exploration expenses	10	**(9)**	**(33)**	(13)	(48)
PROFIT BEFORE INCOME TAX		**228**	**836**	222	814
Income tax expense		**(63)**	**(231)**	(84)	(308)
PROFIT FOR THE YEAR		**165**	**605**	138	506
Basic and diluted earnings per share (USD/AED per share)	9	**0.025**	**0.092**	0.021	0.077

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 USD mm	2012 AED mm	2011 USD mm	2011 AED mm
Profit for the year	**165**	**605**	138	506
Other comprehensive income:				
Gain/(loss) on available-for-sale financial asset (note 15)	**29**	**106**	(89)	(326)
Other comprehensive income /(loss) for the year	**29**	**106**	(89)	(326)
Total comprehensive income for the year	**194**	**711**	49	180

The attached notes 1 to 30 form part of these consolidated financial statements

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 USD mm	2012 AED mm	2011 USD mm	2011 AED mm
ASSETS					
Non-current assets					
Property, plant and equipment	10	**985**	**3,610**	1,032	3,782
Intangible assets	11	**1,353**	**4,959**	1,342	4,918
Investment property	12	**28**	**103**	31	114
		2,366	**8,672**	2,405	8,814
Current assets					
Inventories	13	**54**	**198**	53	194
Trade and other receivables	14	**670**	**2,456**	501	1,836
Available-for-sale financial asset	15	**255**	**935**	226	829
Financial assets at fair value through profit or loss	16	**10**	**37**	10	37
Cash and cash equivalents	17	**165**	**605**	112	411
		1,154	**4,231**	902	3,307
TOTAL ASSETS		**3,520**	**12,903**	3,307	12,121
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18	**1,801**	**6,602**	1,801	6,602
Statutory reserve		**65**	**238**	48	176
Legal reserve		**65**	**238**	48	176
Retained earnings		**349**	**1,280**	220	806
Other reserves	19	**85**	**310**	55	200
Convertible bonds- equity component		**48**	**176**	48	176
Attributable to shareholders of the Company		**2,413**	**8,844**	2,220	8,136
Non-controlling interest		**4**	**15**	4	15
Total equity		**2,417**	**8,859**	2,224	8,151
LIABILITIES					
Non-current liabilities					
Borrowings	20	**29**	**106**	25	92
Provisions	21	**14**	**51**	17	62
		43	**157**	42	154
Current liabilities					
Borrowings	20	**922**	**3,380**	905	3,317
Trade payables and accruals	22	**138**	**507**	134	492
Due to related parties		**-**	**-**	2	7
		1,060	**3,887**	1,041	3,816
Total liabilities		**1,103**	**4,044**	1,083	3,970
TOTAL EQUITY AND LIABILITIES		**3,520**	**12,903**	3,307	12,121

Director
13 March 2013

Director
13 March 2013

The attached notes 1 to 30 form part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 USD mm	2012 AED mm	2011 USD mm	2011 AED mm
OPERATING ACTIVITIES					
Profit before income tax		**228**	**836**	222	814
Adjustments for:					
Depreciation and depletion	10	**89**	**326**	110	403
Investment and finance income	6	**(14)**	**(52)**	(3)	(11)
Change in fair value of investment property	12	**3**	**11**	6	22
Other income/expenses		**-**	**-**	1	4
Finance costs	8	**86**	**315**	87	319
Exploration expenditure	10	**9**	**33**	13	48
Impairment	7	**9**	**33**	-	-
Board compensation		**(2)**	**(7)**	(2)	(7)
		408	**1,495**	434	1,592
Changes in working capital:					
Trade and other receivables		**(169)**	**(620)**	(246)	(901)
Inventories		**(1)**	**(4)**	(2)	(7)
Trade payables and accruals		**4**	**15**	(6)	(22)
Due from related parties		-	-	1	3
Due to related parties		**(2)**	**(7)**	2	7
Net cash generated from operating activities		**240**	**879**	183	672
Income tax paid		**(63)**	**(231)**	(84)	(308)
Net cash flows from operating activities		**177**	**648**	99	364
INVESTING ACTIVITIES					
Purchase of property, plant and equipment (net)	10	**(42)**	**(154)**	(86)	(316)
Expenditure on intangibles	11	**(29)**	**(106)**	(10)	(37)
Investment and finance income received		**14**	**52**	3	11
Net cash flows used in investing activities		**(57)**	**(208)**	(93)	(342)
FINANCING ACTIVITIES					
Proceeds from borrowings (net)		**2**	**7**	16	59
Finance costs paid		**(69)**	**(253)**	(69)	(253)
Net cash used in financing activities		**(67)**	**(246)**	(53)	(194)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**53**	**194**	(47)	(172)
Cash and cash equivalents at the beginning of the year		**112**	**411**	159	583
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	**165**	**605**	112	411

The attached notes 1 to 30 form part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to the equity holders of the parent							
	Share capital		*Statutory reserves*		*Legal reserves*		*Retained earnings*	
	USD mm	*AED mm*	*USD mm*	*AED mm*	*USD mm*	*AED mm*	*USD mm*	*AED mm*
As at 1 January 2011	1,801	6,600	34	125	34	125	112	409
Profit for the year	-	-	-	-	-	-	138	506
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	138	506
Board compensation	-	-	-	-	-	-	(2)	(7)
Transfer to reserves	-	-	14	51	14	51	(28)	(102)
Share based payment (note 25)	-	-	-	-	-	-	-	-
Issue of shares (note 25)	-	2	-	-	-	-	-	-
Addition to non-controlling interest	-	-	-	-	-	-	-	-
At 31 December 2011	1,801	6,602	48	176	48	176	220	806
Profit for the year	-	-	-	-	-	-	165	605
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	165	605
Board compensation	-	-	-	-	-	-	(2)	(7)
Transfer to reserves	-	-	17	62	17	62	(34)	(124)
Share based payment (note 25)	-	-	-	-	-	-	-	-
At 31 December 2012	1,801	6,602	65	238	65	238	349	1,280

The attached notes 1 to 30 form part of these consolidated financial statements

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2012

Attributable to the equity holders of the parent							
Other reserves		*Convertible bonds-equity component*		*Non-controlling interest*		*Total*	
USD mm	*AED mm*	*USD mm*	*AED mm*	*USD mm*	*AED mm*	*USD mm*	*AED mm*
142	521	48	176	3	11	2,174	7,967
-	-	-	-	-	-	138	506
(89)	(326)	-	-	-	-	(89)	(326)
(89)	(326)	-	-	-	-	49	180
-	-	-	-	-	-	(2)	(7)
-	-	-	-	-	-	-	-
2	7	-	-	-	-	2	7
-	(2)	-	-	-	-	-	-
	-	-	-	1	4	1	4
55	200	48	176	4	15	2,224	8,151
-	-	-	-	-	-	165	605
29	106	-	-	-	-	29	106
29	106	-	-	-	-	194	711
-	-	-	-	-	-	(2)	(7)
-	-	-	-	-	-	-	-
1	4	-	-	-	-	1	4
85	310	48	176	4	15	2,417	8,859

The attached notes 1 to 30 form part of these consolidated financial statements

Notes to the Consolidated Financial Statements

As at 31 December 2012

1 ACTIVITIES

Dana Gas PJSC ("Dana Gas" or the "Company") was incorporated in the Emirate of Sharjah, United Arab Emirates as a Public Joint Stock Company on 20 November 2005 pursuant to incorporation decree number 429/2005 issued by the Ministry of Economy. Dana Gas shares are listed on the Abu Dhabi Securities Exchange (ADX).

The Company, its Subsidiaries and joint ventures constitute the Group (the "Group"). The Group is engaged in the business of exploration, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services.

The Company's registered head office is P. O. Box 2011, Sharjah, United Arab Emirates with offices in Al-Khobar, Bahrain, Cairo, Kurdistan Region of Iraq and London.

Principal subsidiaries and jointly controlled entities/ operations of the Group at 31 December 2012 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	100	British Virgin Island	Oil and gas exploration & production
Dana Gas Egypt (previously Centurion)	100	Barbados	Oil and gas exploration & production
Sajaa Gas Private Limited Company ("SajGas")	100	Emirate of Sharjah, UAE	Gas sweetening
United Gas Transmissions Company Limited ("UGTC")	100	Emirate of Sharjah, UAE	Gas transmission
Danagaz (Bahrain) WLL	66	Bahrain	Gas processing

Joint Ventures	%	Country of operations	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
Crescent National Gas Corporation Limited ("CNGCL")	35	Emirate of Sharjah	Gas marketing
Egyptian Bahraini Gas Derivative Company ("EBGDCO")	26.4	Egypt	Gas processing
GASCITIES Ltd	50	MENASA	Gas cities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment property, available-for-sale financial asset and financial assets at fair value through profit or loss account that have been measured at fair value. The 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 consolidated financial statements. AED amounts have been translated at the rate of AED 3.6655 to USD 1.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3

New and amended standards and interpretations

There were no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on or after 1 January 2012 that had a material impact on the Group.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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

The amendments to IAS 1 change the 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 (for example, 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) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Group.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12 (refer below), what remains in IAS 27 is limited to accounting for subsidiaries, joint arrangements and associates in separate financial statements. The Group does not present separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently evaluating the impact of this IFRS on its financial statements.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual Improvements May 2012
These improvements include:

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013. The Group expects no material impact on its financial position, performance, disclosures or stated accounting policies from the adoption of these amendments.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

(a) Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra- group transactions and dividends are eliminated in full.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference in recognised in profit or loss.

Losses are attributable to the non-controlling interest even if that results in a deficit balance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. Under the method, the investment is initially rocognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating decision-maker. The Chief Operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD which is Company's functional currency where AED is presented as the Group's presentation currency for the convenience of the users of the consolidated financial statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in other comprehensive income.

(c) Group companies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The statement of financial position of subsidiaries and joint ventures with functional currencies other than US Dollars are translated using the closing rate method, whereby assets and liabilities are translated at the rates of exchange ruling at the statement of financial position date. The income statements of such subsidiaries and joint ventures are translated at average exchange rates for the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). Any goodwill arising on the acquisition of such operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the operation and translated at the closing rate. Exchange differences arising on the retranslation of net assets are taken directly to equity. On the disposal of such entities, accumulated exchange differences are recognised in the consolidated income statement as a component of the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Land is not depreciated.

Depreciation is computed on a straight line basis over the estimated useful lives of the assets as follows:

Oil and gas properties	unit-of-production
Buildings	25 years
Gas plant	15 – 25 years
Pipelines & related facilities	25 years
Other assets:	
Computers	3 years
Furniture and fixtures	3 years – 5 years
Vehicles	3 years – 5 years
Leasehold improvements	over the expected period of lease

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

The residual values and useful lives of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Capital work-in-progress is stated at cost. On commissioning, capital work-in-progress is transferred to property, plant and equipment and depreciated or depleted in accordance with Group policies.

Oil and gas assets

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Pre-licence costs are expensed in the period in which they are incurred. Exploration licence and leasehold property acquisition costs are capitalised in intangible assets. Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to a technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proven reserves of oil and natural gas are determined and development is sanctioned, capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure. Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

(a) Depletion

Oil and gas properties are depleted using the unit-of-production method. Unit-of-production rates are based on proved reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods.

(b) Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less cost to sell and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

Intangible assets

Intangible assets acquired as part of a business combination relating to oil and gas properties are recognised separately from goodwill if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually either individually or at the cash-generating unit level. When development in respect of the oil and gas properties is internally approved, the related amount is transferred from intangible assets to property, plant and equipment and depleted in accordance with the Group's policy. If no future activity is planned, the remaining balance is written off.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset or a cash generating unit (CGU) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's or CGU's recoverable amount. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case, the asset is tested as part of a large CGU to which it belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset or CGU.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset or CGU is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables'.

(c) *Available-for-sale financial assets*
Available-for-sale (AFS) financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. After initial measurement, AFS investments are subsequently measured at fair value with unrealised gains or losses recognised as "other comprehensive income" in the AFS reserve (fair value reserve) until the investment is derecognised. At that time cumulative gain is recognised in other income and cumulative loss is recognised as finance costs and removed from AFS reserve.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gain or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'investment and finance income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payment is established.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These includes the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Investment properties

Investment properties are initially measured at cost, including transactions costs. Subsequent expenditure is added to the carrying value of investment properties when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the consolidated income statement in the period in which it is accrued.

Subsequently investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gains or loss arising from changes in fair values of investment properties are included in the income statement. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price, cost of production, transportation and other directly allocable expenses. Costs of spares and consumables are determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of oustanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
General
Provisions are recognised when the Group has an present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Decommissioning liability
Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of that particular asset. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. The abandonment and site restoration costs initially recorded are depleted using the unit-of-production method based on proven oil and gas reserves. Subsequent revisions to abandonment and site restoration costs are considered as a change in estimates and are accounted for on a prospective basis.

Employees' end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Income Taxes
In Egypt, the government receives production in lieu of income tax. The Group records this production as a current income tax expense.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of respective assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as finance cost in the income statement in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Profit-bearing loans and borrowings
All profit-bearing loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs directly attributable to the borrowing. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

After initial recognition, profit-bearing loans and borrowings are subsequently measured at amortised cost using the effective profit rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Convertible bonds
Convertible bonds that can be converted into share capital at the option of the holder and are accounted for as compound financial instruments. The equity component of the convertible bonds is calculated as the excess of issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option.

Share based payment transactions
Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for either equity instruments ("equity settled transactions") or restricted shares.

Equity-settled transaction
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/ or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Restricted shares
Service-based restricted shares are granted at no cost to key employees and generally vest one third each year over a three year period from the date of grant. Restricted shares vest in accordance with the terms and conditions established by the Board of Directors and are based on continued service.

The fair value of service-based restricted shares is determined based on the numbers of shares granted and the closing price of the Company's common stock on the date of grant. The cost is being amortised on a straight line method, based on the vesting period.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Net revenue is measured at the fair value of the consideration received, excluding royalties, discounts, rebates, and other sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from sale of hydrocarbons
Revenue from sale of hydrocarbons is recognised when the significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction can be measured reliably.

Finance income
Revenue from surplus funds invested with financial institutions is recognised as the revenue accrues.

Fair values
The fair value of profit-bearing items is estimated based on discounted cash flows using profit rates for items with similar terms and risk characteristics.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed.

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

- Impairment of goodwill: The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was USD 308 million (2011: USD 308 million).

- Recoverability of intangible oil and gas assets: The Group assesses at each statement of financial position date whether there is any evidence of impairment in the carrying value of its intangible oil and gas assets. This requires management to estimate the recoverable value of its intangible oil and gas assets using estimates and assumptions such as long term oil prices, discount rates, operating costs, future capital requirements, decommissioning costs, explorations potentials, reserves and operating performance uncertainty. These estimates and assumptions are subject to risk and uncertainty. The carrying amount of such intangibles at 31 December 2012 was USD 181 million (2011: USD 170 million).

- The Group carries its investment properties at fair value, with changes in fair values being recognised in the consolidated income statement. The Group engaged a firm of qualified independent property consultant to determine fair value reflecting market conditions at 31 December 2012.

- Decommissioning costs: Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Units of production depreciation of oil and gas properties: Oil and gas properties are depreciated using the units of production (UOP) method over total proved reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field. Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates changes. Changes to proved reserves could arise due to changes in the factors or assumptions used in estimating reserves and are accounted for prospectively.

- Exploration and evaluation expenditures: The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

- Hydrocarbon reserve and resource estimates: Oil and gas properties are depreciated on a units UOP basis at a rate calculated by reference to total proved reserves determined in accordance with the Society of Petroleum Engineers' rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the relevant commercial arrangements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil and gas properties at 31 December 2012 is shown in Note 10.

  As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

  - The carrying value of oil and gas properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows
  - Depreciation and amortisation charges in profit or loss may change where such charges are determined using the UOP method, or where the useful life of the related assets change
  - Provisions for decommissioning may change as the changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities

Notes to the Consolidated Financial Statements

As at 31 December 2012

4 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.

Year ended 31 December 2012

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Revenue				
External sales net of royalties	5	237	258	500
Total revenue net of royalties	5	237	258	500
Gross Profit	3	130	224	357
Investment and finance income				14
Impairments				(9)
Change in fair value of investment property				(3)
General and administration expenses				(36)
Finance costs				(86)
Exploration expenses				(9)
Profit before income tax				228
Income tax expense				(63)
PROFIT FOR THE YEAR				165
Segment assets as at 31 December 2012	1,551	1,195	774	3,520
Segment liabilities as at 31 December 2012	960	133	10	1,103
Other segment information				
Capital expenditure				
Intangible assets	-	29	-	29
Property, plant and equipment	11	44	1	56
Total	11	73	1	85
Depreciation, depletion & amortisation	2	74	13	89
Change in fair value of investment property	3	-	-	3
Impairments	-	9	-	9
Exploration expenses	-	9	-	9

4 SEGMENTAL INFORMATION (continued)

Year ended 31 December 2011

	United Arab Emirates	*Egypt*	*Kurdistan Region of Iraq*	*Total*
	USD mm	*USD mm*	*USD mm*	*USD mm*
Revenue				
External sales net of royalties	5	290	226	521
Total revenue net of royalties	5	290	226	521
Gross Profit	3	166	195	364
Investment and finance income				3
Other income				1
Change in fair value of investment property				(6)
General and administration expenses				(40)
Finance costs				(87)
Exploration expenses				(13)
Profit before income tax				222
Income tax expense				(84)
PROFIT FOR THE YEAR				138
Segment assets as at 31 December 2011	1,505	1,183	619	3,307
Segment liabilities as at 31 December 2011	944	129	10	1,083
Other segment information				
Capital expenditure				
Intangible assets	-	10	-	10
Property, plant and equipment	15	69	2	86
Total	15	79	2	96
Depreciation, depletion & amortisation	(2)	(94)	(14)	(110)
Change in fair value of investment property	(6)	-	-	(6)
Exploration expenses	-	(13)	-	(13)

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As at 31 December 2012

5 NET REVENUE

	2012 USD mm	2011 USD mm
Gross sales	**631**	685
Less: royalties*	**(136)**	(169)
Net sales	**495**	516
Tariff/ management fee	**5**	5
Net revenue	**500**	521

*Royalties relate to Government share of production in Egypt.

6 INVESTMENT AND FINANCE INCOME

	2012 USD mm	2011 USD mm
Profit share from bank deposits	**3**	3
Fair value gain on financial assets at fair value through profit or loss (note 16)	**2**	-
IPO interest claim	**2**	-
Dividend income (note 15)	**6**	-
Others	**1**	-
	14	3

7 IMPAIRMENT

	2012 USD mm	2011 USD mm
Impairment of oil and gas assets	9	-
	9	-

8 FINANCE COSTS

	2012 USD mm	2011 USD mm
Finance cost on borrowings (note 20)	**86**	87
	86	87

9 EARNINGS PER SHARE

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

	2012	*2011*
Earnings:		
Net profit for the year - USD mm	**165**	138
Shares:		
Weighted average number of shares outstanding for calculating basic EPS - million	**6,602**	6,602
EPS (Basic) – USD:	**0.025**	0.021

(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.

	2012	*2011*
Earnings:		
Net profit for the period - USD mm	**165**	138
Finance cost on convertible Sukuk - USD mm	**-**	75
	165	213
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	**6,602**	6,602
Adjustments for:		
Share options/ Restricted shares (million) *	**11**	11
Assumed conversion of convertible Sukuk (million)**	**-**	1,908
Weighted average number of ordinary shares for diluted earnings per share (million)	**6,613**	8,521

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

*As at 31 December 2012 all the stock options issued to employees were out of the money, hence no shares have been assumed for calculating diluted earnings per share. Effective 1 July 2010, key management employees are awarded with restricted shares, one third portion of which will vest yearly over a period of 3 years. These restricted shares have been taken into account in the calculation of diluted earnings per share.

**As disclosed in Note 20, on 7 July 2008, the conversion rate for the Convertible Sukuk was determined and has been fixed at 17,343.3 shares for every USD 10,000 Sukuk Certificate. The shareholders in the Annual General Meeting on 21 April 2010 approved the issuance of 10% bonus shares, due to which the conversion exchange ratio was reset from 17,343.3 shares to 19,076.6 shares for every USD 10,000 Sukuk Certificate. The conversion option for the existing sukuk has already expired. Further based on the restructuring agreed with the Ad-hoc committee of bond holders the Conversion price of the Convertible Sukuk has been 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 conversion option will be exercisable from 31 October 2013.

As at 31 December 2012

10 PROPERTY, PLANT AND EQUIPMENT

	Freehold land USD mm	Building USD mm	Oil & gas Interests USD mm	Plant & Equip-ment USD mm	Other assets USD mm	Pipeline & related facilities USD mm	Capital work-in-progress USD mm	Total USD mm
Cost:								
At 1 January 2012	14	12	714	340	28	119	249	1,476
Additions	-	-	23	5	2	-	26	56
Transfer from intangible assets (note 11)	-	-	9	-	-	-	-	9
Transfer from Capital work-in-progress	-	11	-	35	2	-	(48)	-
Dry hole costs written off	-	-	(9)	-	-	-	-	(9)
Transfer of interest*	-	-	-	-	-	-	(14)	(14)
At 31 December 2012	14	23	737	380	32	119	213	1,518
Depreciation/Depletion:								
At 1 January 2012	-	1	384	37	9	13	-	444
Depreciation/depletion charge for the year	-	-	66	17	2	4	-	89
At 31 December 2012	-	1	450	54	11	17	-	533
Net carrying amount:								
At 31 December 2012	14	22	287	326	19	102	213	985

Capital Work in Progress comprises:

	USD mm
SajGas Plant and facilities	99
UGTC Pipeline & related facilities	89
Kurdistan Region of Iraq Project	5
Sharjah Western Offshore	20
	213

* Transfer of interest relates to the 50% cost transfer to Ajman Petroleum Investment Company relating to the Zora field upon signing of the Unitisation and Unit Operating Agreement.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	*Building*	*Oil & gas interests*	*Plant & Equip-ment*	*Other assets*	*Pipeline & related facilities*	*Capital work-in-progress*	*Total*
	USD mm	*USD mm*	*USD mm*	*USD mm*	*USD mm*	*USD mm*	*USD mm*	*USD mm*
Cost:								
At 1 January 2011	13	1	608	96	18	79	564	1,379
Additions	-	1	34	10	5	-	37	87
Transfer from intangible assets (note 11)	-	-	23	-	-	-	-	23
Transfer from Capital work-in-progress	1	10	62	234	5	40	(352)	-
Dry hole costs written-off	-	-	(13)	-	-	-	-	(13)
At 31 December 2011	14	12	714	340	28	119	249	1,476
Depreciation/Depletion:								
At 1 January 2011	-	-	299	22	7	6	-	334
Depreciation/depletion charge for the year	-	1	85	15	2	7	-	110
At 31 December 2011	-	1	384	37	9	13	-	444
Net carrying amount:								
At 31 December 2011	14	11	330	303	19	106	249	1,032

Capital Work in Progress comprises:

	USD mm
SajGas Plant and facilities	99
UGTC Pipeline & Related facilities	89
Kurdistan Region of Iraq Project	3
Sharjah Western Offshore	21
EBGDCO	37
	249

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As at 31 December 2012

10 PROPERTY, PLANT AND EQUIPMENT (continued)

On 22 June 2012, an LPG road tanker belonging to a local LPG trader and offtaking LPG on behalf of and under contract with the Kurdistan Regional Government of Iraq ("KRG"), exploded and caused a fire during filling at the loading facility of the Kor Mor LPG plant. The incident resulted in five fatalities and caused extensive damage to the LPG loading facility as well as two other third-party road tankers. Detailed and comprehensive investigations conducted by independent and internationally-recognised experts have confirmed that the incident was caused by a latent welding defect in the third-party tanker, which caused it to rupture during normal filling operations

As a protective measure in accordance with the requirements of the Authorisation, the Operator (Crescent and Dana Gas) declared force majeure in relation to this incident on behalf of Pearl Petroleum Company Limited ("PPCL").

Whilst the rest of the plant was not damaged, as a precautionary operational measure, the plant was temporarily shut down for less than twenty four hours. Since then the plant resumed gas production and within three days returned to over 90% of the pre-incident gas and condensate production levels. In view of the damage to the LPG loading facility, LPG production has been suspended. The revenues from LPG sales will resume on completion of the restoration of the damaged LPG loading facilities which is expected in the second quarter of year 2013.

PPCL has awarded the contract on an open book estimate basis to Petrofac, an EPC Contractor, for reconstruction of the damaged loading bay facility. Subject to the terms and conditions of the insurance policies, the PPCL's insurers have confirmed their commitment to reimburse the costs incurred for the restoration of the damaged LPG loading facility. Formal derecognition of the cost of damaged assets will be carried out upon availability of a reliable estimate.

11 INTANGIBLE ASSETS

	Oil & gas interests	Purchase, transmission, sweetening & sale rights	Gas processing rights	Development cost	Goodwill	Total
	USD mm	USD mm	USD mm	USD mm	USD mm	USD mm
Cost at 1 January 2012	**257**	**857**	**7**	**2**	**308**	**1,431**
Less: impairment	**(87)**	**-**	**-**	**(2)**	**-**	**(89)**
At 1 January 2012	**170**	**857**	**7**	**-**	**308**	**1,342**
Additions - net	**29**	**-**	**-**	**-**	**-**	**29**
Transfer to property, plant and equipment (note 10)	**(9)**	**-**	**-**	**-**	**-**	**(9)**
Impairment (note 7)	**(9)**	**-**	**-**	**-**	**-**	**(9)**
At 31 December 2012	**181**	**857**	**7**	**-**	**308**	**1,353**

	Oil & gas interests	Purchase, transmission, sweetening & sale rights	Gas processing rights	Development cost	Goodwill	Total
	USD mm	USD mm	USD mm	USD mm	USD mm	USD mm
Cost at 1 January 2011	270	857	7	2	308	1,444
Less: impairment	(87)	-	-	(2)	-	(89)
At 1 January 2011	183	857	7	-	308	1,355
Additions - net	10	-	-	-	-	10
Transfer to property, plant and equipment (note 10)	(23)	-	-	-	-	(23)
At 31 December 2011	170	857	7	-	308	1,342

(a) Oil and Gas Interests

Oil and gas interests of USD 181 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 22% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This lease has 13,017 acres of land included within its boundary and is located in the Nile Delta of Egypt.

- South El Manzala Development Leases – These development leases are held with a 100% working interest and are not currently producing. These development leases have 16,055 acres of land included within their boundaries and are located in the Nile Delta of Egypt.

- West El Manzala Exploration Concession – Dana Gas Egypt holds a 100% working interest in this Concession, which is located in the Nile Delta of Egypt and includes 476,216 acres of exploration land. The expiry date of the Exploration Concession and the total relinquishment of the non-productive land was 30 June 2012, however during the period the expiry date of the Exploration Concession was extended by six months to 28 December 2012. The Company has been granted an extension of upto six months to complete the drilling and testing of the Begonia-1 well. In case of either discovering commercial gas or reaching negative results, the Company will have to withdraw from the concession areas that have not been transformed into development leases or those which have not been presented by the Company to be transformed into a development lease. To date, nine development leases have been created from this exploration concession and produce both natural gas and associated liquids representing approximately 70% of Dana Gas Egypt current volumes. The Company has applied for a tenth development lease to cover the recently discovered South Abu El Naga field.

- West El Qantara Exploration Concession – Dana Gas Egypt holds a 100% working interest in this Concession, which includes 319,618 acres of exploration land. The expiry date of the Exploration Concession and the total relinquishment of the non-productive land was 30 June 2012, however during the period, the expiry date of the Exploration Concession was extended by six months to 28 December 2012. On 28 December 2012 the third and final exploration term of the West Qantara Concession ended and the Egyptian Natural Gas Holding Company "EGAS" submitted a notice of relinquishment of the concession area except for the areas which are already converted or proposed to be converted into development leases. This concession is located in the Nile Delta of Egypt and two development leases have been granted to date. Only one is producing yet (Sama) and contributes approximately 7% of Dana Gas Egypt current volumes.

- Kom Ombo Exploration Concession – Dana Gas Egypt holds a 50% working interest in this Concession, which includes 5,654,727 acres of exploration land with the balance of 50% interest held by Sea Dragon Energy Limited ("Sea Dragon"). The expiry date of the Exploration Concession of the non-productive land was 17 July 2012, however, the expiry date of the Exploration Concession was extended by six months to 17 January 2013. To date one development lease has been created from this exploration concession and produces approximately 1% of Dana Gas Egypt current volumes and produces only oil.

Management has carried out a review of each of the oil and gas interests at 31 December 2012 and believes that no impairment charge is required for the year.

11 INTANGIBLE ASSETS (continued)

(b) Purchase, transmission, sweetening and sale rights

Intangible assets include USD 857 million which represent the fair value of the rights for the purchase, transmission, sweetening and sale of gas and related products acquired by the Company through its shareholdings in SajGas, UGTC and CNGCL. The fair value of the rights acquired in 2005 was determined by reference to valuation exercises undertaken by professionally qualified independent third parties based on the expected future cash flows arising from the underlying contractual relationships. The intangible assets will be amortised over 25 years from the date of commencement of commercial activity in accordance with the terms of the contracts to which they relate. Commercial activity has not yet commenced. 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 understands that progress has been made on the construction of the required facilities by the ultimate gas supplier and has reviewed the various inputs into the original valuation model. Management believes that the inputs into the original valuation model have not significantly changed.

Key assumptions used in value in use calculations
The calculation of value in use for the above cash generating unit is most sensitive to the following assumptions:

- Financial returns;
- Discount rates;
- Oil prices; and
- Reserve volumes and production profiles.

Financial returns: estimates are based on the unit achieving returns on existing investments (comprising both those that are currently cash flowing and those which are in exploration and development stage and which may therefore be consuming cash) at least in line with current forecast income and cost budgets during the planning period.

Discount rates: discount rates reflect management's estimate of the risks specific to the above unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Oil prices: management has used an oil price assumption based on the forward curve prevailing at the end of 2012 for the impairment testing of its individual oil & gas investments.

Reserve volumes and production profiles: management has used its internally developed economic models of reserves and production as a basis of calculating value in use.

Sensitivity to changes in assumptions
The calculation for value in use for the oil and gas interest is most sensitive to the following assumptions:

- Discount rate
- Crude oil prices

The Group generally estimate values in use for the oil exploration and production CGU using a discounted cash flow model. The future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2011: 10%) that reflects current market assessments of the time value of money and the risks specific to the asset. Management believes that currently, there is no reasonable possible change in discount rate which would reduce the Group's excess of recoverable amount over the carrying amount of the individual assets/CGU to Zero.

In respect of the long term Brent crude oil prices, management is confident that even a 20% downward movement in prices will not lead to an impairment in the intangible.

11 INTANGIBLE ASSETS (continued)

(c) Goodwill

Goodwill of USD 308 million relates to the acquisition of Dana Gas Egypt (previously known as Centurion) in January 2007 which enabled Dana Gas to acquire the upstream business qualification and therefore the rights to develop the gas fields in the Kurdistan region of Iraq. The recoverable amount of the above cash generating unit has been determined based on value in use calculation using cash flow projections approved by senior management up to a 20 year period or the economic limit of the producing field. The pre-tax discount rate applied to cash flow projections is 10% (2011: 10%). Cash flows are generated using forecasted production, capital and operating cost data over the expected life of each accumulation.

12 INVESTMENT PROPERTY

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

	2012 USD mm	2011 USD mm
Balance at 1 January	**31**	37
Change in fair value	**(3)**	(6)
Balance at 31 December	**28**	31

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 property is 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. This valuation reflects the decline in property values generally and has therefore resulted in a decrease in the fair value by USD 3 million (31 December 2011: decrease of USD 6 million) which was charged to the consolidated income statement.

13 INVENTORIES

	2012 USD mm	2011 USD mm
Spares and consumables	**66**	65
Less: provision for impairment of inventory	**(12)**	(12)
	54	53

14 TRADE AND OTHER RECEIVABLES

	2012 USD mm	2011 USD mm
Trade receivables	**599**	475
Prepaid expenses	**1**	1
Other receivables	**76**	31
Less: provision for impairment of other receivables	**(6)**	(6)
	670	501

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

14 TRADE AND OTHER RECEIVABLES (continued)

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

			Past due but not impaired				
	Total USD mm	*Neither past due nor impaired USD mm*	*<30 days USD mm*	*30-60 days USD mm*	*61-90 days USD mm*	*91-120 days USD mm*	*>120 days USD mm*
2012	**599**	**100**	**32**	**11**	**56**	**5**	**395**
2011	475	108	28	48	70	9	212

15 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2012	*2011*
	USD mm	*USD mm*
At 1 January	**226**	315
Change in fair value	**29**	(89)
At 31 December	**255**	226

The Group holds 3,161,116 ordinary shares in MOL received as consideration for the disposal of an interest in Pearl Petroleum in 2009. These shares are listed on the Budapest Stock Exchange and have been fair valued with reference to published price quotation at 31 December 2012. During the year MOL announced cash dividend for its ordinary shareholders, consequently Dana Gas received a dividend of USD 6 million against its shareholding. The dividend was recorded in “Investment and Finance Income” in 2012. Subsequent to the year end on 8 February 2013, the Group sold 1.675 million shares out of its total shareholding in MOL at an average price of HUF 17,515 (USD 133 million) through a book built process.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	*2011*
	USD mm	*USD mm*
Balance at 1 January	**10**	10
Investment redeemed during the year	**(2)**	-
Change in fair value	**2**	-
Balance at 31 December	**10**	10

This represents initial investment of USD 10 million in the Abraaj Infrastructure fund. The valuation is based on the latest indicative fair value of the fund as of 31 December 2012.

17 CASH AND CASH EQUIVALENTS

	2012	*2011*
	USD mm	*USD mm*
Cash at bank and on hand		
- Local Banks within UAE	**39**	15
- Foreign Banks outside UAE	**42**	18
Short term deposits		
- Local Banks within UAE	**84**	79
	165	112

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 165 million (2011: USD 112 million). The effective profit rate earned on short term deposits ranged between 1.25% to 3.5% (2011: between 1.25% to 4.5%) per annum. As at 31 December 2012, 75% of cash and cash equivalents were held with UAE banks.

18 SHARE CAPITAL

	2012	*2011*
	USD mm	*USD mm*
Authorised:		
6,602,001,300 common shares of AED 1 each		
(USD 0.2728 each)		
Issued and fully paid up:		
6,602,001,300 common shares of AED 1 each		
(USD 0.2728 each)	**1,801**	1,801

19 OTHER RESERVES

	Share Option USD mm	Fair value reserve USD mm	Total USD mm
At 1 January 2011	9	133	142
Value of employee services (note 25)	2	-	2
Change in fair value of available-for-sale financial assets (note 12)	-	(89)	(89)
At 31 December 2011	11	44	55
Value of employee services (note 25)	1	-	1
Change in fair value of available-for-sale financial assets (note 12)	-	29	29
At 31 December 2012	**12**	**73**	**85**

20 BORROWINGS

	2012	2011
	USD mm	USD mm
Non-current		
Convertible bonds	**-**	-
Bank borrowings	**29**	25
	29	25
Current		
Convertible bonds	**920**	904
Bank borrowings	**2**	1
	922	905
Total borrowings	**951**	930

a) CONVERTIBLE SUKUK

In October 2007, the Group arranged to issue convertible Sukuk-al-Mudarabah (the "Sukuk") for a total value of USD 1 billion in the form of Trust Certificates through a special purpose company (the "Issuer"). The Sukuk, which were drawn up to conform to the principles of Islamic Sharia, were approved by the Company's shareholders at an Extraordinary General Meeting held in July 2007. Pursuant to the conditions of the Sukuk, the proceeds were used for the acquisition and development of assets (the "Mudarabah Assets") owned by Dana LNG Ventures Limited. The Sukuk matured on 31 October 2012 and had a profit rate of up to 7.5% payable quarterly from profits of the Mudarabah Assets. In 2008, Dana Gas purchased some of the Sukuk from the market with a nominal value of USD 80 million.

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

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

The salient features of the agreement are a reduction in the Company's outstanding sukuk amount from USD 1 billion to USD 850 million via USD 70 million of cash pay-down and cancellation of another USD 80 million of the existing Sukuk already owned by the Company. The remaining USD 850 million will be split into two tranches being a USD 425 million Ordinary Sukuk and USD 425 million Convertible Sukuk (together the "New Sukuks"), each with 5-year maturity to ensure long term financing.

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

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

The Company is currently pursuing the steps necessary for seeking the consent of the shareholders, existing Sukuk holders and the approvals of the regulatory authorities, as necessary, in order to successfully complete the Transaction early in the second quarter of 2013.

20 BORROWINGS (continued)

The convertible bond recognised in the statement of financial position is calculated as follows:

	2012 USD mm	2011 USD mm
Liability component as at 1 January	**904**	887
Finance cost (note 8)	**86**	87
Profit paid	**(58)**	(58)
	932	916
Current portion of profit classified under trade payables and accruals (note 22)	**(12)**	(12
Liability component as at 31 December	**920**	904

b) BANK BORROWINGS

On 22 April 2010, EBGDCO (Joint Venture Company) entered into a facility agreement with Commercial International Bank (Egypt) S.A.E. “CIB” for financing USD 66.5 million of the then investment cost of project of establishment of Gas Liquids extraction plant at Ras Shukeir. The facility matures in 12 years and carries variable rate of LIBOR + Margin during the repayment period. In order to finance increase in investment costs, the Company, on 20 December 2011, executed a supplemental facility agreement with CIB for additional USD 20 million. This supplemental facility matures in 4 years from the date of first drawdown. Danagaz WLL share of the draw downs is approx. USD 31 million as at 31 December 2012.

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

Dana Gas PJSC has given an undertaking “not to dispose” of its equity stake in Danagaz WLL except to a qualified investor approved by CIB, Egypt and not create any lien/ pledge of its equity stake in Danagaz WLL. This facility is non-recourse to Dana Gas PJSC. The pledge of Danagaz shares and the undertaking from Dana Gas PJSC as stated above will be released by the bank upon the Project achieving Project and Financial completion.

21 PROVISIONS

	2012 USD mm	2011 USD mm
Asset decommissioning obligation	**12**	15
Employee’s end of service benefits	**2**	2
	14	17

22 TRADE PAYABLES AND ACCRUALS

	2012 USD mm	2011 USD mm
Trade payables	**66**	70
Accrued expenses and other payables	**60**	52
Profit accrued on convertible bonds (note 20)	**12**	12
	138	134

23 INTEREST IN JOINT VENTURES

(a) Kurdistan Region of Iraq Project

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

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

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

These discussions have included dialogue on the amounts due to Pearl Petroleum from the KRG under the terms of the Authorisation. Pearl Petroleum retains full confidence in its contractual rights to full recovery of sums invoiced and indeed Pearl Petroleum has received USD 358 million (Dana Gas 40% share is USD 143 million) during 2012.

The following amounts represent the Group's 40% share of the assets and liabilities of the joint venture:

	2012	2011
	USD mm	USD mm
Assets:		
Long-term assets	**339**	351
Current Assets	**435**	268
Total Assets	**774**	619
Liabilities:		
Current liabilities	**10**	11
Net Assets	**764**	608
Income	**258**	226
Operating cost	**(31)**	(29)
Gross profit	**227**	197

23 INTEREST IN JOINT VENTURES (continued)

(b) UGTC/ Emarat Joint Venture

The Group has a 50% interest in the UGTC/ Emarat jointly controlled operations which own one of the largest gas pipeline in the UAE (48 inch diameter) with a installed capacity of 1000 MMscfd, to transport gas in Sharjah from Sajaa to Hamriyah. The following amounts represent the Group's 50% share of the assets and liabilities of the joint venture:

	2012	2011
	USD mm	USD mm
Assets:		
Long-term assets	**22**	23
Current assets	**14**	11
Total Assets	**36**	34
Liabilities:		
Current liabilities	**-**	1
Net Assets	**36**	33
Income	4	4
Operating cost	(2)	(2)
Gross profit	**2**	2

(c) EBGDCO

The Group through its subsidiary Danagaz WLL has a 40% equity interest in joint venture company EBGDCO involved in construction and operation of gas liquid extraction plant in Egypt capable of processing 150 MMscfpd of natural gas. Apart from Danagaz WLL, EGAS and APICORP have equity interest in EBGDCO, a Company registered in Egypt with its principal objective of fractionation of natural gas derivatives as well as marketing and selling these derivatives. The following amount represents the Group's subsidiary share in the assets & liabilities of the joint venture.

	2012	2011
	USD mm	USD mm
Assets:		
Long-term assets	**49**	38
Current assets	**3**	7
Total Assets	**52**	45
Liabilities:		
Bank Borrowings	**29**	26
Current liabilities	**11**	5
Total Liabilities	**40**	31
Net Assets	**12**	14
Income	**3**	-
Operating cost	**(2)**	-
Gross profit	**1**	-

24 CONTINGENCIES AND COMMITMENTS

(a) Dana Gas Egypt

Dana Gas Egypt currently has two drilling rigs under contract. In the event that Dana Gas Egypt does not proceed with planned drilling with these rigs, it would be obligated to pay the rig operators a variable stand by rate based on days not utilised under the contracts. Maximum liability based on 31 December 2012 was USD 4 million.

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

(b) Nigeria / Sao Tome

In 2006, Centurion signed a Production Sharing Contract ("PSC") and formal granting by the Joint Development Authority of its 10 percent (gross) equity interest, 9.5 percent (net) in Block- 4 of the Nigeria/Sao Tome. This was later assigned to Dana Gas PJSC in 2009. Dana Gas and another partner have withdrawn from the Concession in accordance with the relevant agreements (PSC/JOA) due to operator's decision to drill a third well without approval. The operator (Addax) had initiated arbitration against the Company. In April 2012, the arbitration proceedings initiated by Addax have been concluded through an amicable settlement between Addax and Dana Gas. Notice of settlement has been sent to both the Tribunal and ICC and receipt of the same has been confirmed.

(c) Pearl Petroleum Company Limited

Capital expenditure contracted for in relation to reconstruction of the damaged loading bay facility at the end of the reporting period but not yet accrued is estimated at USD 17 million (DG Share: USD 7 million). As per the terms and conditions of the insurance policies, Pearl Petroleum Company Limited insurers have confirmed their commitment to reimburse the cost incurred for the restoration of the damaged LPG loading facility.

(d) EBGDCO

EBGDCO through its banker CIB has issued a letter of credit to a supplier, out of which an amount of USD 5 million (DG Share: USD 2 million) is outstanding as at 31 December 2012 {31 December 2011: USD 5 million (DG Share: USD 2 million)}.

(e) Sharjah Western Offshore

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

25 SHARE BASED PAYMENT

Share options/ Restricted shares are granted to Executive directors and to selected employees. Following are the plans which are operated by the Company:

Pioneer Grant – Share Option Plan

The Pioneer Grant is a one-time option grant aimed to recognise the pioneering spirit of the founding members of the management team of Dana Gas PJSC. Options in the plan vest upon completion of a defined service period. Pursuant to the shareholder approval and resolution of the Board of Directors in 2008 the rules of the Pioneer Grant were amended to allow the exercise of existing share options to be satisfied by the use of shares. Subsequently, all options granted in 2007 (4,275,000 shares with an average exercise price of AED 1.00) were converted from cash-settled to equity-settled share options. In addition, options over 1,650,000 shares with an average exercise price of AED 1.00 were awarded to individuals who did not receive a share option grant in 2007. The average fair value of these options is AED 0.90 per option.

25 SHARE BASED PAYMENT (continued)

Key Employee Long Term Incentive Plan ("LTIP") – Share Option Plan

The LTIP seeks to align employee and shareholder interests and reward Company and employee performance over an extended period through the payment of cash bonuses calculated by reference to the market price of one share as compared to its exercise price determined at the time of grant. Options in the plan vest upon completion of a defined service period. Pursuant to the shareholder's approval and resolution of the Board of Directors in 2008 the rules of the LTIP were amended to allow the exercise of existing and new share options to be satisfied by the use of shares. Subsequently, all options granted in 2007 were converted from cash-settled to equity-settled share options.

The weighted average fair value of options granted in 2009 was determined using the Black-Scholes valuation model - AED 0.62 per option (2008: AED 1.09). The significant inputs into the model were average share price of AED 1.1 (2008: AED 2.04), expected option life of 8 years and an annual risk-free interest rate of 3.37% (2008: 4.62%). The volatility measured at the standard deviation of continuously compounded share returns was based on statistical analysis of daily share prices.

Restricted Shares

The Group has made no restricted share awards (2011: 6 million shares) to key employees during the year. Awards under this plan are generally subject to vesting over time, contingent upon continued employment and to restriction on sale, transfer or assignment until the end of a specified period, generally over one to three years from date of grant. All awards may be cancelled if employment is terminated before the end of the relevant restriction period. The Group determines fair value of restricted shares unit based on the numbers of unit granted and the grant date fair value.

The charge recognised in income statement under share based payment plans is shown in the following table:

	2012	*2011*
	USD mm	*USD mm*
Expense arising from share-based payment transactions	**1**	2

26 RELATED PARTY DISCLOSURES

Transactions with related parties included in the consolidated income statement are as follows:

	2012		*2011*	
	Revenues	***Fees for management services***	*Revenues*	*Fees for management services*
	USD mm	***USD mm***	*USD mm*	*USD mm*
Joint ventures	**1**	**-**	1	-
Major shareholders	**-**	**1**	-	1
	1	**1**	1	1

The remuneration to the Board of Directors has been disclosed in the consolidated statement of changes in equity.

Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	2012	2011
	USD mm	USD mm
Short-term benefits	**8**	10
Stock options	**1**	2
	9	12

27 INCOME TAX EXPENSE

The Company is not liable to tax in its primary jurisdiction. The income tax expenses relates to its Egypt operations which are taxed an average tax rate of 40.55% (2011: 40.55%)

The effective tax rate was 28 % (2011: 35 %).

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

The Group's principal financial liabilities comprise borrowings, decommissioning obligations, trade payables and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Board of Directors review and agree policies for managing each of these risks which are summarised below.

(a) Foreign currency risk

The Group is only exposed to material foreign currency risks in relation to available for sale financial assets which are denominated in Hungarian Forint (HUF), as a significant portion of the Group's asset, liabilities, revenues and expenses are USD denominated.

At 31 December 2012, if the HUF had strengthened/weakened by 10% against the USD with all other variables held constant, total comprehensive income for the year would have been USD 25 million higher / lower (2011: USD 23 million), as a result of foreign exchange gains/losses on translation of HUF denominated available-for-sale financial assets.

(b) Interest rate risk

The Group has minimal exposure to interest rate risk on bank deposits and long term borrowings which are obtained at variable rates by one of the Group's subsidiary to finance its project. The Group's Convertible bonds carry fixed profit rate and hence is not exposed to interest rate risk.

(c) Price risk

The Group is exposed to equity securities price risk in relation to the investments held by the Group and classified as available-for-sale financial assets. The Group's investment is in equity of an entity which is publicly traded on Budapest Stock exchange. As at 31 December 2012, if the equity price had increased / decreased by 10% with all other variables held constant the Group's comprehensive income for the year would have been USD 25 million higher / lower (2011: USD 23 million).

(d) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from trade receivables and bank balances.

(i)Trade receivables

The trade receivables arise from its operations in UAE, Egypt and Kurdistan Region of Iraq. The requirement for impairment is analysed at each reporting date on an individual basis for major customers. As majority of the Group's trade receivable are from Government related entities no impairment was necessitated at this point. The maximum exposure to credit risk at the reporting date is the carrying amount as illustrated in note 14.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Bank balances
Credit risk from balances with banks and financial institutions is managed by Group's Treasury in accordance with the Group policy. Investment of surplus funds is made only with counterparties approved by the Group's Board of Directors. The Group's maximum exposure to credit risk in respect of bank balances as at 31 December 2012 is the carrying amount as illustrated in note 17

(e) Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings, trade payables and other payables. The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:

Year ended 31 December 2012	***On demand USD mm***	***Less than 3 months USD mm***	***3 to 12 months USD mm***	***1 to 5 years USD mm***	***>5 years USD mm***	***Total USD mm***
Borrowings	**920**	**-**	**3**	**27**	**13**	**963**
Trade payables and accruals	**-**	**138**	**-**	**-**	**-**	**138**
Provisions	**-**	**-**	**2**	**5**	**16**	**23**
	920	**138**	**5**	**32**	**29**	**1,124**

Year ended 31 December 2011	*On demand USD mm*	*Less than 3 months USD mm*	*3 to 12 months USD mm*	*1 to 5 years USD mm*	*>5 years USD mm*	*Total USD mm*
Borrowings	-	6	973	14	17	1,010
Trade payables and accruals	-	134	-	-	-	134
Provisions	-	-	2	6	22	30
Due to related parties	-	2	-	-	-	2
	-	142	975	20	39	1,176

Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011. Capital comprises share capital, retained earnings, other reserves and equity component of convertible bonds, and is measured at USD 2,283 million as at 31 December 2012 (2011: USD 2,124 million).

29 FAIR VALUE ESTIMATION

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	Carrying amount 2012	**Fair value 2012**	*Carrying amount 2011*	*Fair Value 2011*
	USD mm	*USD mm*	*USD mm*	*USD mm*
Financial Assets				
Available for sale financial asset	**255**	**255**	226	226
Trade and other receivables	**668**	**668**	499	499
Cash and short term deposits	**165**	**165**	112	112
Financial liabilities				
Borrowings	**951**	**951**	930	930
Trade and other payables	**138**	**138**	134	134

The fair value of bank borrowings is the amortised cost determined as the present value of discounted future cash flows using the effective interest rate.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

The following table presents the Group' assets that are measured at fair value on 31 December 2012:

	Level 1	**Level 2**	**Level 3**	**Total**
	USD mm	**USD mm**	**USD mm**	**USD mm**
Assets				
Available for sale financial asset - Equity securities	**255**	**-**	**-**	**255**
Financial assets at fair value through profit or loss	**-**	**10**	**-**	**10**
Total	**255**	**10**	**-**	**265**

The following table presents the Group' assets that are measured at fair value on 31 December 2011:

	Level 1	*Level 2*	*Level 3*	*Total*
	USD mm	*USD mm*	*USD mm*	*USD mm*
Assets				
Available for sale financial asset - Equity securities	226	-	-	226
Financial assets at fair value through profit or loss	-	10	-	10
Total	226	10	-	236

29 FAIR VALUE ESTIMATION (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 and comprises of Budapest Stock Exchange (BSE) equity investments classified as available-for-sale financial asset.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

30 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans & receivables	Assets at fair value through profit and loss	Available-for-sale financial asset	Total
	USD mm	USD mm	USD mm	USD mm
31 December 2012				
Assets as per Statement of Financial Position				
Available-for-sale financial assets	-	-	255	255
Trade and other receivables excluding pre-payments	669	-	-	669
Financial assets at fair value through profit or loss	-	10	-	10
Cash and cash equivalents	165	-	-	165
Total	834	10	255	1,099

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
	USD mm	USD mm	USD mm	USD mm
31 December 2012				
Assets as per Statement of Financial Position				
Borrowings	-	-	951	951
Provisions	-	-	14	14
Trade and other payable excluding statutory liabilities	-	-	138	138
Total	-	-	1,103	1,103

30 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Loans & receivables	*Assets at fair value through profit and loss*	*Available-for-sale financial asset*	Total
	USD mm	*USD mm*	*USD mm*	USD mm
31 December 2011				
Assets as per Statement of Financial Position				
Available-for-sale financial assets	-	-	226	226
Trade and other receivables excluding pre-payments	499	-	-	499
Financial assets at fair value through profit or loss	-	10	-	10
Cash and cash equivalents	112	-	-	112
Total	611	10	226	847

	Liabilities at fair value through the profit	*Derivatives used for hedging*	*Other financial liabilities and amortised cost*	*Total*
	USD mm	USD mm	USD mm	USD mm
31 December 2011				
Liabilities as per Statement of Financial Position				
Borrowings	-	-	930	930
Provisions	-	-	17	17
Trade and other payable excluding statutory liabilities	-	-	134	134
Total	-	-	1,081	1,081

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