

KEY DATA

Fair Value per share (AED)	1.01
Closing Price (AED) *	0.75
52-week High / Low (AED)	1.18/ 0.74
YTD / 12-month return	-13% / -25%
Trailing P/E	32.4
Shares Outstanding (Mn)	6,600
Market Cap (AED Mn)	4,950
Free Float	34.33%
Reuters / Bloomberg Code	DANA.AD / DANA.UH

*As of May 26, 2010. Sources: Reuters and NBK Capital

KEY METRICS

	2009A	2010F	2011F	2012F
P/E	56.3	38.4	9.2	8.2
EPS	0.01	0.02	0.08	0.09
EV/EBITDAX	11.3	8.4	5.0	4.2
EV/EBITDA	34.2	9.0	5.2	4.3
RoAE	1.2%	1.6%	6.6%	6.9%
EBITDA margin	24.8%	73.0%	79.0%	79.2%
EBITDAX margin	74.8%	77.6%	82.2%	82.1%
Net profit margin	10.1%	10.2%	28.2%	29.5%

A = actual, F = forecast. Sources: Company reports and NBK Capital

FORECASTS

(AED millions)	2Q2010F	3Q2010F	2010F	2011F
Net Revenue	296	322	1,267	1,909
EBITDA	211	231	924	1,507

Source: NBK Capital

REBASED PERFORMANCE



Sources: MSCI, Reuters, and NBK Capital

Analysts

Bobby Sarkar

T. +965 2224 6942
E. bobby.sarkar@nbkcapital.com

May Zuaiter

T. +965 2224 5597
E. may.zuaiter@nbkcapital.com

HIGHLIGHTS

12-Month Fair Value: AED 1.01

Recommendation: Buy-Risk Level: **4

Reason for Report: 1Q2010 Update

- **We maintain our “Buy” recommendation for DANA with a revised fair value of AED 1.01.** Expected positive catalysts in 2010 could finally fuel momentum in DANA's shares:
- **A farm-out of a 30% stake in Egypt could yield around USD 500 million under conservative assumptions.** In line with the possibility we alluded to in our initiation report (“*Growing in the Gas Patch*,” December 9), DANA has gone public with its intention to farm out a maximum 30% interest in the company's Egyptian operations in order to derive some near-term value. Given 2P (proved plus probable) reserves of 132 million barrels of oil equivalent (mmboc), a 30% sale could yield around USD 400–600 million (at reserve values of USD 10–15/b) or roughly 30% to 45% of the current market cap. Although our discounted cash flow (DCF) valuation for Egypt does not account for this potential near-term sale, such a transaction could act as a significant catalyst.
- **Recent news flow about a reconciliation between the regional Kurdish and Iraqi authorities could lead to a longer-term upside.** In the near-term, this implies prompt payments for DANA's condensate sales (USD 62 million in 1Q2010 receivables). Indeed, management has confirmed receiving an undisclosed amount in payment last month. Longer-term, this spirit of reconciliation could signify that the Iraqi government is willing to soften its stance against domestic gas exports. This would validate DANA's May 2009 sale of a net 10% stake to OMV/MOL and could lead to a significant market revaluation of the company's remaining 40% stake (deal valuation implies USD 1.4 billion, 104% of market cap, and AED 0.78 per share). We note our DCF valuation accounts only for Phase 1 sales (i.e., zero credit for the Khor Mor upside, Chemchemical production, and gas exports).
- **For the United Arab Emirates (UAE) gas contract, the light at the end of the tunnel just might be from the gas currently being flared by Iran at the Salman field.** This contract, while DANA's raison d'être as a public company, has proved to be the company's Achilles heel given the chronic delays. However, as we predicted in our initiation report, recent news concerning gas flaring (potentially costing Iran in excess of USD 400 million/year) could suggest an impending startup of Iranian supplies. Although we do not include any impact of the Iranian operations in our valuation, the commencement of this project could add AED 0.66 to our fair value.

** Please refer to page 14 for recommendations and risk ratings.

VALUATION

We arrived at a 12-month fair value for Dana Gas of AED 1.01 per share using only the DCF method based on a sum-of-the-parts (SOTP) framework. While our standard practice is to use at least two valuation methods to reach our fair value estimate, Dana Gas is really the only listed natural gas (natgas)-focused company in the region that is not majority-owned by a government or a government entity. Thus, we believe that the company does not have any true peers in the region. Moreover, DANA does not have any true international peers with comparable market capitalizations that are predominantly focused on natgas and have vertically integrated operations across the gas value chain. Hence, we continue not to factor in the impact of comparable analysis in our valuation work. Our new 12-month fair value of AED 1.01 per share represents a potential upside of 34% relative to the May 26, 2010, last close, and hence we maintain our “Buy” recommendation. *We note that our DCF-SOTP valuation methodology does not include any impact from the UAE gas project (the Iran deal) given the limited visibility on the timing of the deal. In our estimation, the Iran deal is worth AED 0.66 per share even under conservative assumptions. Thus, if we were to include the potential value of the Iran deal, our fair value estimate for DANA would jump to AED 1.67 per share.* As we have discussed in our initiation report, if the Iran contract does get canceled (an unlikely outcome, in our view), we could see very significant pressure on DANA's share price.

Figure 1 Fair Value per Share

Our fair value for DANA is
AED 1.01

Valuation Method	Old		New		Change
	Weight	Value	Weight	Value	
Sum-of-the-Parts (Discounted Cash Flow)	100%	AED 1.09	100%	AED 1.01	-7%

Source: NBK Capital

Details of the SOTP DCF Valuation

To value Dana Gas using a SOTP DCF, we separately forecasted—through to 2015—the financial results and free cash flows of each of the following projects/regions: Egypt, the Kurdistan region of Iraq, the Gulf of Suez liquified petroleum gas (LPG) plant, and the Common User Pipeline (CUP). Accordingly, each operation received individual valuations that incorporated the operation's specific market dynamics. After subtracting corporate selling, general, and administrative (SG&A) expenses, other liabilities (including contingencies and commitments), net debt, and minority interest and adding the value of non-operating assets, we arrived at a total equity value of AED 6.7 billion. While we have valued Dana Gas's approximately 3% stake in the publicly traded equity of MOL at the current market price (as of May 25, 2010), we used 1Q2010 balance sheet values for DANA's investment property and investment fund.

Figure 2 New Sum-of-the-Parts Valuation, excluding Iran

	Regions/Projects				Total Other Items	Total
	Egypt	Kurdistan (Iraq)	Gulf of Suez	CUP		
Value (AED millions)	6,244	2,563	667	191	(3,011)	6,654
Per Share (AED)	0.95	0.39	0.10	0.03	(0.46)	1.01
% of EV	65%	27%	7%	2%		100%

Using the SOTP DCF valuation method, we arrived at a fair value per share of AED 1.01

	MOL Stake	Investment Property & Financial Assets	Corporate SG&A	Other Liabilities	Net Debt & Minority Interest	Total Other Items
Value (AED millions)	864	180	(1,327)	(132)	(2,595)	(3,011)
Per Share (AED)	0.13	0.03	(0.20)	(0.02)	(0.39)	(0.46)

Source: NBK Capital

Our new fair value is approximately 7% lower than our previous estimate of AED 1.09 primarily due to higher-than-anticipated capex in 2010/2011. The major divergence between our current model and our previous valuation is the increase in the net debt assumption. This can be attributed primarily to the increased level of capital spending and, to a lesser extent, a slower-than-expected ramp-up in production from Iraqi Kurdistan (more details on this point in a later section). We expand on DANA's updated capital spending guidance below:

Overall, we expect roughly USD 340 million in capex this year, followed by USD 175 million in 2011. Our previous modeled estimates were USD 135 million and USD 100 million for 2010 and 2011, respectively.

- **In Egypt, management is now guiding to capex of USD 180 million for 2010, followed by USD 120 million next year.** The company's previous guidance was around USD 100 million p.a. in 2010 and 2011. An active exploration program and further outlays for processing capacity expansion are the key drivers behind this increased capital spending program. We expect this higher level of spending to drive production growth beyond our modeled estimates but choose to remain conservative for now.
- **Also in Kurdish Iraq, the company now expects to spend USD 40–60 million in 2010.** This is higher than our previous estimate, which was based on a preliminary estimate.
- **In offshore Sharjah, management has now officially guided to around USD 125 million in capex split 65/35 between 2010 and 2011.** Previously, we had not included any capex from Sharjah in our model. This is because, as stated in our initiation report, we had not included any impact from Sharjah in our estimates and valuation given the lack of visibility into the economic terms of the concession (especially the price of natural gas). Currently, given the aforementioned capex guidance, we deem it prudent to factor in the capex (and other associated costs, including interest expenses on new financing to be taken on for this project) into our model. *However, we point out that we still do not consider any contribution from Sharjah in our SOTP value, and thus, our overall fair value for the company could be considered conservative.* Moreover, management assures us that the company is unlikely to undertake significant capex in this region until they have a firm gas contract in place. We will likely raise our overall SOTP fair value of Dana Gas when we receive further details on the economic terms of the Sharjah gas contract.

- **Finally, the company has earmarked around USD 15 million for the UAE gas project in 2010.** This spending is primarily related to getting the SajGas sweetening plant up and ready in anticipation of gas deliveries. While we had mentioned this potential spending in our initiation report, we are now factoring this spending into our capex estimate. *Again, similar to Sharjah, we are factoring in the capex for this project but are excluding it from our SOTP valuation.*

Next, we discuss our revised views on DANA's major current projects in Egypt and the Kurdistan region of Iraq. Following that, we detail our current thoughts on the UAE gas supply project (the Iran deal).

EGYPT: A POTENTIAL PARTIAL MONETIZATION COULD ACT AS A NEAR-TERM CATALYST

Overall View

While remaining a major source of upside for DANA shareholders, a partial farm-out in 2010 could enhance near-term shareholder value. To be sure, this region has been a star performer, with DANA reporting two new gas discoveries in 2010 (out of three wells) following eight gas discoveries (out of 12 attempts) in 2009. Production has ramped up significantly, with Dana Gas exhibiting production growth of 20% in 2009, and we expect a similar growth profile this year. For this year, the company is targeting 14 wildcats (11 more to go), and we expect successful drilling results, for the most part, to act as positive catalysts for the stock. *Our updated valuation work suggests that, even at conservative reserve and production estimates, this region holds about AED 0.95 per share in potential for Dana Gas shareholders in the next 12 months.* Moreover, in line with the possibility we had alluded to in our initiation report, the company has gone public with its intention to farm out as much as a 30% interest in the Egyptian operations in order to derive some near-term value (more details below).

Using conservative assumptions relative to recent deal valuations, we derive an AED 0.28 per share value for 30% of the Egyptian operations. Admittedly, our valuation exercise is simplistic given that a sale would depend on the following: (1) specific concessions that are farmed out and (2) risked impact of 3P (proved plus probable plus possible) reserves and exploration potential that would be layered on the 2P reserves of those concessions. However, we do note that our valuation is solidly grounded relative to the transactions undertaken by DANA's closest regional peer, Abu Dhabi National Energy (TAQA), which in recent memory has purchased assets with reserve values exceeding USD 20/b (barrel). We also note that, unlike TAQA's acquisitions of mature and declining assets, DANA's Egyptian concessions remain on a solid growth track. We lay out our valuation scenario in the figure below:

Figure 3 Expected Valuation for a 30% Sale of 2009 2P Reserves of 132 Mmboe

An Egyptian farm-out could yield around AED 0.28 per share

Valuation Scenario	Value *
Expected Proceeds of 30% of Reserves @ USD 10/boe	395
Expected Proceeds of 30% of Reserves @ USD 15/boe	593
Expected Proceeds of 30% of Reserves @ Average of USD 12.5/boe	494
Expected Proceeds Per Share @ Average of USD 12.5/boe	0.07

*In USD million, except per share values. Source: NBK Capital

- **In addition to the pure financial impact, a partial farm-out also provides DANA with significant benefits.** A deal could do the following: (1) help establish a market value for DANA's remaining Egyptian assets, which could open the door for potential capital-raising opportunities longer-term, and (2) bring in a strategic partner that could provide DANA with further technical expertise and operational efficiency in Egypt.
- **Caveat: this transaction could increase DANA's overall risk profile going forward.** If the company uses the proceeds to buy back its convertible sukuk, DANA's weighted average cost of capital (WACC) would increase (i.e., less debt and more equity in the capital mix). This could ultimately serve to lower our fair value for DANA shares. However, we note that management currently has no plans to buy back its sukuk. Moreover, a deployment of the proceeds into higher risk ventures or regions could also increase the company's risk profile and lower DANA's fair value.

Egypt Progress Report and Valuation

Progress Report

We continue to remain favorably impressed with DANA's exploration success in Egypt. In 2009, DANA grew its 2P Egyptian reserves by almost 40%, from 94.3 mboe to 131.8 mboe. In 2008, the company experienced a similar 42% year-on-year (YoY) growth in 2P reserves. After a string of eight successes in 2009 (out of 12 wells drilled), DANA has thus far drilled two successful gas discoveries, the El Panseiya-1 and South Faraskour-1, in 1Q2010. The company did encounter one dry hole during the first quarter and has written off AED 4 million in exploration expenses. DANA plans to drill a total of 14 gas wildcats in 2010.

Production growth remains in line with our estimate. Dana Gas's daily production for 1Q2010 was 39.2 kboe/d (thousands of barrels of oil equivalent a day), up 32% YoY from the daily average rate of 29.6 kboe/d in the first quarter of 2009. The uptick in volumes was primarily due to the commencement of production in the Sama field in February 2010. The company is targeting a 20% YoY growth in Egyptian volumes this year, which is in line with our model. East of South El Manzala, Dana Gas has formed a new discovery hub around the Tulip and Salma wells, where the company will need more exploration and appraisal activity to determine the size of the new gas plant to be situated at Salma. The current plan is to put in a 75 mmscf/d (million standard cubic feet per day) plant initially, which is expected to be operational by early 2011. Further exploration success could prompt DANA to add a second train here, which would double the plant capacity to 150 mmscf/d.

In summary, we expect DANA to grow its Egyptian production and reserves by a CAGR of 12% and 7%, respectively, until 2015. While we expect a 20% YoY growth in volumes this year, our longer-term production growth rate forecast could be considered quite achievable, especially in light of the new capex guidance provided by the company. This is also true of our 2P reserve growth estimates—we forecast about 152 mboe by 2015. Here we also highlight that, according to the independent reserves certification firm Gaffney, Cline and Associates, DANA's exploration assets in West Manzala, West Qantara, and Komombo could contain risked gas resources in the region of 1.6 tcf (trillion cubic feet) (267 mboe). *Thus, we point out that our estimates could be considered conservative given that DANA still retains a significant upside in terms of reserve potential.* We detail our reserves and production profile below:

Figure 4 Reserve and Production Estimates

DANA's reserves and production are expected to show significant future growth

<i>(In BOE Millions)</i>	2008	2009	2010 F	2011 F	2012 F	2013 F	2014 F	2015 F	CAGR*
2P Reserves	94.3	131.8	154.7	168.9	180.4	172.3	162.7	151.9	7%
Production	10.6	12.7	15.2	17.5	19.0	20.3	21.9	23.0	12%

*CAGR over 2008–2015. Source: NBK Capital

Discounted Cash Flow Valuation

Based on our financial forecasts for DANA's operations in the region, we arrive at a 12-month fair value of AED 0.95 per share for Egypt. Our DCF valuation is based on forecast financial results through 2015. From the forecast financial results, we extracted the free cash flows that were used in our valuation. We note that our total capex assumptions are USD 180 million in 2010, followed by USD 120 million in 2011 and USD 100 million in 2012. After 2012, we project USD 40 million p.a. in capital expenditures. In 2015, we have assumed that Dana Gas will divest its Egyptian operations at around USD 12.5/boe (barrels of oil equivalent) reserve value (2P reserves of 152 mboe). We point out that our DCF excludes items such as net debt, corporate-level SG&A expenses, and non-operating assets/liabilities, which are assigned in the combined company DCF model. *As we have noted previously, our DCF value for Egypt could be considered conservative in light of the significant reserve potential and concession terms that encourage spending on exploration.*

Figure 5 DCF Valuation

<i>(Figures in AED Millions *)</i>	Forecast				
Fiscal Year Ends December	2011	2012	2013	2014	2015
EBITDA Net of Taxes	571	596	682	739	715
(Incr.) Decr. in Working Capital	146	(3)	(12)	(25)	32
(Capex)	(441)	(367)	(147)	(147)	(147)
FCF	276	226	524	567	600
Divestment Value @ USD 12.5/boe					6,975
PV of Cash Flows	262	195	413	407	394
PV of Divestment Value					4,573
Value of Operations in 12 Months					6,244
Per Share Value in AED					0.95

Using the DCF valuation method, we arrived at a fair value per share of AED 0.95

**Except per-share values. Source: NBK Capital*

NORTHERN IRAQ (KURDISTAN): LONGER-TERM UPSIDE REMAINS

Overall View

DANA's number two region could hold significant upside, but given updated guidance, we have somewhat tempered our 2010 growth estimate. In the near-term, as far as 2010 is concerned, we are now forecasting slower growth in revenue. *Our DCF analysis, which considers the longer-term free cash flow (FCF) of the region, yields a 12-month fair value of AED 0.39 per share. We also highlight that our DCF valuation accounts only for Phase 1 sales (i.e., zero credit for the Khor Mor upside, Chemchemical production, and gas exports via the Nabucco pipeline).* Furthermore, we are also heartened by some recent events in the region as we explain below:

Recent news flow about a reconciliation between the regional Kurdish and Iraqi authorities could pave the way for a longer-term upside. On May 18, the Iraqi cabinet made public statements that the Iraqi authorities had approved a deal with the self-ruled Kurdish region to resume the oil exports that were halted in October 2009 over a payment dispute. For now, the Iraqi federal government has agreed only to pay the costs of the foreign oil companies operating in the Kurdistan region of Iraq, deferring the issue of “profit-oil” payments to a later date. In the near-term, this implies prompt payments for DANA's condensate sales as well (USD 62 million in 1Q2010 receivables). Indeed, management has confirmed receiving an undisclosed amount in payment last month. Longer-term, this spirit of reconciliation could signify that the Iraqi government is willing to soften its stance against domestic gas exports. This would validate DANA's May 2009 sale of a net 10% stake to OMV/MOL and could lead to a significant market revaluation of the company's remaining 40% stake (the deal valuation implies USD 1.4 billion, 104% of market cap, and AED 0.78 per share).

Iraqi Kurdistan Progress Report and Valuation

Progress Report

While 2010 growth will be slower than previously anticipated, this region should still exhibit significant growth until 2013. In the Kurdistan region of Iraq, Dana Gas produced 0.97 million barrels in the first quarter this year, an increase of roughly 50% YoY. Our current revenue forecast shows AED 350 million in top line for this year (YoY growth of 128%), followed by 138% growth to AED 835 million in 2011. We now forecast Phase 1 sales to peak at AED 890 million in 2012. Our previous forecasts called for a top line of AED 476 million in 2010, followed by a peak of AED 890 million in 2011 and AED 765 million in 2012. The push-out in revenue forecasts has been primarily driven by the aforementioned issues of DANA getting paid for its condensate sales, which has prompted the company to delay the commissioning of its LPG plant. Current forecasts call for the first train to be commissioned in late 3Q2010 (versus our previous estimate of mid-2Q2010) and the second train to be up and running in mid-1Q2011 (versus our previous expectations of mid-3Q2010). Thus, we now expect production to peak at gross levels of 300 mmscf/d (gas), 940 tons/d (LPG), and 14,000 b/d (condensates) in mid-1Q2011.

Discounted Cash Flow Valuation

Based on our financial forecasts for DANA's operations in the region, we arrive at a 12-month fair value of AED 0.39 per share for the Kurdistan region of Iraq. Our DCF valuation is based on forecast financial results through 2015. From the forecast financial results, we extracted the free cash flows that were used in our valuation. We note that the majority of capex to bring the Khor Mor field on line, along with the construction and commissioning of the two-train LPG facility, was spent by 1Q2010 (on a net basis, the company has spent USD 392 million in capex from

2007 to 1Q2010). This year, we are expecting total capital spending of around USD 40 million, followed by about USD 5 million in 2011. We point out that our DCF excludes items such as net debt, corporate-level SG&A expenses, and non-operating assets/liabilities, which are assigned in the combined company DCF model. At the risk of rehashing material already presented in our initiation report, we would still like to point out these final observations:

- **Our overall sum-of-the-parts value accounts for the cash received from OMV (AED 0.10 a share) and the current market value of DANA's approximately 3% stake in MOL (AED 0.13 a share).** Thus, one could consider AED 0.62 per share as the total value contributed by the Kurdistan region of Iraq.
- **Our DCF value for the Kurdistan region of Iraq is based on what DANA currently calls its "Phase 1" operations.** Future expansions beyond this phase could be significantly value-enhancing given that the incremental investment required is likely to be lower. The company has informed us that it could spend an additional USD 100 million in net capex to boost Khor Mor to a daily gross output level of 400 mmscf/d of gas (with a proportionate increase in liquids) by 2012–2013. The incremental gas could supposedly be sold to local power plants and other industrial (cement) customers with DANA getting full price for its gas production. DANA also plans to drill some wells in both fields in 2010–2011. However, with Phase 1 yet to fully get off the ground, we are hesitant to attribute any value to additional phases. *Future materialization of this additional phase could indeed lead us to upgrade our DCF-based value for DANA's Kurdistan (Iraq) operations.*
- **Finally, the deal-implied valuation of DANA's remaining 40% stake is AED 0.78 a share.** This is more than the current market cap of the entire company. However, for investors to attribute this sort of valuation for DANA's stake in this region, the company's current impasse concerning gas exports to Europe would have to be resolved.

Figure 6 DCF Valuation

<i>(Figures in AED Millions *)</i>	Forecast				
Fiscal Year Ends December	2011	2012	2013	2014	2015
EBITDA Net of Taxes	779	831	423	83	83
(Incr.) Decr. in Working Capital	(72)	(7)	121	93	4
(Capex)	(18)	-	-	-	-
FCF	689	824	544	176	87
Terminal Value					1,001
PV of Cash Flows	649	699	416	122	54
PV of Terminal Value					623
Value of Operations in 12 Months					2,563
Per Share Value in AED					0.39

*Except per-share values. Source: NBK Capital

Using the DCF valuation method, we arrived at a fair value per share of AED 0.39

THE UAE GAS PROJECT: FLARE MEANS SUCCESS?

Overall View

We continue to exclude this deal from our estimates and valuation but point to the recent flaring of gas as a positive sign. Using a realistic assumption of startup in 2011, we have come up with a 12-month fair value of AED 0.66 a share for DANA's net interest in the UAE gas project. We note that this value estimate includes only the originally contracted 600 mmscf/d of gas supplies (plus associated products) and does not factor in any volume escalation. *Net-net, although we feel it is prudent to exclude the impact of the project from our overall sum-of-the-parts valuation and forecasts, recent events (more details below) do hint that this contract could eventually start next year.* Cancellation of the Iran deal, although unlikely, remains the single biggest risk, in our view. Although we have not included any impact of this project in our fair value and estimates, we do want to point out that cancellation of this project could act as a very significant negative catalyst on DANA shares. Moreover, we note that the company is carrying roughly USD 1.07 billion on its books related to intangibles and the acquisition costs (plus capex) of the pipeline and processing assets related to this project. Any impairment of these assets would lead to a substantial hit to net income and equity.

For the UAE gas contract, the light at the end of the tunnel just might be from the gas currently being flared by Iran at the Salman field. Although officially there has been no update on this contract and the parties remain in arbitration, recent events certainly give cause for optimism:

- **Dana Gas's management maintained a positive tone about Iran during the first quarter conference call regarding reports of gas flaring at the Salman field.** News reports indicate that Iran has been producing oil at the Salman field and flaring the gas from late last year or so. This, in our view, is an untenable situation in the long-term, as Iran could potentially lose out on more than USD 400 million in annual gas revenues. Dana Gas's management also pointed out this fact in the 1Q2010 conference call and mentioned the flaring as a positive sign for the eventual startup of the gas supplies.
- **The company has earmarked spending in the 2010 budget to get facilities ready to receive gas from Iran.** This signals management's optimism about supplies beginning in the intermediate term. DANA expects to spend about USD 10–15 million this year primarily to get the SajGas sweetening plant ready by next year. As mentioned in the conference call, the company has a "gas readiness taskforce" that is now currently undertaking key activities to get DANA's facilities ready for gas deliveries.

Net-net, we remain encouraged by these recent events and believe that there is some room for optimism regarding the startup of Iranian gas supplies in the intermediate term.

Next, we briefly discuss our 2010 forecasts and the company's longer-term balance strength.

NEW FORECASTS – MARGINAL REDUCTION OF 2010 ESTIMATES

Given the lower revenue impact from Iraqi Kurdistan and higher G&A expenses, we have lowered our 2010 forecasts. Our 2010 net income is also reduced by the expectations of higher taxes in Egypt (based on the 1Q2010 tax rate).

Figure 7 New 2010 Forecasts

<i>(Figures in AED Millions)</i>	2009 Actual	2010 F		2010 New Forecast Versus	
		Old	New	2009 Actual	Old 2010 F
Net Revenue	872	1,348	1,267	45%	-6%
EBITDAX	652	1,065	983	51%	-8%
<i>EBITDAX Margin</i>	<i>74.8%</i>	<i>79.0%</i>	<i>77.6%</i>		
EBT	264	402	359	36%	-11%
<i>EBT Margin</i>	<i>30.3%</i>	<i>29.8%</i>	<i>28.3%</i>		
Net Profit	88	192	129	46%	-33%
<i>Net Margin</i>	<i>10.1%</i>	<i>14.2%</i>	<i>10.2%</i>		

Our 2010 forecasts saw moderate reductions at the operating level

Sources: Company reports and NBK Capital

Financial Health

Although DANA's net debt-to-shareholders' equity is projected to grow this year, leverage should remain at manageable levels and improve beyond 2010. Cash and bank balances stood at AED 645 million as of March 31, 2010, which translates into a net debt-to-shareholders' equity ratio of 0.33x. We expect DANA's leverage to grow this year given that the company: (1) has recently raised a non-recourse project finance facility to cover 70% of the estimated capital outlay for the Gulf of Suez plant, which roughly amounts to USD 15 million; and (2) expects to raise around 70% of the USD 125 million budget for its offshore Sharjah project in another non-recourse facility. For modeling purposes, we have assumed the first facility was raised in early May and the second facility will be closed by early 3Q2010. According to company guidance, both of these debt facilities should have a term of around five years and an annual coupon of 7.5% (comparable to DANA's existing convertible sukuk). Interest on both these facilities would be capitalized until the startup of production in these regions (mid-2011, although we note that we have not factored in any top-line impact from Sharjah given the uncertainty about the project's economic terms). As we can see in Figure 8, given the above financing initiatives, DANA's net debt-to-shareholders' equity should increase to 0.42x in 2010. However, given our projections, the company's gearing should improve going beyond 2010, falling to 0.23x in 2012. This is because DANA will have to pay off its sukuk that is maturing in October 2012. Currently, we are projecting that this would be achieved partly through a cash payment and partly through a refinancing at similar terms as conversion is entirely at the sukuk-holders' option and the conversion price, post the recent stock dividend, is set at AED 1.926. We also assume that the aforementioned facilities are paid off in mid-2015.

Figure 8 Financial Health Metrics

	Fiscal Year Ends December	2009 A	2010 F	2011 F	2012 F	2013 F	2014F	2015 F
<i>We forecast improving balance sheet strength going forward</i>	Total Debt-to-Shareholders' Equity	0.42	0.45	0.42	0.28	0.27	0.27	0.23
	Times Interest Earned	N.M.	2.48	3.91	4.18	3.81	2.25	2.33
	Net Debt in AED Millions*	2434	3345	2901	2131	1242	652	90
	Net Debt-to-Shareholders' Equity	0.32	0.42	0.34	0.23	0.13	0.07	0.01

*Total debt less excess cash. Sources: Company reports and NBK Capital

FINANCIAL STATEMENTS

Income Statement (AED Millions)	Historical		Forecast				
	2008	2009	2010	2011	2012	2013	2014
Fiscal Year Ends December							
Total Net Revenue	662	872	1,267	1,909	2,055	1,728	1,479
Cost of Revenue	103	121	137	205	233	242	255
Gross Profit	559	751	1,130	1,704	1,822	1,485	1,224
Selling/General/Admin. Expenses	82	99	146	135	135	135	135
Depreciation/Amortization	301	315	408	512	557	589	631
Other Operating Expenses, Total	22	861	59	61	59	24	24
Operating Income	154	(524)	517	995	1,071	738	435
Interest Income (Exp), Net Non-Operating	(115)	(165)	(188)	(236)	(234)	(158)	(128)
Gain (Loss) on Sale of Assets	44	1,198	-	-	-	-	-
Other, Net	175	(245)	30	30	30	30	30
Net Income before Taxes	258	264	359	789	868	610	336
Provision for Income Taxes	138	176	230	251	262	282	304
Net Income after Taxes	120	88	129	539	606	328	32
Minority Interest	-	-	-	-	-	-	-
Net Income	120	88	129	539	606	328	32

Balance Sheet (AED Millions)	Historical		Forecast				
	2008	2009	2010	2011	2012	2013	2014
Fiscal Year Ends December							

ASSETS

Cash and Short-Term Investments	798	781	269	728	502	1,383	1,967
Accounts Receivables and Prepayments	484	735	887	1,088	1,151	950	814
Inventories	211	169	245	370	398	335	287
Financial Assets at FV through P&L	28	33	37	37	37	37	37
Other Assets, Total	-	-	-	-	-	-	-
Total Current Assets	1,521	1,718	1,438	2,223	2,088	2,705	3,104
Property/Plant/Equipment, Total–Net	2,996	3,449	4,272	4,416	4,226	3,784	3,300
Goodwill, Net	1,129	1,129	1,129	1,129	1,129	1,129	1,129
Intangibles, Net	4,749	3,926	3,948	3,948	3,948	3,948	3,948
AFS (Stake in MOL)	-	1,037	1,177	1,177	1,177	1,177	1,177
Investment Property and Other, Total	403	143	143	143	143	143	143
TOTAL ASSETS	10,798	11,402	12,107	13,036	12,711	12,885	12,801

LIABILITIES & EQUITY

Trade Payables and Accruals	403	467	507	897	966	812	695
Other Current Liabilities, Total	1	-	-	-	-	-	-
Total Current Liabilities	404	467	507	897	966	812	695
Convertible Bonds/Other LT Debt	3,138	3,193	3,582	3,582	2,582	2,582	2,582
Deferred Income Tax	-	-	-	-	-	-	-
Asset Decommissioning Obligation	32	44	48	48	48	48	48
Other Liabilities, Total	4	7	7	7	7	7	7
Total Liabilities	3,577	3,711	4,143	4,534	3,602	3,449	3,332
Total Equity	7,218	7,676	7,949	8,487	9,094	9,422	9,454
Minority Interest in Equity	3.0	15.0	15.0	15.0	15.0	15.0	15.0
TOTAL LIABILITIES AND EQUITY	10,798	11,402	12,107	13,036	12,711	12,885	12,801

Cash Flow (AED Millions)	Historical		Forecast				
	2008	2009	2010	2011	2012	2013	2014
Fiscal Year Ends December							
Cash from Operating Activities	118	385	502	1,321	1,344	1,155	830
Cash from Investing Activities	(892)	(116)	(1,343)	(608)	(315)	(81)	(52)
Cash from Financing Activities	(411)	(286)	329	(254)	(1,256)	(194)	(194)
Net Change in Cash	(1,185)	(17)	(512)	459	(226)	881	585

Sources: Company reports and NBK Capital

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK			HIGH RISK	
1	2	3	4	5

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NBK CAPITAL**Kuwait****Head Office**

38th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050
Kuwait
T. +965 2224 6900
F. +965 2224 6905

MENA Research

35th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6663
F. +965 2224 6905
E. menaresearch@nbkcapital.com.kw

Brokerage

37th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6964
F. +965 2224 6978
E. brokerage@nbkcapital.com

United Arab Emirates**NBK Capital Limited**

Precinct Building 3, Office 404
Dubai International Financial Center
P.O.Box 506506
Dubai, UAE
T. +971 4 365 2800
F. +971 4 365 2805

Turkey**NBK Capital**

Arastima ve Musavirlik AS,
Sun Plaza, 30th Floor,
Dereboyu Sk. No.24
Maslak 34398, Istanbul, Turkey
T. +90 212 276 5400
F. +90 212 276 5401

NATIONAL BANK OF KUWAIT**Kuwait****National Bank of Kuwait SAK**

Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
T. +965 2242 2011
F. +965 2243 1888
Telex: 22043-22451 NATBANK

Jordan**National Bank of Kuwait SAK**

Head Office
Al Hajj Mohd Abdul Rahim Street
Hijazi Plaza, Building # 70
P.O.Box 941297,
Amman -11194, Jordan
T. +962 6 580 0400
F. +962 6 580 0441

United States of America**National Bank of Kuwait SAK**

New York Branch
299 Park Avenue, 17th Floor
New York, NY 10171, USA
T. +1 212 303 9800
F. +1 212 319 8269

Vietnam**National Bank of Kuwait SAK**

Vietnam Representative Office
Room 2006, Sun Wah Tower
115 Nguyen Hue Blvd, District 1
Ho Chi Minh City, Vietnam
T. +84 8 3827 8008
F. +84 8 3827 8009

INTERNATIONAL NETWORK**Bahrain****National Bank of Kuwait SAK**

Bahrain Branch
Seef Tower, Al-Seef District
P.O. Box 5290, Manama, Bahrain
T. +973 17 583 333
F. +973 17 587 111

Lebanon**National Bank of Kuwait**

(Lebanon) SAL
Sanayeh Head Office
BAC Building, Justinian Street
P.O. Box 11-5727, Riyad El Solh
1107 2200 Beirut, Lebanon
T. +961 1 759 700
F. +961 1 747 866

United Kingdom**National Bank of Kuwait (Intl.) Plc**

Head Office
13 George Street,
London W1U 3QJ, UK
T. +44 20 7224 2277
F. +44 20 7224 2101

China**National Bank of Kuwait SAK**

Shanghai Representative Office
Suite 1003, 10th Floor,
Azia Center, 1233 Lujiazui Ring Rd.
Shanghai 200120, China
T. +86 21 6888 1092
F. +86 21 5047 1011

Saudi Arabia**National Bank of Kuwait SAK**

Jeddah Branch
Al-Andalus Street, Red Sea Plaza
P.O. Box 15385
Jeddah 21444, Saudi Arabia
T. +966 2 653 8600
F. +966 2 653 8653

Iraq**Credit Bank of Iraq**

Street 9, Building 187
Sadoon Street, District 102
P.O.Box 3420, Baghdad, Iraq
T. +964 1 7182198/7191944
+964 1 7188406/7171673
F. +964 1 7170156

NBK Investment**Management Limited**

13 George Street
London W1U 3QJ, UK
T. +44 20 7224 2288
F. +44 20 7224 2102

France**National Bank of Kuwait (Intl.) Plc**

Paris Branch
90 Avenue des Champs-Elysees
75008 Paris, France
T. +33 1 5659 8600
F. +33 1 5659 8623

ASSOCIATES**Qatar****International Bank of Qatar (QSC)**

Suhaim bin Hamad Street
P.O.Box 2001
Doha, Qatar
T. +974 447 3700
F. +974 447 3710

United Arab Emirates**National Bank of Kuwait SAK**

Dubai Branch
Sheikh Rashed Road, Port Saeed
Area, ACICO Business Park
P.O. Box 88867, Dubai
United Arab Emirates
T. +971 4 2929 222
F. +971 4 2943 337

Egypt**Al Watany Bank of Egypt**

13 Al Themar Street
Gameat Al Dowal AlArabia
Fouad Mohie El Din Square
Mohandessin, Giza, Egypt
T. +202 333 888 16/17
F. +202 333 79302

Singapore**National Bank of Kuwait SAK**

Singapore Branch
9 Raffles Place #51-01/02
Republic Plaza, Singapore 048619
T. +65 6222 5348
F. +65 6224 5438

Turkey**Turkish Bank**

Head Office
Valikonagl Avenue No. 1
P.O.Box 34371 Nisantasi,
Istanbul, Turkey
T. +90 212 373 6373
F. +90 212 225 0353

KUWAIT ▪ DUBAI ▪ ISTANBUL ▪ CAIRO