THE CEO'S STATEMENT
Dr. Patrick Allman-Ward

Dear Shareholders,

Introduction

I am very pleased to announce that Dana Gas delivered a strong financial and operational performance in 2019 and thereby continued to deliver on our commitments to both our shareholders and other stakeholders. Our strong operational performance continues into 2020 despite the recent and unprecedented global events. The low oil price environment as a result of the suppressed oil demand has puts considerable stress on all sectors of the petroleum industry. However, Dana Gas is naturally hedged against low oil prices due to the Company's product mix and stable gas sales agreements. Currently, natural gas constitutes 75% of the Company's production which is sold under long term gas sale contracts with host Governments at prices which are unaffected by low oil prices. These gas sales account for approximately half of the Company's income, leading to sustainable revenues even in low oil price environments.

We have maintained a rigorous approach to expenditure since the last price downturn in 2014. Through our continued and disciplined approach to cost control, we are well positioned to withstand the current low oil price environment should it persist. We remain committed to cost discipline and will again be reviewing current expenditure and all discretionary spending. We will take all necessary and appropriate measures to protect our business performance.

Dana Gas continues to demonstrate its commitment to safe and responsible operations. Our commitment to reporting transparency continues especially in these increasingly difficult times.

Financial Performance and Collections

In 2019, the Company's profit rose due to an increase in production from the Kurdistan Region of Iraq (KRI). The Company reported a Net Profit of $157 million (AED 575m) compared to a loss of $186 million (AED 682m) in the previous year. Revenue was $459 million (AED 1.68bn), some $11 million (AED 0.4m) less than in 2018. This was primarily due to lower average oil prices for the year offset by production increase of 30% in the KRI, adding $40 million to the top line in 2019. We ended the year with a cash balance of $425 million, compared to $407 million at the end of 2018.

The Company's collections and outstanding receivables position continued to improve in 2019. Dana Gas collected $285 million during the year, of which $138 million came from Egypt, $139 million from the KRI and $8 million from the UAE. Total dividends received in the KRI amounted to $121 million and included a special dividend of $42 million.

KRI Performance

For more than a decade we have been an integral part of KRI's regional economic development. Our KRI activities continue to be the focus of our efforts. In May 2019, our KRI reserves were re-certified by Gaffney Cline and Associates. This confirmed a 10% increase in our 'proved plus probable' (2P) reserves. Dana Gas's total share is now 1,087 million barrels of oil equivalent, up from 990 mmboe, when Gaffney Cline certified the fields in April 2016. This strongly suggests these two gas fields are the largest in Iraq, making them world-class assets.

Production output in the KRI jumped 18% year-on-year to 31,500 boepd. This was a result of our debottlenecking project that came on-stream in late 2018, lifting output close to 400 million scf/d. This success led us to sign a new 20-year Gas Sales Agreement with the Kurdistan Regional Government (KRG) for an additional 250 MMscf/d of gas, to be supplied from the Khor Mor Field. The contracted gas now represents the first phase of additional production from a two-phase expansion project. In 2019 we completed workover and drilling activities on seven Khor Mor wells comprising five workovers and two appraisal wells together with one important appraisal well in Chemchemal.

Egypt Performance

The Egyptian economy continued to improve in 2019, allowing the Government to make significant strides in paying overdue receivables to international energy companies. We were able to successfully reduce our receivables to $111 million, a 21% reduction compared to the 2018 year-end balance of $140 million. For Dana Gas, one of the key operational achievements last year was the drilling of the Company's first offshore deep-water well, Merak-1 in 755 meters of water. The drilling operations tested the shallow objective Miocene section in mid-July, reaching a total depth of 3,980 meters. The well encountered excellent quality reservoirs but without commercial hydrocarbons and was abandoned. This was disappointing but show-cased our ability to drill challenging wells to the highest safety and environmental standards, without any incidents, on time and below budget. Major exploration potential still remains in the deeper Oligocene reservoir section in the Merak structure, which has been designed to be accessed cost effectively by deepening the existing well. In addition, there is further material exploration potential in other prospects. The Block 6 exploration acreage remains highly prospective and we anticipate further successful exploration activity.

Production performance was above target in 2019. Significant reservoir management measures were taken to maintain maximum reservoir deliverability, producing an average of 33,000 boepd. The team in Egypt did an outstanding job limiting the natural decline rate to only 4%. Production from the recently awarded East South Abu El Naga development lease (in the North El Salhiya concession) commenced in January 2020, two months ahead of schedule which will have a positive impact on output in 2020.

Strategic Review

In the second half of 2019, the Company launched a Strategic Review of its asset portfolio. This was a triggered by the realization of the increased opportunities in the KRI and the positive investment climate which encouraged further expansion of the production facilities to develop the hydrocarbon resources, which are 10 times the size of our 2P reserves in Egypt.

The Board decided, in light of the Company's available resources, to focus efforts on developing these world-class resources in the KRI. As a result, a sales process for our Egyptian assets was initiated in 2019 to test the market. The process of clarifying and evaluating the offers is currently ongoing and due diligence is being carried out.

UAE

During 2019, production at the Zora Field in the UAE fell to 1,000 boepd, down from 1,200 boepd in 2018. From 3 September 2019, Dana Gas ceased production from the Zora Field and gave notice of relinquishment. We expect to complete the final decommissioning and abandonment activities before the end of 2020.

2020 plans and Capex

Our 2020 investment plan is ambitious. The Company has been planning Pearl Petroleum's Khor Mor expansion plans since the Settlement Agreement in mid-2017. The current plan is to expand production output from the current 400 MMscf/d to 900 MMscf/d in two phases. The first train will raise Pearl's output increase to 650 million scf/day by 2022. The second train will see output rise to 900 million scf/day by 2023. Pearl recently appointed an EPC contractor to construct the gas processing plant. They have regrettably had to declare Force Majeure as a result of the Covid-19 pandemic which has led to movement restrictions on staff, contractors and the delivery of goods. All parties remain committed to executing and completing this project. Construction of the gas processing plant will resume as soon as conditions allow us to do so.

Our plans in the KRI in 2020 also include drilling one exploration well, Qulaijan in Block 19, and the start of a five well development drilling campaign in Khor Mor to support the production increase. In light of the appraisal results, we are working with the KRG on a development plan for the Chemchemal Field. It is important to remember that Dana Gas has no funding commitments in the KRI, as the capital required is sourced from contractor financing, operating cash flow and third-party financing at the Pearl Petroleum level. In Egypt, our plan is to execute a well work over program this year that will further reduce the natural decline of our onshore fields and to drill some additional exploration wells in Block 3. We are also carrying out activities to mature the significant potential of Block 6 and define additional drilling locations, while seeking a farm-in partner to partner in drilling these additional deep-water exploration wells.

Cash and Sukuk

We ended 2019 with a strong balance sheet with $425 million held in cash, up from $407 million at the end of 2018. Should the sale of our Egyptian assets proceed, the funds raised will be used to pay down the outstanding amount of $397 million of our Sukuk when it matures in October this year. We will use our cash position to make up any shortfall. In case the sale does not proceed, we are already exploring different mechanisms to raise money to pay the Sukuk.

Current oil environment

I am pleased to report that our G&A and operational expenditure has remained flat since 2016, totalling around $70 million per annum. This is a result of the strict cost control programme which we have put in place since 2014. However, in the face of the current low oil price environment we are further reviewing all discretionary spending and are taking steps to reduce this where possible. We will continue to focus on cash flow optimisation, through further cost savings, and tight capex management.

HSSE and CSR

During 2019, we continued our commitment to the highest HSSE standards. We take a proactive approach in managing potential hazards and risks to protect our employees, contractors, local communities and the environment in which we work. We saw continued HSSE performance improvements through 2019 along with reducing risks to our people, environment, assets and reputation from our ongoing operations. Notwithstanding the two lost-time injures reported in 2019, we achieved some notable operational HSSE successes. These included a third-party audit of our Sharjah and Egypt offices, which demonstrated full compliance with internationally recognised ISO standards and our Zora Gas plant achieved four years of injury-free work.

Corporate social responsibility and sustainable development remain core to our values, and we continue to support our local communities. Initiatives include supplying better quality education; delivering improved medical services; and, infrastructure, such as electricity supply and roads; as well as supporting employment opportunities in our local communities.

Our fourth Sustainability Report will be published this year, in accordance with the Global Reporting Initiatives Standards. In it, we will highlight our actions, progress and initiatives related to economic, environmental and social performance matters.

Conclusion

Our overall business performance in 2019 was strong, and I would like to take the opportunity to thank the Board, Dana Gas management and staff, as well as our many contractors and other stakeholders for their support in making last year such a success. Our operations continue to remain strong. However, we are entering an unprecedented time of uncertainty with unstable oil prices impacting all industries. Our focus this year remains on what we can control: keeping our staff safe, our facilities operational, protecting our environment, supporting our local communities and prudently managing our cash position.