

CHAIRMAN'S ADDRESS

Mr. Abdul Hameed Jafar

Dear Shareholders,

Whilst it gives me great pleasure to report that Dana Gas's profit in 2019 rose to the highest in seven years, it comes at a time when the oil and gas sector faces one of its biggest crises in decades. From the beginning of 2020, global oil prices weakened further from last year due to persistent oversupply into the market and the anticipation of reduced demand in China as a result of travel restrictions put in place in response to the spread of the Coronavirus throughout the country. From March, and as the WHO declared the Coronavirus as a global pandemic, the consequent response by governments all over the world to restrict travel and lock down, led to massive further reductions in demand. This supply-demand imbalance resulted in oil prices crashing by 50% or more, falling to the mid-twenties. Indeed many analysts predicted further price falls into single digits as global stocks were rapidly approaching full capacity, until the fortunate OPEC++ agreement put on the brakes to decelerate this trend. However, the oversupply situation is continuing, albeit at a less alarming rate which has halted the downward price spiral at least for the time being. In the meantime, the global macro-economic outlook is gloomy, creating uncertainty on the timing of an upturn in oil demand and consequently oil and gas prices. Under these circumstances the outlook is therefore very uncertain.

Our ability to add production and strengthen our operations in 2019 has made us, for now, resilient to the tough trading conditions. The leadership team has worked tremendously hard over the last years to ensure that Dana Gas is financially robust. Over half of our income is protected in low oil price environments, owing to the long-term gas sales agreements we have in place both in Egypt and the Kurdistan Region of Iraq (KRI). Furthermore, precautionary measures and contingency plans have already been put in place with respect to the Coronavirus pandemic to safeguard our personnel and assets and ensure that our production continues to be unaffected.

Financial performance summary

The Company's profit for the year increased to \$157 million versus a net loss of \$186 million in 2018, buoyed by an uplift in production in the Kurdistan Region of Iraq (KRI) as well as earn-out and deferred income entitlements. It is worthy of note that on a like-for-like basis, profit from core operations increased by 80% to \$115 million compared to \$64 million in 2018. As a result of the Company's strong performance last year, which includes starting 2020 with a strong balance sheet of \$425 million in cash, and in keeping with our objective of ensuring a regular annual dividend to shareholders, the Board has recommended to pay a dividend of 5.5 fils for 2019, which will be presented to shareholders at the coming annual meeting. If approved, it will be the Company's third consecutive dividend and highlights the positive financial and operational results that have been delivered to all our shareholders.

Operational performance - KRI

It is gratifying that the investments we have made in the KRI to date have flourished. Our most recent activity, the Khor Mor plant debottlenecking project was completed both safely and efficiently in the last quarter of 2018, increasing production output by 30% and adding \$40 million in 2019 to the top line. It also drove our full-year group production up by 3% to 66,220 boepd, with the KRI production compensating for a decline in production in Egypt and the UAE. We are also

very excited about the future growth potential in the KRI. Khor Mor and Chemchemical are world-class assets and we are moving ahead with the next phase of development of these fields.

Operational performance - KRI

In 2019 we also achieved other important milestones in the KRI. We are developing two gas processing trains of 250 MMscf/d each, boosting our gas and condensate production to 900 MMscf/d. We signed a new 20-year Gas Sales Agreement with the government for the gas production from the first train, to power the Region's electricity production. An international engineering, procurement and construction (EPC) contractor was appointed earlier this year and the work was initiated immediately following final approval by the KRG Ministry of Natural Resources. Unfortunately, as a result of the government restrictions imposed due to the Coronavirus pandemic, the contractor has had to declare Force Majeure while restrictions continue. Both the contractor and the Company are committed to executing this contract as quickly as possible, and we will be resuming activities as soon as conditions allow.

Operational performance - Egypt

Our production in Egypt exceeded our forecast for the year as a result of diligent reservoir management practices. However production continues to fall in line with the natural depletion of the reservoirs. We remain very optimistic about the exploration potential of our offshore Block 6 Concession Area which contains several exciting prospects. As previously announced, we launched a Strategic Review of our Egypt assets last year. This was driven by the need to review our portfolio of assets comparing the resources required and the benefits delivered in terms of increasing production and further growth potential. The KRI holds over 90% of the Company's proven plus probable (2P) reserves of over 1 billion barrels of oil equivalent. The Strategic Review has resulted in bids for the Egyptian business. Discussions with the interested parties continue and further announcements will be made in due course.

Demerger

The Board and management continue to look at ways to enhance shareholder value and have been examining the possibility of splitting the Company in two distinct parts through what is technically called a demerger. The rationale is to enhance shareholder value through a separation of the different business potential of our upstream and mid-stream assets, and also allow for a revaluation of our enormous KRI reserves and resources.

In this regard, we are proposing to form a new company to hold the upstream assets in the KRI and Egypt. These will be demerged from Dana Gas PJSC. Meanwhile, Dana Gas PJSC will continue to hold our collection of midstream assets, primarily the UAE gas import project and related assets. These in fact are the original projects, based upon on which the Company was created in 2005. Shareholders in Dana Gas PJSC at the time of the demerger will equally have shares in both companies. The demerger will allow shareholders greater flexibility to subsequently manage their investment, as they may individually desire to elect towards their preferred company entity with different assets, business risks and opportunities. After careful consideration and consultation with the authorities, the Board is recommending to ask the shareholders for authorization to proceed with carrying out a feasibility study for the concept. If the outcome is positive and all of the necessary authorizations have been obtained, the shareholders will be asked to approve the demerger plan.

Arbitrations

With regard to the ongoing arbitrations, I am pleased to report that along with Crescent Petroleum, the Company received an overwhelmingly positive award from the London Court of International Arbitration in the arbitration case initiated against the MOL Group in 2017. Earlier this year, we also launched two new arbitration proceedings against the MOL Group and OMV Upstream. The arbitrations arose out of MOL and OMV's attempts to avoid paying reserve-based earn-out payments under the terms of the 2009 Share Sale Agreement when both companies acquired 10% stakes each in Pearl Petroleum.

Recognition and Conclusion

Finally, on behalf of the Board of Directors, I would like to express our gratitude for the continued support of our Honorary Chairman, His Highness Sheikh Ahmed bin Sultan Al-Qassimi, Deputy Ruler of Sharjah and Chairman of the Sharjah Petroleum Council.

Importantly, we thank our shareholders for their continued support for the Company, and their confidence in the growth potential of Dana Gas.

We would also like to express our thanks to our employees, some of the best and most professional men and women in the oil and gas industry, for their commitment and contributions in 2019. The well-being of our employees is our number one priority. We always strive to provide them, as well as our service providers and community at large, a safe, healthy and environmentally friendly workplace.

In closing, I would like to thank our management team for their dedication and hard work, which have been vital to the success of Dana Gas and in achieving another year of excellent performance despite the challenges. Lastly, I would like to thank my fellow Board members for their oversight and policy guidance to the executive management team.