

Drake & Scull: “Facts following the recently announced historical losses for the year 2018”

In addition to legal proceedings taken by the Company

Dubai, UAE – April 29, 2019: Commenting on the recent news circulating in the media, Drake & Scull International PJSC (DFM: DSI) announced in a press statement that the 2018 losses disclosed to the market are the result of a deliberate and conscious decision by the previous management and board to defer announcement of losses for the years 2009-2016. These Losses include impaired receivables, impairment of overstated goodwill and losses from discontinued operations from different countries.

The Company, conducted investigations in early 2018 into the previous management practices producing 15 legal complaints filed to the Federal Public Prosecutor of the UAE for offenses by members of the previous management during their tenure between 2009 - 2017 until their departure from the Board of Directors in the first of half of 2017.

The filed legal complaints, still under review by the Public Prosecutor, pertain to criminal claims against actions during the listing of the Company on the Dubai Financial Market in 2009 and questionable acquisitions by Drake & Scull of companies, belonging to members of the previous executive management in 2009-2011.

The company also revealed that the report, produced by the previous management and a reputable 3rd party financial adviser, submitted to the strategic shareholder and shareholders in the general assembly dated 4 May 2017, that formed the basis of approval of the capital restructuring plan, was developed on false information of backlog value, misrepresented projects' profitability and percentage of completion.

Furthermore, the report omitted material information, including the number and status of overwhelming legal cases against the Company, and concealing the true liquidity needs of the Company which far exceeded the 500 million dirhams

injected by the strategic shareholder based on recommendations presented in the report.

After the completion of the 2017 capital restructuring and the appointment of new management; extensive and thorough analyses of the operational and financial position of the Company were initiated revealing the real magnitude of the losses and financial difficulties challenging the Company exacerbated by uncollectible receivables, high debt burden and unavailability of liquidity.

Following the results of the analyses, the Company submitted an official complaint to the Securities and Commodities Authority to pursue the members of the previous executive management in efforts to protect shareholders' rights.

The company clarified that the announcement of 2018 results, including the impairment of goodwill is part of its commitment to transparency, responsibility and governance and in line with the restructuring plan. It also added that the deliberate actions of previous management, violations and mismanagement in project pricing, assessment, management and completion, within and outside the UAE, led to an accumulation of expenses, debts and legal cases.

The current management stressed that it will fully perform its duties to protect shareholders' rights, strive to prosecute previous management and take all necessary measures to transform Drake & Scull into a successful Company with achievable returns to all shareholders. It also reiterated that, despite the many hurdles faced, that it will continue with the restructuring with confidence in the expertise of the advisors to negotiate with the banks and restore operations.