# Annual Report 2019

Emirates Integrated Telecommunications Company PJSC

# Contents

# About EITC

Emirates Integrated Telecommunications Company launched in 2006 and commercially rebranded as du in February 2007. It is one of the two telecom operators in the United Arab Emirates.

Ever since we opened for business in 2006, we have worked hard to enhance and expand our bouquet of services in an industry that is at the heart of economic and social transformation. Bringing people and businesses together is what we do best, offering mobile and fixed telephony, broadband connectivity and IPTV services to people, homes and businesses all over the UAE. We also provide carrier services, a data hub, internet exchange facilities and satellite services for broadcasters.

As a rapidly-growing business, we have over 2,000 people working to develop our service offerings. Our people come from over 70 countries - we mirror the rich cultural diversity of our nation, while being able to serve our customers in a variety of languages. Over 60% of our senior management team and customer-facing staff are UAE nationals, and we remain committed to providing fulfilling opportunities for quality talent in a cosmopolitan working environment.

So far more than 7.6 million mobile customers (almost 41% market share), 219,000 fixed line subscribers and over 70,000 businesses have chosen to use our services.




## Our vision

To enhance your life, anytime, anywhere.

## Our mission

We want to delight our customers, be the employer of choice for the best talent, create optimal value for our shareholders through business excellence and innovation, and proudly contribute to the transformation of our community.

We work to deliver our vision by using our talent, skills and energies to connect, inspire and reward all we touch, every day.

## Our values

We are Confident, Friendly, Honest, and Surprising, and our values guide our actions.

## Financial KPIs

AED 0.34 (including AED 0.13 paid as interim dividend and AED 0.21 proposed as final cash dividend)
**Dividend**

AED 1,731m (+9.3%)
**Adjusted Net Profit**

AED 5,684m (+3.5%)
**EBITDA**

AED 1.5 b (+46.8%)
**Capital Expenditure**

## Non-Financial KPIs

7,634 thousand
**Mobile subscriber base**

219 thousand
**Fixed subscriber base**

# Chairman's Statement

Mohamed Al Hussaini
Chairman EITC

> **"EITC is not in the business of adapting to transformation. We are in the business of driving it."**
>
> Mohamed Al Hussaini,
> Chairman EITC

Dear Shareholders,

On behalf of the Board of Directors of the Emirates Integrated Telecommunications Company PJSC ("EITC" or the " Company"), it is my honour and privilege to present our annual Board report, which covers the financial results for the year ended December 31st, 2019. This report comes in a time where the whole world is being subject to a healthcare crisis unexperienced in the last century. While, I will comment in this report mainly on the year 2019, I believe that, our responsibility as a major player in the telecommunication sector in the UAE and the business that we built in 2019 and the years before, provide us with a solid foundation to contribute supporting the community essential communication needs in these critical moments.

In 2019, the UAE telecom sector has been subject to a paradigm shift reflecting the change of the macro environment, the maturity of the business and the evolution of the technology. While these changes raise several challenges that we have to face, they also provide new exciting business opportunities in our core and side businesses. The evolution of the ecosystem towards a higher level of digitalization, the proliferation of new products and services driven by new technologies, and the convergence from products and infrastructure are catalysts for future growth in our business. EITC is initiating a large transformation of our operating model to cope with these evolutions and become a truly digital telecom operator.

## Driving transformation for future growth

We evolve in a very advanced digitalized ecosystem supported by an ambitious vision for the country's future as an influential economic, cultural and technological force. EITC's strategy seeks to support this vision and contributes, as a leading telecom operator, to its implementation. To achieve this, EITC engaged in a deep transformation of our model with the objective of building a modern infrastructure, leveraging new technologies, developing a full-fledged digitalization agenda, and improving the customer journey.

In 2019, we announced the appointment of an experienced telecom veteran in the position of the Chief Executive Officer to lead the Company starting from early 2020. We also brought in new talent in the key executive roles of Chief Financial Officer and Chief Information Officer. These changes in the leadership team reflect our will to take the Company into its next development phase after the successful growth phase it went through during the last decade.

We also continued to invest in the necessary **infrastructure and technologies** to serve our customers across the country. We started a large transformation project to modernise the Company's IT infrastructure, retire legacy practices and introduce further automation. We continued the rollout of our 5G network, not only to cope with the evolution of the technology but also to position the UAE at the global forefront of the game-changing speeds and flexibility of this next-generation technology. The rollout will accelerate in 2020 to allow the provision of innovative applications for home, business and government.

During 2019, we strengthened our capabilities in the ICT division to leverage the growth and the potential of this business segment in driving our growth and supporting the needs of our enterprise customers. Our sub-brand, Virgin Mobile, continued to register significant growth, validating our digital strategy, by providing our customers with a full digital experience.

In terms of **people,** we continued our development to attract new talent with the adequate capabilities to manage the new phase of development of the Company. Our focus remains on finding the best resources, ensuring a high level of diversification and supporting the Emiratisation agenda in the country. As of the end of 2019, the percentage of Emirati employees reached 35.9% of the total workforce (48% females and 52% males).

To complement our major investments in technology, we continued to focus on **sustainability,** through responsible commercial, environmental and social business practices. We significantly reduced our emissions during the year. In 2019, our Scope 1 emissions – from our diesel generators and fleet vehicles – resulted in 26,177 $tCO_2e$ (35,897 $tCO_2e$ in 2018) as a result of the reduction in our diesel and refrigerant consumption. We have 184 hybrid generators, 24 sites that run completely on solar panels and 1,100 sites with free cooling systems to reduce our energy consumption.

This Company's drive to offer customers the latest technologies is mirrored by our commitment to continuously improve our **customer experience.** We made significant progress during the year in the speed, simplicity and quality of how we serve our customers. This will continue to be the focus of the Company going forward.

We enhanced our **risk management** capabilities and focus in 2019. We launched Divisional Risk Councils to establish and embed risk and compliance governance at the operational level within the business. We also succeeded in centralising risk policies, re-designing key processes, and enhancing management- and Board-level risk and compliance reporting.

**Corporate governance** continues to be a priority at EITC to ensure it protects the Company's brands and consolidates trust amongst our investors and stakeholders. EITC took a more proactive approach in our endeavor to continuously follow high corporate governance standards. We keep reviewing, monitoring and ensuring implementation of the Company's robust corporate governance framework, with an aim to align the interests of shareholders and business sustainability for the long term.



## Satisfactory performance and strong balance sheet

We reported in 2019 a total Net Profit of AED 1.73 billion representing a growth of 9.3% on a like-for-like basis. These positive results were achieved in a challenging environment where total market revenues declined. Thanks to our better product mix which led to an improvement in our gross margin and an improved efficiency in the management of our business we were able to protect our margins and deliver such results.

We also accelerated the investment in our 5G network rollout, our fibre network expansion and the modernisation and transformation of our IT systems. Our capital expenditure for the year 2019 increased by 46.8% to AED 1.5 billion (or 12% of the revenues).

With an EBITDA margin of 45%, we continue generating healthy operating cash flow to fund our ambitious investment plans. Our strong cash flow generation combined with a low level of debt allow the Company to maintain strong dividend payments. Indeed, the Board of Directors has recommended a total cash dividend AED 0.34 per share for the year 2019, out of which AED 0.13 per share have been already paid as an interim dividend in August 2019.

On behalf of my fellow Board Members, I would like to extend my sincere appreciation to the leadership of the UAE for their continued guidance and support. I also value the support of our shareholders and the contributions of our strategic partners to the development of the business and the success of the Company's continuous transformation.

Finally, I thank my fellow Board Members for their dedication to EITC and its management team, and all the employees across EITC for their work to deliver the successes of 2019. With these strong foundations our teams are strongly committed to face the Covid-19 challenges of 2020 and to continue providing the UAE community with its needs in terms of essential communication services.

We made significant progress during the year in the speed, simplicity and quality of how we serve our customers. This will continue to be the focus of the Company going forward.

# Board of Directors

**Mohamed Al Hussaini**
Chairman

**Khaled Al Qubaisi**
Board Member

**Mohamed Al Suwaidi**
Board Member

**Ziad Galadari**
Board Member



**Khaled Balama**
Vice Chairman

**Masood Mahmood**
Board Member

**Malek Al Malek**
Board Member

**Mohamed Al Shehi**
Board Member

**Ahmad Julfar**
Board Member

**Kaj-Erik Relander**
Board Member

# CEO's Message

Osman Sultan
Cheif Executive Officer EITC

" 2019 proved to be more than a year of transformation. For EITC, it was a year of reinvigoration, positioning the company for a bright future ahead. "

Dear Shareholders,

Once again, the ongoing theme of transformation has prevailed in 2019. Rapid change and disruption have continued to place new pressures on our sector. But we are proud to be on the front line of the digital revolution, continuing our mandate to deliver what matters most to the people of the UAE.

However, to paraphrase one of the world's pre-eminent business thinkers, Marshall Goldsmith, what brought us here is not what is going to keep us here. The escalating demands of an increasingly tech-savvy populace, plus the expectations of our nation's leadership for the country to be global vanguards of technology, require us to lead the company and the sector to the next level.

The energy the new Board has injected into the operation of EITC was evident throughout the year, and has culminated with the appointment of a new Chief Executive Officer and the joining of a new Chief Financial Officer and Chief Information Officer during the year. The task ahead, with the investment and rollout of our 5G network and our own internal IT infrastructure, will be well served by this reinvigorated EITC leadership team.

The challenges faced by our entire sector were reflected in our financial performance for the year. Globally, there has perhaps never been as much volatility impacting telecom companies and brands. EITC is focused on the opportunity that this period of instability presents; it is the ideal moment to reposition ourselves in the minds and hearts of our current and future customers, and to invest in the future success of our company.

For the year, EITC delivered strong net profit growth, up 9.3% to AED 1.73 billion, while EBITDA grew of 1%, reflecting the company's ability to absorb topline erosion thanks to a better mix of revenues, efficiency in cost management and certain positive reversals. The year also saw an acceleration in the deployment of our investment plan, in particular the rollout of our 5G and fiber network, with total annual capital expenditure of AED 1.5 billion.

## Delivering on our strategic promise

In 2019, we fulfilled our promise to move 'beyond the core' and innovate new services in the ICT arena. This will transform the way we conduct business and create enormous benefits to our **Enterprise** customers in the business sector and the Government. The technological edge and knowledge-based economy the UAE's leaders wants for the country, will be most evident in the dynamic profile of the business community. EITC's 'beyond the core' strategy will ensure we are leading, not following, this vision for the future.

For our Consumer division, a mature and saturated market has raised challenges in terms of tech expectation, 'more for less' demand and day-to-day bouts of aggressive competitiveness. Yet we can report a healthier customer base in 2019 than in the previous year, and many exciting and innovative initiatives in the pipeline for du that will enhance customer experience and business performance.

The ongoing success story of **Virgin Mobile**'s successful UAE launch three years ago is evidence of the tech-savvy consumers' appetite for a truly premium experience. The brand's game-changing service innovations, its partnerships with such media giants as Apple, Netflix and most recently Amazon, and the rapid evolution of its app have differentiated Virgin Mobile in the marketplace. The brand's penetration into the previously unserved segment has also created a wealth of intelligence and insights accessible to feed the strategic transformation of du.

## Accelerating organisational and network transformation

The much talked-about, much-needed revamp of our IT infrastructure was completed in 2019. One of our newest divisions, Digital Lifestyle and Innovation, continued to redefine the boundaries of customer experience, efficiency and automation. During 2019, we passed the AED 2 billion mark in digital bill payments for the first time, up over 58% from 2018. 35% of du's processes are now automated, up 15% year on year, while du also launched one-hour SIM delivery in Dubai, three-hour activation of new home broadband connections, Apple Pay capabilities and a new e-shop, which registered over six million hits to date.

EITC is particularly proud to be among the very first to build and launch its 5G network. Simply, it will change the world – redefining the way we live, the way we work, and the way governments are empowered to fulfill their visions and serve their people. The download speed of 5G will be anything up to 100 times faster than 4G LTE, reducing to nanoseconds what had previously been measured in minutes.

5G will enable the Internet of Things (IOT), ultimately connecting billions of devices and services. Just as significant, the low latency promised by 5G delivers data so fast that it will be indistinguishable from real time access. This will recreate a renaissance in every field where humankind interfaces with technology. EITC has placed itself in prime position to catalyse this transformation, and will continue to invest in our infrastructure and capabilities to better serve all our customers in the years to come.

## A wonderful journey with outstanding people

2019 marked the last year of my tenure as Chief Executive Officer of EITC. My predominant emotion is that of immense pride that I've been a part of an organisation which, when called upon to do so, redefined itself to become a truly transformative culture with a deep appreciation of human capital at its core.

The company remains in a strong financial position, despite the oscillations across global and local economies. And we owe this as much as our customers and government, whose trust in us has spurred us to become the service provider of choice in the UAE, as we do to our technology and service partners, who have created a formidable ecosystem with us.

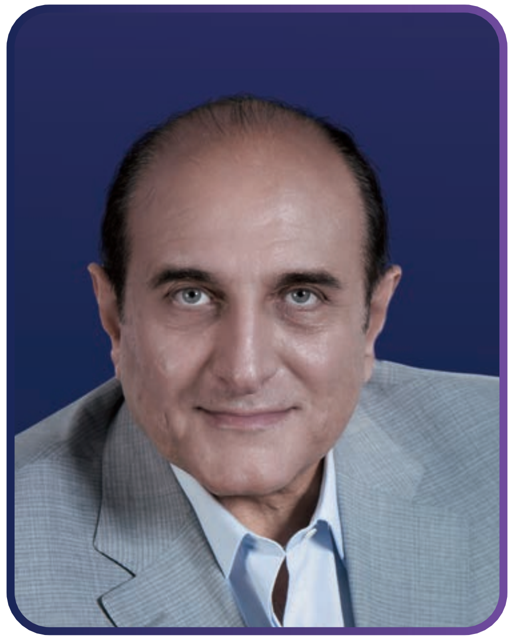
From inception, this company has seen the best talent in the world walk through its doors and share their skill, expertise and vision. What better occasion for me to record that I will never forget the shining light their brilliance has cast on EITC.

I thank the Chairman and Board Members, past and present, whose support and encouragement while building this company calls to mind the epithet 'standing on the shoulders of giants.'

And lastly, may I leave you with a belief and a motivation I have long felt in my heart.

***Do as much as you can and leave the rest to Allah.***

# Management Team



**Osman Sultan**

Chief Executive Officer
EITC

**Farid Faraidooni**

Deputy CEO - Enterprise Solutions

**Fahad Al Hassawi**

Deputy CEO - Telco Services



**Saleem Alblooshi**

Chief Technology Officer

**Kais Ben Hamida**

Chief Financial Officer

**Ehab Hassan**

Chief Human Resources Officer

**Ananda Bose**

Chief Wholesale and Corporate Affairs Officer

**Peter Larnholt**

Chief Information Officer

**Anthony Shiner**

Chief Digital Lifestyle and Innovation Officer

**Abdulwahed Juma**

Executive Vice President
Brand and Communications

**Dr.Anthony Hatton**

Head of Risk and Compliance

**Karim Benkirane**

Managing Director
Virgin Mobile UAE

# Market Overview

The telecom industry is standing at a crossroads, with increasing users, rapid technology shifts, usage shifts to content services, exponential growth in data usage and ever-increasing competition.

Globally, telecom operators are facing increasing pressures on both their top and bottom lines because of stiff competition, high mobile penetration, pressure on voice revenue due to VoIP services and downward trends in messaging revenues caused by OTT applications. Global trends for mobile services show that the average revenue per user (ARPU) is declining, whereas data consumption per SIM is increasing.

Operators around the globe are moving towards providing complimentary digital lifestyle services, such as M2M, eEducation, eHealth, Smart Cities, Smart Homes, mGovernment, mobile financial services, mobile advertising, digital video and more. This will be done by leveraging their existing capabilities and deep customer insights, either through partnerships, acquisitions or in-house development.

The GCC region is not far from these trends, pressure from OTTs is not only limited to revenues, but is also leading to disconnect between the telcos and customers with OTTs ruling the customer frontend and interaction with their services. Competitive tariffs across the market have put further pressure on operator's revenue and profit margins for the industry, but despite these challenges, the UAE telecom market has shown its resilience and ability to achieve decent performance.

The UAE's telecom market is a highly penetrated market - in both the fixed and mobile segment. Taking several factors into consideration, such as high penetration and a number of challenges, the UAE telecom market declined overall in 2019 by 2% as of September 2019. The decline was mainly attributed to the mobile segment, as it remained under pressure, because of strong competition in the Prepaid market and OTT/VoIP pressure. Growth was largely derived from the progress in the fixed-line segment caused by an increase in population, along with ICT growth as part of providing end-to-end enterprise solutions.

**In 2020, we expect the same trends to continue:**

- **Fixed:** Positive yet slow growth, because of an increase in population and proliferation of broadband packages at higher speeds.
- **Mobile:** Negative growth, because of a mature and highly penetrated mobile market, with an intensifying pricing competition and a OTT/VoIP revenue pressure.
- **ICT:** Growth as telcos offer end-to-end enterprise solutions and bundle connectivity with ICT services, such as cloud, security, data centres and IOT/M2M.

# Strategy

**EITC's strategic direction remains the same in 2019, as we continued to focus on building and investing in the key enablers of our business, including mobile/fixed network expansion, IT greenfield transformation, customer experience, digitisation of our customer interfaces, internal systems and processes, and growing in the B2B Adjacencies ICT space.**

## Strategic priorities

### Core (Protect and optimise)

**Data-centric Monetisation**
- Increase the contribution of data revenues and Voice to Data rebalancing

**Efficiency**
- Cost structure control and Capex optimisation

**Effective Transformation**
- Transforming for future in IT, Digital and Customer Experience

**Fixed Access**
- Growing national presence to fully realise our value statement

**More for More**
- Introducing new services to retain customers and grow revenue

### Adjacencies (Grow)

**ICT Solutions**
- Providing advanced end-to-end ICT infrastructure and services

**Digital Lifestyle Services**
- Enabling the digital lifestyle of our individual customer



## Strategic focus areas in 2019

### 1) Core Business

Our strategy is to protect and optimise the value of our core business. Specifically, the strategic focus by area is:

**Consumer**

- **du Mobile:** Postpaid acquisition in high value segments, data monetisation via 5G and non-telco benefits; prepaid focus to retain and monetise through commitments and value extraction
- **du Fixed:** Increase fiber connectivity and FWA enable subscriber growth; enriched content offers grow value share and improve experience
- **Virgin Mobile:** Lead innovation and customer experience, Strengthening the position of the company in higher-end segment and maintaining healthy ARPU levels

**Enterprise**

- Focus on Total Enterprise Solutions, 5G, fixed network expansion, superior service model, account management and digital channels
- Further strengthening our position as the Trusted Total Enterprise Solutions Partner while investing in our fixed network expansion

### 2) Adjacencies

- ICT continues to grow in sub-segments closely adjacent to the core, with the value proposition and focus areas remaining unchanged
- Offer one-stop-shop of converged B2B ICT solutions, while building ICT position and client base year on year by closing deals with prominent local and international entities in the UAE
- In ICT, identify an ecosystem of strategic partners and vendors in relevant focus areas

## Selected strategic partnerships in 2019

- du and Fortinet collaborate to deliver security-first SD-WAN solution to UAE customers
- du and Shopmatic to collaborate on e-Commerce Platform for SME customers
- Abu Dhabi Digital Authority signs partnership agreement with EITC aimed at developing government solutions
- du launches strategic partnership with yupptv
- du partners with Telstra to offer dedicated video connectivity to MBC
- du and TiE Dubai renew partnership to nurture UAE startup ecosystem
- Launch of ARC, a joint venture between EITC and Batelco, for regional connectivity and infrastructure services

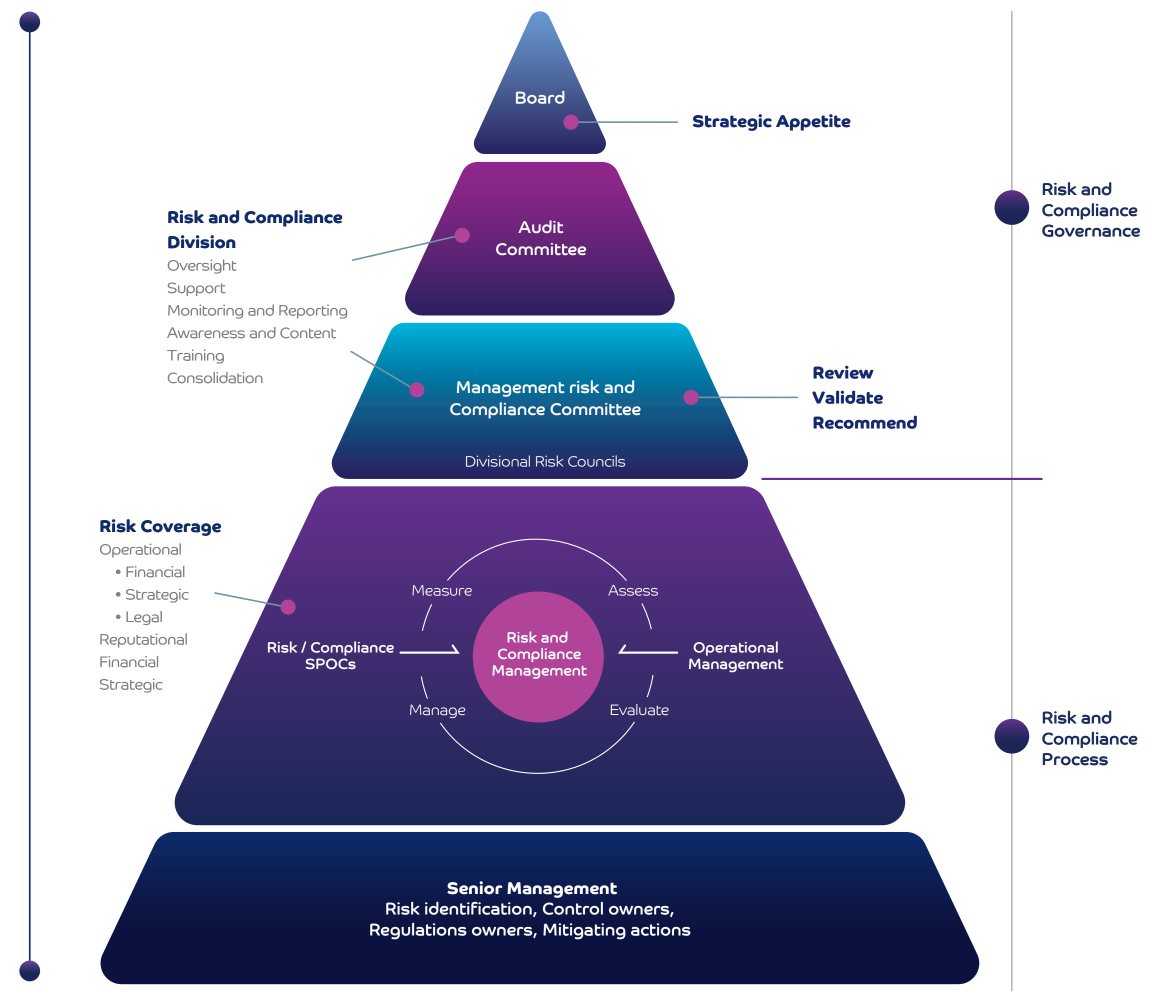
## Key Performance Indicators for 2019

| | |
|---|---|
| **Financial** | Revenue<br>EBITDA<br>NIAR |
| **Customer** | NPS |
| **Operational** | Digitalisation<br>IT Transformation |
| **Learning and Growth** | Emiratisation |

# Risk Management and Compliance

Throughout 2019, EITC continued to mature and embed its risk management and compliance frameworks, and strengthened its internal risk governance structures. With ongoing support from our Board of Directors and executive management, we have continued to ensure good risk management underpins everything we do, from 'business as usual' to major change and transformation initiatives.

### Risk and Compliance Mangement Framework




## Risk governance

In 2018, to support and provide transparency over the implementation of our risk and compliance frameworks, we established a management-level risk governance committee, which reports to the Board of Audit Committee.
In 2019, to further strengthen our internal governance, we implemented an additional level: Divisional Risk Councils. These councils allow focused management, discussion and oversight of each individual business units' risk and compliance status, as well as providing real-time partnership and support to our first line of defense.

Working synergistically, these governance committees ensure we have the correct focus, accountability and prioritisation of treatment strategies for our key risk and compliance requirements.



## Major developments in 2019

2019 was a significant year for maturing our second line of defense, which was newly created in 2018. We continued to enhance and strengthen our risk management and compliance capabilities by:

- Implementing Divisional Risk Councils to establish and embed risk and compliance governance at the operational level within the business.
- More than doubling the number of risks monitored in our risk profile, not because of weaknesses in the internal control environment, but because we are better at identifying risks and diagnosing potential problems before they become significant.
- Developing additional toolsets for use across the business, including risk-focused vendor assessments, project risk management frameworks and incident management processes.
- Enhancing management and board-level risk and compliance reporting.
- Centralising all company policies and procedures in a "single source of truth", supported by the issuance of policy management guidelines.
- Re-designing and enhancing key internal processes such as fraud management, information sharing and customer authentication.
- Doubling the number of risk management and compliance training sessions for our staff, which is critical in ensuring a sustainable and risk-aware culture.

## 2020 Focus

In 2020, our focus will be on supporting major organisational change initiatives. We recognise the importance of the consistent application of risk and compliance management whilst our business grows and adapts to an ever-changing operating environment. In the background, we will further embed our automated toolsets and use our divisional risk councils to enhance the integration of risk and compliance principles into the business.

Importantly, we will commence the development of more granular risk profiles, enabling the identification, analysis and treatment of key risks at the departmental level. To support our engagement model within the first line of defense, we will implement enhanced KPIs for our business risk partners. We will expand our compliance coverage over new and important regulations to proactively identify potential non compliances and deliver focused control assessments with a view to enhance efficiency, reduce over-controlled processes and reduce costs.

## Key Risks

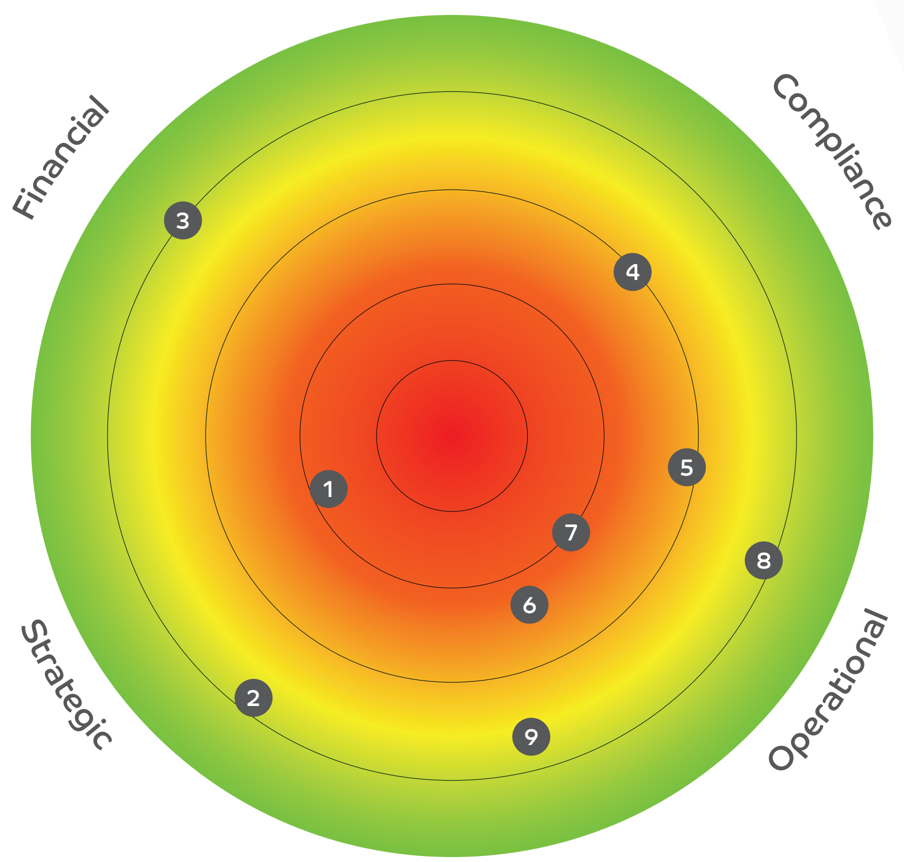
While there have been no significant changes to our key risks from the prior year, we still note positive risk rating reductions for a number of important risks due to staged completion of associated action plans.

We will continue to monitor regional geo-political and public health risks, and strengthen our focus on risks associated with rapid advances in technology, whilst ensuring strong governance over risks to revenue streams.

| Key Risks | Risk Category | Mitigating Factors |
|---|---|---|
| **1. Ability to Embrace Innovation**<br>Rapidly evolving and disruptive technologies challenge our ability to provide customer-centric products and services, while maintaining profitability and sustainability. Our ability to effectively innovate and keep pace with new and emerging technologies will significantly contribute to increasing our customer base and/or retaining our existing customers. | Strategic Risk | Our increasing digital footprint coupled with internal emerging innovation forums defines our commitment and seriousness to develop innovation as a core organisational capability. We consistently review the market, both locally and globally, and ensure that we have the agility and preparedness to respond and react to rapid changes in our competitor's service offerings or those driven by regulatory change. |
| **2. Enterprise Solutions and Managed Services**<br>Capitalising on emerging opportunities in the Enterprise ICT space requires an accelerated shift in the traditional 'telco' mindset. | Strategic Risk | Our entry into the ES and ICT space coincides with an evolving operating model and structure that is more suitable and specific to the nature of the ES/ICT business. We strive to deliver best-in-class service offerings together with end to end monitoring of our infrastructure and technology systems. We have implemented world class resiliency across our sites to ensure operational continuity for our enterprise customers. Ongoing cyber security protection coupled with effective business continuity, disaster recovery and crisis management capabilities provide strong levels of resilience and recovery. |
| **3. Financial Viability**<br>A regional and/or global economic slowdown, resulting in impacts on revenue, debt and access to liquidity, may lead to increased levels of financial stress. | Financial Risk | We have established strong financial planning and liquidity management practices to manage risks associated with our financial exposures. These processes are monitored and reviewed both internally and through external partners. |
| **4. Evolving Regulatory Landscape**<br>Rapidly evolving regulatory landscape and compliance requirements place unique challenges on the way we conduct our business. | Regulatory Risk | We closely monitor our regulatory requirements through an effective compliance assurance program with governance and oversight implemented on both a management and board level.<br>We maintain continuous contact with regulatory and legislative bodies, and developed a compliance risk register to proactively manage our compliance exposures. |
| **5. Business Transformation**<br>Successful delivery of our planned business transformation is vital to meet our future business needs, service offerings and NPS ambitions. | Operational Risk | We have established strong governance around all our major projects, including IT transformation, to ensure effective execution and oversight. |
| **6. Customer Experience**<br>Steering an inspiring customer experience across all our channels is pivotal for the sustainability of EITC's long term revenues, and demands constant revaluation and evolution of our operational model, service offerings and delivery capabilities. | Operational Risk | Our comprehensive customer experience roadmap drives coordinated efforts to support customer loyalty through the consistent improvement of experience across all our customer touchpoints. We place the customer at the heart of everything we do. |

| Key Risks | Risk Category | Mitigating Factors |
|---|---|---|
| **7. Cyber Security**<br>At a global level, risks associated with cyber security are on the rise. A successful cyber-attack against our company may result in network outages and subsequent reputational and financial impacts. | Operational Risk | We have adopted adequate strength in depth across all our security domains and work continuously to ensure that our controlled environment is of sound design and operation. 24/7 monitoring of our security controls, coupled with effective response mechanisms, helps ensure optimal protection against cyber threats. |
| **8. Key Suppliers and Vendors**<br>For day-to-day execution of our core services, we place significant reliance on our key strategic suppliers. A failure or deterioration of service from one or more of these suppliers may impact our ability to provide an uninterrupted and stable service to our customers. | Operational Risk | Key vendor relationships are governed through an approved risk-based process. We monitor the on-going performance of our key vendors and partners to ensure a consistent operation and to provide the ability to detect, and respond quickly to, any performance issues. |
| **9. Service Interruption**<br>The network and IT systems that support the ongoing operation of our voice, data, mobile and fixed services may be impacted by outages due to physical disruption, malicious activity or power failures. This may lead to a reputational and financial loss, plus increased customer churn. | Operational Risk | We have implemented dedicated teams tasked with the responsibility for embedding resilience within our core network and IT systems. Our in-house business continuity, disaster recovery and crisis management teams have been established to enable rapid detection and response to major incidents and events. |

## A Heat Map of our Key Risks



# Spotlight on our businesses

# Telco Services Division

**Better customer experience is at the heart of everything we do, and 2019 saw giant leaps forward in the speed and service we deliver to our customers at every touchpoint.**

At a time when transformation is the only true constant and innovative thinking is the only perceived separator between competitors, we have implemented significant improvements in strengthening trust, reinforcing reliability and setting higher expectations with our customers than ever before.

While the launch of 5G has, rightly, been the major story of 2019, the Telco Services division has also had its focus on a more empathic approach to customers' needs, applying the latest technologies, building up channels and increasing service speed to create unmatched experience and engagement.

## Getting closer to our customers

Digitalisation is at the forefront of our customers' expectations and we have continued to deliver on this front. We have reached over 95% of e-bill penetration and continue to simplify customer journeys, making their experiences simpler and more transparent. Via the du app and website, we launched our chat service to give our customers the reassurance that they would be served promptly and professionally. Leveraging our eShop, we have developed a platform for online exclusives and provided same day delivery of our products and services.

The retail estate is a cornerstone of the du brand and our ambition to serve more customers continued to thrive in 2019 by increasing our physical branded estate to over 300 touchpoints with multiple shop formats across the UAE.

Over the year, our contact centres witnessed dramatic improvements in customer service. We launched Visual Interactive Voice Response (Visual IVR) for the first time to allow premium customers a more dynamic interface for enquiries and self-service. Up to 40,000 customers a month are now enjoying this service. We reduced our 'average speed of answer' by 10 seconds and actual call duration to just 32 seconds, while 'First Call Resolution', a critical metric for both our customers and our own organisational cost efficiency, improved by 9%.

We achieved a 20-point increase in Transactional Net Promoter Score (TNPS) over last year, reflecting the increasing strength of our relationship with our customers across our retail estate and contact centres.

Finally, we launched an organisation-wide program, assured to drive more effective and efficient management of complaint resolution and enhance the overall complaint management journey. The program, which aims to reduce the turnaround time to solve complaints, delivered significant improvements in 2019 across billing complaints, non-billing complaint resolution and resolution of service requests.

Whilst these numbers represent a commitment to providing best-in-class service, it is just as appropriate to recognise the increased brand loyalty that these improvements will manifest, and the inherent advocacy – which remains a powerful selling tool for us, particularly in this mature market.



The ROI for these improvements in our customer service was considerable. As always, we will treat these improvements, and the results which followed, as a benchmark from which we must further improve in 2020.

## Introducing new technologies and propositions

The arrival of 5G in 2019 will be noted as the time that humankind's partnership with technology took a major step forward. We're proud to report that, as well as launching our own 5G network, we were the first in the region to offer 5G devices: THE ZTE AXON PRO 10 and the Huawei Router.

We launched Power Plans, the first unlimited postpaid plan in the market, to give our customers complete flexibility, no matter when, where or how they use their phones. In addition, for the first time, customers will be able to transfer unused data on their mobile plan from the previous month with 'Data Carryover'.

The deployment of our Credit Protection service capped an exceptional year of consumer focus, giving our prepaid customers peace of mind by eliminating the possibility of accidental charges for data usage.

Tourists entering Dubai received our 'Connect with Happiness' free tourist SIM pack, a collaborative initiative between du, the General Directorate of Residency and Foreign Affairs and Smart Dubai.

Taxis, buses, shelters and stations were enabled with free WiFi by EITC in Dubai and Abu Dhabi. This important step is just the beginning of a commitment to expand access to include more public transport systems in both Emirates.

The ability to affordably roam is very high on the list of priorities for citizens and residents of the UAE. By being the first to introduce the Unlimited Roaming Voice bundle to our postpaid customers, EITC demonstrated its customer-centric vision. By the same token, our International Friends and Family proposition ensures that a connection with family back home is very affordable.

Moving into the home, we developed a new umbrella platform to continue growth in the fixed category. 'It's good to be home' encompasses ultra-high-speed broadband plans, four times faster than before, augmented by a series of partnerships with Netflix, Amazon, Prime Video and Yupp TV, allowing du customers access to a massive new content portfolio - 'Entertainment on Us'.

## Recognition for our Contact Centre

Our industry reputation grew in 2019, too. Our Contact Centre team received the Best Consumer Engagement Through Automation Award at Customer Experience Week Middle East.

The team was also honoured with the Contact Centre Excellence Award during Government Excellence Week.

## Our transformation continues in 2020

As a division, we have achieved a lot in 2019. We have accomplished Contact Centre automation, innovative consumers and enterprise propositions. The general transformation process moved us towards a total digital landscape. 2020 requires us to increase our efforts to deliver to all of our customers' needs. They now have greater expectations from us.

Our self-service and automated channels will continue to be monitored and upgraded through the year at the behest of customers, as will the speed and service of our call centres and branches, providing customers with the continuous reassurance that they have chosen the UAE's service provider of choice for good reason.



# Enterprise Solutions

### "In a year showing little market movement, we delivered growth beyond the core and forged innovative foundations to ensure a more dynamic and competitive service to the business community in the coming years."

2019 saw the second year of operation for Enterprise Solutions, borne from the integration of Enterprise Telco and ICT Solutions. While the market was flat for the year, Enterprise Solutions forged new partnerships with technology providers and secured new contracts, staying at the forefront of technological innovation and the increasing demands of businesses in this transformative digital age.

Our intake of talent added significant resource to the team and the prevailing view within the division was that even in a highly competitive, complex market, the executive decision to go 'beyond the core' gave us a competitive platform to assume a consultative, value creation role with our customers.

With more than 80,000 large business (large and SME) and government departments, whose dependence on digitisation is complete or near to complete, our capability to offer consultation and bespoke ICT solutions is redefining the term 'service provider' in the business sector. This is especially relevant, given the need for heightened cyber security, the advent of IoT and the availability of highly secure data centres.

Overall, 2019 was truly the year when a new brand dynamic was created for the du Enterprise name, as our slogan 'Our business is trust' became our ethos.


## A resolute performance in 2019

The mobile market remains saturated and revenue was down from 2018. Fixed services enjoyed a growth of between 6 and 7%, which vindicates our investment in expanding our fiber footprint. The solid growth we recorded supports the vision to move 'beyond the core', certainly in light of the fact that the entire sector recorded negative growth.

Another focus area that will continue to positively impact our revenue for years to come was our shift from once-one off contracts in favour of multi-year contracts. These deeper partnerships with our customers deliver increased recurring revenues and an opportunity to grow our relationships with these valued clients as we innovate and diversify our offering.

With this in mind, we changed our service management model in 2019, creating dedicated teams for after-sales support. We also launched ASSURE, an organisation-wide program to improve and efficiently manage complaint resolution and provide a greater deal of satisfaction to the overall journey of complaint management. The program was mainly aimed at reducing turnaround time to solve the complaints as well as lift the 'faster resolution' targets.

## 5G. The threshold of a different world.

The deployment of our 5G network will impact our entire business and customer base. However, where this subject deserves the most coverage is how it will drive value and transformation for large, medium and small enterprises, as well as the Government itself. We have successfully placed numerous enterprises on this network in 2019. As the 5G network becomes more ubiquitous in the business community in 2020, it will herald a new age in every imaginable facet of trade, industry and commerce.

As much as it is impossible to imagine download speeds that are 100 times faster than 4G LTE, this is the future promise of 5G and the reality of how businesses will operate. The inherent low latency of 5G will change the profile of every conceivable business and Government practice, paving the way for error-free autonomous vehicles, hyper precision distance surgery, and 100% lag-free global business transactions. 5G will afford private networks impenetrable security with dedicated bandwidths.

Perhaps the greatest leap our society will take with the rollout of 5G will be the realisation of IoT. Devices will no longer be defined as telecommunications hardware, but include billions of items, from jet engines to lounge lamps, with the ability to transfer and exchange data with no human interaction at all. 5G is the new tomorrow that analysts have been predicting for years, and EITC was the first to introduce it in the region, in 2019.

## Creating a connected future for our customers

In the year ahead, as we continue to migrate greater and greater numbers of customers to our cloud-based infrastructure, we need to invest in the quality of our network to match speed and capacity requirements. This will complement the expansion of our fixed connectivity business to reach more potential customers across the nation.

We will continue rolling out our 5G network to ensure that our customers receive the latest technologies to facilitate their operations and be at the forefront of innovation. IoT, Cloud, Security and SaaS will remain a focus, as we build our ICT offering in line with our customers' needs.

As we maintain our focus on growing 'beyond the core', we will increase our investment in training and development programs to enhance the skills and capabilities of our people, with a particular emphasis on client engagement and the migration from a product-based to solutions-based culture.

- **Seamless Award for Blockchain Initiative** (Apr 2019)
- **Best Managed Security Service Provider in the Middle East at Fortinet Partner Sync Conference** (May 2019)

# Technology Division

**Strategic technology investments delivered exceptional results during the year, as we accelerated toward the future with the successful launch of the nation's fastest 5G network while modernising our infrastructure and operations to enable further innovation and growth for our organisation.**

The Technology Division within EITC is responsible for the entire end-to-end infrastructure, from planning and implementation to operations and management. In 2019, division continued to drive the organisation to maximise efficiencies, deliver 'faster time to market', and ensure a higher quality of product and service.

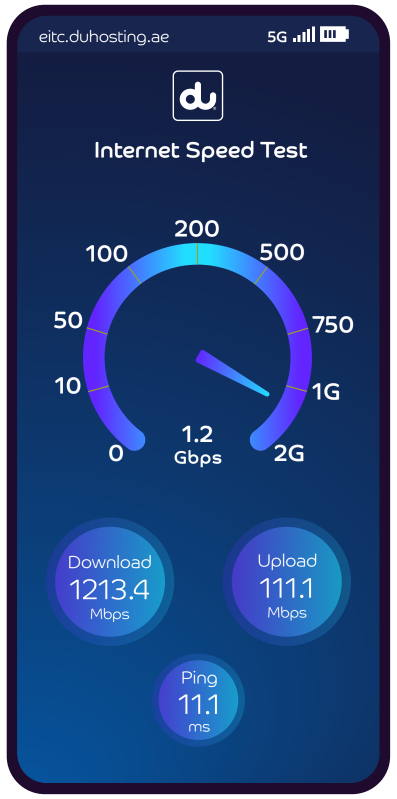
The division moved forward with planned removals of legacy protocols, fragmented procedures and outdated manual operations, replacing them with cloud-based virtualisation functions, automated and centralised data management, and heightened data security. It also continued the strengthening of our core infrastructure across all areas, from our Mobile and Fixed Network and Services to IPTV and Teleport and from Fiberisation to our service operations and data centres.

## Mobile network and services - a historic year for 5G.

As a driver of the UAE's strategic mandate for smart transformation, EITC is making a transformative impact by launching fifth generation wireless technology (5G) in the country in 2019.

With smart network infrastructure that is fully enabled to run 5G and empower all customers, including individuals and organisations, EITC is pushing the UAE's digital agenda forward and laying the foundation for digital transformation that will produce profound economic and societal benefits.

The 5G network launch was the telco's primary focus in 2019, and was successfully completed with high network penetration and an unparalleled 5G experience. This success reflects the high quality of implementation and planning that went into each phase of the 5G rollout.

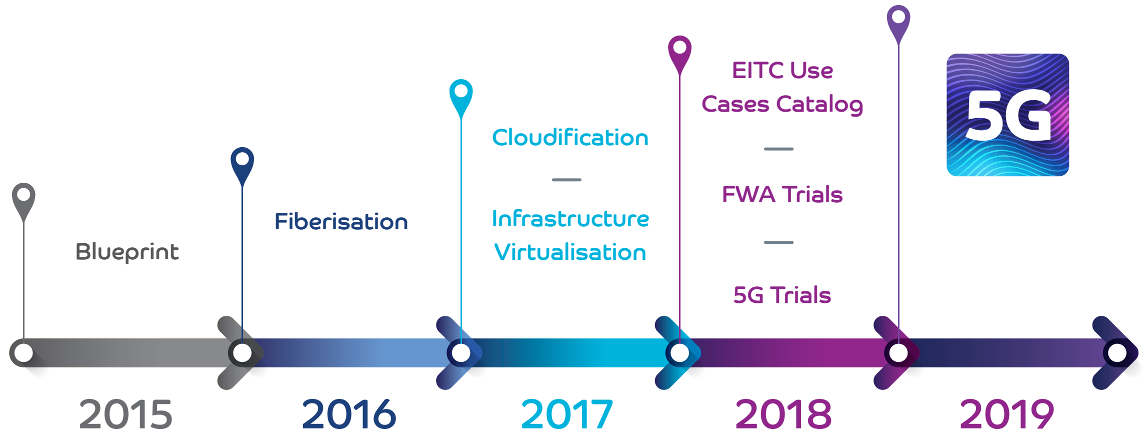





## EITC's journey to 5G

5G is the new generation of mobile connectivity and will be a vital element towards boosting the economy through new revenue streams and a wide range of applications that were not feasible for 4G.

du's 5G plans began in 2015 with different cross functional programs and initiatives that culminated in the successful launch in 2019.




It must be noted that EITC realised – early-on – that 5G Launch is not a "Big Bang" and that to reach a point of successful 5G Launch, we need to start in a "Journey" as early as possible. The foundation of our successful 5G Journey is the EITC Technology Blueprint which outlined in details this successful Journey several years ago. The Fiberisation (rollout of Fiber Optical Network to support both our Mobile and Fixed Services) was a major step in this 5G Journey. We also realised very early the crucial need for Infrastructure Virtualisation followed by Cloudification specially for our Core Network Elements. This enabled us to successfully upgrade our 4G Packet Core Network to be 5G enabled in a matter of a few weeks. Last, but not least, we started a series of Proof of Concepts Trials for the Massive MIMO Technology more than two years ago. Massive MIMO is the main building block of 5G Access Technology. This enabled EITC to be able to rollout the 5G Network successfully and enable the 5G State-of-the-Art Services to our customers in such a short time.

To complement all of the above, EITC has already established an EITC Use Cases Catalog which acts as an enabler for introducing new revenue streams as well as mapping the use cases across vendors, industries, technologies and roadmaps.

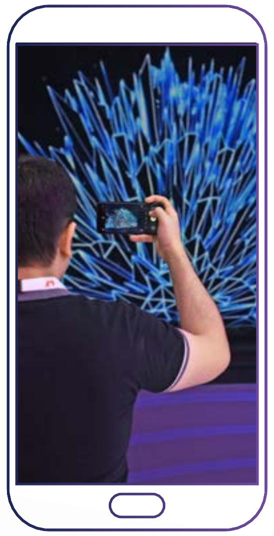
By overcoming the standard challenges of launching a new generation of wireless technology, including the complexity of integration, interoperability testing, and terminal certification, EITC's technology team established the company as a 5G leader across a range of different streams.

Notably, the telco enabled 5G capabilities to power government entities' future agendas to ensure EITC and its brands are at the forefront of digital innovation and economic stimulus.

## Some 5G highlights for the year included:

**1st**

- Early registration in region for 5G services
- Customer Education Campaign in region for 5G network
- To experience live 5G network and test realistic use cases
- Digital coverage map for 5G
- Preregistered customers to receive 5G-enabled devices
- Government customer with 5G indoor coverage



## The region's first ViLTE 5G Call

This year, we successfully demonstrated the region's first-ever Video over LTE (ViLTE) 5G call. The video call was made using the telco's state of the art commercial 4G and 5G Non-standalone (NSA) network, IMS Core and 5G smartphones. The success of the HD video call demonstration lays a solid foundation for enhancing du's 5G user experience and marks the maturity of du's 5G end-to-end ecosystem.


### During 2019, we demonstrated a range of exciting 5G use cases at GITEX

5G Gaming


5G VR Gaming

5G Hologram Call

5G Drones

**and received the award 'Best Telecommunications deployment of the year' for our 5G network.**

## Mobile network rollout for increased 3G/4G speed and coverage

Beyond our 5G achievements in 2019, we also rolled out a next-gen mobile network tailored to meet the industry's demands for network transformation and deliver a network layer to serve the rapid growth of mobile data usage and new use cases for consumers, enterprises and digital services. This rollout boosted nationwide 3G and 4G coverage to 98% of the addressable market.

This new generation of mobile radio systems and network architecture are based on harmonising different network generations and delivering the best network efficiency and diversify our services across markets, with guaranteed quality of services and experience.

**+85%** Majority of the mobile data is on 4G

**+76%** Majority of the mobile voice is on 3G

**+31%** Improvement in average 4G speeds

**+VoLTE** Services

**+FWA** Services

## Delivering upgraded In-Building Solutions

We also made significant progress during the year in our In-Building Solution (IBS) offering, including:

**+47%** Data traffic increase in overall IBS sites

**+55%** Data traffic increase in 4G IBS network

**92%** LTE traffic share exceeding 92% in major events

**Fixed Wireless Access(FWA)** launched with new services

## Fixed Network and Services

During 2019, EITC renewed its commitment to expanding its fixed network and delivering the latest advanced services to our consumer and enterprise customers. Providing a state-of-the-art network across different technologies, the company's fixed network expanded by 111% compared to 2018 and its Taawun network grew even more rapidly, by 163% during the year.

This is in addition to the core network upgrade, which enabled du to provide the 1 Gbps and 10 Gbps speeds for consumer and enterprise customers, respectively.

**+111%** in fixed network rollout

**+163%** in Taawun network

**1 Gbps** for consumers

**10 Gbps** for enterprise



## IPTV and Teleport

During 2019, du continued to deliver enhanced flexibility for customers to tailor their packages and selected TV channels. This serves to enhance the home experience across the UAE and meet the growing demand of tailored and customised TV/Video, for which our IPTV Platform is being revamped to Next Generation Converged IPTV-OTT platform.

Additionally, Samacom (du) has maintained its position as the leading satellite teleport services provider in the MENA region and its world ranking. For 2019, du teleport was ranked 17th in the world by World Teleport Association and 5th in the Independent list During 2019, du announced that it will continue the project to fully relocate its Samacom teleport operations from its current location at Jebel Ali to its newly developed teleport at AlQudra

## Fiberisation

EITC's fiber network, a cornerstone of our 5G network implementation, was enlarged by an additional 20% (measured in kilometers) during the year, and more than 70% of the mobile sites within the populated areas are now fiber connected, as we accelerate towards our 90% target in the near future.

**+20%** increase in fiber network

## Data centres

Across EITC data centres, we remained committed to reducing our carbon footprint nationwide. The Technology division teams delivered a 120% increase in free cooling during the year and doubled its reduction in carbon footprint.

In addition, to support the telco and ICT rollout, state-of-the-art megawatt data centres have been designed and will be launched in the coming years, while existing data centres were certified as Tier III Data Centres by Uptime Institute, based on a modular concept with the flexibility to expand on an as-needed basis.

## Service Operation

To empower the digital economy and drive the UAE's transformation into connected smart cities, it will require a huge deployment of a scalable and agile network that will deliver the highest quality and consistency of services. With the 5G rollout, operators are pushed to be part of the customer's ecosystem and to provide mission critical communication, in parallel to the B2C and B2B services.

The expanded capacity of du's operational activities will help to boost new types of services to 5G, Fixed Wireless LTE and Voice over LTE (VoLTE) platforms. It will increase associated innovation for Artificial Intelligence (AI), Smart City and IoT, while ensuring high availability across all network layers, including 5G, 4G, 3G, 2G, Fixed, Satellite and IPTV.

**+4.1%** increase in mobile data traffic

**+26%** increase in fixed data traffic

**+7%** increase in fixed Voice Traffic

**+197%** increase in Roaming data traffic

## Conclusion:

Our continuous investment in expanding our fixed and mobile network is already yielding results.

In parallel to the 5G rollout sites, the vast majority of our new sites are 4G LTE. EITC managed to get a 4% increase in mobile data traffic, whilst improving user experience. The Inbound and Outbound Roamers also increased by 197% in data traffic.

Our fixed services traffic grew in 2019: national voice traffic by 7% and data traffic 26%, as well as introducing the new services over Fixed Wireless Access.

As the year drew to a close, our infrastructure teams ensured that celebrations around the country were enjoyed with zero outages even with the increase in data and voice traffic, thanks to the deployment of mobile towers to major New Years' events, and the high availability and geo-redundancy in our core network.

## Picking up speed in 2019

2019 was a milestone year in our transformation to a more efficient company, offering better and more innovative services to our customers.

Closing the 2019 chapter means opening a new one in 2020, this year will be a remarkable one for us especially with the 5G rollout and the related ecosystem development and we will continue the technology rollout with more dynamic solutions across different segments and we will drive improvements in fiberisation, fixed and mobile services, while launching 5G SA with speeds of up to 2.5 Gbps and more specialised enterprise use cases.

# Digital Lifestyle and Innovation

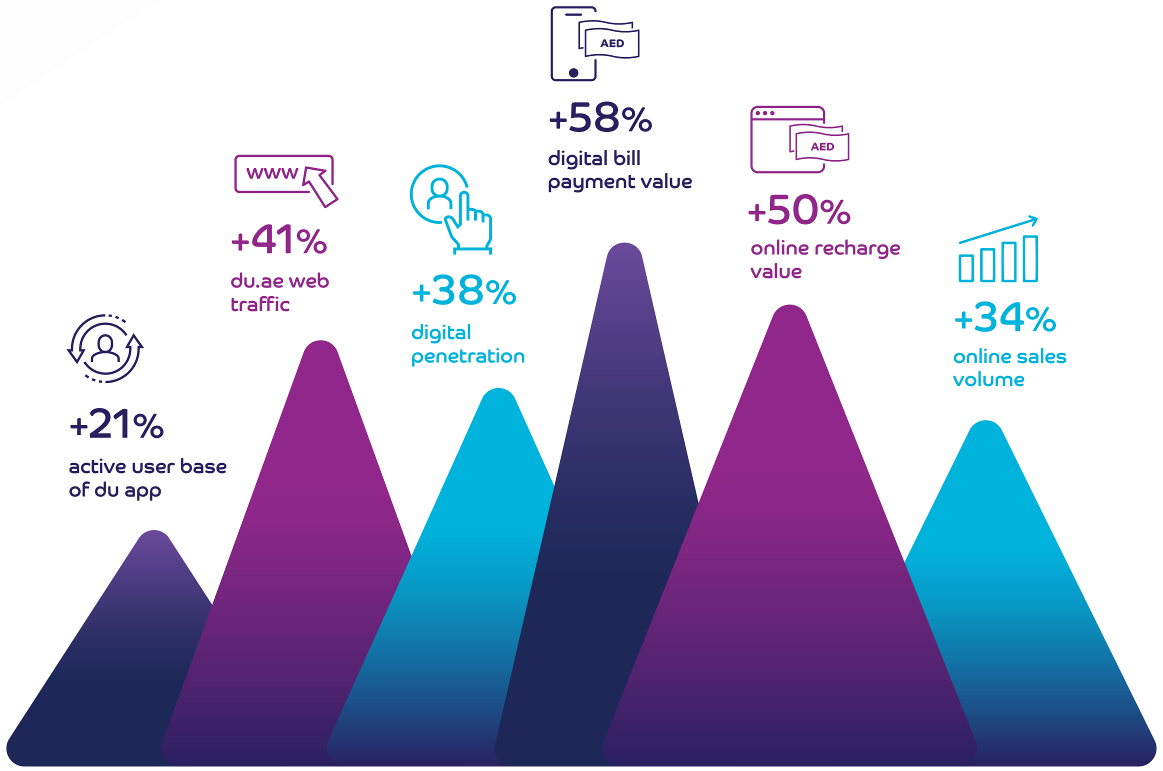
**"Without a doubt, 2019 proved to be the year that we accelerated our digital transformation by delivering a step-change in our business. It proved that our new and more personalised customer experience proposition is resonating with more and more customers across our base."**

In last year's annual report, we noted the need to further align to our customers' changing needs to evaluate our relevancy, our standards of service and our spirit of innovation. The launch of this division was a direct result of this self-evaluation and after our first complete calendar year, we can report that the path we've chosen to keep the customer at the heart of everything we do is progressing very well.

A view of all key metrics across our digital channels – from financial and operational performance to customer experience and service – confirm this belief. The leaps in customers switching to more convenient online transactions across our various services and platforms, and the concomitant revenue accrued, signify that momentum has been building strongly to drive the evolving behavior.

While the arrival of 5G remains the marquee event of 2019 for the telco sector, with the launch of EITC's own 5G network another indication of the company's commitment to solidifying its reputation as the innovation benchmark in the region, one big success story for the Digital Lifestyle and Innovation division was the strong migration of customers to digital channels – in the name of better, more personalised service.

## Driving growth in engagement and performance in 2019




## Our customers are onboard for our digital transformation

Investments in robotics and process automation has reaped tremendous benefits for EITC and its customers. Over 450 processes and process enhancements were automated by the end of last year. Demonstrating the benefits of this transformation with regards to convenience, time, cost efficiency and trust, we recorded approximately 4 million automated transactions by the end of the year. A 900% jump from the start of our journey in 2018.

Coming from a market where face to face interactions were the norm for paying bills, our customers are now opting to do it online to the tune of billing value of over AED 2 billion in 2019. When viewed in pure percentage increases, a more complete picture emerges. Because that figure represents a 58% increase over last year. Overall, the total percentage of online payments across all unassisted channels in comparison to physical payment channels has reached 79% in 2019.

The year also saw a 50% increase in online recharge value, a 34% increase in online sales, and a 20% increase in prepaid sales. But perhaps the biggest single indicator of how people are discovering the ease and satisfaction of a digital lifestyle is that almost 900K of our customers have completed their ID renewals digitally.

The year-on-year growth of traffic through du.ae rose over 40%, and we are delighted to report that we are among the first telcos in the region to launch an end-to-end e-shop. A full e-commerce platform for prepaid, postpaid and home services that attracted six million visitors during the year, demonstrating its added value and strong potential for growth in 2020 and beyond.

## Solid progress through innovative services and partnerships

If the overriding intent in 2018 was to confront challenges and understand the full implications of a transformative culture, 2019 saw rapid change in the delivery of better service through digital platforms catering to increasingly demanding customers.

From the moment our customers ordered a SIM online, we were able to deliver it in as little as an hour in Dubai. We have also completed a pilot run for online fixed sales to provide our customers with a rapid and efficient delivery experience of a fixed installation within 3 hours in selected areas. Of all the touchpoints a customer will have with us, this is the one that will create not just a lasting impression, but also a sense of future service expectation that we aim to meet.

We have also launched capabilities on selected journeys which empower our customers to upgrade their plans in under a minute. Its success sees us looking to expand the number of products and services with these capabilities over the year ahead. The speed and convenience of these facilities have dramatically improved customer satisfaction, reduced inefficiencies and reinforced our position as an innovative force in the sector, enhancing customer loyalty and positive brand perception.

The partnership with Apple Pay has unlocked an entirely new communications channel with customers, while affording them an already familiar payment option. The association with one of the world's most valuable companies whose customer-centric ethos is legendary, is a resonant amplifier of du's brand values and ambitions.

Another transformative partnership in the making will see the introduction of Phyn, a smart water management system. This further demonstrates the company's commitment to empowering the nation with cutting-edge technologies to solve real world challenges, in line with the UAE leadership's UAE Water Security Strategy.

We are working with startups, through our partnership with a Dubai collaborative digital workspace, Astrolabs, to drive innovation across multiple sectors. Our broader commitment to ecosystem development and empowerment sees us providing developers early access to 5G, enabling innovation at a grassroots level in the emirate and for the nation.

Beyond our vision and capability as a division of EITC, we contributed to the company's standing as an important pillar of UAE society by signing a deal with TRA to migrate Emirates ID holders to UAE Pass, the nation's new personal digital identity. EITC is now one of the founding corporate partners of this bold, innovative and future enhancing venture.

## Continuing our transformation journey in 2020

Building on the momentum established in 2019, the continued rollout of 5G in 2020 will allow us to engage even more with our customers, as innovative new products and services are developed and made accessible to them. 5G will enable cutting-edge cloud applications, including features such as video streaming, which will decentralise power and allow faster download speeds across the network. Our Enterprise customers will also enjoy access to the full potential of this next-generation technology.

In addition to the existing web experience, our e-shop site will launch on the du app and will feature more personalised product and service recommendations, while supporting customers with a full record of transactions. We will also continue to further improve our e-shop experience and integrate app and website to create enhanced alignment and ease of use for our customers.

We were excited to have signed a partnership with WhatsApp in 2019 to become one of the first official WhatsApp telco service partner in the world. This will open up a new customer service channel to better serve our customers in real time. Blu was our beta version WhatsApp and messenger Chatbot that we will expand significantly in the year ahead.

Our internal IT transformation will accelerate, with further optimisation and automation of process and customer journeys that are delivering faster and more cost-effective solutions. We will move into AI and machine learning with the purpose to innovate our customers' experiences in exciting and new ways.

The transformative culture of EITC is nowhere more evident than in the Digital Lifestyle and Innovation division. Our customers are engaging in the simpler, less-time consuming procedures to purchase, enquire, seek, resolve and interact digitally – in growing volumes and value each day. The expectations of our customers and our commitment to empowering their lifestyles through innovation will only increase in the coming year, as we seek to offer them a standard of customer experience and service unprecedented in the region.


# Virgin Mobile

**There is no greater indication of a successful brand than strong customer referrals. Achieving the highest Net Promoter Score for a mobile telecommunications brand in the UAE, for the second year running, is a testament to the innovation and superior experience that Virgin Mobile delivers every moment of the day, across every one of our touchpoints, for our customers.**

Around the world, Virgin Mobile is a brand that is synonymous with innovation and market disruption. When we launched in the UAE, not only did we redefine customers' expectations of mobiles in the country, but also proceeded to offer unparalleled customer service and a fully digital experience. Virgin Mobile's responsibility now lies in continuing its unprecedented approach to cater to evolving customer needs. This will ensure that consumers will first think of this brand as savvy and tech-focused.

Recognised for championing the customer through the use of technology, in the nation, acting as the standard bearer for customer-centricity, while the brand itself is benefitting from an unprecedented quantity of referrals, as more and more customers embrace and share their Virgin Mobile experience.



Virgin Mobile in the UAE did not adapt to the digital age, it was born digital. Legacy products, services and even operational protocols have never been a part of the brand's journey in the country. This is manifested in the 100% digital relationship we have with our users, which can be seen at every touchpoint. A touch, tap or swipe allows customers to make decisions and receive service with speed, efficiency and convenience, however and wherever they prefer - all from the award winning Virgin Mobile app.

We want to provide customers with something they can't find elsewhere – the feeling of uniqueness and simplicity. The Virgin Mobile app provides the most customisable and personalised service

The value that the Virgin Mobile brand continues to add to EITC's success cannot be measured by just the increase in revenue but also in providing a service that is complementary to du's value proposition, thus positioning the brand as a complementary business unit in the EITC portfolio and becoming a significant leader in the UAE's telecommunications and broader economic landscape.

## In an age of transformation, our three strategic pillars remain steadfast.

### Digitisation

The business model for Virgin Mobile has been resolute from day one. With consumers choosing to spend more and more of their lives on digital platforms, Virgin Mobile is forging relationships, and therefore experiences, digitally. The belief is that this digitisation can make the customer experience brilliantly simple and intuitive and create a compelling brand experience.

This makes us the only brand that can report 100% app usage from our customer base. With digitisation at the heart of our offer, the cost of onboarding new customers drops dramatically and the average revenue per user (ARPU) has risen to twice the market average.

### Customer experience

Since the launch, the mandate from EITC has been for Virgin Mobile to drive outstanding customer experience through digital transformation. The customer of today and tomorrow will settle for no less than the quickest response and the most seamless interactions with the brands they choose.

Virgin Mobile's digital ecosystem has precisely delivered this: as evidenced by 70 new updates to our app since the launch, which includes 24 new app releases in 2019, all driven in response to customer feedback. The industry at large has also been quick to provide feedback, honouring us with 24 awards, which recognises innovation in technology and customer experience.


## Innovation

### Virgin Mobile's culture of innovation can be categorised in three ways.

**Firstly**, our alignment with the country's leadership and our customers. The former represents an alignment with the Vision 2021 National Strategy for technological and cultural transformation. The latter is the ongoing dialogue that we enjoy with the UAE's consumers, which is achieved through numerous beta testing groups, feedback touchpoints and product interactions. It is this partnership that empowers us to implement continuous upgrades and new features to stay ahead of the curve.

**Secondly**, our incredible talent. Globally, Virgin Mobile is a magnet for the brightest and the best in digital thinking. The UAE is no exception. We develop and invest in our people, through the collaborative process of the AGILE methodology, which ultimately creates a rise in 'customer-first' ideas, leading to a superior customer experience.

**Thirdly**, the insights that we learn from our constant customer dialogue and product updates, which we share across EITC, ensuring that both brands can grow in chorus with the increasing demands and expectations of the UAE's digital-savvy consumers.

## A year of accelerated innovation

With our focus on delivering an inimitable product and an experience that makes life simpler and easier for our customers, 2019 witnessed a number of innovations that had an immediate and significant impact on our offering and performance.

Ordering SIM cards, billing and customer care became vastly easier and quicker, particularly with Virgin Mobile's roll out of recurring payments with **Apple Pay.**

Our **family plans** accommodate up to four family members and friends on one account, facilitating an easier payment method and more control over expenses.

**Member Get Member** rewards. Both parties with cash back for referrals and free data for the new customers.

Our **chat mode** now allows our customers to talk to us faster, on every digital platform, delivering a ground-breaking omni-channel customer experience.

The arrival of **5G** gave Virgin Mobile the power to put the next innovation in the hands of our customers first, by delivering 5G devices within an hour.



## Joining forces for a win-win scenario

**Virgin Mobile took its service to the next level with Apple**. Customers can now easily and securely pay their Virgin Mobile bill with Apple Pay through the Virgin Mobile app on their iPhone. They can make single payments for boosters or roaming, or alternatively set up recurring payments to pay for their monthly or annual plans. Virgin Mobile is the region's first telco brand to launch recurring payments with Apple Pay.

The integration with Apple Pay represents another 'mobile first' in the continuous stream of 'mobile first' innovations from Virgin Mobile in the UAE, which is designed to deliver an outstanding experience for customers.

**Virgin Mobile entered into a partnership with Amazon** that aims at providing customers with a great experience. By opening an eshop on Amazon.ae, Virgin Mobile became part of Amazon's marketplace, and customers gained a greater level of service from both. Virgin Mobile's entry into the market was heralded by the ultra-fast delivery of SIM cards. At the same time, Amazon.ae has launched in 2019 and since then has been providing fast and reliable delivery for customers in the UAE.


## Bigger, better, simpler and easier in 2020

Virgin Mobile drives the transformation in the telecommunications arena, rather than just participating in it. With our 'always on' ethos, concerning our customers' feedback, we will heighten the trust we have with our consumers in the coming year. We are committed to listening even more closely, reacting even more quickly and championing even more loudly to the wants and needs of the people of the UAE.

Our website will be updated to reflect the dynamism of both the Virgin Mobile brand and the tech-savvy and early-adopting UAE consumers.

5G technology, the biggest game-changer of the last decade, has re-ignited the entrepreneurial spirit of Virgin Mobile to explore and extract the maximum benefit for our customers in 2020.

Partnerships with the world's most important brand names, to enrich people's lives through collaboration, will continue to be part of our DNA . In 2020, other brands that impact people's lives every day will look at Virgin Mobile as the ideal partner to enhance their brands and service.


## Recognition of what makes us different

Virgin Mobile is proud, but remains humbled, by the many awards they have won in the last year. Proud, because each of them represents a non-negotiable ethic towards customer service. Humbled, because they serve as a reminder that next year, even greater levels of service should be provided.

- **Gulf Customer Experience Awards:** Best App
- **Gulf Customer Experience Awards:** Customer Happiness
- **Arabian Business Technology Awards:** Innovation of the Year
- **Telecoms World Awards:** Best Customer Experience
- **CommsMEA Awards:** Outstanding Customer Service

Gulf Customer Experience Awards 2019

Arabian Business An ITP Media Group Event Technology AWARDS 2019 WINNER INNOVATION OF THE YEAR

TELECOMSWORLD Winner 2019 Best Customer Experience Virgin

CommsMEA AWARDS 2019



# Financial Review

In 2019 EITC reported a strong financial performance by unlocking new revenue streams, achieving a healthier mix of its customer base and increasing efficiency across the business, all in line with the company's transformation strategy.

This enabled EITC to contain the erosion of its revenues generated by its mature prepaid mobile segment and deliver robust growth of 9.3% in like for like net profit. EITC's net profit in 2019 reached AED 1.73 billion. This healthy financial performance allowed the company to continue delivering on its promise and generating long-term value to its shareholders. For the year 2019, the board recommended to the general assembly a distribution of 34 fils per share, out of which 13 fils per share have already been paid in the form of an interim dividends.

Total capital expenditure for 2019 increased to AED 1.51 billion, or 12% of revenues, reflecting the company's acceleration of investment in 5G network rollout and fibre network expansion, both of which will support the future development of products and services. Additionally, EITC invested in modernising its internal IT infrastructure to drive efficiency and productivity across the business.

Throughout 2019, EITC continued to expand the capabilities of its ICT and enterprise solution business. The company leveraged its deep expertise to deliver scalable end-to-end managed services to enterprise and public sector clients as the company continued to fulfil its commitment to support the 2021 UAE's National Agenda. The Enterprise Solutions Division saw double digit growth in 2019, with the company approaching a new juncture in its journey, where beyond connectivity services are set to constitute an ever-increasing portion of the top line.

| Highlights (AED millions) | 2018 | 2019 | % charge |
|---|---|---|---|
| Revenues | 13,414 | 12,588 | -6.2% |
| EBITDA | 5,491 | 5,684 | 3.5% |
| Adjusted EBITDA (like-for-like) | 5,633 | 5,684 | 0.9% |
| CAPEX | 1,027 | 1,508 | 46.8% |
| Free Cash Flow | 1,935 | 1,594 | -17.6% |
| Net Debt | (2,324) | (2,501) | 7.6% |
| Net Profit | 1,753 | 1,731 | -1.3% |
| Adjusted Net (like-for-like) | 1,583 | 1,731 | 9.3% |

Note: FY 2019 Like-for-like means that Net Profit after royalty (respectively the EBITDA) for FY 2019 is adjusted by deducting AED 119 million (respectively deducting AED 169 million) corresponding to the impact of the one-off regulatory cost registered in Q1 2018 and deducting AED 51 million (and respectively adding AED 311 million) corresponding to the impact of IFRS-16 on FY 2019.

## Revenue

In a challenging market environment for the telecom industry, where total market revenues were under pressure, EITC reported total revenues of AED 12.59 billion, showing an erosion of 6.2% compared to the previous year. The growth of fixed and ICT revenues absorbed partially the pressure on prepaid mobile revenues, which were adversely impacted by pricing, competition and the negative impact of the SIM registration disconnections.

Mobile revenues were AED 6.54 billion, representing a decline of 8.0% compared to the previous year. Throughout the year, EITC concentrated on containing the erosion in mobile revenues by optimising its mobile subscriber mix and targeting higher value post-paid customers.

This led among other factors to an increase of 4.3% 2019 ARPU when compared to the one of the previous year.

Fixed revenues, at AED 2.49 billion in 2019, continued to grow by 6.1% when compared to the one of the previous year. Growth was supported by a 7.1% increase in the company's fixed subscriber base to 219 thousand. The success of EITC's fixed line business highlights the company's agility and ability to absorb declines from its more mature segments.

Other revenues for the year were AED 3.56 billion, down from AED 3.96 billion in 2018, with the decline primarily attributed to lower device sales, which is typically a lower margin business.

## Efficiency and Profitability

The successful execution of the company's RESET program combined with a healthier revenue mix – mainly from increased post-paid subscribers and fixed line revenues, led to an improvement in the company's EBITDA margin to AED 45.2% in 2019. EITC also made good progress in managing its cost base and due to certain positive reversals, the company reported in 2019 a like for like EBITDA growth of 1% to AED 5.68 billion.

Total Net Profit was AED 1.73 billion for the year 2019. On a like-for-like basis, Net Profit grew by 9.3%, reflecting a better product mix that led to an improvement in the gross margin, as well as an improved efficiency in the management of the costs.



## Royalties

Since 2010, EITC has been paying royalties to the Government as per an official directive from the Ministry of Finance. For the year 2019, the royalty charge was AED 2.03 billion.

## Capital expenditure and Free Cash Flow

EITC accelerated the deployment of its investment plan, in particular roll-out of 5G and the expansion of its fibre network. Maintaining a high-quality network that serves the needs of the UAE's population is a key priority for EITC, one which ensures enduring brand loyalty and serve as a platform for sustainable long-term growth.

Total annual CAPEX for 2019 was AED 1.51 billion, representing a capital intensity of 12%, as capital expenditure returns to normality after a low level in 2018. Consequently, free cash flows declined when compared to the previous year by 17.6% to AED 1.59 billion.

## Dividends

The Board of Directors has recommended for the general assembly a total cash dividend for the year of 34 fils per share, out of which 13 fils per share have been already paid as an interim dividend in August 2019.

# Sustainability at EITC

# Introduction

## Our corporate sustainability strategy pillars are to:


These three focus areas directly contribute to our company's balanced score cards by encouraging our staff and management to think and act strategically for long-term business sustainability. This ensures that we contribute to the overall success of the business keeping in mind the larger goals of sustainability set in place by the UAE.

Our strategy is focused on delivering our commitment of sustainable growth and value creation to our shareholders, and nurturing our employees. Our telecoms technology and services enrich the lives of the people and businesses in the UAE by enabling everyone to be connected anytime, anywhere, adding life to their lives.

In 2019, our sustainability focus areas were embedded into a number of our businesses strategic priorities, especially those related to efficiency, customer experience, smart and sustainable ICT solutions and digital lifestyle services. In 2020, we will continue exploring more ways where we can integrate our sustainability pillars into our technology and services.

Among many other partnerships and associations, we continue to be the official strategic partner of the Smart Dubai Office and the platform provider for Dubai Pulse. We are also a member of the Dubai Chamber of Commerce and Industry's Chamber for Responsible Business.



## Our stakeholders

We engage with a range of stakeholders – our employees, investors, customers, media and others – to understand their concerns and requirements. These concerns help us identify, short-list and re-evaluate our material topics, which are mapped on to a materiality matrix. The topics in the materiality matrix help us determine the topic boundaries and the content of our annual sustainability report.

| Our sustainability pillars | Deliver the benefits of ICT to everyone | Make our people and our communities happier | Operate ethically and responsibly |
|---|---|---|---|
| **Relevant UN Sustainable Development Goal(s)** | SDG 9 – Industry, Innovation and Infrastructure<br><br>SDG 10 – Reduced inequalities | SDG 8 – Decent work and economic growth<br><br>SDG 10 – Reduced inequalities | SDG 11 – Sustainable cities and communities |
| **Connection between our sustainability pillars and relevant SDGs** | ICT has the potential to contribute to UAE's goals for sustainable innovation and infrastructure, and also reduce inequality through services that benefit everyone. | Our business directly contributes towards UAE's sustainable economic growth through employment opportunities and community development. | Our ethical and responsible operations, as well as our ICT and Smart services can deliver embedded sustainability benefits to the UAE. |

## UN Sustainable Development Goals relevant to our sustainability pillars

8 Decent work and Economic growth

9 Industry, innovation and infrastructure

10 Reduced inequalities

11 Sustainable cities and communities

## Our materiality matrix

Amongst our material issues, topics such as 'Customer satisfaction and happiness', 'Innovative products and technical services' and 'Privacy and security of customer data' continue to top the list.

These topics, along with issues such as management of our greenhouse gases, employee happiness, community development, and others – all of which have been identified as part of our stakeholder engagement process - help us to prioritise the Sustainable Development Goals to which we are in a position to influence and contribute.

This document was prepared in accordance with the GRI G4 Standards: 'Comprehensive' option, and attempts to report our performance against our sustainability pillars, material sustainability issues and the prioritised UN Sustainable Development Goals for the year Jan – Dec 2019.

| Level of concern to stakeholders / Current / potential impact on business | Somewhat important | Important | Very important | Most important |
|---|---|---|---|---|
| **Most important** | | | Privacy and security of customer data | Customer satisfaction and happiness<br>Innovative products and technical services |
| **Very important** | Management of our electronic and hazardous waste | Health impact of our base transceiver stations/signal towers<br>Energy-efficiency measures and/or increase in usage of renewable energy sources | Employee wellness, happiness and safety<br>Employee training and development opportunities | Good corporate governance and business ethics |
| **Important** | Management of our greenhouse gas emissions<br>Management of our office waste | Equal opportunities for all<br>Digital inclusion of all society members<br>Human and labour rights principles | Efficiency in use of materials for our products and packaging<br>Community needs and social development<br>Education and capacity building initiatives | Marketing and advertising that is clear and not misleading<br>Financial performance that delivers shareholder value |
| **Somewhat important** | Water conservation measures | Fair play in sourcing of goods and services, including use of local and SME suppliers | Entrepreneurs and SME development | |

Level of concern to stakeholders

Current / potential impact on business



# Delivering the benefits of ICT to everyone

## BabNoor

We extended our successful partnership with Flagship Projects for the BabNoor project for three more years. BabNoor is an app that enables easy and effective communication using international standards for people with special communication needs through pre-defined cards that form sentences.

Our renewed partnership will focus on maintaining the app and continuing our teacher and parent trainings to ensure effective usage of BabNoor. As part of the renewal of our commitment to the UAE's people of determination, we have also enabled the app for iPhone use and it can now be downloaded via Apple's global App Store.

**Babnoor has unlocked a new medium for alternative and assistive channels of communication while remaining in line with the Arab culture, traditions and standards.**

## Customer Experience

**Our Customer Experience focuses on three key pillars: Transparency, Effortless and Empathy.**

### Transparency

2019 saw the completion of the You Know What You Pay, You Know What You Get initiative. We were also the first telecommunications operator in the Middle East to receive the CrystalMark international certification for our Terms and Conditions, and other legal documents being written in a style that is easy for customers to understand. During the year, we also provided solutions to ensure that customers are less exposed to credit shock and roaming shock.

### Effortless

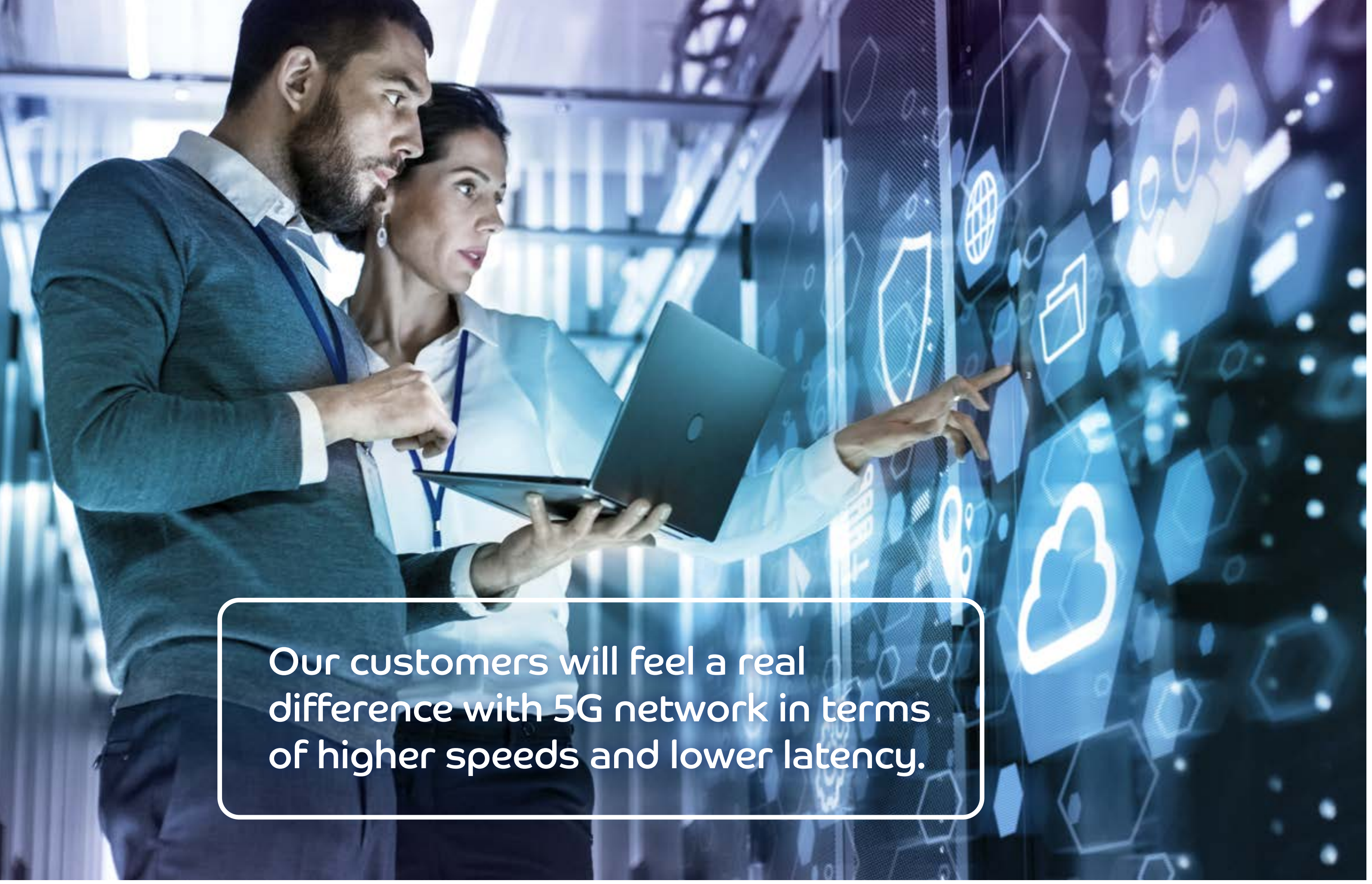
We launched a new Visual IVR, the first-of-its-kind digital self-service solution in the Middle East region, to enable our customers to quickly find answers to their queries at no extra cost. The visual IVR now handles 52K interactions on a monthly basis. We also launched a multi-channel Artificial Intelligence-based virtual assistant on WhatsApp for our customers.

2019 also saw our entire fleet of home service technicians receive certification from Linksys, a first in the world. We saw the NPS improve by 7 points from new customers (Average of 2019 vs 2018) and put control of home routers in the hands of customers through a dedicated, user-friendly app.

### Empathy

As part of our Network Promise initiative - a first in our 14-year history - customers experiencing voice quality issues or slow mobile data speeds in certain communities were offered voice minutes and extra data as compensation. Our Assure program also delivered significant improvements in service levels to our customers: (13.9 p.p improvement Dec 2018 vs Dec 2019) and improved our First Contact Resolution by 8 p.p. (Dec 2019 vs Average 2018).

The final pieces of a Voice of Customer (VoC) platform were put in place, allowing us to track, in near real-time, Transactional NPS (TNPS) following any customer interaction or transaction in our sales and contact centre channels.




## Network infrastructure

### Our readiness for 5G services

During 2019, prominent landmarks in all seven Emirates were installed with high-technology 5G equipment to be the first areas to have commercial 5G mobile network capabilities once compatible handset are available. We will roll out more than 700 5G-enabled base stations and with this development, we will be among the first telecom operators in the world to deploy 5G.

During the year, we also conducted the first-ever live 5G data call on our network. Moreover, we launched a native cloud unified 5G core network solution with capability to accommodate 5G NSA and 5G standalone (SA) evolutions. We also invited residents to visit our flagship stores in Dubai and Abu Dhabi to experience 5G technology first-hand and learn about the benefits they will receive when it launches commercially.

Our customers will feel a real difference with 5G network in terms of higher speeds and lower latency – commonly known as 'buffering'. Consumption of video and digital content is growing by leaps and bounds and 5G's ultra-high speed will enable smoother streaming of HD videos, 4K videos, and VR/AR experience which have multiple potential applications for individuals and businesses.

We collaborated with Nokia, Affirmed Networks and MediaTek to launch the next generation Narrow Band-Internet of Things (NB-IoT) network in the UAE. This will enable devices to deliver a wealth of smart city applications ranging from smart metering, smart parking, trackers, smart health, industrial and agriculture use cases.

### Promoting the adoption of light communication technology

During the calendar year, we became the regional founding member of the Light Communications Alliance (LCA) a newly launched global consortium of communications, lighting, infrastructure, and device manufacturing industry leaders aimed at promoting new wireless technologies to enable Light Communications (LC).

Light Communication technologies include Light Fidelity (LiFi) and Optical Camera Communications (OCC), both of which have been attracting increased attention over recent years within several industries, such as smart cities and homes, industry 4.0 and manufacturing environments, as well as retail and tourism.

**In pursuit of our commitment to make the UAE the happiest country in the world, we launched a number of innovative Artificial Intelligence eHealth solutions during 2019.**

## Digital transformation

### Our Artificial Intelligence (AI) powered eHealth Solutions

In pursuit of our commitment to make the UAE the happiest country in the world, we launched a number of innovative Artificial Intelligence (AI) eHealth solutions during 2019.

**1. Diabetic Retinopathy Screening** - This solution provides retinal images of both eyes of the patient and uses an AI system to analyse the images and report the results to the specialist.

**2. Chest X-Ray Screening for TB** - This solution assists radiologists in making an Informative Diagnostic Decision about the presence of Tuberculosis (TB) in prospective UAE residents.

**3. Primary Care Symptom Checker** - This platform prevents unnecessary appointments being made by recommending the most suitable health services to patients, prioritising patient cases based on their risk, and establishing a next course of action for treatment.

We also partnered with NXN and TELUS Health to roll out the TELUS Health eHealth solution portfolio in the UAE. Through this collaboration, we will be exploring innovative eHealth solutions such as e-Prescriptions, e-Claims, Remote Patient Monitoring, mobile Electronic Health Records and Telemedicine Platform. The goal of these applications is to not only streamline the process for healthcare transactions, but also minimise gaps for the most important stakeholder, the Patient.

The successful integration of AI and Blockchain technology in the UAE health-tech sector is set to have a profound impact on removing the current obstacles for addressing and solving patient wellbeing and physician efficiency.

## Our next generation of Blockchain innovations

In 2019, we introduced a trio of next generation blockchain solutions in an effort to serve the UAE's future challenges and opportunities.

We are now able to deliver an enterprise-to-enterprise solution enabling financial institutions to streamline the regulatory compliance, a blockchain based national platform for UAE banks to exchange documents and information securely within a trusted network. We also announced an identity solution to support the UAE business community to take full advantage of blockchain technology and benefit from enhanced cost savings.

We are also building decentralised applications and offering an integrated set of solutions for client-centric blockchain ecosystems. During GITEX 2019, we showcased the blockchain-powered Student Passport Digitising certificate solution that will allow any authorised entity to assign a certificate template to be given to students in a secure manner.

As an active enabler of blockchain solutions in the UAE, we will build upon our capabilities by facilitating developments in transparency, security, real-time transactions, and data protection to address pain points across industries and to leverage blockchain solutions for its customers.

## Our Smart City Services

Smart City services are our biggest opportunity to enhance the UAE's position as a global hub for tourism, commerce and as a happy place to live. This calendar year, we announced that we would help deliver smart city services at Silicon Park, Dubai's first integrated smart city project taking shape at Dubai Silicon Oasis.

Silicon Park is among the most eagerly-anticipated smart living projects in the Middle East region and once delivered, it will act as a significant milestone in realising the vision of smart city.

Once launched, Silicon Park will be supported by smart energy solutions, environmentally sustainable mobility, and smart public amenities and services, all devoted to creating a high quality of life for people living, working and visiting the project.


## WiFi UAE

WiFi UAE has seen significant developments in 2019. At the start of the year WiFi Bundling was launched giving a large number of du Postpaid and Prepaid customers WiFi as part of their monthly data allowance - for free and at high speed. This coincided with a relaunch of the WiFi UAE brand which added 'from du' for the first time to be 'WiFi UAE from du'.

New pricing for the Premium WiFi was also launched simplifying the service by adding a AED 5 unlimited usage daily access. This was complemented by opening up the WiFi UAE service to International mobile numbers making the service usable by all people in the UAE.

The network has had the most significant growth to date. 10,000 RTA taxis were installed with WiFi in 2019. We also won the project to provide passenger WiFi in all the Department of Transport buses in Abu Dhabi Emirate (520) and all RTA buses and marine vehicles (1,957) in Dubai.

In addition, the WiFi network in our busiest site – the Dubai Metro – is being upgraded in all stations and trains. We have also started the installation of WiFi in the new trains for the new Expo Route 2020. This network growth and service enhancements has been reflected in increased usage of WiFi UAE by the community with annual sessions increasing by 6 million to 32.5 million.

# Innovative offerings

## Doubling broadband speeds for free

In 2019,, we announced that broadband speeds were doubled for all new and existing Triple Play Home customers, permanently at no extra cost. This means that new and existing triple play du Home customers now have access to greater value and faster connectivity at no extra charge.

The UAE ranked 11th in the world for mobile speeds (48.07 Mbps) and 38th for fixed broadband speeds (50.16 Mbps) in December 2018. Our latest offer is a step forward in its support for Vision 2021 strategy to develop the infrastructure for a knowledge economy as the UAE continues towards diversification and to guarantee its future prosperity.

## The UAE's first Unlimited Postpaid Power Plan

We launched the UAE's first true Unlimited Postpaid Power Plan - a first for unlimited data and calling in the UAE. As times change and evolve, so do our plans, which is why we are integrating unlimited data and calling possibilities into customers' lives with a value proposition that delivers boundless connected potential and the freedom to do more.

## Bringing loved ones closer together

Our Friends and Family Bundle (F&F) gives our prepaid customers loads of international minutes to call home and talk to their loved ones in weekly and monthly bundles for a set subscription fee. Through this bundle, our customers can now easily subscribe to a weekly or monthly pack and get loads of minutes to call any five numbers in their home country.

Our du SIM cards will be given to all tourists over the age of 18, and will come with complimentary minutes and data.

## Providing travellers with a free SIM on arrival

Dubai is the first city in the world to offer tourists free SIM cards on arrival at Dubai International Airport (DXB). Our du SIM cards will be given to all tourists over the age of 18, and will come loaded with complimentary minutes and data. The free SIM card - available from Dubai airport's immigration counter - provides three minutes of talk time and 20MB data, and will be valid for one month.

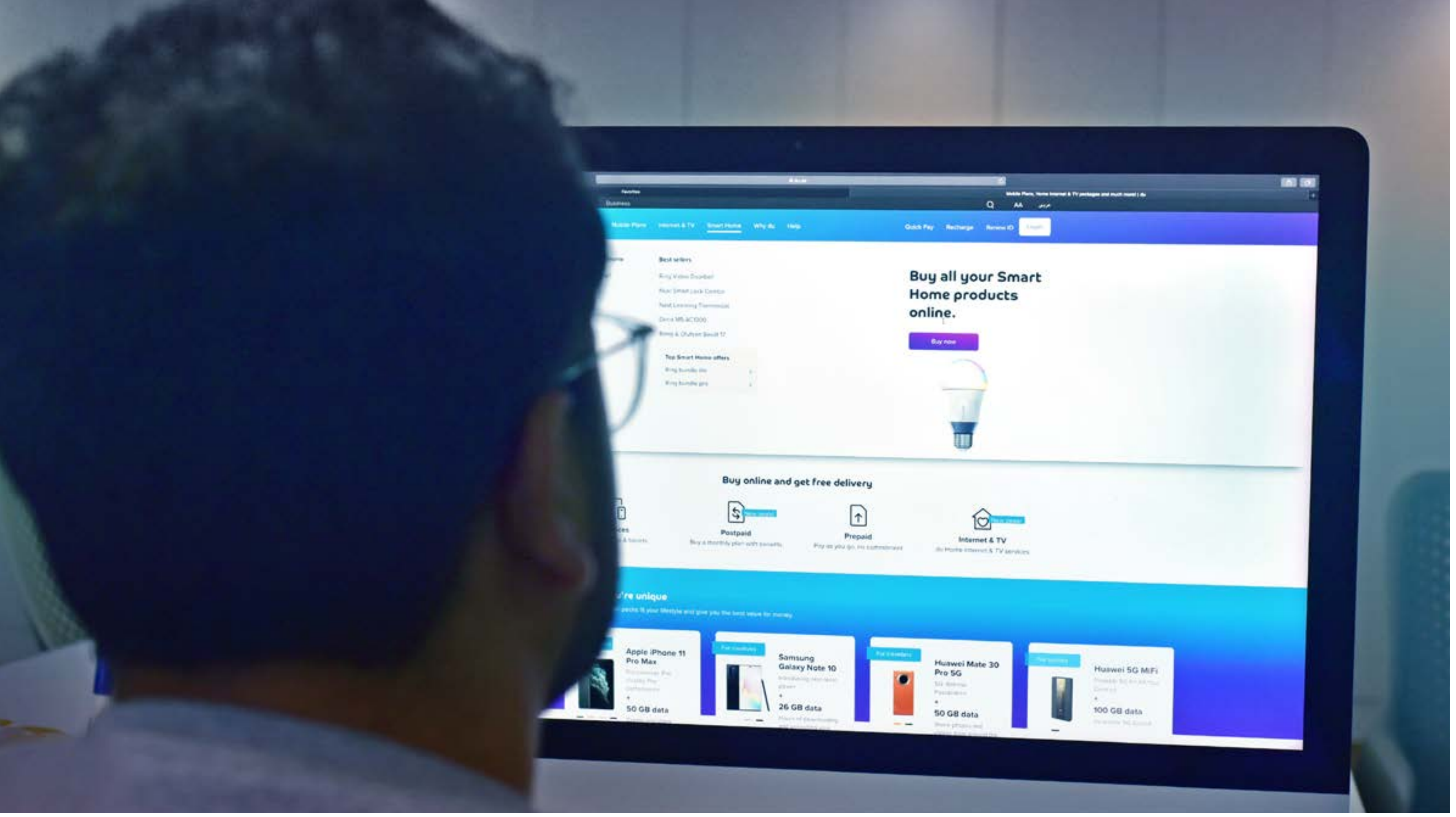
## First telco operator in the Middle East to launch 5G mobile devices

By selling the 5G-enabled ZTE Axon Pro 10 handset, we are the first to launch 5G-enabled devices in the UAE. Customers will also be able to enjoy du's 5G network without any additional charges to their existing postpaid plans.

The innovative wireless 5G terminal device from ZTE is available to customers with zero upfront, starting from AED 210 per month. Combined with one of du's Data SIM plans, consumers can take full advantage of blazing fast speeds for numerous devices.

By adding the ZTE 5G Indoor Router to its innovative portfolio of 5G-enabled devices, new and existing du customers now have even more ways to experience the thrills of the telco's 5G dynamic network evolution.

The ZTE 5G router will allow customers to enjoy plug and play 5G access within all 5G-enabled areas of the UAE. As we are in the process of adding new 5G sites, the company will not be charging customers any extra for the 5G service. This means they can use their 5G devices while enjoying new and existing benefits of their existing plans.




## First VMware verified cloud provider in the MENA region

Earlier this year, we became the first VMware Cloud verified provider in the MENA region. This accreditation strengthens our ability to bolster the cloud computing business for government entities and enterprises in the UAE.

This major step highlights our role as a reliable cloud solution provider and partner in supporting digital transformation through integrated cloud infrastructure and management solutions.

## Smart Home online store launch

In 2019, we announced the launch of our Smart Home online store. Customers can now buy all our Smart Home products online at du.ae and get them delivered to their doorstep. Selected items can be purchased and converted to monthly recurrent charges, which makes people's lives easier and enhances their experience of purchasing our products and services.

## Joining forces to launch an advanced payment solution

In the UAE, the SME sector represents a large segment of the overall business landscape. With zero upfront payments, free setup, and a state-of-the-art Point-of-Sale (POS) machine, our new 'Business POS' offering – supported by Network International's N-Genius™ payment technology platform – eases many of the pain points associated with today's payment solutions for SMEs. Business POS is a payment solution device that enables merchants to accept card payments and digitse their payment transactions to maximise efficiency.



## Our Smart Water Security with Intelligent Home Digital Water Solution

During the year, we announced a transformative partnership with industry giants Belkin International and Uponor to bring the world-renowned and award-winning Phyn Plus Smart Water Assistant + Shutoff to the UAE.

With the introduction of the innovative and connected home leak detection monitor, we are empowering the nation with cutting-edge technologies to solve real world challenges in line with the leadership's UAE Water Security Strategy 2036 – a powerful mandate that aims to reduce demand for water resources by 21 percent and boost the country's water supplies.

## Launching a world-class Machine-to-Machine (M2M) connectivity platform

M2M is transforming the way organisations work, with the expected number of connected devices expected to reach 20bn in 2020. We recently took our machine-to-machine (M2M) services to the next level with the launch of a M2M Control Platform. Designed to deliver complete end-to-end solutions for managing M2M SIMs, connectivity and services, our platform will enhance customers' abilities to manage their M2M SIMs from a central self-service, resilient portal.

Unlike any Cloud, the M2M Control Platform being fully hosted within du premises guarantees end-to-end Ownership of Infrastructure, ensuring security at every step in the value chain for M2M connectivity. This is a major advantage as government entities and security agencies prefer services rendered by companies which are not only UAE-owned but also with on premise infrastructure within the UAE.

## One app for the whole family

Last year, Virgin Mobile launched their new 'Add SIM' feature, making it easier for customers to manage their family and friends' mobile plans. As always, our aim is to simplify the complex, be relevant by being convenient and putting control back into our customer's hands. With 'Add SIM' we ensured that our users can easily add their friends and family to their account in only a few steps via the Virgin Mobile app and having their new SIMs delivered within an hour.

The 'Add SIM' offering is fully customisable for each additional member. Whereas one family member might need more international minutes, for example, another might use a lot more data. That makes it perfect for families with children or even residents with visitors who want to stay connected.

## Apple Pay with recurring payment – Mobile first in the region

Virgin Mobile is bringing a seamless mobile experience to their customers by offering an easy, secure and private way to pay for their mobile bill via Apple Pay. Customers can now easily and securely pay their Virgin Mobile bill with Apple Pay through the Virgin Mobile app on their iPhone.

They can make single payments for boosters or roaming, or alternatively set up recurring payments to pay for their monthly or annual plans. Virgin Mobile is the region's first telco brand to launch recurring payments with Apple Pay.

# Making our people and communities happier

## Volunteering

In 2019, hundreds of our colleagues volunteered for various social and environmental initiatives that they are passionate for and that are high impact areas for the UAE's sustainable development. These included activities such as:

1. Entrepreneurship and Innovation workshops for students
2. Capacity building for community organisations
3. Celebrating the International Day of Elderly with senior citisens
4. Visit to special needs centres
5. Cyber safety awareness
6. Walking rescued dogs at an animal shelter
7. Beach clean ups
8. Tree planting

Our flagship volunteering initiative - Mawead Al Rahman - held extra significance this Ramadan as we celebrated and promoted cohesion and compassion throughout the UAE's communities during the Year of Tolerance.

Over the last five years, we have donated more than 55,000 boxes of essential food ingredients to those in need across the UAE. In doing so, our Mawaed Al Rahman initiative has positively impacted communities across the UAE as well as engaging thousands of volunteers to donate their time for the greater good of the nation.

People from different backgrounds and ethnicities participated in the food-packing initiative for 2019; amongst those were the Consul General of Philippines, representatives from the Indian Consulate, the Pakistan Association of Dubai, the Parish of St Francis of Assisi, as well as special needs centres such as Al Noor, Integreat and Tender Hearts Arena.

## Youth and Women empowerment

Our Youth Council and Women Council have continued their efforts in responding to the youth's needs and building a more gender balanced workplace in an effective manner in line with both the UAE national agenda and EITC's vision for a more competitive and engaged workplace.

During the year, our Youth Council signed an MoU with the Dubai Government Human Resources and His Highness Sheikh Hamdan Bin Rashid Al Maktoum Foundation for Distinguished Academic Performance to further encourage our youth to contribute to the UAE's economic and social development. Partnering with His Highness Sheikh Hamdan Bin Rashid Al Maktoum Foundation for Distinguished Academic Performance allows our employees to educate and share their knowledge with young Emirati's in order to elevate their knowledge and attract talent to our organisation in alignment with the vision of the UAE in 2021.

2019 was also a great year for women at du as we launched the UAE telco sector's first Women's Council. The launch of this Council puts us in a healthier position to empower our female employees, which make up 29 percent of our workforce. In addition to this, recent figures reveal that 40 percent of new recruits are female – a positive sign for our diversity growth trajectory.

In recognition of the Women Council's significant efforts towards driving the UAE Leadership's Vision for gender diversity in the workplace, we received the Entrepreneur Middle East's "Best Company in Women Empowerment Award" in 2019.

Moving forward, the Women Council will function under a new title of Gender Balance Council to be in line with the UAE's Vision 2021, a direction adopted by the UAE Government as a key strategic pillar in our Country's Institutions.

**2019 was also a great year for women at du as we launched the UAE telco sector's first Women's Council.**

## Innovation in Education

To foster home-grown innovation and entrepreneurship we launched the first-ever IoT and AI Pioneers Competition through our U5GIG platform in collaboration with Dubai Technology Entrepreneur Campus (Dtec).

Throughout the competition, participants were encouraged to herald innovative ideas for the evolution of smart city, Artificial Intelligence, and Internet of Things, advancements. From 43 initial project applications, 10 teams were selected for shortlisted interviews, with six emerging successful.

This year, we also mentored and organised a range of workshops for a number of university and high-school students to train the participants on developing their own IoT projects, and also discussing research projects.

UAE 5G Innovation Gate (U5GIG) - powered by Dubai Silicon Oasis (DSO) - is a consortium of technical and academic organisations in UAE as well as global telecom vendors to use their expertise to develop innovative use-cases to help change lives in the UAE.

## Employee benefits

Our employee benefits are focused on building a workplace that is engaging, inclusive, and one that gives our employees the trust to believe in our vision. During the year, we have reviewed and maintained our employee benefits across all career bands and levels to stay in line with the local market that has helped us remain an employer of choice. Furthermore, under the area of engagement and inclusion, we have embraced 250 of our limited term contractors into the EITC family in 2019.

Our employee benefits enable employees to achieve a positive work-life balance by offering them flexible timings, in-house facilities such as a gym, pool and clinics, as well as monetary benefits such as telecom discounts, airfare, education allowance and complimentary discount programs such as ESAAD. Rewards schemes such as spot awards are regularly exercised to engage and recognise employees who walk the extra mile in delivering their accountabilities. With an objective to provide employee career growth opportunities and to enable success in the long term with meaningful job enrichment, we have launched a new and simpler job framework. The new framework provides greater visibility on career paths available to all employees. The new framework lays the foundation for the other HR frameworks such as rewards, learning management, talent management, performance management, etc. and enables high performing employees to excel in their careers, drive business goals and in turn help us build a strong bench strength for future roles.

A new state of the art digital learning platform was launched in 2019 with a wide range of online courses available to all EITC employees (including our outsourced colleagues). The new learning platform – titled 'My Journey' – greatly enhances our capability to quickly launch business related trainings, framework implementation communications, awareness sessions, etc. to all the required employees.



## Celebrating the 48th National Day with #MyUAEMemories

To celebrate the 48th National Day, we collaborated with the National Archive to unveil a treasure trove of rare historic footage and images and share nostalgic memories of the UAE. We also called on citisens and residents to join in recollecting and sharing their invaluable UAE stories and memories as the country celebrated the significant occasion.

The exclusive glimpse into the past aimed to unite the UAE's people as they exchanged memories and admiration for their homeland on the 48th National Day. The release of exclusive footage and images built on this notion by offering a nostalgic journey under themes including memories of the nation's founding father Sheikh Zayed, education, women empowerment, and traditional celebrations and crafts.


In 2019, Emirati talent comprised 35.9% of the workforce, of which 48% were women.

## Emiratisation

We work hard to develop the careers of our UAE Nationals. In 2019, Emirati talent comprised 35.9% of the workforce, of which 48% were women. In addition, 60% of UAE Nationals hold leadership positions across our departments.

For the 2nd consecutive year, we have been awarded the MOHRE Emiratisation Award. We received the award across all Semi Government categories for implementing notable policies to support Emiratisation. We also received the Best Nationalisation Initiatives in the GCC Award at the GCC GOV HR Award.

All our UAE Nationals have an opportunity to drive their development, which is supported by the National Development team. We supported our colleagues in the Fujairah Contact Centre (100% UAE Nationals) with their development needs, by conducting assessments and providing learning opportunities.

We are continuing our partnership with KPMG in a secondment programme to build the capacity of three Emirati employees from our Finance team. In addition, we partnered with Nokia and two of our UAE Nationals visited their offices in Ottawa as part of their development in upgrading their knowledge and skills.



## Employee wellness

Our employee wellness platform is a crucial part of our employee engagement strategy as it allows our staff to get to know each other better while participating in various fitness activities and events as a team.

One of our main achievements in 2019 was when we won the biggest corporate Olympics tournament in the country – the Corporate Sports Challenge. For this tournament, we had around 100 colleagues participating in over 16 sports ranging from football, cricket, table-tennis and more.

In 2019, our colleagues (which included 100 female employees) also represented du in a range of sporting events, such as the Dubai 30x30 challenge, Ajman Run, Spartan Sharjah, Old School Challenge, Ramadan Olympics, ICC Cricket Challenge, Sky Run Dubai, Spartan Women AUH and many more.

During 2019, we also organised our first FIFA PlayStation tournament for our staff, which was very well received. These wellness-related competitions were complemented by a series of activities exclusively for our staff and their family members, such as a migraine awareness session, flu vaccinations and blood donation.

## Employee engagement

Employee engagement continues to remain a critical driver in the organisation to achieve business objectives. Engagement initiatives were focused on training managers to better engage with their employees on giving quality feedback and having continuous performance conversations. Customised engagement initiatives were run across individual departments to focus on their specific needs.

During the calendar year, we measured our employee engagement through a pulse survey. The pulse survey was done to check on the quality of conversation they had with their managers during their mid-year review.

60% stated that they received constructive feedback and 68% rated that the overall quality was good. Meaningful conversations between employees and the managers is a key factor to drive employee engagement, hence this will continue to be one of the key focal areas for next year as well.

## Event experiences

du Live!, our music and live performances platform, provides a number of memorable VIP experiences in the UAE across all genres and audiences. Last year, this included performances by Andrea Boccilie. We took over the Coca Cola Arena to bring Russel Peters, one of the leading stand-up comedians. We also brought big names such as Eminem, Marshmello, Lana Del Ray and The Killers at our own venue, du Arena.

Our association with Dubai Opera also brought in amazing shows, such as Phantom of the Opera; this association has helped cement du Live! as a leader for live entertainment in the UAE. du Tuesday, our 2-for-1 cinema experience, continued to wow our customers, not only by providing value, but also offering a number of fantastic premieres and money-can't-buy experiences such as international trips to attend international premieres.

## Training and development

We believe that the growth and development of our people is a crucial investment in the sustainable success of our business.

During the reported year, our most significant training and development achievement was the launch of our new learning platform - "My Journey". Accessible to all our colleagues at EITC, this platform can be accessed anywhere – on laptop or mobile phone – and gives access to thousands of courses in various fields of study.

In 2019, our enterprise employees were given a series of specialised learning courses on topics such as the Enterprise Marketing Academy, First 100 days in Sales, Enterprise Collaboration, Power hours (Cyber security, datacentre), Simulation training for our data centre and more.

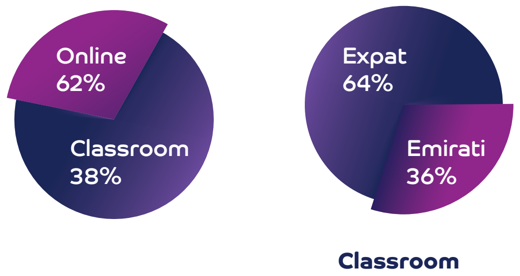
Our consumer employees benefit from focused training sessions on topics such as the du Way of Retail, Agile and SCRUM master workshops, Handsets and Devices Training, International Protocol Training, Sales and Commission Strategies, 5G Awareness sessions, and more. These were complemented by a company-wide 5G awareness campaign, as well as Tech Talk Thursdays and the Service Excellence Program.

As a results of these training courses and programs to upgrade employee skills and assist in their transition to new roles, we observed excellent results in employee learning and productivity. We were also awarded the 'ME Prism Award' by the International Coaching Federation as a recognition for the impact of professional coaching and the success of integrating a coaching culture into the organisation.

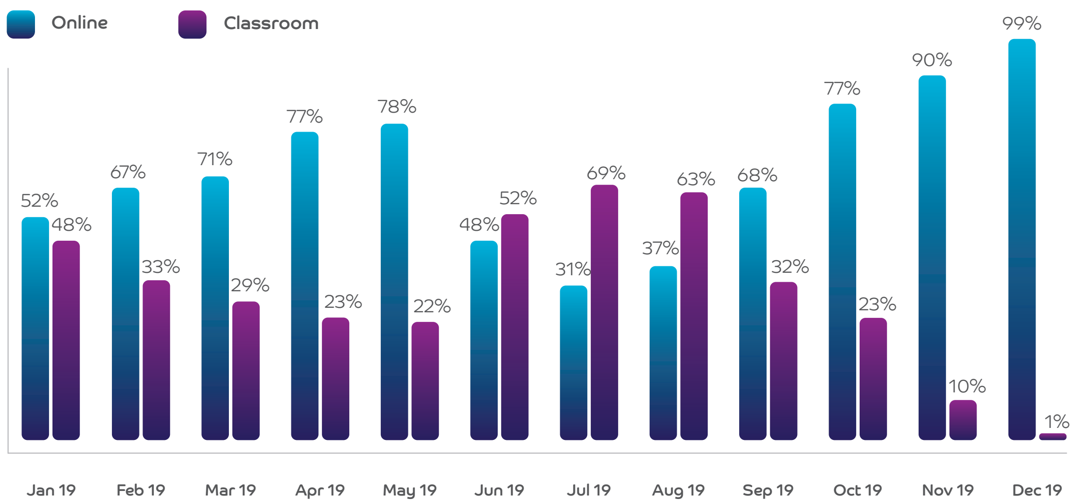
At EITC, all employees receive regular performance reviews, and have access to training resources and opportunities. In 2019, 75% of employees were exposed to some form of learning and development, with the average time of training per year per employee is at 2.72 days.

## eitc Training (du University)

| Learning Type | Participants |
|---|---|
| Online | 3,878 |
| Classroom | 2,423 |
| | **6,301** |



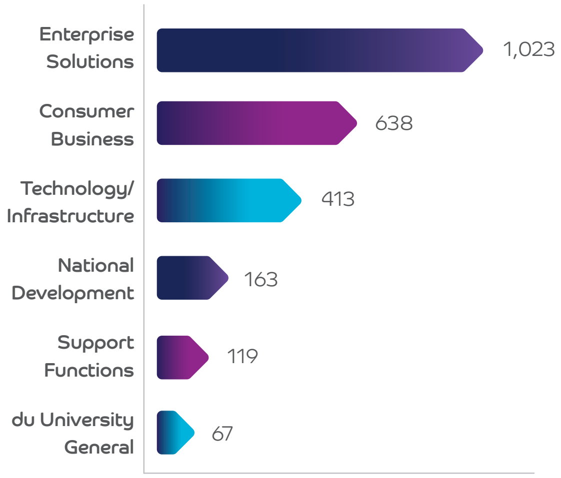

### Training Delivery by Month



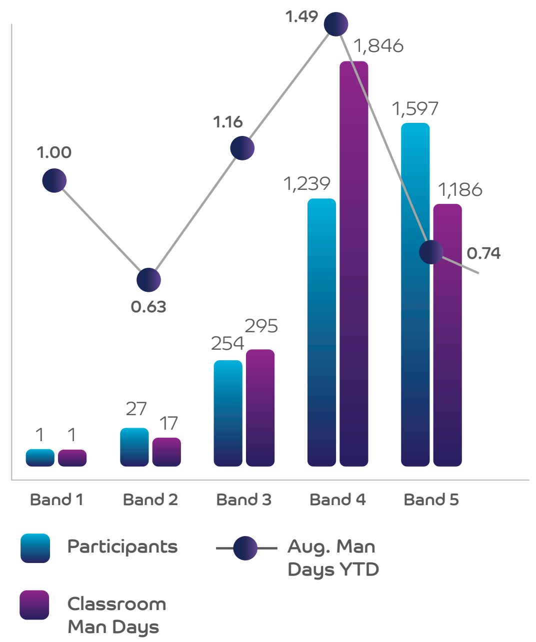



**In 2019, 75% of employees were exposed to some form of learning and development, with the average time of training per year per employee at 2.72 days.**

### Participants by Training Unit (Classroom)




### YTD Ratios by Grade Band (Classroom)




### YTD Participation for Classroom Training by Division

| | # | ManDays | Avg. |
|---|---|---|---|
| Enterprise Solutions | 773 | 2,028 | 2.62 |
| edara | 683 | 2,400 | 3.51 |
| Outsourced | 380 | 897 | 2.36 |
| du (GT) | 174 | 289 | 1.66 |
| Human Resources & Corporate Services | 109 | 309 | 2.83 |
| eitc Consumer Services | 104 | 189 | 1.82 |
| Technology | 103 | 297 | 2.88 |
| Internal Control | 19 | 38 | 2.00 |
| Wholesale and Corporate Affairs | 17 | 33 | 1.94 |
| Digital Lifestyle & Innovation | 10 | 10 | 1.00 |
| Finance | 10 | 39 | 3.90 |
| Transformation & Delivery Management | 8 | 14 | 1.75 |
| Brand & Communications | 7 | 19 | 2.71 |
| Information Technology | 7 | 8 | 1.14 |
| Unassigned | 6 | 7 | 2.33 |
| Risk & Compliance | 4 | 4 | 1.00 |
| Company Secretariat | 3 | 7 | 2.33 |
| Transformation Delivery Management | 2 | 3 | 1.50 |
| Virgin Mobile | 2 | 4 | 2.00 |
| Commercial | 1 | 3 | 3.00 |
| Operations | 1 | 3 | 3.00 |
| **Total** | **2,423** | **6,601** | **2.72** |

# Diversity

With 77 unique nationalities at our office, we believe that diverse teams help create business value by driving performance and innovation, which is why we aim to create amazing career opportunities for everyone.

We endeavour to be an equal opportunity employer that displays no discrimination regarding age, gender, colour or religion in our decisions to recruit or develop careers.

During the year, our Women Council continued to empower women at the workplace under SDG5 ("Achieve gender equality and empower all women and girls") and launched a Gender Balance Employee Sentiment Analysis. The Sentiment Analysis shared common understanding on issues such as: how working at EITC has a positive impact on the career of all employees, how EITC need to improve parental policies and other women empowerment policies and initiatives.

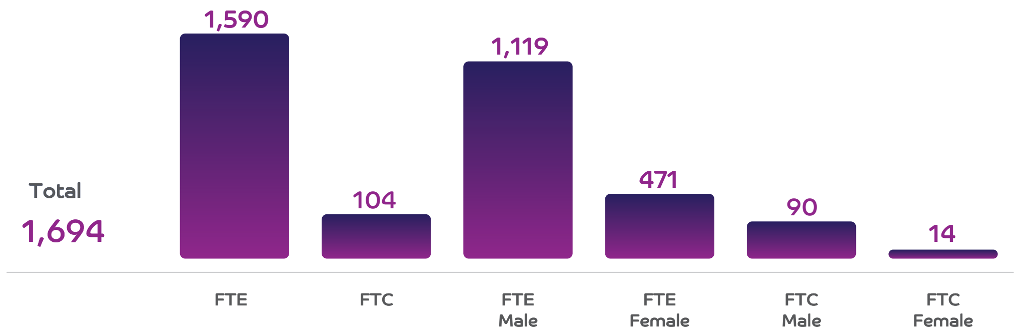
To empower our colleagues with the tools for greater inclusion and diversity, and also enable people to identify unconscious bias, the Council conducted a number of trainings, workshops and roadshows across our offices.

We support people of determination to build long-term opportunities at our organisation. We currently have four colleagues that have special physical needs at du:

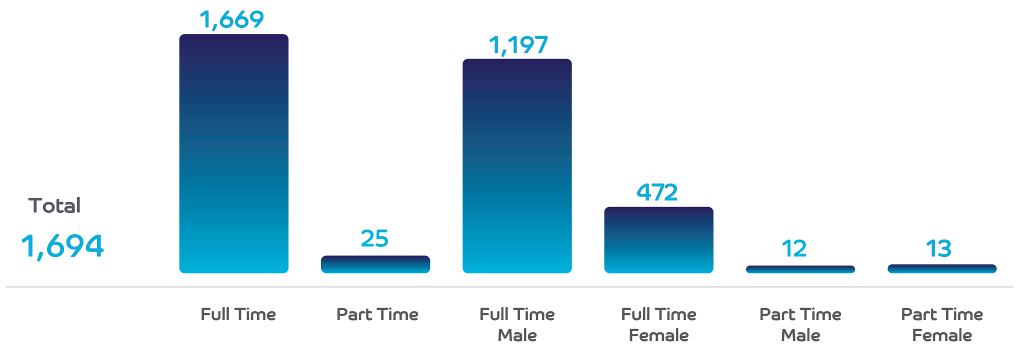
- One is working on reduced working hours
- One has been provided with visual aid to support the disability
- Two are working normal hours

We offer generous maternity leave to our female colleagues three months (90 calendar days). On expiry of maternity leave and in the event of an illness related to pregnancy or delivery, an employee may avail unpaid leave for a maximum period of one hundred consecutive or intermittent calendar days. During the year, a total of 122 colleagues (31 women and 91 men) took parental leave; of these 1 female colleague did not return to work from her maternity leave. Of those that did return, 113 (29 women and 84 men) were still employed 12 months after their return to work.

**du (full-time employee and full-time contractor by gender)**

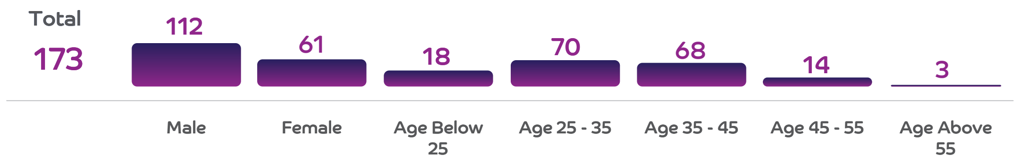



**Total Number of Employees at du (full-time and part-time employee by gender)**

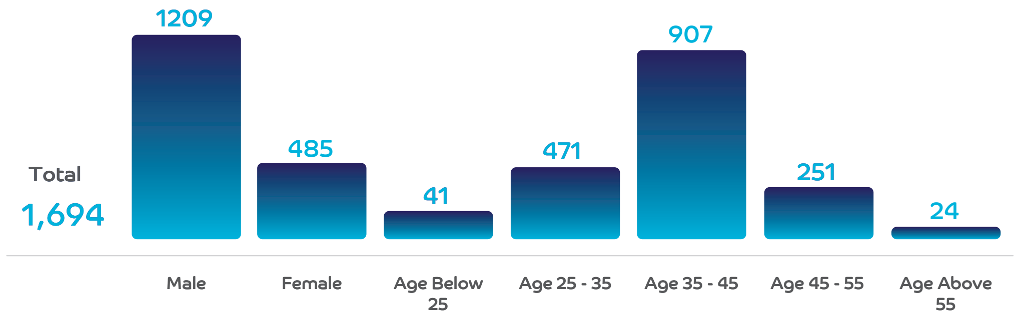




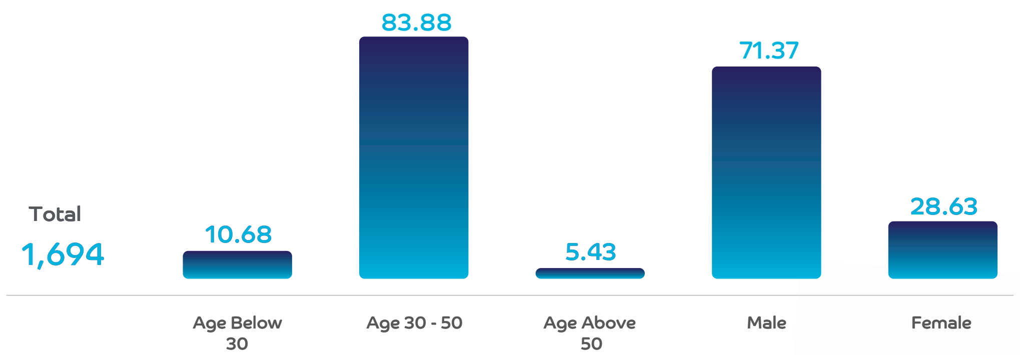

**Total number of employees hired at du**



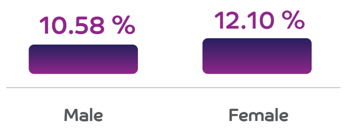

**Total number of employee turnover at du**



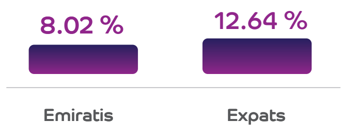

**Percentage of employee category at du**



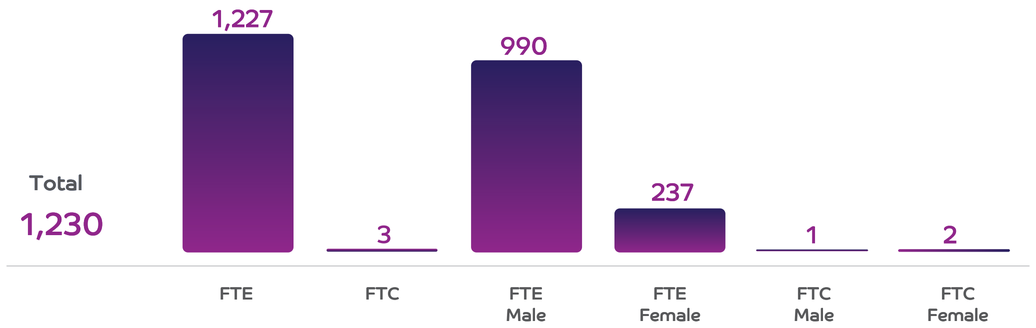

**Attrition rate by men vs. women at du**



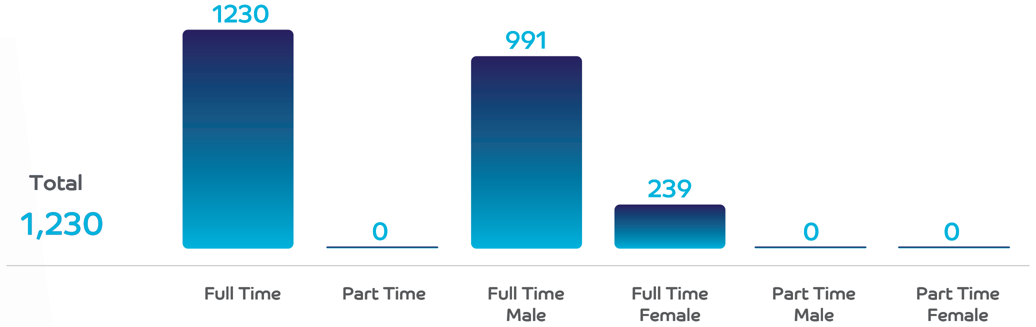

**Attrition rate by Emiratis vs. expats at du**



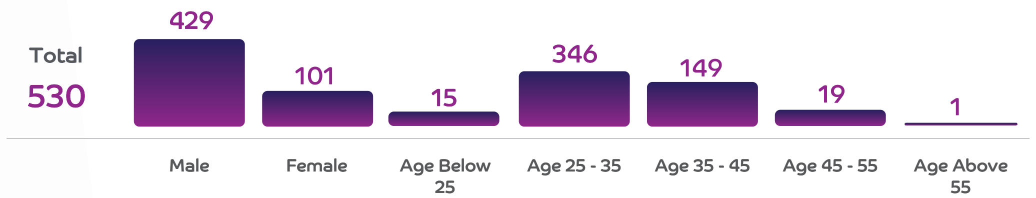
### Total number of employees at Edara (full-time employee and full-time contractor by gender)



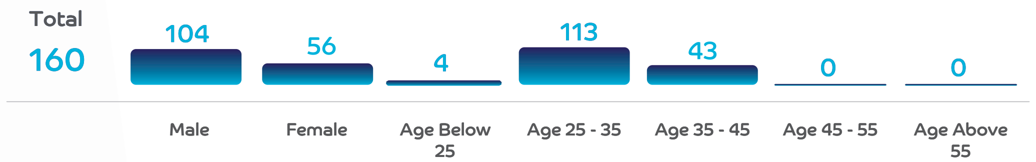

### Total number of employees at Edara (full-time and part-time employee by gender)



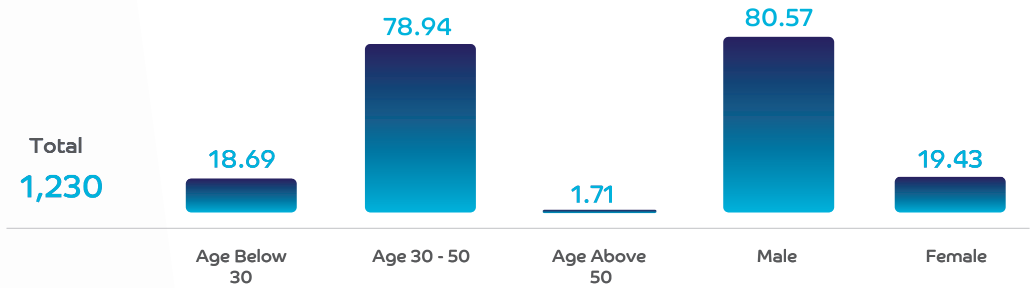

### Total number of employees hired at Edara



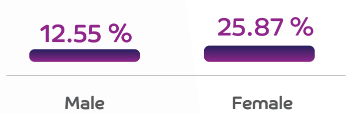

### Total number of employee turnover at Edara




### Percentage of employee category at Edara

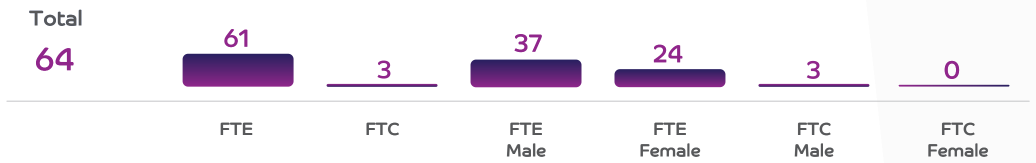



### Attrition rate by men vs. women at Edara

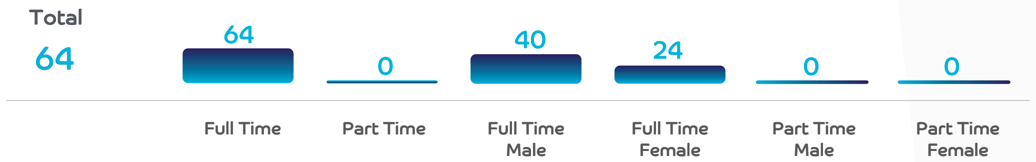




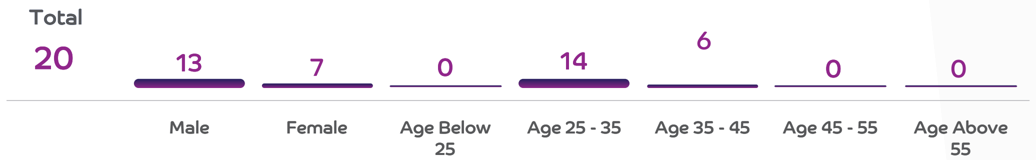

### Total Number of Employees at Virgin Mobile UAE (full-time employee and full-time contractor by gender)



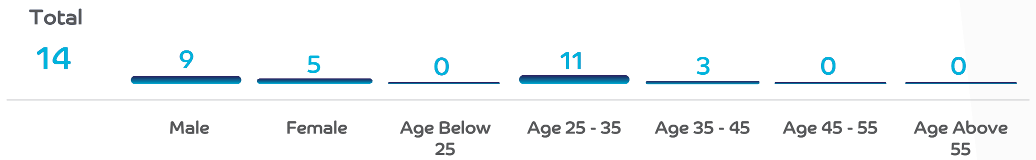

### Total Number of Employees at Virgin Mobile UAE (Full-time and Part-time employee by gender)



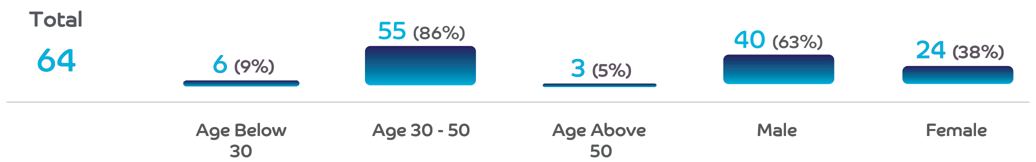

### Total Number of Employees Hired at Virgin Mobile UAE



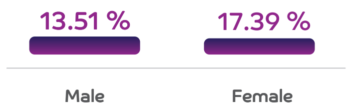

### Total Number of Employee Turnover at Virgin Mobile UAE




### Percentage of employee category at Virgin Mobile UAE




### Attrition rate by men vs. women at Virgin Mobile UAE




### Attrition rate by Emiratis vs. expats at Virgin Mobile UAE

To date our hybrid generators have resulted in total diesel savings of approximately 2.2 M litres/year (a carbon footprint reduction of 5,957 tonnes/year)

# Operating ethically and responsibly

## Energy-efficiency in our network

A major part of our environmental footprint is a result of our network, i.e. the base transceiver stations and data centres. To address the sustainability impact that this part of our operations has, we continue to invest in energy- efficient technologies, such as:

**Energy-efficiency hybrid generators**

- At the moment, we have a total of 355 generator-run BTS sites – of these, 171 are running on normal generators, and 184 on hybrid generators
- Our hybrid generators help reduce diesel consumption by up to 50%
- To date our hybrid generators have resulted in total diesel savings of approximately 2.2 M litres/year (a carbon footprint reduction of 5,957 tonnes/year)

**Solar energy**

- We have a total of 24 sites that run completely on solar panels
- Seven new solar sites were installed in our network in in 2019
- To date our solar sites have resulted in total diesel savings of approximately 1.6M Litres (a carbon footprint reduction of 4,000 tonnes)

**Free cooling systems**

- Our free cooling systems reduce our energy bills by 15% per site by using the cooler air outside (during winters) to reduce the burden on air-conditioning
- In 2019, we installed 600 free cooling systems in our mobile sites, taking our total to 1,100 sites
- To date our free cooling systems have resulted in total energy reduction of approximately 6,500Mwh (a carbon footprint reduction of approximately 3,250 tonnes)

## Energy-efficiency in our non-technical sites

We have shops, offices, warehouses and call centres that consume energy, and we employ a number of electricity reduction strategies to address our sustainability impact in these sites.

This calendar year, at our head office in Al Salam Tower we installed Variable Frequency Drive in the chiller panels which resulted in energy savings of up to 24% during the winter months (overall 5% energy saved compared to 2018).

In our offices in Al Salam Tower, AUH Hamdan, Khazna Dubai, DIAC 8 & 9, we replaced the 2 x 26W CFL lamps with 9W LED lights. This too has helped us save 9% energy compared to 2018.

To date, our LEED certified stores located in Fujairah, Mirdiff and Me'aisem City centres have saved a total of 520,791 KWhr (AED 214,507).

An overview of the energy and cost savings at our key non-technical sites can be found in the following table.

| SL No | Site | Energy consumption | % savings in energy consumption | AED savings in energy consumption |
|---|---|---|---|---|
| 1 | Offices – Al Salam Tower, DIAC 8, 9 and Hamdan | 3,594,811.90 | 31% | 701,340.15 |
| 2 | Retail shops - 37 Shops | 978,500.87 | 3% | 13,603.97 |
| 3 | Call centres (FCC) | 450,378.00 | 9% | 19,718.60 |
| 4 | Warehouse (DIP) | 816,830.00 | 1% | 3,971.91 |
| 5 | D3 | 110,842.40 | 9% | 4,901.23 |
| 6 | Al Salam Tower - Chiller Energy | 1,882,248.48 | 5% | 44,915.94 |

Our non-technical site's waste water is discharged as per the existing sewage distribution networks by the relevant utility provider, which is then treated at the local municipality water treatment plants.

## Greenhouse gas emissions

We have significantly reduced our GHG emissions during the year. In 2019, our Scope 1 emissions – from our diesel generators and fleet vehicles – resulted in 26,189.39 tCO2e (35,897.73 tCO2e in 2018). The main reason was the reduction in our diesel and refrigerant consumption, especially in our data centres.

Our Scope 2 emissions which captures our indirect energy emissions – from our grid connected mobile and fixed sites, offices, shops and other subsidiaries, to our energy intensive data centres, have resulted in 286,033.14 (299,223.78 tCO2e in 2018).

Our Scope 3 emissions – from our office waste, business consumables, third-party electricity, water and business travel – have resulted in 1,595.19 tCO2e in 2019 (1,742.77 tCO2e in 2019). The main reason for this reduction was the decrease in printed bills for customers (12.15 tonnes in 2019 to 6.5 tonnes in 2019), as well as recycled plastic (15.4 tonnes in 2018 to 14.7 tonnes in 2019).

Our overall GHG emission intensity is 0.041 tCO2e per customer which is attributed to our progress on our various energy-efficiency practices.

We tested 30 sites running on generators for ozone depleting substances or NOX, SOX and other significant air emissions. 90% of the sites had all parameters within the limits.

There were also no major spillages, except for one minor spill – this had no impact the environment (land or water systems).


We have significantly reduced our GHG emissions during the year. In 2019, our Scope 1 emissions – from our diesel generators and fleet vehicles – resulted in 26,189.39 tCO2e (35,897.73 tCO2e in 2018).

## GHG emissions graph

| Year | Scope 1 emissions (tCO2e) | Scope 2 emissions (tCO2e) | Scope 3 emissions (tCO2e) |
|---|---|---|---|
| 2018 | 35,897.73 | 299,223.78 | 1,742.77 |
| 2019 | 26,177 | 286,033.14 | 1595.19 |

## Waste management

We aim to minimise waste across our operations; and one of the most important initiatives in this aspect has been the waste management of key materials that we consume (i.e. paper, plastic and cardboard).

In 2019, we used a total of 23 tonnes of paper for our office use (almost the same as 2018). 95% of this paper was from recycled sources (virgin paper is used only for external communication). We have also designed our SIM cards to reduce their size to ensure they consume less material. We have reduced paper consumption for our scratch cards by 54% since 2015.

We continue our e-billing initiative to reduce printing and paper consumption. Since 2015, we have consistently decreased the consumption of our printed bills. Compared to 2015, the printing of our bills in 2019 has decreased by 82.5%.

In 2019, we used a total of 1,105 printer cartridges – a reduction of 46% from 2015, mainly due to efficiencies such as black and white printing and reducing print demand. Our target is not only to reduce our printer cartridge usage, but also to recycle all used cartridges.

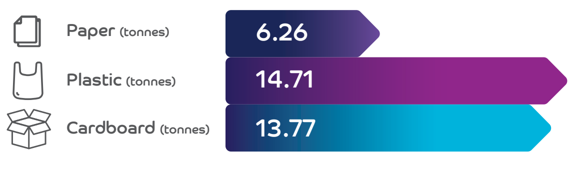
We continue to recycle our hazardous material used in our operations. In 2019, we saw a significant increase in batteries (from 152 tonnes to 495 tonnes) and other hazardous waste (from 190 tonnes to 637 tonnes), which was either recycled or safely disposed.

Our Equipment Donation Policy – which allows us to donate our used assets, whether IT equipment or otherwise, to registered charities – also helps us minimise our waste footprint. This year, we donated furniture, computers and other IT equipment to charities and community organisations in the UAE.

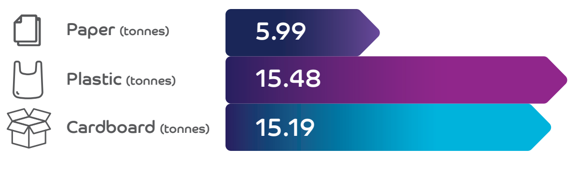
**We have reduced paper consumption for our scratch cards by 54% since 2015.**

### Graph for waste recycling:

2018




2019






## Environmental impact of ICT

The perception of the health impact of our base transceiver stations is an issue of concern for some residents in the UAE. People living or working close to our mobile towers have nothing to worry about as our network fully complies with the strict regulations for emission guidance by the International Commission on Non-Ionising Radiation Protection (ICNIRP).

We also have a mandate from the TRA to periodically measure the electric field of our towers and never have we measured any emission level that even exceeded a mere 1.3% of threshold level allowed by the ICNIRP.

## Grievance mechanisms

This calendar year, we documented 28 employee grievances, 25 of which were related to employee performance appraisals, and the remaining related to other types of issues. There were no employee grievances reported on the basis of harassment or discrimination of any kind, whether gender, race, colour, religion or social origin.

With regards to the grievance escalation process, we have automated the grievance application process, whereby an employee will no longer be required to fill in a manual form and submit it to HR.

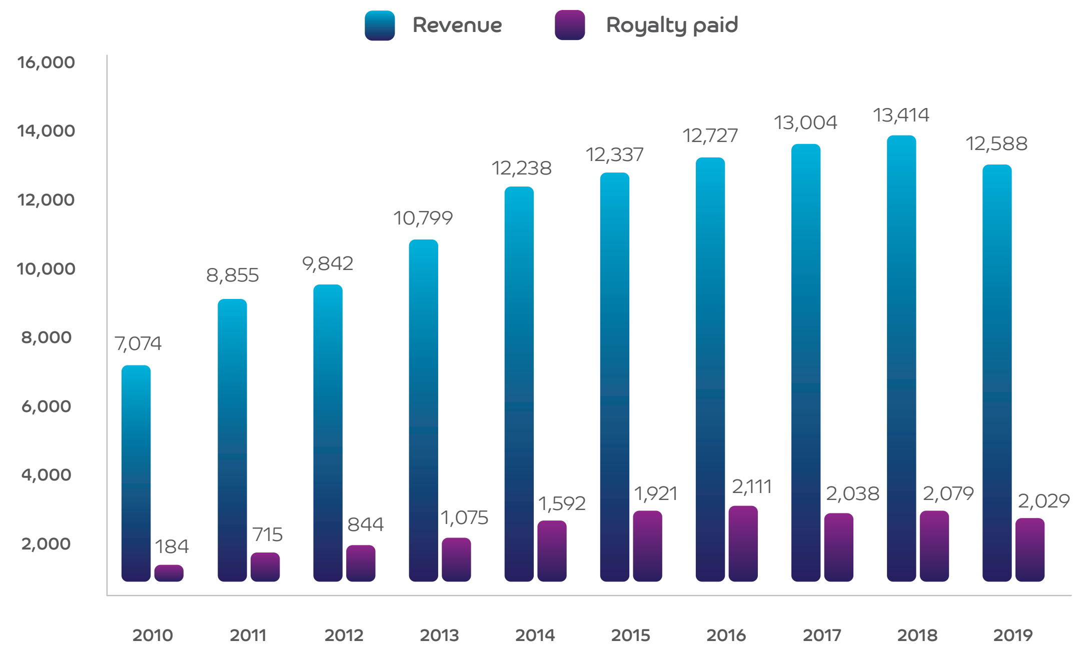
All grievances are captured and updated in the system database with full details about the case and action taken against the involved employees. All grievances are handled a dedicated team within HR in order to avoid any favouritism and ensure process compliance.

## Financial performance

In 2019, we achieved revenues of AED 12.59 billion. Our net profit after royalty amounted to AED 1.73 billion, equating to earnings per share of AED 0.38.

Since 2010, we have been paying royalties to the Government as per an official directive from the Ministry of Finance. In 2019, the royalty charge was AED 2.03 billion – year on year figures indicated below.

### Comparitive Revenue and Royalty paid (AED million)



In addition to the royalty charges, as per a resolution issued by The Supreme Committee for the Supervision of the Telecommunications Sector, we contributed 1% of our total regulated revenue towards the Telecommunication Regulatory Authority's Information and Communication Technology (ICT) Fund. This Fund finances a range of projects to develop the innovation and knowledge capital of the country's ICT sector (in areas of research, education and entrepreneurship). In 2019, we did not receive any financial assistance from the Government.

The consolidated financial statements of the Company for the year ended 31 December 2019 comprises the Company – Emirates Integrated Telecommunications Company PJSC and its wholly owned subsidiaries EITC Investment Holdings Limited, Telco Operations FZ-LLC, Smart Dubai Platform Project Company LLC and EITC Singapore PTE. LTD. Our consolidated financial statements are audited by Deloitte and Touche (M.E.) and the published financial results are available on our website.

### Percentage of economic value distributed (AED 6.77 billion)


**All entities included in the orgnisation's consolidated financial statements or equivalent documents include:**

| Entity Name | Shareholding | Classification in consolidation financial statements |
|---|---|---|
| **EITC Investment Holdings Limited** | 100% | Subsidiary |
| **Telco Operations FZ-LLC** | 100% | Subsidiary |
| **Smart Dubai Platform Project Company** | 100% | Subsidiary |
| **EITC Singapore PTE. LTD.** | 100% | Subsidiary |
| **Khazna Data Centre Limited** | 26% | Associate |
| **Dubai Smart City Accelerator FZCO** | 23.5% | Associate |
| **Anghami ( A Cayman Islands Company)** | 4.8% | Available-for-sale financial asset |

Shareholder's structure

- The UAE Government, through its ownership of the Emirates Investment Authority, indirectly owns 50.12%
- The Abu Dhabi Government, through its ownership of Mamoura Diversified Global Holding PJSC (formerly Mubadala Development Company) indirectly owns 10.06%
- Dubai Holding, through its ownership of Emirates International Telecommunications Company LLC, indirectly owns 19.7%
- The remainder of the shares are held by Public Shareholders comprising individuals who are UAE and non-UAE nationals and companies established in the UAE



## Responsible procurement

This calendar year, we had more than 700 active suppliers and we sourced products and services worth AED 4.1 billion from them. More than 80% of these were local suppliers (i.e. companies with their headquarters in the UAE). We also worked with 10 Emirati SMEs during the year from whom we purchased AED 14 million worth of goods and services.

It is extremely important for us to manage the social and environmental impacts of our vendor base as it helps us expand our sustainability vision and policies across our supply chain. Key to helping us manage the sustainability of our suppliers is our Sourcing Policy which ensures that all dealings with our vendors are fair, competitive and without any conflict of interest. Our Sourcing Policy handbook was updated in 2019 to improve efficiency and controls, and to cater to system requirements for better automation.

During the year, we increased the footprint of our Robotics Process Automation (using artificial intelligence) to include processes such as purchase requisition creation and approvals. This has optimised the way we work and has resulted in significant efficiencies for the organisation.

We also continue to improve the way we process the sale and safe disposal of obsolete technical items, such as hazardous material (e.g. batteries), customer premise equipment (e.g. TV boxes) and other network infrastructure that is written off.

Our Sourcing Policy is complemented by our Sustainable Environmental Procurement Policy which obliges our current and prospective suppliers to complete our HSE requirements. In 2019, 100% of our vendors conformed to our HSE screening criteria upon registration. We were not made aware of any significant negative environmental or labour impacts within our supply chain.

## Health and safety

We actively work to ensure a secure work environment for all our people and also to promote health and safety at the workplace. During the year, we provided HSE trainings to over 413 participants – these included our employees, as well as our outsourced staff that work on our sites.

We also train our staff on Emergency Preparedness and Response, and during the year, a total of 322 staff were trained in emergency response and preparedness, including for first aid, fire, disaster recovery and general emergency actions.

All our offices, warehouses and technology-manned sites (including our mobile towers) undergo emergency drills to ensure the practical involvement and preparedness of staff. We assess our contractors in detail in terms of health and safety as part of our agreement with them. In 2019, we had a number of site inspections across our data centres, mobile sites, retail shops and more.

This year, we had 29 health and safety related incidents (53 in 2018). Majority of these (26) included medical incidents which were promptly dealt with by our in-house clinic.

| | Male | Female |
|---|---|---|
| **Injury rate (IR)** | 0 | 0 |
| **Occupational disease rate (ODR)** | 3.93 | 2.46 |
| **Lost day rate (LDR)** | 0 | 0 |
| **Absentee rate (AR)** | 0.007 | 0.002 |
| **Work-related fatalities** | 0 | 0 |

## Data privacy and security

We are committed to ensure that Customer Data Security and Privacy is embedded as a core competency across our Organisation. These efforts have come through by creating a dedicated function for 'Data Security and Privacy Management' within our Technology Security and Risk Management (TSRM) department and enablement of refined security controls. Our journey still continues in the light of increasing complex business needs, regulatory challenges coupled with business data monetisation needs.

We have developed our own holistic Data Security and Privacy Management framework and standards. These are based on national and international regulations, standards and guidelines from the TRA, International Organisation for Standardization (ISO), National Institute of Standards and Technology (NIST), Payment Card Industry Data Security Standard (PCI DSS) etc. and developed a Data Classification model, taxonomy and process to implement classification across the organisation.

We have developed an EITC Data Classification model, taxonomy and process to implement classification across the organisation. In 2019, we also worked on Privilege Identity Management and Database Access Management controls including User Access Governance platform.

We have enhanced our organisation-wide internal awareness of the importance of customer data and privacy requirements. This was complemented by the successful implementation and enhancement of the 'Classify and Secure' initiatives based on which all our employees are mandated to classify data according to the classification type.

We are working on the revamp of current Data Security and Privacy Policies and standards including diverse platforms and technologies in 2020. We are also working on adopting cloud security and Tokenisation to help enable secure business. Our objective for 2020 is to help seamless business with embedded security in new line of businesses. We are also working to revamp existing technologies that have become obsolete in the journey of time.

## Responsible marketing

We believe it is critical in our industry, and extremely important as per our values, to be responsible, honest and friendly in our marketing and communication campaigns as it helps build trust and loyalty among our customers.

We give all our customers the choice to opt in or out from receiving our communication, and are not involved in the sale of any banned or disputed products and services. During the year, there were no cases of non-compliance with regulations and voluntary codes concerning marketing communications at EITC.

## Business ethics

We believe in governance and implementing strong internal controls in business processes where we emphasise the importance of business ethics and transparency in our approach. Hence, "Honest" is one of the key value for our brand indicating the basis of successful business which are trust and truth. This helps us to manage corruption risks and mitigate the risk of any wrong doings and ensures that we adhere to a zero-tolerance policy towards fraud and unethical actions. All our employees are required to read and accept our Code of Conduct and Ethics.

To deal with any wrong doing or unethical practices, company follows the processes defined in our whistle blow and fraud response policies applicable to our staff and vendors. Our whistleblowing channels include an email (wb@duconcerns.ae), an independent website (duconcerns.ae), and a hotline (800 503 7283). This mechanism allows our staff and vendors to share any concerns regarding the company and its operations with complete anonymity and confidence.

Our organisational code of conduct and ethics, along with our internal and external policies for seeking advice on ethical behaviour, and for reporting concerns about unlawful behaviour can be found on our website.

**Our whistleblowing channels include an email (wb@duconcerns.ae), an independent website (duconcerns.ae), and a hotline (800 503 7283).**



**In 2019, we had 99% compliance against the National Standard for business continuity for processes and protecting critical assets.**

## Business continuity

To ensure that we continue to deliver our products and services at predefined levels during any instability, we have adopted a standard Business Continuity Management (BCM) system. This system enables us to build the required resiliency to protect our people, processes, facilities and technologies, as well as our customers, vendors, partners, regulators and contractors. We give all our customers the choice to opt in or out from receiving our communication, and are not involved in the sale of any banned or disputed products and services. Business Continuity Plans (BCPs), Disaster Recovery Plans (DRPs), Crises Management Plans and Simulations all contribute towards our BCM system.

At the national level, we abide by the security obligations set by the TRA through the National Telecom Emergency Management Plan (NTEMP), and National Crisis and Emergency Management Authority (NCEMA).

In 2019, we successfully participated in table top simulations organised by the TRA, called Sada AlBarq 7, where we reflected the capabilities of our organisation to protect our assets and ensure the availability of our services. In 2019, we had 99% compliance against the National Standard for business continuity for processes and protecting critical assets. At the corporate level, we initiated and conducted the first internal table top simulation "Anqaa1" in which we tested our capabilities to run our business during crisis and abnormal events.

We maintained the ISO 22301 certificate without any non-conformity. In 2020, the main aim is to automate all processes related to business continuity and re-evaluate the prioritisation and processes within EITC. Another aim is to focus on simulations as "Anqaa2" is planned to be a field simulation. We attained the full status, thus ensuring that we continue to have the ability to mitigate the effects of disruptive incidents with minimal effect on our critical business.

# Corporate Governance Report

# Corporate Governance Report of Emirates Integrated Telecommunications Company PJSC ('EITC' or the 'Company') for the financial year ended on 31 December 2019

## 1 Statement of procedures taken to complete the corporate governance system, during the year 2019, and method of implementing thereof:

During the year 2019, EITC's Board of Directors (the 'Board') and the management of EITC took a more proactive approach in its endeavor to continuously follow high corporate governance standards by reviewing, monitoring and ensuring implementation of EITC's robust corporate governance framework with an aim to align the interests of shareholders and business sustainability for long term.

EITC's corporate governance framework is mainly based on the applicable laws and regulations prescribed by the Securities and Commodities Authority of the UAE ('SCA') including the Chairman of SCA's Board of Directors' Decision No. (7 RM) of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.

The Board reviewed the composition of its committees and its terms of reference in line with the international practices and the expectations of the shareholders. Assessment of Board and each of its Committee was also conducted by an independent external consultant.

The Board participated in the briefing session that was conducted in November 2019 by Hawkamah, the Institute of Corporate Governance to develop and update their knowledge and skills and update themselves with the practices followed in the region and globally.

The Board members ensured that any potential conflicts of interests in the matters brought before the Board and its Committees was adequately disclosed and relevant provisions for dealing with the conflicts were complied with. The Board had also reviewed the process to be followed by the senior management in case of their conflicts and interests associated with other entities.

A special committee was constituted amongst the Board members to perform the selection for the new chief executive officer to lead the Company forward from the year 2020. The search criteria set by the Board focused on finding someone with deep knowledge of the changing nature of the telecommunications industry, strong leadership and change management skills, and a track record of driving business growth in competitive environments.

The Board reviewed the existing financial, human resources and other corporate policies and procedures and where required issued new policies and procedures. Dividend policy was approved by the shareholders at the annual general assembly held on 26 March 2019.

The Board ensured the efficiency of the subsidiary governance framework and reviewed the performance of all its investments/ subsidiaries on a regular basis to ensure that all investments/ subsidiaries follow the agreed governance process. A joint venture was entered in June 2019 with Bahrain Telecommunication Company BSC to create a regional infrastructure platform capable

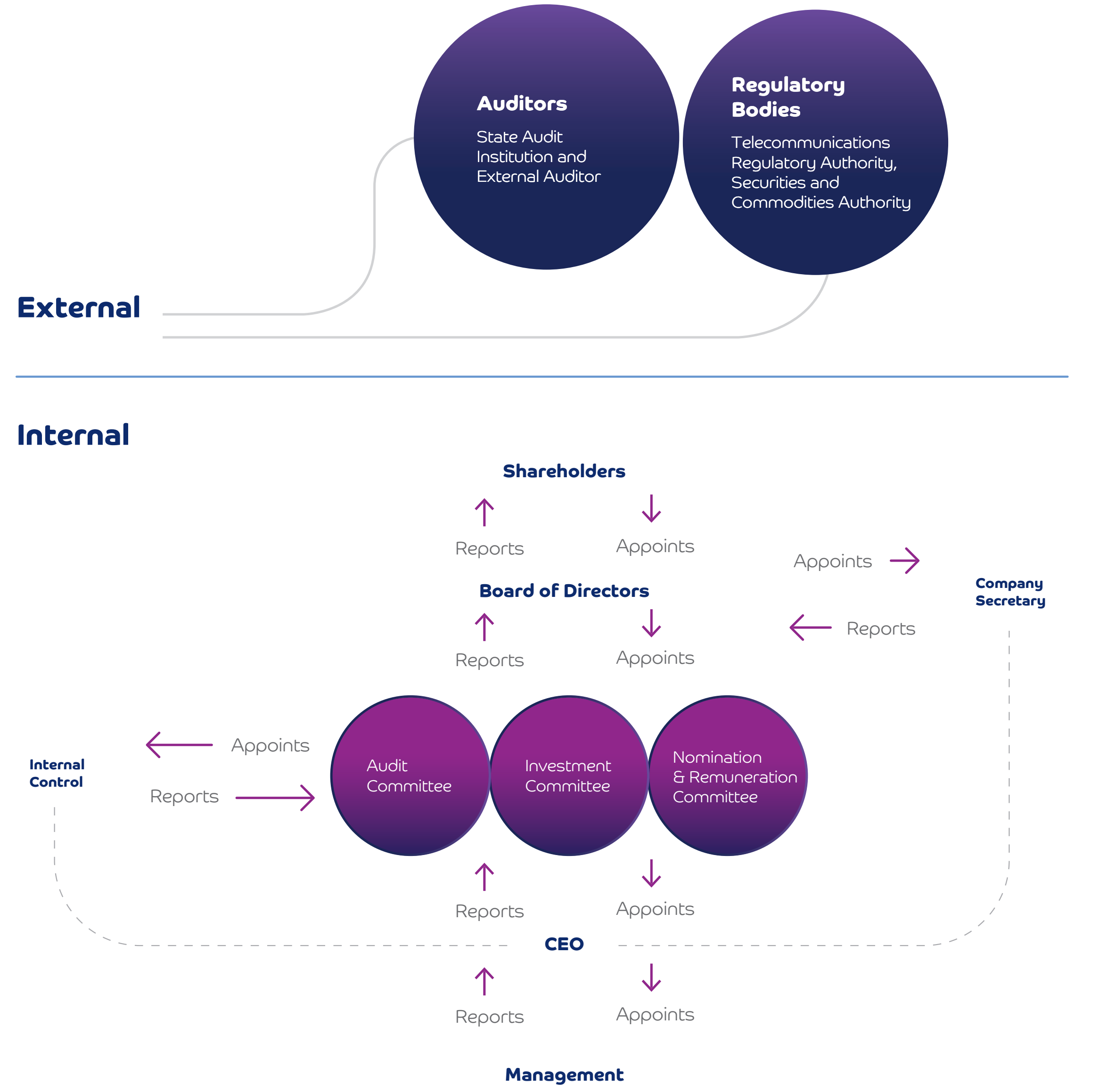


of delivering connectivity and data centre services across the region. To manage this new investment, the Board had also defined its governance framework and authority matrix.

The Board took several efforts to ensure that the Company's strategy and vision was aligned with the expectations of the shareholders and also conducted several retreats/ workshops during the year for considering strategic matters including strategic framework, industry trends, UAE telecom market dynamics, network evolution, IT strategy and road map and transformation programs. The Board also reviewed the update on the customer experience on a regular basis to ensure its alignment with the overall strategy and vision of EITC.

The Board continued monitoring the efficiency of EITC's internal control systems and risk management to ensure that the processes in relation to control over financial affairs, operations and risk management, sound application of corporate governance rules and other applicable laws, regulations and internal procedures and policies that governs the Company's operations. Risk Management and Compliance Committee run by the management continued monitoring and reporting to the Audit Committee on a regular basis.

EITC's governance framework clearly identifies the roles and responsibilities among the shareholders, Board, Committees and management as well as confirms accountability in accordance with the following model:



# 2 Statement of ownership and transactions of Board members', their spouses and children in EITC's shares during 2019

EITC's share dealing policy requires the Board members to make necessary declarations and obtain relevant approvals in accordance with the applicable SCA regulations. The Board members are updated on a regular basis regarding their duties and obligations in relation to trading in the shares of EITC.

The below table contains details of the shares held in EITC by the Board members (including their spouses and children) as on 31 December 2019:

| No. | Name | Position / Kinship | Total sale during 2019 | Total purchase during 2019 | Owned shares as on 31 December 2019 |
|---|---|---|---|---|---|
| 1 | Ziad Abdulla Galadari | Board member | N/A | N/A | 119,350 |
| | | Spouse | N/A | N/A | 94,000 |
| 2 | Mohamed Hamad Al Shehi | Spouse | N/A | N/A | 247 |
| 3 | Ahmad Abdulkarim Julfar | Board member | N/A | N/A | 467,839 |
| | | Spouse | N/A | N/A | 3,000 |
| 4 | Malek Sultan Al Malek | Board member | N/A | N/A | 562 |
| 5 | Masood M. Sharif Mahmood | Board member | N/A | N/A | 562 |



# 3 Board of Directors

## 3.1 Board Composition:

The members have actively and dynamically contributed to the formation of a cohesive and highly efficient Board to meet the challenges of a changing economic environment. The Board continued its commitment towards developing EITC's strategy aspiring to create better shareholder value, enhance stakeholder's confidence and maintain sustainability in EITC's business.

The Board is currently composed of all independent non-executive members as follows:

**Mohamed Hadi Al Hussaini**
Chairman
Independent Non-Executive

**First Appointment**
28 February 2018

**Representing**
Emirates Communications and Technologies Company LLC

Mohamed Al Hussaini was appointed Chairman of the Board of EITC on 28 February 2018.

He has a vast professional experience across the banking and finance, real estate, investments, telecommunications and retail sectors. He has contributed to numerous strategic as well as economic initiatives and plans in the UAE.

He currently holds the following positions in several other leading entities in the UAE:

Publicly listed entities:
- Chairman of Emaar Malls Group
- Board Member of Emirates NBD
- Board Member of Emirates Islamic Bank
- Board Member of Dubai Refreshments Company

Other entities:
- Board Member of Emirates Investment Authority
- Board Member of Dubai Real Estate Corporation

He has a Master's degree in International Business from Webster University in Geneva, Switzerland.

**Khaled Mohamed Balama**
Vice Chairman
Independent Non-Executive

**First Appointment**
17 March 2015

**Representing**
Emirates Investment Authority

Khaled Mohamed Balama has held various executive roles in prestigious companies and organisations during the past 30 years. He is currently the Executive Director of Real Assets Department at Abu Dhabi Investment Council and he also holds the following positions in other leading entities in the UAE:

- Board Member of Central Bank of the UAE
- Board Member of the General Pension and Social Security Authority

He holds a Bachelor's of Science in Finance from Indiana University (USA), and is also a Chartered Financial Analyst (CFA).

**Ahmad Abdulkarim Julfar**
Board Member
Independent Non-Executive

**First Appointment**
21 March 2018

**Representing**
Public Shareholders

Ahmad Julfar has a vast experience in diverse sectors including telecommunications, economy, banking and community development taking charge of several prominent leadership positions in the UAE.

He holds the position of Director General at the Community Development Authority, which is dedicated to creating a leading social sector in the UAE to reinforce sustainable developments.

He also holds the following positions in other leading entities in the UAE:

- Chairman of Knowledge Fund, Government of Dubai
- Vice Chairman of Commercial Bank of Dubai PJSC
- Board Member of Smart Stream Technologies
- Board Member of Al Jalila Children's Specialty Hospital

He holds a Bachelor's degree in Civil Engineering and Computer Science from Gonzaga University in Washington, USA, and took part in the Leaders Program of Sheikh Mohammed Bin Rashid Al Maktoum.



**Mohamed Hamad Al Shehi**
Board Member
Independent Non-Executive

**First Appointment**
21 March 2018

**Representing**
Emirates Investment Authority

Mohamed Al Shehi has broad experience in various sectors including finance, banking, real estate and insurance, leading several executive positions within the Government of Dubai as well as the private sector. He also has vast experience in finance and information and communications technology (ICT), where he has held many executive roles throughout his professional career and served as a board member of several internationally recognised organisations.

He holds the positions of The Deputy Director General at the Department of Finance, Government of Dubai and the Secretary to the Supreme Fiscal Committee (SFC).

He also holds the following positions in other leading entities in the UAE:

- Chairman of Emirates NBD Capital P.S.C.
- Chairman of Al Seha Holding Company
- Chairman of NAS United Healthcare Services LLC
- Board Member of Emirates NBD Bank PJSC
- Board Member of Emirates NBD Capital Ltd
- Board Member of Emirates NBD Asset Management Limited
- Board Member of Emirates Islamic Bank PJSC
- Board Member of Dubai Real Estate Corporation

He has Executive Master's degree in Business Administration from Zayed University, and a Bachelor's in Accounting from the United Arab Emirates University (UAEU).

**Mohamed Saif Al Suwaidi**
Board Member
Independent Non-Executive

**First Appointment**
27 August 2012
**Representing**
Emirates Investment Authority

Mohammed Al Suwaidi has a wealth of experience in asset management and a history in investment of varied asset portfolios within the economic sector locally, regionally and globally to achieve sustainable financial returns.

He holds the position of Executive Director of Asset Management at Emirates Investment Authority. He is also a Board Member of Arab Insurance Group 'ARIG'.

He has a Bachelor's degree in Accounting from the United Arab Emirates University (UAEU).

**Kaj-Erik Relander**
**Board Member**
**Independent Non-Executive**

**First Appointment**
21 March 2018

**Representing**
Emirates Investment Authority

Kaj-Erik Relander has a vast experience in the finance and the information and communications technology (ICT), where he has held many executive roles throughout his professional career and served as a board member of several internationally recognised organisations.

He is a founder of SEQ Capital Partners in Zurich, Switzerland, which focuses on global liquid investments in shares and private bonds within the fields of telecommunications, mobile and internet services, as well as media and technology. He also works as an advisor at Mubadala Development Company, SANAD AD and LS Opportunities Fund S.C.A- SICAV-FIS, Spong Sub-fund.

He also holds the following positions in other leading entities:

- Chairman of Refugees United Foundation
- Chairman of Investment Committee of APIS Partners
- Board Member of Abu Dhabi Developmental Holding Company
- Founder and Board Member of Pikebay Group SFO DMCC
- Board Member of Bridge Nine Ltd
- Board Member of SES (SESG)
- Board Member of Starzplay Arabia
- Advisory Board Member of Limestone Platform
- Advisory Board Member of Mustard Seed
- Founder and Director of QuaiKap Systeme

He has a Master's degree in Science from the University of Alto in Helsinki, an MBA, and a PhD studies in Technology Strategy from Alto University and Wharton School.

**Ziad Abdulla Galadari**
**Board Member**
**Independent Non-Executive**

**First Appointment**
14 March 2007

**Representing**
Public Shareholders

Ziad Galadari is the Founder and Chairman of Galadari Advocates and Legal Consultants and he has vast experience in the field of Law and Legal consultancy. In addition to his legal and investment expertise, he has made remarkable contributions enabling Dubai for hosting international events and global conferences.

He is the Chairman of Galadari Investments Group and he also holds the following positions in other leading entities in the UAE:

- Board Member of Dubai World Trade Centre
- Board Member of Dana Gas PJSC

He has a Bachelor's degree in Law (LLB) from the United Arab Emirates University (UAEU).



**Khaled Abdulla Al Qubaisi**
**Board Member**
**Independent Non-Executive**

**First Appointment**
19 April 2018

**Representing**
Mamoura Diversified Global Holding PJSC (Mubadala Development Company PJSC)

Khaled Al Qubaisi has extensive leadership experience in various fields including investment policy development, the aerospace and defence industries, ICT and telecommunications as well as the renewable energy industry.

He holds the position of Chief Executive Officer, Aerospace, Renewables and ICT platform at Mubadala Investment Company PJSC. Khaled is also a member of the Mubadala Investment Committee.

He also holds the following positions in other leading entities in the UAE:

- Chairman of Al Yah Satellite Communications Company PJSC
- Chairman of National Central Cooling Company PJSC (Tabreed)
- Chairman of Injazat Data Systems LLC
- Vice Chairman of Abu Dhabi Motor Sports Management LLC
- Vice Chairman of Abu Dhabi Future Energy Company PJSC (Masdar)
- Vice Chairman of Global Foundries Inc
- Vice Chairman of Finance House PJSC
- Board Member of Insurance House PJSC
- Board Member of Mubadala Petroleum LLC

He holds a Master's degree in Project Management (MSPM) from George Washington University, and a Bachelor's degree in Finance and Operations Management from Boston University.

**Malek Sultan Al Malek**
**Board Member**
**Independent Non-Executive**

**First Appointment**
21 March 2018

**Representing**
Emirates Communications and Technologies Company LLC

Malek Al Malek is one of the leading business figures in the UAE. He has reputable experience in various arenas, including technology, information and education.

He is currently the Group Chief Executive Officer of TECOM, one of Dubai's leading holding companies, strategic partner and contributor to achieving the ambitious visions of Dubai economy. He is also the Director General of Dubai Development Authority.

He also holds the following positions in other leading entities in the UAE:

- Chairman of Dubai Institute of Design and Innovation
- Board Member of National Media Council
- Board Member of DXB Entertainments PJSC
- Board Member of Mohammed Bin Rashid Library
- Board Member of Higher Colleges of Technology
- Board Member of Dubai Creek Harbour LLC
- Board Member of Dubai Freezone Council

He holds a Bachelor's degree in Business Management from the UAE's Higher Colleges of Technology.

**Masood M. Sharif Mahmood**
**Board Member**
**Independent Non-Executive**

**First Appointment**
18 December 2013

**Representing**
Mamoura Diversified Global Holding PJSC (Mubadala Development Company PJSC)

Masood Mahmood brings along a wealth of experience in establishing and leading diverse workforces in IT and telecommunications companies. He has extensive experience in management and mergers and acquisitions in numerous fields including the finance and industry sectors, in addition to satellite communications.

He is currently the Chief Executive Officer of Al Yah Satellite Communications Company – Yahsat, managing its full operational capabilities, on both the commercial and governmental levels.

He also holds the following positions in other leading entities in the UAE:

- Board Member of Shuaa Capital P.S.C
- Board Member of UAE Space Agency
- Board Member of Abu Dhabi Financial Group
- Board Member of Yahlive

He has a Bachelor's degree in Computer Engineering from Boston University in the USA, and an MBA in Finance from McGill University in Canada.



## 3.2 Female Representation on the Board:

Currently, there is no female representation on the Board.

## 3.3 Statement for non-appointment of any females to membership on the Board:

The Board believes that gender equality and diversity of expertise contribute to a balanced and effective functioning of the boardroom as well as adding varied and constructive perspectives in the decision making process of the Board. During the last election of the Board members conducted in 2018, three (3) female nominations with solid background were received however none secured sufficient votes from the shareholders present at the General Assembly.

## 3.4 Remuneration and Allowances of the Board Members:

**1. Total remuneration paid to the Board for 2018**

In 2019, the General Assembly approved the remuneration of the Board for 2018 for the aggregate amount of AED 9,403,322. This sum was distributed to all members of the Board as remuneration for services rendered by them in the year 2018.

**2. Proposed total remuneration to be paid to the Board for 2019**

The Nomination and Remuneration Committee reviews attendance and performance of Directors and Committee members in applicable meetings, and submits its recommendations to the Board. The final recommendation for aggregate Board remuneration is submitted for approval by the shareholders at the General Assembly.

At the General Assembly to be held in 2020, the Board will propose an amount of AED 9,603,000 to be distributed to all members of the Board as remuneration for 2019 and which also includes the attendance fees to be paid to the Board members for attending Committee meetings as detailed in paragraph below.

**3. Proposed attendance fees to be paid to the members of the Board's Committees for the year 2019**

| Name | Attendance Fees for the members of the Committees meetings | | | |
|---|---|---|---|---|
| | Committee Name | Number of meetings attended | Attendance fee @ AED 21,000 per meeting | Total Attendance Fee for the year 2019 (AED) |
| Mohamed Hadi Al Hussaini | Investment Committee (Chairman) | 12 | 252,000 | 252,000 |
| Khaled Mohamed Balama | Nomination and Remuneration Committee (Chairman) | 4 | 84,000 | 84,000 |
| Ziad Abdulla Galadari | Audit Committee (Chairman) | 8 | 168,000 | 168,000 |
| Mohamed Hamad Al Shehi | Audit Committee | 8 | 168,000 | 252,000 |
| | Nomination and Remuneration Committee | 4 | 84,000 | |
| Kaj-Erik Relander | Audit Committee | 8 | 168,000 | 294,000 |
| | Nomination and Remuneration Committee (until 3 September 2019)* | 2 | 42,000 | |
| | Investment Committee (from 3 September 2019)* | 4 | 84,000 | |
| Mohamed Saif Al Suwaidi | Investment Committee (until 3 September 2019)* | 7 | 147,000 | 189,000 |
| | Nomination and Remuneration Committee (from 3 September 2019)* | 2 | 42,000 | |
| Khaled Abdulla Al Qubaisi | Investment Committee | 10 | 210,000 | 210,000 |
| Ahmad Abdulkarim Julfar | Investment Committee | 12 | 252,000 | 252,000 |
| Malek Sultan Al Malek | Nomination and Remuneration Committee | 4 | 84,000 | 84,000 |
| Masood M. Sharif Mahmood | Audit Committee | 8 | 168,000 | 168,000 |

* With effect from 3rd September 2019, the membership of Investment Committee and the Nomination and Remuneration Committee was changed.



## 3.5 Additional allowances, salaries or fees received by the Board members other than the allowances for attending the committees meetings:

The only allowance being paid to the Board members in addition to the above remuneration and meeting attendance fees for attending Committee meetings is the payment of travel and hotel accommodation costs to the directors in accordance with the Board Travel Policy approved by the Board.

Accordingly, Mr. Kaj-Erik Relander was paid AED 165,760 for 2019 as travel and hotel accommodation costs for attending Board and Committee meetings.

## 3.6 Board meetings held in the year 2019:

During the year 2019, a total of eight (8) Board meetings were held.

The invitation and the agenda are sent to the members at least a week ahead of the meeting date, and details of issues and decisions made during the meeting are recorded as minutes, taking into account any member's opinions or dissenting views that are expressed during the meeting. Any related party transactions or conflicts of interest are declared at the beginning of each meeting, recorded in the minutes of the meeting and approved by the members present, thus ensuring that the respective member connected to that resolution abstains from voting.

| No. | Date of meeting | Number of attendees | Attendance by proxy | Absentees |
|---|---|---|---|---|
| 1 | 20 February 2019 | 10 | None | None |
| 2 | 23 April 2019 | 10 | None | None |
| 3 | 22 May 2019 | 10 | None | None |
| 4 | 23 July 2019 | 10 | None | None |
| 5 | 3 September 2019 | 10 | None | None |
| 6 | 24 September 2019 | 10 | None | None |
| 7 | 29 October 2019 | 8 | Masood M. Sharif Mahmood had given his proxy to Khaled Abdulla Al Qubaisi | Ahmad Abdulkarim Julfar |
| 8 | 10 December 2019 | 10 | None | None |

**Note:** The Board meetings held on 20 February 2019, 23 April 2019, 23 July 2019 and 29 October 2019 were for approving financial statements of the Company. The remaining Board meetings were held to consider ongoing operational matters.

### 3.7 Number of the Board resolutions passed during 2019 along with the dates of passing these resolutions:

In accordance with the Chairman of SCA's Board of Directors' Decision No. (7 RM) of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies, eight (8) resolutions were passed by circulation by the Board and these resolutions were recorded in the minutes of the subsequent meeting of the Board.

| Resolution No. | Date of passing the resolutions by the Board by circulation |
|---|---|
| Board Resolution No. 1/2019 passed by circulation | 11 February 2019 |
| Board Resolution No. 2/2019 passed by circulation | 6 March 2019 |
| Board Resolution No. 3/2019 passed by circulation | 11 May 2019 |
| Board Resolution No. 4/2019 passed by circulation | 27 June 2019 |
| Board Resolution No. 5/2019 passed by circulation | 7 November 2019 |
| Board Resolution No. 6/2019 passed by circulation | 27 November 2019 |
| Board Resolution No. 7/2019 passed by circulation | 12 December 2019 |
| Board Resolution No. 8/2019 passed by circulation | 22 December 2019 |

### 3.8 Delegation of authorisation by the Board during the year 2019:

In line with the Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies, our Board is responsible for carrying out these duties but may delegate them to the relevant Committee or to management, in writing. In the case of delegation, they have clear instructions on how the delegation can be authorised and the relevant limitations. The Board has agreed matters reserved for the Board and its Committees within the Board Charter. During 2019, the Board did not delegate any of its reserved matters to the management.

### 3.9 Transactions with Related Parties:

There are specific cases where transactions conducted with a related party can be considered in the best interest of the Company and its shareholders, and hence the Company's related party transactions policy provides a sound framework for the review and approval of these transactions. The Company allows specific consideration for related party transactions that do not reach 5% of the share capital of the Company. However, for any related party transactions that exceed 5% of the share capital of the Company, it is important that the related party is not provided with voting rights pertaining to decisions of both the Board (if s/he is a member) and the General Assembly (if s/he is a shareholder).
When a transaction with related parties concludes, the Chairman of the Board will notify the SCA with the content of the data and information related to the transaction. This sets the conditions for the transaction to ensure it is fair, reasonable and in favour of the Company's shareholders.
During the year, EITC did not enter into any related party transaction.

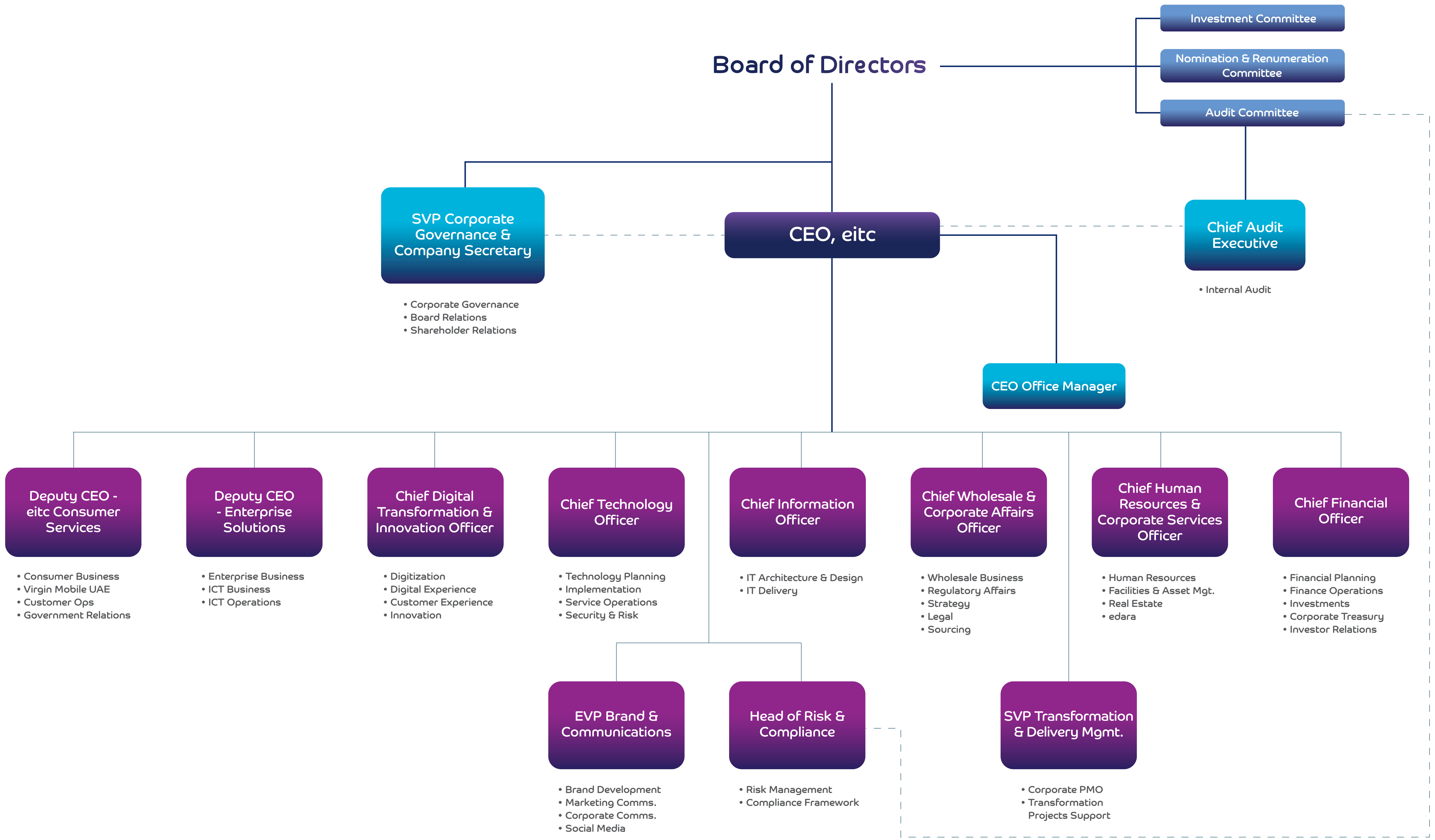


### 3.10 Organisational Structure:

The organisational structure of the Company is derived from EITC's Governance Model and reflects the relationship between the Board and its Committees on one hand and the Chief Executive Officer and the other chief officers on the other hand.

Below is the organisational structure of EITC as on 31 December 2019:





## 3.11 Statement of Management's Remuneration:

The following table lists the joining dates of the members of EITC's Management, the positions they hold, and their remuneration for 2019.

| Position | Date of Joining | Total Salaries and Allowances paid in 2019 (AED) | Any Other Cash/in-kind benefits for 2019* (AED) | LTI (2017-2019) (AED) | Total Bonus paid for 2019 (AED) |
|---|---|---|---|---|---|
| Chief Executive Officer | 1 January 2006 | 4,752,312 | 232,672 | 3,654,000 | 4,768,002 |
| Deputy CEO-Enterprise Solutions | 1 January 2006 | 2,432, 424 | 307,730 | 1,044,000 | 914,401 |
| Deputy CEO-Consumer Services | 23 April 2006 | 2,613,600 | 470,266 | 1,044,000 | 1,114,655 |
| Chief Human Resources and Corporate Services Officer | 13 May 2018 | 1,843,200 | 53,420 | N/A | 976,684 |
| Chief Financial Officer | 14 July 2019 | 1,116,129 | 543,397 | N/A | 630,591 |
| Chief Wholesale and Corporate Affairs Officer | 1 January 2006 | 1,969,512 | 11,766 | 1,044,000 | 939,666 |
| Chief Technology Officer | 7 September 2008 | 1,843,200 | 177,732 | 435,335 | 875,136 |
| Chief Digital Transformation and Innovation Officer | 4 March 2018 | 1,999,200 | 170,512 | N/A | 1,203,920 |
| Chief Information Officer | 1 April 2019 | 1,350,000 | 735,977 | N/A | 711,022 |
| Managing Director – Virgin Mobile UAE | 1 August 2016 | 1,459,200 | 174,490 | 313,200 | 792,900 |
| Executive Vice President Brand & Communications | 16 April 2017 | 1,492,800 | 355,730 | 223,102 | 629,184 |
| Head of Risk & Compliance | 14 January 2018 | 1,129,200 | 158,220 | N/A | 445,556 |

*Benefits relate to children education allowance and family air ticket allowance only



# 4 External Auditor

## 4.1 Overview of the Company's auditor:

Deloitte and Touche (M.E) was appointed as the Company's external auditor for the fiscal year 2019. Deloitte provides audit and assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 286,200 professionals are committed to becoming the standard of excellence.

## 4.2 Statement of fees and costs for the audit or services provided by the external auditors:

| | |
|---|---|
| Name of the audit office and partner auditor | Deloitte and Touche (M.E.)<br>Mr. Rama Padmanabha Acharya |
| Number of years he served as the Company's external auditor | 1 year |
| Total audit fees for 2019 in (AED) | AED 1,533,000 |
| Fees and costs of other services other than auditing the financial statements for 2019 (AED), if any, and in case of absence of any other fees, this shall be expressly stated. | Refer to paragraph 4.3 below. |
| Details and nature of the other services (if any). If there are no other services, this matter shall be stated expressly. | Refer to paragraph 4.3 below. |
| Statement of other services that an external auditor other than the company accounts auditor provided during 2019 (if any). In the absence of another external auditor, this matter is explicitly stated. | Refer to paragraph 4.3 below. |

## 4.3 Statement of fees, costs and services provided by external auditor firms in 2019:

| Audit/Consulting Firm | Details of service | Amount (AED) |
|---|---|---|
| Deloitte and Touche (M.E.) | Professional and advisory services – feasibility study and consulting services. | 2,078,294 |
| Ernst and Young (E&Y) | Professional and advisory services – Strategic transformation projects and consulting services. | 6,743,082 |
| KPMG | Professional and advisory services – accounting services, due diligence and consulting/support services. | 1,167,237 |
| PricewaterhouseCoopers (Dubai Branch) | Professional and advisory services - due diligence and consulting/support services. | 2,158,152 |
| **Total** | | **12,146,765** |

## 4.4 There are no qualified opinions made by EITC's External Auditor in the interim or annual financial statements for the year 2019.



# 5 Audit Committee

**5.1 Ziad Abdulla Galadari, Chairman of the Audit Committee acknowledges his responsibility for the Audit Committee's system in the Company, review of its work mechanism and ensures its effectiveness.**

**5.2 The Audit Committee is a permanent committee formed by EITC's Board to monitor the Company's financial position, review and recommend changes to the Company's financial and control systems and maintain appropriate relationship with the Company's external auditors.**

**5.3 The members of the Audit Committee have sufficient knowledge and understanding of financial and accounting matters as well as sufficient experience in the field of accounting, financial, legal affairs, compliance and regulatory matters. The current members of the Audit Committee are:**

- Ziad Abdulla Galadari (Chairman)
- Mohamed Hamad Al Shehi
- Kaj-Erik Relander
- Masood M. Sharif Mahmood

**5.4 The Audit Committee is provided with sufficient resources to enable it to perform its duties and is assigned to perform the following:**

- Review and make recommendations on the Company's overall corporate governance arrangements
- Recommendation for selection and appointment of external auditors including review of terms of engagement, mission and action plan and the scope of external audit plan
- Monitor the performance, independence and objectivity of the external auditor including discussing with the external auditor regarding the nature, scope and efficiency of the audit in accordance with the applicable accounting standards
- Ensure the integrity of financial and non-financial operations in line with financial and accounting policies and procedures as well as monitor the integrity of the annual and interim financial statements of EITC
- Consider any significant and unusual matters that are or shall be mentioned in auditors' reports and accounts, and give due consideration to any issues raised by the management including ensuring timely response of the Board to inquiries for illustration and substantial matters
- Develop and review of the policies/ procedures including financial, accounting and risk and compliance
- Review and assess the internal control and risk management systems in the Company including the external auditor's assessment of the internal control system and procedures
- Review the observations/ reports received from State Audit (including the response prepared by the management) and monitor the actions taken by the management to resolve issues/ observations arising from these reports

- Monitor overall effectiveness of the Internal control department including ensuring availability of resources required, review of internal control reports and review and approve of internal audit plan, budget and internal control charter
- Monitor overall effectiveness of the Risk and Compliance function by reviewing risk appetite, maintenance of a sound risk and compliance management culture, review and approve the management risk and compliance committee charter, review of the quality of risk mitigation and implementation of effective controls within the Company
- Review the changes made since the last review on the nature and extent of the key risks and EITC's ability to adapt to the changes in its operations and external environment
- Implement procedures that are sufficient for conducting independent and fair investigations concerning violations/ issues related to whistle-blowing and fraud
- Setting rules that enables the Company's employees to confidentially report any potential violations in financial reports, internal control, or any other issues and the procedures sufficient for conducting independent and fair investigations concerning such violations
- Review related party transactions with the Company, ensuring that no conflicts of interest exist, and submit recommendations on such transaction to the Board before concluding the relevant contracts
- Review and recommend changes to the Corporate Governance Manual (including terms of reference for the Board and its committees) and the Company's code of conduct
- Monitor the tasks performed by the Insiders Committee
- Ensure the Company's compliance with all applicable laws and regulations

**5.5 The Audit Committee updates the Board on its activities as it deems appropriate and recommends relevant matters for their approval. On an annual basis, the Audit Committee also reviews its terms of reference and submits its recommendations to the Board.**

**5.6 During the year 2019, eight (8) meetings of the Audit Committee were held at which all the members were present, the details of which are as follows:**

| Meeting Number | Date of Meeting | Main Purpose of the Meeting |
|---|---|---|
| Audit Committee Meeting No. 1/ 2019 | 19 February 2019 | Review of annual financials for the year 2018, audit, internal control and governance related matters |
| Audit Committee Meeting No. 2/ 2019 | 25 March 2019 | Review audit, internal control and governance related matters |
| Audit Committee Meeting No. 3/ 2019 | 23 April 2019 | Review Q1 2019 financials and governance matters |
| Audit Committee Meeting No. 4/ 2019 | 21 May 2019 | Review audit, internal control and governance related matters |
| Audit Committee Meeting No. 5/ 2019 | 23 July 2019 | Review Q2 2019 financials, audit, internal control and governance related matters |
| Audit Committee Meeting No. 6/ 2019 | 24 September 2019 | Review Audit, internal control and governance related matters |
| Audit Committee Meeting No. 7/ 2019 | 29 October 2019 | Review Q3 2019 financials, audit, internal control and governance related matters |
| Audit Committee Meeting No. 8/ 2019 | 9 December 2019 | Review audit, internal control and governance related matters |



# 6 Nomination and Remuneration Committee

**6.1 Khaled Mohamed Balama, Chairman of the Nomination and Remuneration Committee acknowledges his responsibility for the Nomination and Remuneration Committee's system in the Company, review of its work mechanism and ensures its effectiveness.**

**6.2 The Nomination and Remuneration Committee is a permanent committee formed by EITC's Board with the responsibilities to set and review policies related to appointment, remuneration, benefits, incentives, bonus and remuneration of the Board members and the employees of the Company in accordance with the applicable laws and regulations.**

**6.3 The current members of the Nomination and Remuneration Committee are:**

- Khaled Mohamed Balama (Chairman)
- Mohamed Hamad Al Shehi
- Mohamed Saif Al Suwaidi
- Malek Sultan Al Malek

## 6.4 The Nomination and Remuneration Committee is assigned to perform the following:

- Regularly review and make recommendations to the Board on the structure, size and composition (including the skills, knowledge and experience) required for the Board members compared to its current position and ensuring following of the procedures of nomination for Board membership in accordance with applicable laws and regulations
- Determine and agree with the Board the framework or broad policy for the remuneration of the Board members and other employees of the Company and review the ongoing appropriateness and relevance of the remuneration framework in light of market and economic conditions
- Constantly verify the independence of the independent members throughout their term
- Oversee the succession plans for the senior leaders and other critical roles and identifying the Company's needs for these positions and determine their selection criteria
- Review and make recommendations to the Board on the other business interests or positions held by the Board or the Senior Leaders
- Develop and review annually the Company's human resources and training policies, and monitor the implementation of such policies
- Emiratisation matters

## 6.5 The Nomination and Remuneration Committee updates the Board on its activities as it deems appropriate and recommends relevant matters for their approval. On an annual basis, the Nomination and Remuneration Committee also reviews its terms of reference and submits its recommendations to the Board.

## 6.6 During the year 2019, four (4) meetings of the Nomination and Remuneration Committee were held as mentioned below at which all the members were present:

| Meeting Number | Date of Meeting |
|---|---|
| Nomination and Remuneration Committee Meeting No. 1/ 2019 | 19 February 2019 |
| Nomination and Remuneration Committee Meeting No. 2/ 2019 | 30 April 2019 |
| Nomination and Remuneration Committee Meeting No. 3/ 2019 | 23 September 2019 |
| Nomination and Remuneration Committee Meeting No. 4/ 2019 | 9 December 2019 |

Note – As Kaj-Erik Relander was replaced by Mohamed Al Suwaidi on 3rd September 2019 as a member of the Nomination and Remuneration Committee, Kaj-Erik Relander had attended meeting numbers 1 and 2 and Mohamed Al Suwaidi had attended meeting numbers 3 and 4.



# 7 Investment Committee

## 7.1 Mohamed Hadi Al Hussaini, Chairman of the Investment Committee acknowledges his responsibility for the Investment Committee's system in the Company, review of its work mechanism and ensures its effectiveness.

## 7.2 The Investment Committee reviews and recommends to the Board the Company's investment strategy in relation to its core and non-core business including:

- Evaluation of investment projects and related capital and operational expenditure
- Large scale capital investments and operational expenditure
- EITC's business plan and budget
- Strategic plans and transactions including equity investments
- Treasury and dividend policies
- EITC's capital structure

## 7.3 The current members of the Investment Committee are:

- Mohamed Hadi Al Hussaini (Chairman)
- Kaj-Erik Relander
- Khaled Al Qubaisi
- Ahmad Abdulkarim Julfar

**7.4 The Investment Committee updates the Board on its activities as it deems appropriate and recommends relevant matters for their approval. On an annual basis, the Investment Committee also reviews its terms of reference and submits its recommendations to the Board.**

**7.5 During the year 2019, twelve (12) meetings of the Investment Committee were held, the details of which are mentioned below:**

| Meeting Number | Date of Meeting | Absentees |
|---|---|---|
| Investment Committee Meeting No.1/ 2019 | 6 February 2019 | Mohamed Saif Al Suwaidi |
| Investment Committee Meeting No.2/ 2019 | 21 March 2019 | None |
| Investment Committee Meeting No.3/ 2019 | 17 April 2019 | None |
| Investment Committee Meeting No.4/ 2019 | 7 May 2019 | None |
| Investment Committee Meeting No.5/ 2019 | 22 May 2019 | None |
| Investment Committee Meeting No.6/ 2019 | 27 June 2019 | None |
| Investment Committee Meeting No.7/ 2019 | 9 July 2019 | Khaled Abdulla Al Qubaisi |
| Investment Committee Meeting No.8/ 2019 | 3 September 2019 | None |
| Investment Committee Meeting No.9/ 2019 | 23 September 2019 | None |
| Investment Committee Meeting No.10/ 2019 | 22 October 2019 | Khaled Abdulla Al Qubaisi |
| Investment Committee Meeting No.11/ 2019 | 27 November 2019 | None |
| Investment Committee Meeting No.12/ 2019 | 10 December 2019 | None |

Note – As Mohamed Al Suwaidi was replaced by Kaj-Erik Relander on 3rd September 2019 as a member of the Investment Committee, Mohamed Al Suwaidi had not attended any meetings of Investment Committee from 23rd September 2019 onwards and Kaj-Erik Relander had attended all the Investment Committee meetings from 23rd September 2019 onwards.



# 8 Insiders Committee

**8.1 Hanan Ahmad, Chairperson of the Insiders Committee acknowledges her responsibility for the Insiders Committee's system in the Company, review of its work mechanism and ensures its effectiveness.**

**8.2 The Insiders Committee constituted by the Board in 2017 in accordance with Article 12-C of Chairman of SCA's Board of Directors' Decision No. (7 RM) of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies monitors issues relating to insiders and their dealings in EITC's shares and ensures that all insiders are familiar with the legal and administrative requirements regarding their holdings and dealings in EITC's shares.**

**8.3 The Insiders Committee's composition is approved by the Board and contains representatives from Finance, Human Resources and Legal departments. The Committee is chaired by the Company Secretary. The current members of the Insiders Committee are:**

- Hanan Ahmad, SVP Corporate Governance and Company Secretary, Chairperson
- Ali Al Mansoori, SVP Business Human Resources, Member
- Mia Buckthought, Director Legal Counsel, Member
- Mohammad AlMehrezi, Manager Financial Reporting and Compliance, Member

## 8.4 The Insiders Committee is assigned to perform the following:

- Manage implementation of policies and procedures that relate to the trading in EITC's shares and the possession of internal data/information of the Company by its Board members and employees
- Maintain up to date register of Insiders including both permanent and temporary Insiders
- Submit periodic statements and reports to the DFM
- Manage share dealing requests and declarations
- Keep records of all share dealing consent forms, share dealing completion forms and Insider declarations
- Initiate disciplinary action against non-compliant employees, with support from HR
- Report to the Audit Committee on a quarterly basis on the work done by the Insiders Committee

## 8.5 The key activities undertaken by the Insiders Committee in the year 2019 were:

- Automation of share dealing notifications/ requests
- Updated the Insiders Register and submitted the register to the DFM on a quarterly basis
- Considered the confidentiality provisions reflected in EITC's standard contracts
- Communication to all employees and Board members before commencement and after completion of the closed periods informing them about prohibition of trading in closed periods
- Research conducted on the share dealing policy adopted by other local and international companies and provided recommendations to the Board on updating EITC's share dealing policy
- Provided recommendations the Board to revise the terms of reference of the Insiders Committee

## 8.6 The Insiders Committee met seven (7) times during the year 2019 as follows:

| Meeting Number | Date of Meeting |
|---|---|
| Insiders Committee Meeting No. 1/ 2019 | 16 January 2019 |
| Insiders Committee Meeting No. 2/ 2019 | 12 March 2019 |
| Insiders Committee Meeting No. 3/ 2019 | 9 May 2019 |
| Insiders Committee Meeting No. 4/ 2019 | 2 July 2019 |
| Insiders Committee Meeting No. 5/ 2019 | 5 August 2019 |
| Insiders Committee Meeting No. 6/ 2019 | 5 September 2019 |
| Insiders Committee Meeting No. 7/ 2019 | 13 October 2019 |



# 9 Internal Control System

## 9.1 Role of the Board in Internal Control:

The Board has overall responsibility for ensuring effectiveness of the Internal Control system. The Board is responsible for setting a clear framework to ensure an effective Internal Control system. This allows effective and efficient operations, accurate financial reporting, and compliance with laws and regulations.

**Internal control system process**

Internal Control is broadly defined as a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- **Effectiveness and efficiency of operations:** Addresses EITC's basic business objectives, including adherence to performance standards and the safeguarding of resources.
- **Reliability of financial reports:** Ensures that reliable financial statements and other financial information are presented to the shareholders, Board and Management.
- **Compliance with applicable laws and regulations:** oversight over Regulatory Compliance with applicable laws and regulation. This element covers laws and regulations which EITC is subject to in order to avoid any damage to reputation or fines/penalties.

Internal control within EITC is established via the implementation of "3 Lines of Defense" (see Diagram 1 below).

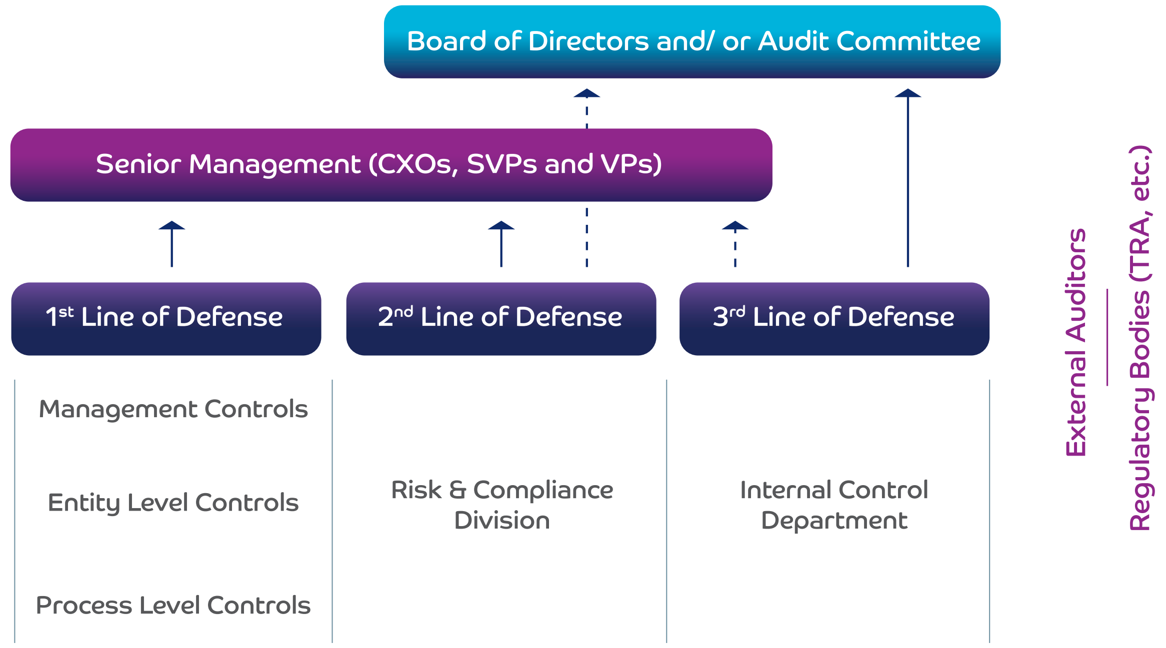



Diagram 1: The "3 Lines of Defense".

- **The First Line of Defense**: Includes business and process owners whose activities create and / or manage risks. The first line owns the risks, and the design and execution of the Company wide controls to respond to those risks.
- **The Second Line of Defense:** Includes the functions which supports the management by bringing expertise, process excellence for monitoring of risks and associated controls. The second line of defense functions are separate from the first line of defense but are still under the control and direction of senior management.
- **The Third Line of Defense**: Includes Internal Control / Internal Audit function of the Company which is an independent function and does not perform management functions. The third line of defense provides reasonable assurance to senior management and the Board for the activities performed by the first and second line of defense.

The internal control system aims to establish, document, maintain and act consistently with the principles of the internal auditing policy.

The system applies across all departments and all activities related to corporate governance and risk management.

EITC's control management process ensures that the procedures are appropriately designed and effectively applied in accordance with the Company's annual strategic plan. This process is reviewed by the Audit Committee and approved by the Board.

The Internal Control Department (3rd Line of Defense) produces reports related to efficiency of the applicable internal control systems that are submitted to executive management and the Audit Committee. The reports include relevant suggestions and recommendations for improving the control system.

The department is not responsible for the development or maintenance of internal control systems, which are owned by the 1st and 2nd Lines of Defense.

With regards to ensuring consistency with UAE law and all other internal and external regulations, oversight is provided by the 2nd Line of Defense – Compliance Department.



**EITC Risk Management Framework**

The EITC Risk Management framework is aligned with global standards and industry best practices and enables us to identify, measure, manage, monitor and report EITC's key risk exposures. Development and continuous monitoring of the consolidated EITC risk profile allows senior management and the Board to exercise transparent and effective oversight of the key risks and supports informed decision making. EITC risk profile is dynamically updated in line with changes in the business and the wider, rapidly changing operating environment. Strong collaboration amongst business, support and control layers (our "3 Lines of Defense") ensures the risks are managed effectively through the implementation of a strong internal control environment.

**Enhancements in 2019**

In 2019, EITC continued to enhance and strengthen the risk management and compliance capabilities, by:

- Implementing Divisional Risk Councils to establish and embed risk and compliance governance at the operational level within the business.
- More than doubling the number of risks monitored in our risk profile – not because of weaknesses in the internal control environment, but because we are better at identifying risks and diagnosing potential problems before they become significant.
- Developing additional toolsets for use across the business, including risk-focused vendor assessments, project risk management frameworks and incident management processes.
- Enhancing management and Board level risk and compliance reporting.
- Centralising all Company policies in a "single source of truth", together with supporting policy management guidelines.

**Risk and Compliance Framework**

The EITC Head of Risk and Compliance also acts in the capacity of the EITC Compliance Officer and ensures EITC has a robust compliance framework in place. The EITC Compliance framework provides effective oversight and monitoring of our key compliance requirements.

**Risk Governance**

In 2018, to support and provide transparency over the implementation of our risk and compliance frameworks, we established a management level risk governance committee, which reports to the Audit Committee. In 2019, to further strengthen our internal governance, we implemented an additional level – Divisional Risk Councils. These councils allow focused management, discussion and oversight of each individual business units' risk and compliance status and provide real-time partnership and support to our 1st line.

Working synergistically, these governance committees ensure we have the correct focus, accountability, and prioritisation of treatment strategies for our key risk and compliance requirements.

### 9.2 Name and qualifications of the Internal Control Department Head:

Internal Control Department is headed by Rashid Al Sheikh, who was appointed on 14 December 2016. He has over 20 years of experience in the area of financial operations including accounting, internal audit, finance and banking. He holds a master's degree in accounting from the University of Miami in the United States.

He is a certified auditor by the Ministry of Economy and also registered in UAE's courts as an arbitrator, court-appointed receiver, expert juror, financial expert and an official liquidator. As a head of Internal Control Department, he is responsible for managing and monitoring Internal Audit. He is responsible for the completion of the annual audit plan to provide assurance on overall control governance of the Company.

### 9.3 Name and Qualifications of the Head of Risk and Compliance:

EITC's Risk and Compliance function is led by Dr Anthony Hatton who was appointed on 14 January 2018. He has worked in senior risk and compliance roles across Europe, Australia and the Middle East. Anthony holds a 1st Class Honours degree and a Doctorate in Biomechanical Engineering, from the University of Leeds, UK.

### 9.4 How internal control management addresses serious issues:

Internal control management achieves their tasks through the following five divisions:

- IT and Technology
- Finance and Wholesale
- Operational
- Forensic and Whistle Blowing
- QA and GRC

The Internal Control Department performs several audits, ad-hoc assignments and carries out investigations on serious issues through these five divisions and accordingly provides Management with effective recommendations and reporting on the follow up and resolution for each identified issues to Audit Committee. However, there are no significant issues noted during the year 2019 to be disclosed in the annual financial statements.

### 9.5 Number of reports issued by the Internal Control Department to the Board:

Internal Control Department has issued 3 reports to the Audit Committee indicating the high observations noted during 2018 and 2019. In addition, periodic audit plan update, forensic cases and State Audit reports were issued to the Audit Committee indicating the observations raised by the State Audit and the Company's responses.



## 10 Details of violations committed during 2019

During the year 2019, EITC received 175 violations from Telecommunications Regulatory Authority (TRA) in the UAE as follows:

- 126 violations were related to regulatory policy requirements "Registration requirements of mobile subscribers". EITC has put in place a Governance Framework, with a set of policies and processes, as well as control mechanisms, with empowered employees responsible for the execution of the control mechanisms, to ensure the implementation and adherence to the RRMC Regulatory Policy and the special instructions being sent by TRA from time to time.
- 35 violations related to regulatory policy of 'Registration of Mobile SIM card Point of Sales'. EITC has committed to TRA that it has adhered to all TRA mandatory requirements. EITC is in the process of reassessing the controls around the indirect sales channels, to prevent such instances from happening in future.
- 7 violations related to "Consumer Protection Regulation" policy. The Company has incorporated periodic back end checks and validations, in addition to regular checks as preventive action to address this issue. The Compliance team, worked with various business units and identified similar issues highlighted in the violation, in regards of which certain preventive checks were suggested and implemented.
- 4 violations related to Regulatory Policy of "Request for clearance of New Service/ Price Control policy. The Compliance team, worked with various business units and identified similar issues pertaining to "Request for Clearance of New Service (NSR)/ Price Control Regulatory Policy (PCR)" regulation and assisted in closure of the same.
- 2 violations related to regulatory policy on "Instruction Number Certificate". EITC informed and assured TRA of its commitment to comply with the regulation requirements. Compliance team has scheduled a detailed compliance review to ensure all corrective actions are implemented.
- 1 violation related to Unsolicited Electronic Communication wherein the EITC assessed that there were no other SPAM related complaints and confirmed its compliance to TRA. The compliance team assess compliance to the "Unsolicited electronic Communication" and assisted business in rectification of identified non-compliances.

Additionally, the following violations were also received by EITC during the year 2019:

- SEWA (Sharjah Electricity and Water Authority) levied a penalty on EITC of use of illegal line connections. EITC has closed all connections highlighted by SEWA and have confirmed the same to SEWA.
- FTA (Federal Tax Authority) levied a penalty for non-display of VAT inclusive prices. EITC is currently working to change all the display prices should include VAT at our retails stores as well as in all the communication channels.
- Fujairah Municipality levied a penalty related to a diesel generator of du's antenna in "Ham Dam"

# 11 Statement of contributions made by the Company during the year 2019 in the development of the community and the preservation of the environment

EITC continues its efforts to drive sustainability through the implementation of projects and the adoption of innovative operations. EITC's focus in 2019 is on creating a happy society by developing the concept of sustainability, taking actions to reduce environmental impact, and make positive differences in the lives of our employees as well as the community around us. During the year, EITC contributed, AED 1,555,000, supporting many initiatives and social campaigns.

For more information on the Company's sustainability achievements, please visit the website for the full 2019 sustainability report: http://www.du.ae/about-us/sustainability




# 12 General Information

## 12.1 Statement of the Company's share price in the market during the year 2019:

| Month | Highest Price | Lowest Price | Closing Price |
|---|---|---|---|
| January 2019 | 5.150 | 4.950 | 5.120 |
| February 2019 | 5.100 | 5.020 | 5.050 |
| March 2019 | 5.400 | 5.030 | 5.250 |
| April 2019 | 5.350 | 5.000 | 5.090 |
| May 2019 | 5.140 | 5.000 | 5.020 |
| June 2019 | 5.170 | 5.000 | 5.150 |
| July 2019 | 5.620 | 5.150 | 5.580 |
| August 2019 | 5.700 | 5.400 | 5.450 |
| September 2019 | 5.800 | 5.400 | 5.610 |
| October 2019 | 5.700 | 5.250 | 5.600 |
| November 2019 | 5.600 | 5.370 | 5.500 |
| December 2019 | 5.640 | 5.400 | 5.520 |

## 12.2 Performance of the Company's shares in 2019 compared with the general market index and sector index:

| Month | Financial Market's General Index | The Company's Shares | Telecom Sector Index |
|---|---|---|---|
| January 2019 | 2567.59 | 5.12 | 864.22 |
| February 2019 | 2635.78 | 5.05 | 852.4 |
| March 2019 | 2634.86 | 5.25 | 886.16 |
| April 2019 | 2767.1 | 5.09 | 859.15 |
| May 2019 | 2620.33 | 5.02 | 847.34 |
| June 2019 | 2658.63 | 5.15 | 869.28 |
| July 2019 | 2918.38 | 5.58 | 941.86 |
| August 2019 | 2758.6 | 5.45 | 919.92 |
| September 2019 | 2781.07 | 5.61 | 946.93 |
| October 2019 | 2746.93 | 5.6 | 945.24 |
| November 2019 | 2678.7 | 5.5 | 928.36 |
| December 2019 | 2764.86 | 5.52 | 931.73 |

## 12.3 Statement of the shareholders' ownership distribution as on 31 December 2019:

| Investor/Shareholder | Type of Customer | Number of Investors | Percentage |
|---|---|---|---|
| UAE | Government | 4 | 0.4219% |
| | Banks | 8 | 0.4745% |
| | Companies | 120 | 86.5788% |
| | Individuals | 94,324 | 11.8357% |
| | Sole Proprietors | 2 | 0.0005% |
| GCC Countries | Companies | --- | --- |
| | Individuals | 164 | 0.2738% |
| | Government | --- | --- |
| Arabs | Companies | --- | --- |
| | Individuals | 447 | 0.2860% |
| | Government | --- | --- |
| Other nationalities | Companies | 4 | 0.0026% |
| | Individuals | 450 | 0.1261% |

## 12.4 Statement of shareholders owning 5% or more of the Company's capital as on 31 December 2019:

| Name | Number of owned shares | Percentage of stock capital |
|---|---|---|
| Emirates Investment Authority | 2,271,728,899 | 50.116% |
| Emirates Communications and Technologies Company LLC | 892,804,378 | 19.696% |
| Mamoura Diversified Global Holding PJSC (Mubadala Development Company PJSC) | 456,112,112 | 10.062% |

## 12.5 Statement of distribution of shareholders according to the size of the equity as on 31 December 2019:

| Share (s) ownership | Number of shareholders | Number of owned shares | Percentage of owned shares of the capital |
|---|---|---|---|
| Less than 50,000 | 94,535 | 114,003,359 | 2.515% |
| From 50,000 to less than 500,000 | 760 | 117,537,037 | 2.593% |
| From 500,000 to less than 5,000,000 | 196 | 276,801,112 | 6.107% |
| More than 5,000,000 | 32 | 4,024,564,481 | 88.786% |
| **Total** | **95,523** | **4,532,905,989** | **100%** |



## 12.6 Investor/ Shareholder relations:

EITC established a mechanism relating to the way investor relations is being handled by forming a dedicated team headed by Kais Ben Hamida, the Chief Financial Officer specific to investor relations matters which clarifies the financial position and performance of EITC as well as another dedicated team, headed by Hanan Ahmad, the Company Secretary specific to shareholder relations to respond to EITC's shareholders' queries relating to dividends, board proposals and shareholder resolutions.

Throughout the year, the Company organised press and call conferences with local, regional, and international media to update our shareholders on relevant developments. As such, EITC's CEO and Chief Financial Officer were in frequent and direct contact with journalists and analysts to provide input and context regarding the company's financial position. Every quarter, the Company held media calls and where relevant, press conferences to communicate our quarterly and annual results, after disclosing them to the DFM. During these meetings, our CEO provided a clear overview of our financial performance through presentations, and a Q&A session. We also held analyst calls and meetings to discuss, in detail, the financial and strategic position of the company. The presentations are then uploaded on the company's website.

EITC assigned the task of shareholder relations to the Company Secretary to enable the shareholders to fully exercise their rights as well as to specify their rights to attend, vote and discuss the topics contained in EITC's General Assembly agenda, as well as their entitlement to receive annual and interim dividends and respond to their queries.

EITC's website for investor relations, is regularly updated and contains the following:

- Annual and periodic financial statements as well as the annual reports.
- A number of mechanisms for stakeholders to submit their queries, comments and opinions
- All reports related to financial results and presentations with their dates.
- General Assembly meeting minutes.
- Information about the Company's share price.
- Corporate governance reports.
- Ownership structure.
- Composition of EITC Board and its Committees; and the Company's structure.
- Details of the approved dividends and dividend policy

EITC has an allocated electronic application for smartphones (EITC IR) that enables shareholders to track the performance of EITC's shares, distribution of dividends and all disclosures relating to financial and non-financial statements.

To view the investor relations website, please visit the following link
http://www.du.ae/about-us/investor-relations

For investor inquiries or information about EITC's stock, financial reports or a related item, please email on: Investor.Relations@du.ae

For all queries relating to shareholders' matters such as dividends, board proposals, shareholder resolutions, please contact Hanan Ahmad, Company Secretary at the below contact details

Email: shareholder.relations@du.ae; and Telephone Number: +971-4-5686000.

## 12.7 Special Resolutions passed by the General Assembly in the year 2019:

At the Annual General Assembly of EITC held on Tuesday, 26 March 2019, one (1) special resolution was passed to amend the Company's Articles of Association to delegate the power to the Board for distributing interim dividends as per the approved dividends distribution policy.

Accordingly, the Company took the approvals of the competent authorities and published the Amended and Restated Articles of Association of EITC in the Official Gazette which was then executed before the Notary Public on 24th July 2019.

## 12.8 Company Secretary:

Hanan Ahmad continues to act as the Company Secretary of EITC since 2012. She is also the Chairperson of the Insiders Committee and the Gender Balance Council of EITC. She holds LLM-International Business Law from Universite Pantheon-Assas (Paris II), Bachelor's degree in Business Administration from the United Kingdom and is a certified professional Director by Mudara IOD. She has also received Board Secretary certification from Hawkamah, the Institute of Corporate Governance as mandated by the Dubai Financial Market. She has more than 14 years' experience in the fields of governance, audit and compliance. Prior to joining EITC in 2010, she had held several positions at Dubai Group, a subsidiary of Dubai Holding.

In 2019, the Board and its Committees held thirty-two (32) meetings, two (2) workshops and a General Assembly during which many decisions were made for which the Company Secretary played a focal role between the shareholders, the Board and the management and had followed up on the implementation of the decisions taken.

The Company Secretary has continued to ensure the implementation of the Chairman of SCA's Board of Directors' Decision No. (7 RM) of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies regarding the standards of institutional discipline and corporate governance of public shareholding companies. The Company Secretary also responded to the shareholders' enquiries related to dividends, board proposals and shareholder resolutions.



## 12.9 Statement of the major events and important disclosures that took place in 2019:


- EITC launched UAE Telco Sector's first-ever Women's Council
- du launched exclusive Amazon Prime Video offer for first time in UAE
- EITC united Happiness and Tolerance under one department to strengthen its Organisational Framework
- du offered Emirati Talent the chance to make their mark in the UAE Telco Industry
- du announced its first health blockchain solution to ensure patient safety in UAE
- du joined Global CBSG Consortium to collaborate on Future Blockchain Innovations
- EITC announced the appointment of Mr. Kais Ben Hamida as the Chief Financial Officer
- du announced sixth participation in the World Government Summit 2019
- Light Communications Alliance formed by network operators and other industry leaders
- du accelerated 5G-based smart city ambitions with the launch of next generation Narrow-Band IoT services in collaboration with Nokia, Affirmed Networks and MediaTek
- EITC announced advanced readiness for 5G services in 2019
- du received Middle East Telco Sector's First-Ever plain English seal of approval
- du partnered with Telstra to offer dedicated video connectivity to MBC
- du made the first Live 5G data call on its production network in the UAE and continued rolling-out its 5G network in select areas
- EITC's Annual General Assembly was held on 26th March


- du and DED celebrated major milestone for Dubai Pulse
- du won Seamless Award for Blockchain Initiative
- du extended BabNoor Partnership with Flagship Projects for three more years
- Smart Dubai Office endorsed du's Blockchain Platform as a Service (BPaaS)
- du's Mawaed Al Rahman Ramadan Initiative celebrated 12 Years of promoting tolerance values throughout the UAE
- du unlocked 'Generosity in Every Offer' with exceptional value-packed deals throughout Ramadan
- du and DNRD united to provide travellers to Dubai with First-Ever Free SIM on arrival
- du presented the future of ICT to Sharjah Research Technology and Innovation Park at Idea Hub
- du transformed 5G Experience with Middle East's First Video Call Over LTE and 5G
- datamena had launched a Global Interconnect Ecosystem with Hubs in Mumbai and Marseille
- EITC signed a joint venture agreement with Bahrain Telecommunication Company BSC

## Q3 2019

- Cisco and du enriched Customer Experience with an Innovative Digital Visual IVR Solution for the first time in the Middle East
- EITC partnered with Wi-tribe Pakistan LDI (Private) Ltd to facilitate the development of a high capacity, low latency submarine cable system between Pakistan and the UAE
- du strengthened commitment to Sustainable Development Goals through Wide-Reaching Achievements
- du announced new Roaming Solutions for UAE Customers travelling for Hajj or visiting GCC Countries
- Nokia collaborated with du to highlight the importance of 5G-ready cloud-based future network architecture
- du and Network International joined Forces to launch Advanced Payment Solution
- Announcement regarding appointment of the new CEO

## Q4 2019

- du awarded prestigious Corporate Social Responsibility Gong at Arabia CSR Awards 2019
- EITC and Hamdan Foundation signed MoU to strengthen ties and empower future Emirati talent
- du empowered UAE's strategic vision for Smart Water Security with Intelligent Home Digital Water Solution
- du presented Next Generation of Blockchain Innovations to drive UAE's Digital Transformation Ambitions
- du received the Best Nationalisation Initiative Award at GCC GOV HR Awards in recognition for its Transformative Emiratisation Roadmap
- du Women Council awarded for Women Empowerment at the Prestigious RiiSE and Entrepreneur Middle East's Forum "Achieving Women Awards 2019"
- du enabled Global Village to become the World's First 5G-Powered Entertainment Destination
- du supported Abu Dhabi Smart City Summit to bring UAE Capital's Smart City Vision and Leadership to the forefront
- du completed world's highest peak 5G standalone throughput over a single 100MHz carrier using a smartphone
- du and Emirates Airline Festival of Literature announced new partnership
- du and National Archives offered nostalgic journey into UAE's past on 48th National Day
- du named UAE's 'Preferred Telecommunication Company' at Filipino Times Awards 2019



## 12.10 Statement for the Emiratisation percentage:

The Board sought to acquire young and motivated Emirati talents and this has contributed to achieving the Emiratisation targets in the National Agenda for the UAE Vision 2021. This is achieved taking into consideration modern sciences in the field of innovation and communication technology which the young national cadre is equipped with, ensuring adequate training and a suitable climate is in place to build future leaders.

For the second consecutive year, EITC had received the most esteemed MOHRE Emiratisation Award for implementing notable policies to promote Emiratisation and support UAE nationals.

The Emiratisation percentage in the Company at the end of 2017, 2018, 2019 is as follows:

| Year | Emiratisation Percentage |
|---|---|
| 2017 | 32.50% |
| 2018 | 34% |
| 2019 | 35.91% |

## 12.11 Statement of the innovative projects and initiatives carried out or being developed during 2019 by EITC:

- **Our blockchain solution to ensure patient safety in the UAE**
- **Doubling broadband speeds for free**
- **The UAE's First Unlimited Postpaid Power Plan**
- **Providing travellers with a Free SIM on Arrival**
- **First telco operator in the Middle East to launch 5G mobile devices**
- **First VMware verified cloud provider in the MENA region**
- **Joining forces to launch an advanced payment solution**
- **Our Smart Water Security with Intelligent Home Digital Water Solution**
- **Launching a world-class M2M connectivity platform**
- **SmartHome Online Store launch**

For more information on corporate governance as well as annual :reports and sustainability reports of EITC, please visit the following link
http://www.du.ae/about-us/investor-relations

**MOHAMED AL HUSSAINI**
Chairman

**ZIAD GALADARI**
Audit Committee Chairman

**KHALED BALAMA**
Nomination and Remuneration Committee Chairman

**RASHID EL SHEIKH**
Head of Internal Control Department

# Consolidated Financial Statement

# Independent auditor's report to the shareholders of Emirates Integrated telecommunications company PJSC

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Emirates Integrated Telecommunications Company PJSC ("EITC" or "the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the Key audit matter |
|---|---|

## Accuracy and completeness of revenue recognised and related IT systems

The Group reported revenue of AED 12.6 billion from telecommunication and related activities.

We focused on this area of the audit as there is an inherent risk related to the accuracy and completeness of revenue recognised given the complexity of the systems and changing mix of business products and services, including a variety of plans available for consumer and enterprise customers, tariff structures, roaming and international hubbing ('wholesale') agreements, site sharing agreements, incentive programmes and discounts.

Due to the estimates made, complexities involved and judgements applied in the revenue process and the degree of complexity of IT systems and processes used, we have considered this matter as a key audit matter.

The Group's accounting policies relating to revenue recognition are presented in note 2 and details about the Group's revenue are disclosed in note 34 to the consolidated financial statements.

Our audit procedures included a combination of controls testing, data analysis and other substantive procedures included, but were not limited to, the following:

- Obtaining an understanding of the significant revenue processes including performance of an end to end walkthrough of the revenue process and identifying the relevant controls (including Information Technology ("IT") systems, interfaces, revenue assurance and reports)
- Testing the design and implementation as well as the operating effectiveness of the relevant controls
- Involving our internal IT specialists to test IT general controls, system interfaces, data/information reporting and application specific controls surrounding relevant revenue systems
- Reviewing significant new contracts on sample basis and the regulatory pronouncements, the accounting treatments adopted and testing the related revenues recognised during the year
- Performing data analysis and substantive analytical reviews of significant revenue streams
- Reviewing key reconciliations performed by the Revenue Assurance team
- Performing specific procedures to test the accuracy and completeness of adjustments relating to grossing up certain revenue and costs
- Performing procedures to determine if the revenue recognition criteria adopted for all major revenue streams is appropriate and in accordance with IFRSs
- Assessing the disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs

## Federal royalty computation

The federal royalty is a significant charge levied against regulated revenues of the Group and against operating profits, based on fixed percentages, as disclosed in Note 2.3 to the consolidated financial statements.

The federal royalty charge for the year is AED 2 billion for the year with an accrual of AED 2.1 billion as at 31 December 2019.

We focused on this area of the audit as the royalty calculations are subject to significant judgements, interpretations and assumptions in respect of the definition of regulated items, the determination of certain allowable deductions and allocated costs and the treatment of royalties on site sharing transactions.

These are also subject to change from time to time as per the guidelines provided by the United Arab Emirates Ministry of Finance ("the MoF") are amended or as clarifications are received from the MoF.

Accordingly, the computation of the federal royalty for the year ended 31 December 2019 is considered to be a key audit matter.

The critical accounting estimates made and judgements applied by management are disclosed in note 2.3 and further details about the federal royalty are disclosed in note 26 to the consolidated financial statements.

In responding to this risk, our audit procedures included, but were not limited to, the following:

- Obtaining an understanding of the process used by management to determine the federal royalty charge and related accrual
- Testing the design and implementation of the relevant controls over the calculation of the federal royalty charge
- Holding meetings with management to discuss the federal royalty calculation and inspecting correspondence from the MOF relating to this matter
- Assessing the judgements applied in the calculation of the federal royalty for the current year against the guidelines provided by the MOF and the above mentioned correspondence
- Evaluating the classification of regulated and non-regulated revenues in the calculation of the federal royalty on the telecommunication operations
- Testing the allocation of indirect costs on nonregulated activities based on clarifications received from the MOF
- Evaluating the exclusion of items which were not included in the calculation of the federal royalty against the guidelines and the clarifications received from the MOF
- Reperforming the arithmetical accuracy of the calculation of the federal royalty for the year
- Assessing the disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs



## Carrying value of goodwill

As at 31 December 2019, the carrying value of goodwill amounted to AED 549 million, or 3.26% of total assets as disclosed in Note 8 the consolidated financial statements.

In accordance with IAS 36 Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.

An impairment is recognised on the consolidated statement of financial position when the recoverable amount is less than the net carrying amount in accordance with IAS 36, as described in Note 3 to the consolidated financial statements. The determination of the recoverable amount is mainly based on discounted future cash flows.

We considered the impairment of goodwill to be a key audit matter, given the method for determining the recoverable amount and the significance of the amount in the Group's consolidated financial statements.

In addition, the recoverable amounts are based on the use of important assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates and long-term growth rates.

We tested the goodwill impairment models and the key assumptions used by management with the involvement of our valuation specialists. Our audit procedures included, but were not limited to, the following:

- Understanding the business process for the impairment assessment, identifying the relevant internal controls and testing their design, implementation and operating effectiveness of controls over the impairment assessment process, including indicators of impairment
- Evaluating whether the cash flows in the models used by management to calculate the recoverable value are in accordance with IAS 36 Impairment of Assets
- Obtaining and analysing the approved business plans for each such asset (or CGU, as applicable) to assess accuracy of the computations and the overall reasonableness of key assumptions
- Comparing actual historical cash flow results with previous forecasts to assess forecasting accuracy
- Assessing the methodology used by the Group to estimate the Weighted Average Cost of Capital (WACC) and benchmarking that with discount rates used by other similar businesses external sector related guidelines
- Benchmarking assumptions on long term growth rates of local GDP and long term inflation expectations with external sources of data published by global monetary agencies
- Benchmarking the values with market multiples where applicable;
- Performing sensitivity analysis on the key assumptions used by management to understand the extent to which these assumptions need to be adjusted before resulting in additional impairment loss
- Assessing the disclosure in the consolidated financial statements relating to goodwill against the requirements of IFRSs

## Adoption of IFRS 16 – Leases

The Group adopted IFRS 16 Leases with effect from 1 January 2019, which resulted in changes to the accounting policies. The Group elected to apply the modified retrospective approach as a transition approach, by not restating comparatives but adjusting equity.

This change in accounting policy results in right-of-use assets and lease liabilities being recognised in the statement of financial position. The incremental borrowing rate ("IBR") method has been applied where the implicit rate in a lease is not readily determinable.

The adoption of IFRS 16 has resulted in changes to processes, systems and controls. Because of the number of judgements which have been applied and the estimates made in determining the impact of IFSR 16, this is considered a key audit matter.

The transitional impact of IFRS 16 has been disclosed in Note 2 to the consolidated financial statements.

In responding to this risk, our audit procedures included, but were not limited to, the following:

- Obtaining an understanding of the Group's adoption of IFRS 16 and identifying the internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard
- Assessing the design and implementation of key controls pertaining to the application of IFRS 16
- Assessing the appropriateness of the discount rates applied in determining lease liabilities
- Verifying the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts or other supporting information and checking the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment
- We considered the completeness of the lease data by testing the reconciliation of the Group's lease liability to operating lease commitments disclosed in the 2018 consolidated financial statements and by considering if we had knowledge of any other contracts which may contain a lease
- Assessing the disclosures in the consolidated financial statements pertaining to leases, including disclosures relating to the transition to IFRS 16, were in compliance with IFRSs

## Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor, who expressed an unmodified opinion on those statements on 20 February 2019.

## Other Information

Management is responsible for the other information. The other information comprises the Chairman's message which we obtained prior to the date of this auditor's report, and the Group's Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Group's Annual Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the requirements of the UAE Federal Law No. (2) of 2015 and the applicable provisions of the articles of association of the Company, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Group has maintained proper books of account;



- The financial information included in the Chairman's message is consistent with the books of account of the Group;
- As disclosed in note 9 to the consolidated financial statements, the Group has made additional investments amounting to AED 70,256 thousand in the associate during the financial year ended 31 December 2019;
- Note 14 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019; and
- As disclosed in note 25 to the consolidated financial statements, the Group made social contributions amounting to AED 1,555 thousand during the year ended 31 December 2019.

**Deloitte and Touche (M.E.)**

Rama Padmanabha Acharya
Registration Number 701
11 February 2020
Dubai
United Arab Emirates

# Consolidated statement of financial position

| | | As at 31 December | |
|---|---|---|---|
| | | 2019 | 2018 |
| | Notes | AED 000 | AED 000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | 7,741,119 | 7,811,506 |
| Right-of-use assets | 7 | 1,699,651 | - |
| Intangible assets and goodwill | 8 | 1,051,446 | 1,102,875 |
| Investments accounted for using the equity method | 9 | 268,948 | 188,179 |
| Financial asset at fair value through other comprehensive income | 10 | 18,368 | 18,368 |
| Derivative financial instruments | 11 | - | 10,968 |
| Contract assets | 12 | 208,994 | 196,687 |
| **Total non-current assets** | | **10,988,526** | **9,328,583** |
| **Current assets** | | | |
| Inventories | | 111,795 | 129,311 |
| Derivative financial instruments | 11 | 520 | - |
| Contract assets | 12 | 473,195 | 508,257 |
| Trade and other receivables | 13 | 1,870,556 | 1,907,738 |
| Due from related parties | 14 | 164,995 | 129,078 |
| Term deposits | 15 | 2,948,701 | 4,000,000 |
| Cash and bank balances | 16 | 268,695 | 502,091 |
| **Total current assets** | | **5,838,457** | **7,176,475** |
| **Total assets** | | **16,826,983** | **16,505,058** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Share capital | 22 | 4,532,906 | 4,532,906 |
| Share premium | 23 | 232,332 | 232,332 |
| Other reserves | 24 | 1,764,640 | 1,601,993 |
| Retained earnings | | 2,118,877 | 2,144,507 |
| **Total equity** | | **8,648,755** | **8,511,738** |
| **Non-current liabilities** | | | |
| Lease liabilities | 17 | 1,396,800 | - |
| Borrowings | 18 | - | 716,332 |
| Contract liabilities | 12 | 193,095 | 190,631 |
| Provision for employees' end of service benefits | 19 | 258,740 | 252,564 |
| Other provisions | 20 | 169,832 | 115,764 |
| **Total non-current liabilities** | | **2,018,467** | **1,275,291** |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 4,600,332 | 4,802,736 |
| Lease liabilities | 17 | 460,005 | - |
| Contract liabilities | 12 | 377,019 | 444,141 |
| Due to related parties | 14 | 6,073 | 9,834 |
| Borrowings | 18 | 716,332 | 1,461,318 |
| **Total current liabilities** | | **6,159,761** | **6,718,029** |
| **Total liabilities** | | **8,178,228** | **7,993,320** |
| **Total equity and liabilities** | | **16,826,983** | **16,505,058** |

The consolidated financial statements were approved by the Board of Directors on 11 February 2020 and signed on its behalf by:

**Ziad Galadari**
Board Member

**Kais Ben Hamida**
Chief Financial Officer

## Consolidated statement of comprehensive income

| | Notes | For the year ended 31 December 2019 AED 000 | 2018 AED 000 |
|---|---|---|---|
| Revenue | 34 | 12,587,958 | 13,414,057 |
| Operating expenses | 25 | (8,629,821) | (9,406,225) |
| Provision for impairment of trade receivables and contract assets (net of recoveries) | | (210,610) | (244,524) |
| Other income | | 2,860 | 6,409 |
| **Operating profit before federal royalty** | | **3,750,387** | **3,769,717** |
| Federal royalty | 26 | (2,029,008) | (2,078,812) |
| **Operating profit** | | **1,721,379** | **1,690,905** |
| Finance income | 27 | 124,052 | 145,456 |
| Finance costs | 27 | (124,990) | (93,583) |
| Share of profit of investments accounted for using equity method | 9 | 10,513 | 10,214 |
| **Profit for the year** | | **1,730,954** | **1,752,992** |
| **Other comprehensive (loss) / income** | | | |
| *Items that may be re-classified subsequently to profit or loss* | | | |
| Fair value changes on cash flow hedge | 24 | (10,448) | (2,626) |
| *Items that may be re-classified subsequently to profit or loss* | | | |
| Actuarial gain on defined benefit obligations | 19 | 3,028 | 5,313 |
| **Other comprehensive (loss) / income for the year** | | **(7,420)** | **2,687** |
| **Total comprehensive income for the year attributable entirely to shareholder of the Company** | | 1,723,534 | 1,755,679 |
| Basic and diluted earnings per share AED | 28 | 0.38 | 0.39 |

## Consolidated statement of changes in equity

| | Share capital | Share premium | Other reserves, (Note 24) | Retained earnings | Total |
|---|---|---|---|---|---|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| Adjusted balance at 1 January 2018 (Post impact of adoption of IFRS 15) | 4,532,906 | 232,332 | 2,426,559 | 1,150,779 | 8,342,576 |
| Profit for the year | - | - | - | 1,752,992 | 1,752,992 |
| Other comprehensive (loss)/income | - | - | (2,626) | 5,313 | 2,687 |
| **Total comprehensive income** | - | - | **(2,626)** | **1,758,305** | **1,755,679** |
| Transfer to statutory reserve | - | - | 175,299 | (175,299) | - |
| Interim cash dividend** | - | - | 589,278 | (589,278) | - |
| Cash dividends paid | - | - | (1,586,517) | - | (1,586,517) |
| **At 31 December 2019** | **4,532,906** | **232,332** | **1,601,993** | **2,144,507** | **8,511,738** |
| At 1 January 2019 | 4,532,906 | 232,332 | 1,601,993 | 2,144,507 | 8,511,738 |
| Profit for the year | - | - | - | 1,730,954 | 1,730,954 |
| Other comprehensive (loss)/income | - | - | (10,448) | 3,028 | (7,420) |
| **Total comprehensive income** | - | - | **(10,448)** | **1,733,982** | **1,723,534** |
| Transfer to statutory reserve | - | - | 173,095 | (173,095) | - |
| Final cash dividend* | - | - | 997,239 | (997,239) | - |
| Interim cash dividend** | - | - | 589,278 | (589,278) | - |
| Cash dividends paid | - | - | (1,586,517) | - | (1,586,517) |
| **At 31 December 2019** | **4,532,906** | **232,332** | **1,764,640** | **2,118,877** | **8,648,755** |

* For the year 2018, a final cash dividend of AED 0.22 per share amounting to AED 997,239 thousand was proposed and paid.

** An interim cash dividend of AED 0.13 per share (2018: AED 0.13 per share) amounting to AED 589,278 thousand (2018: AED 589,278 thousand) was proposed and paid.

For the year 2019, a final cash dividend of AED 0.21 per share amounting to AED 951,910 thousand is proposed.

## Consolidated statement of cash flows

| | Notes | 2019 AED 000 | 2018 AED 000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 1,730,954 | 1,752,992 |
| Adjustments for: | | | |
| Depreciation and impairment of property, plant and equipment | 6 | 1,387,189 | 1,472,046 |
| Depreciation of right-of-use assets | 7 | 319,818 | - |
| Amortisation and impairment of intangible assets | 8 | 226,129 | 249,370 |
| Provision for employees' end of service benefits | 19 | 35,283 | 35,309 |
| Provision for impairment of contract assets | 12 | 2,440 | 13,560 |
| Provision for impairment of trade receivables | 13 | 215,414 | 232,237 |
| Finance income | 27 | (124,052) | (145,456) |
| Finance costs | 27 | 124,990 | 93,583 |
| Adjustment for change in discount/inflation rates | 20 | 259 | (1,795) |
| Unwinding of discount on asset retirement obligations | 20 | 4,806 | 3,260 |
| Share of profit of investments accounted for using equity method | 9 | (10,513) | (10,214) |
| Changes in working capital | 29 | 1,463,163 | 1,413,238 |
| Cash generated from operations | | 5,375,880 | 5,108,130 |
| Royalty paid | 26 | (2,069,210) | (2,027,785) |
| Payment of employees' end of service benefits | 19 | (34,647) | (21,835) |
| **Net cash generated from operating activities** | | 3,272,023 | 3,058,510 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (1,186,639) | (817,963) |
| Purchase of intangible assets | | (164,640) | (242,316) |
| Payment for additional investments accounted for using equity method | 9 | (70,256) | (35,879) |
| Interest received | | 157,522 | 165,839 |
| Margin on guarantees released | | 1,355 | 57,653 |
| Term deposits released (net) | | 1,051,299 | 1,025,000 |
| **Net cash (used in)/from investing activities** | | (211,359) | 152,334 |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | 21,306 |
| Repayment of lease liabilities | 17 | (128,448) | - |
| Repayment of borrowings | 18 | (1,461,318) | (1,461,318) |
| Dividend paid | 24 | (1,586,517) | (1,586,517) |
| Interest paid on borrowings and lease liabilities | | (116,422) | (85,696) |
| **Net cash used in financing activities** | | (3,292,705) | (3,112,225) |
| **Net (decrease)/increase in cash and cash equivalents** | | (232,041) | 98,619 |
| Cash and cash equivalents at 1 January | | 496,698 | 398,079 |
| **Cash and cash equivalents at 31 December** | 16 | 264,657 | 496,698 |



# 1 General Information

Emirates Integrated Telecommunications Company PJSC the ("Company") is a public joint stock company with limited liability. The Company was incorporated according to Ministerial Resolution No. 479 of 2005 issued on 28 December 2005. The Company is registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These consolidated financial statements for the year ended 31 December 2019 include the financial statements of the Company and its subsidiaries (together "the Group").

The Company's principal objective is to provide fixed, mobile, wholesale, broadcasting and associated telecommunication services in the UAE.

**The Company has either directly or indirectly the following subsidiaries:**

| Subsidiaries | Principal activities | Shareholding 2019 | Shareholding 2018 | Country of incorporation |
|---|---|---|---|---|
| EITC Investment Holdings Limited | Holding investments in new business i.e content, media, data and value added services for telecommunications | 100% | 100% | UAE |
| Telco Operations FZ-LLC | Outsourcing services | 100% | 100% | UAE |
| Smart Dubai Platform Project Company LLC | Software development, IT infrastructure, public networking and computer systems housing services | 100% | 100% | UAE |
| EITC Singapore PTE. LTD. | Telecommunications resellers/third party telecommunications providers (including value added network services) | 100% | 100% | Singapore |

During the year, the Group signed a Shareholder Agreement ("SHA") with Bahrain Telecommunications Company (B.S.C.) to form a limited liability private company ("investee company") with an estimated capital commitment of AED 31 million, which will be paid in three tranches over a period of 24 months. The investee company has been incorporated with the name of Advanced Regional Communication Solutions Holding Limited in UAE.  The principal activity of the investee company will be provision of connectivity and data centre services.

# 2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared under the historical cost convention except for a financial asset at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value. 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 judgement in the process of applying the Group's accounting policies.

### (i) Functional and presentation currency

The individual financial statements of each of the Group's subsidiaries and associates are presented in the currency of the primary economic environment in which they operate (its functional currency). For the purpose of these consolidated financial statements, the results, financial position and cash flows of each company are expressed in UAE Dirhams, which is the functional currency of the Company, and the presentation currency of these consolidated financial statements.

### (ii) Basis of consolidation

A subsidiary is an entity controlled by the Company. The financial statements of a subsidiary are included in the consolidated financial information from the date that control commences until the date that control ceases.

## 2.1 New standards, amendments and interpretations

### a. Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2019

- IFRS 16, 'Leases' (effective from 1 January 2019).

IFRS 16 - Leases was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease', SIC-15 'Operating leases-incentives' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'.

IFRS 16 is effective for annual periods commencing on or after 1 January 2019. It stipulates that all leases and the associated contractual rights and obligations should generally be recognise in the Group's financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognises a liability for future lease obligations. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the right-of-use asset's useful life.

The Group has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparatives have not been restated and continues to be reported under IAS 17 and IFRIC 4. All right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. IFRS 16 transition disclosures also requires the Group to present the reconciliation of the off-balance sheet operating lease commitments as of 31 December 2018 with lease liabilities as of 1 January 2019, which is given below:

| | AED 000 |
|---|---|
| Operating lease commitments disclosed as of 31 December 2018 | 1,571,439 |
| Less: contract assessed as service agreements | (343,028) |
| Add: Adjustments as a result of changes in contracts, lease terms and payments (net) | 908,663 |
| **Lease liability recognised as at 1 January 2019** | 2,137,074 |
| Of which are: | |
| Current lease liabilities | 287,475 |
| Non-current lease liabilities | 1,849,599 |
| | **2,137,074** |

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by AED 2,109 million
- Lease liabilities – increase by AED 2,137 million

Based on the approach adopted by the Group on adoption of IFRS 16 Leases, it did not result in any impact on retained earnings on 1 January 2019.

The detailed accounting policy, the key estimates and judgements adopted for IFRS 16 by the Group are disclosed in Notes 3.1 and Notes 2.3 respectively.

The following tables summarise the impacts of adopting IFRS 16 on the Group's consolidated statement of financial position and consolidated statement of comprehensive income for the year ended 31 December 2019:

### (i) Impact on consolidated statement of financial position

| | As reported 31 December 2019 | Adjustments | Amounts without adoption of IFRS 16 |
|---|---|---|---|
| | AED 000 | AED 000 | AED 000 |
| **Non-current assets** | | | |
| Right-of-use assets | 1,699,651 | (1,699,651) | - |
| Other non-current assets | 9,288,875 | - | 9,288,875 |
| **Total non-current assets** | **10,988,526** | **(1,699,651)** | **9,288,875** |
| **Current assets** | | | |
| Trade and other receivables | 1,870,556 | - | 1,870,556 |
| Other current assets | 3,967,901 | - | 3,967,901 |
| **Total current assets** | **5,838,457** | **-** | **5,838,457** |
| **Total assets** | **16,826,983** | **(1,699,651)** | **15,127,332** |
| **Equity** | | | |
| Share capital and share premium | 4,765,238 | - | 4,765,238 |
| Other reserves, net of treasury shares | 1,764,640 | - | 1,764,640 |
| Retained earnings | 2,118,877 | 48,016 | 2,166,893 |
| **Total equity** | **8,648,755** | **48,016** | **8,696,771** |
| **Non-current liabilities** | | | |
| Lease liabilities | 1,396,800 | (1,396,800) | - |
| Other non-current liabilities | 621,667 | - | 621,667 |
| **Total non-current liabilities** | **2,018,467** | **(1,396,800)** | **621,667** |
| **Current liabilities** | | | |
| Lease liabilities | 460,005 | (460,005) | - |
| Trade and other payables | 4,600,332 | 109,138 | 4,709,470 |
| Other current liabilities | 1,099,424 | - | 1,099,424 |
| **Total Current liabilities** | **6,159,761** | **(350,867)** | **5,808,894** |
| | 8,178,228 | (1,747,667) | 6,430,561 |
| **Total equity and liabilities** | **16,826,983** | **(1,699,651)** | **15,127,332** |



### (ii) Impact on consolidated statement of comprehensive income for the year ended 31 December 2019

| | As reported 31 December 2019 | Adjustments | Amounts without adoption of IFRS 16 |
|---|---|---|---|
| | AED 000 | AED 000 | AED 000 |
| Revenue | 12,587,958 | - | 12,587,958 |
| Operating expenses | (8,629,821) | (9,947) | (8,639,768) |
| Provision for impairment of trade receivables and contract assets (net of recoveries) | (210,610) | - | (210,610) |
| Other income | 2,860 | - | 2,860 |
| **Operating profit before federal royalty** | 3,750,387 | (9,947) | 3,740,440 |
| Royalty | (2,029,008) | (20,578) | (2,049,586) |
| **Operating profit** | 1,721,379 | (30,525) | 1,690,854 |
| Finance income | 124,052 | - | 124,052 |
| Finance costs | (124,990) | 78,541 | (46,449) |
| Share of profit of investments accounted for using equity method | 10,513 | - | 10,513 |
| **Profit for the year** | 1,730,954 | 48,016 | 1,778,970 |
| **Other comprehensive loss** | (7,420) | - | (7,420) |
| **Total comprehensive income for the year attributable entirely to shareholders of the Company** | 1,723,534 | 48,016 | 1,771,550 |
| Basic and diluted earnings per share (AED) | 0.38 | | 0.39 |

### b. Other new and amended IFRS applied with no material effect

The following improvements and amendments have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IAS 12 Income Taxes and IAS 23 Borrowing Costs; and
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

### c. New standards and amendments issued but not yet effective

**Effective for annual periods beginning after 1 January 2020**

- Amendments to IAS 1 and IAS 8 regarding the definition of 'material';
- Amendments to IFRS 3 to clarify the definition of a business ;
- IFRS 17: Insurance Contracts;

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture;
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

The above stated new standards and amendments are not expected to have any significant impact on consolidated financial statements of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Group.

## 2.2 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

## 2.3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group performs sensitivity analysis where applicable. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

### (i) Provision for expected credit losses of trade receivables and contract assets

The Group recognises a loss allowance for expected credit losses (ECL) on its trade receivables and contract assets. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group recognises lifetime ECL for trade receivables and contract assets, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For financial assets other than trade receivables and contract assets, the Group will calculate ECL using the general approach (Note 2.3(ii)).

### (ii) Provision for impairment of other financial assets

For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.



### (iii) Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy. The recoverable amount of the cash-generating units has been determined based on value-in-use calculations. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating units being tested, but do include the Group's expectations of future capital expenditure necessary to maintain the Group's network existing operations.

These calculations are performed internally by the Group and require the use of estimates and assumptions. The input factors most sensitive to change are management estimates of future cash flows based on budgets, growth rates and discount rate. Further detail on these assumptions has been disclosed in Note 8. No impairment is recognised on the goodwill in the current and the prior year.

### (iv) Useful lives of property, plant and equipment

Property, plant and equipment represent a significant proportion of the Group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis.

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets. The useful lives of the property, plant and equipment are provided in Note 3.3.

### (v) Asset retirement obligations

The Group exercises judgement in determining the expected cash outflows related to its asset retirement obligations. Judgement is necessary in determining the timing of outflow as well as quantifying the possible range of the financial settlements that may occur.

The present value of the Group's provision is based on management's best estimate of the future cash outflows required to settle the obligations, discounted using appropriate discount rate. Additional information on this provision is disclosed in Note 20.

### (vi) Federal royalty

The computation of Federal Royalty in accordance with the Cabinet of Ministers of UAE decision No. 320/15/23 of 2012 and various guidelines issued by the UAE Ministry of Finance ("the MoF") and subsequent clarification letters require use of certain judgements, interpretations and assumptions. These mainly relate to the segregation of items between regulated and other activities and items which the Group judges as not subject to Federal royalty or which may be set off against revenue which are subject to Federal royalty, and allocation of costs between regulated and non-regulated results.

### (vii) Allocation of the transaction price

Products with multiple deliverables that have value to customers on a standalone basis are defined as multiple element arrangements. The transaction price for these contracts must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates the stand-alone selling price at contract inception based on observable prices of the type of goods to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices. Where the stand-alone selling price are not directly observable, they are estimated based on expected cost plus margin.

### (viii) Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

### (ix) Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). For calculation of IBR, the Group has taken the 12 months LIBOR as on the transition date and the rate is adjusted for Group's specific risk, term risk and underlying asset risk.



# 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

## Changes in significant accounting policies

The same accounting policies and methods of computation have been followed in these consolidated financial statements as compared with the Group's consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and amended standards as set out below:

New standard became applicable for the current reporting year and the Group had to change its accounting policies and make relevant adjustments as a result of adopting the following standard:

- IFRS 16 Leases

## 3.1 Leases

Below given policy is applied to all active contracts as of 1 January 2019, contracts entered into, or changed, after 1 January 2019.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the Group for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, where the contract is not separable into lease and non-lease component then the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

## Practical expedient

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; reliance on previous assessments on whether leases are onerous; and use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

## Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

- Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.



## Right-of-use assets

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

Right-of-use assets are assessed for impairment annually as per non-financial assets impairment policy given in Note 3.17.2

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in the statement of comprehensive income.

## Leases (policy applicable until 31 December 2018)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

## 3.2 Consolidation

### a. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in consolidated statement of comprehensive income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 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. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised 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 associate includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated statement of comprehensive income where appropriate.

If the ownership in an associate is increased in a way that the Group acquires power to govern the financial and operating policies of the acquiree, the acquiree is consolidated as a subsidiary as a step acquisition as per IFRS 3. After taking into account any impairment, the investment in the associate is derecognised and any gain or loss on derecognition of the investment is taken to the consolidated income statement. However, if the ownership is increased and the Group maintains significant influence, the Group increases the investment amount at the cost of each purchase.

The Group's share of post-acquisition profit or loss is recognised in the consolidated 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 recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss)' of associate in the consolidated statement of comprehensive income.

Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associates are same as the Group's accounting policies.

## 3.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance expenses are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | Years |
|---|---|
| Buildings | 25 |
| **Plant and equipment:** | |
| Network civil works/buildings | 10-25 |
| Infrastructure | 3-25 |
| IT hardware | 3-10 |
| Mobile network | 8-10 |
| Fixed network | 2-10 |
| Broadcasting | 5-7 |
| Furniture and fixtures | 3-5 |
| Motor vehicles | 4 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.17.2).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income" in the consolidated statement of comprehensive income.

Capital work in progress includes assets which are under construction or inspection pending certification for their intended use and are stated at cost net of any accumulated impairment losses. When available for use, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Group's policies. No depreciation is charged on such assets until available for use.

## 3.4 Intangible assets

### Goodwill

Goodwill arises on the acquisition of subsidiaries or businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquiree, in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows



from other assets or groups of assets (cash-generating units). Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the Cash Generating Units (CGUs) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### Licenses and other rights of use

Separately acquired licenses and rights of use are shown at historical cost. Licenses and rights of use acquired in a business combination are recognised at fair value at the acquisition date. Licenses and rights of use have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses and rights of use over their estimated useful lives as shown below:

| | Years |
|---|---|
| Telecommunications license fee | 20 |
| Rights of use | 10-15 |

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

## 3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 3.6 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration.

Contract assets also include subscriber acquisition costs (contract costs). These are incremental contract costs incurred to obtain and fulfil a contract to provide goods or services to the customer which are opted to capitalise and these costs are expected to be recovered. These costs are being amortised and tested for impairment regularly. Contract costs is being amortised over the average customer life with the Group for each segment. Contract assets are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method, less provision for impairment.

## 3.7 Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the contractual collection date is in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method, less provision for impairment.

## 3.8 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

## 3.9 Cash and bank balances

Cash and bank balances comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts, if any that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

## 3.10 Financial instruments

### 3.10.1 Non-derivative financial assets

#### Classification, initial recognition and measurement

The Group classifies its financial assets as financial assets measured at amortised costs and financial assets at fair value through other comprehensive income (FVOCI). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

#### a. Financial assets measured at amortised cost

Financial assets measured at amortised cost applies to instruments for which the Group has a business model to hold the financial asset to collect the contractual cash flows. The characteristics of the contractual cash flows are that of solely payments of the principal amount and interest (referred to as solely payments of principal and interest "SPPI").

- Principal is the fair value of the instrument at initial recognition;
- Interest is the return within a basic lending arrangement and typically consists of consideration for the time value of money, and credit risk. It may also include consideration for other basic lending risks such as liquidity risk as well as a profit margin.



Financial assets measured at amortised costs are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are then classified as non-current assets. The Group's financial assets measured at amortised costs comprise trade and other receivables, contract assets, due from related parties, short term investments and cash and bank balances in the consolidated statement of financial position.

#### b. Financial assets at fair value through other comprehensive income (FVOCI)

FVOCI is the classification for instruments for which Group has a dual business model, i.e. the business model is achieved by both holding the financial asset to collect the contractual cash flows and through the sale of the financial assets. The characteristics of the contractual cash flows of instruments in this category, must still be solely payments of principal and interest. They are included in non-current financial assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group elected to classify irrevocably its non-listed equity investments under this category.

#### Subsequent measurement

**Financial assets measured at amortised cost**

Financial assets measured at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of comprehensive income when the asset is derecognised, modified or impaired.

**Financial assets at fair value through other comprehensive income (FVOCI)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not subsequently reclassified to profit or loss following its derecognition. Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### 3.10.2 Non-derivative financial liabilities

The Group non-derivative financial liabilities include borrowings, due to related parties and trade and other payables in the consolidated statement of financial position.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

### 3.10.3 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair value of the derivative financial instruments used for hedging purposes are disclosed in Note 11. Movement in the hedging reserve in shareholders' equity is shown in Note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

#### Cash flow hedges

The Group has entered into interest rate swap contracts which are classified as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of comprehensive income, within other income.

Amounts accumulated in equity are reclassified to consolidated statement of comprehensive income in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in consolidated statement of comprehensive income within 'finance costs'.

#### Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not



hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and
- differences in critical terms between the interest rate swaps and loans.

### 3.10.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 3.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

## 3.12 Treasury shares

Own equity instruments of the Company which are acquired by the Company or any of its subsidiaries (treasury shares) are deducted from other reserves and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of own equity instruments.

## 3.13 Dividend on ordinary shares

Dividends payable on ordinary shares are recognised as a liability in the period in which they are approved by the Group's shareholders, but are included in a separate component of reserves once proposed by the Company's Board of Directors.

## 3.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

## 3.15 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised as finance costs in the consolidated statement of comprehensive income.

### Asset retirement obligations

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in plant and equipment.

## 3.16 Employee benefits

Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme. Accordingly, the accrued cost of contribution is charged to the consolidated statement of comprehensive income as incurred.

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with UAE Labour Law. The provision is calculated in accordance with the Projected Unit Cost method as per IAS 19 'Employee Benefits' taking into consideration the UAE Labour Laws.

The present value of the defined benefit obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment of non-UAE nationals and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate.

The net interest cost is calculated by applying the discount rate to the of the defined benefit obligation. This cost is included in finance costs in the consolidated statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

Provision is also made for the estimated liability for employees' unused entitlements to annual leave and flights as a result of services rendered by eligible employees up to the reporting date. The provision



relating to annual leave and air passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

The Group also provides mobile allowances and discounted mobile telephone charges to employees for official and personal purposes. This benefit is not separately accounted for as staff costs.

## 3.17 Impairment

### 3.17.1 Financial assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables and contract assets, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

#### a. Approach selected for measurement lifetime ECL

Simplified approach - The Group is measuring the impairment at an amount equal to lifetime expected credit losses (ECL) for trade receivables, due from related parties, contract assets, term deposits, bank balances and receivables from employees.

#### b. Measurement of lifetime ECL on trade receivables and contract assets

The Group evaluates the expected credit loss for its trade receivables and contract assets based on debt flow rates for various customer segments i.e. enterprise, consumer, etc. Debt flow rates are calculated based on experience and historical collections trends, adjusted with forward looking collection factors.

Periodic impairment losses based on the above debt flow and rates are adjusted against security deposit and any other legally binding offsets at customer level. Provision for impairment is also taken on unbilled receivables based on the applicable rate.

In addition, an allowance for impairment loss may be considered for a financial asset on case to case basis based on specific information, company risk profile, market conditions and any other relevant information.

#### c. Measurement of lifetime expected credit losses on term deposits and bank balances

Impairment for terms deposits and bank balances is based on probability of default, calculated on the basis of ratings provided by credit rating agencies (e.g. Fitch, Moody's etc.) of each bank and Loss Given Default (LGD) driven by rating from reputable financial institutions.

For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

### 3.17.2 Non-financial assets

Intangible assets that have an indefinite useful life or intangible assets/property, plant and equipment (including capital work in progress) not ready to use are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs'). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## 3.18 Foreign currency translation

### a. Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in AED which is the Company's and its subsidiaries functional and presentation currency. The figures have been rounded to the nearest thousand except when otherwise stated.

### b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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 consolidated statement of comprehensive income within finance income or costs.

## 3.19 Revenue recognition

IFRS 15 Revenue from Contracts with Customers, established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduces a 5-step approach to revenue recognition:

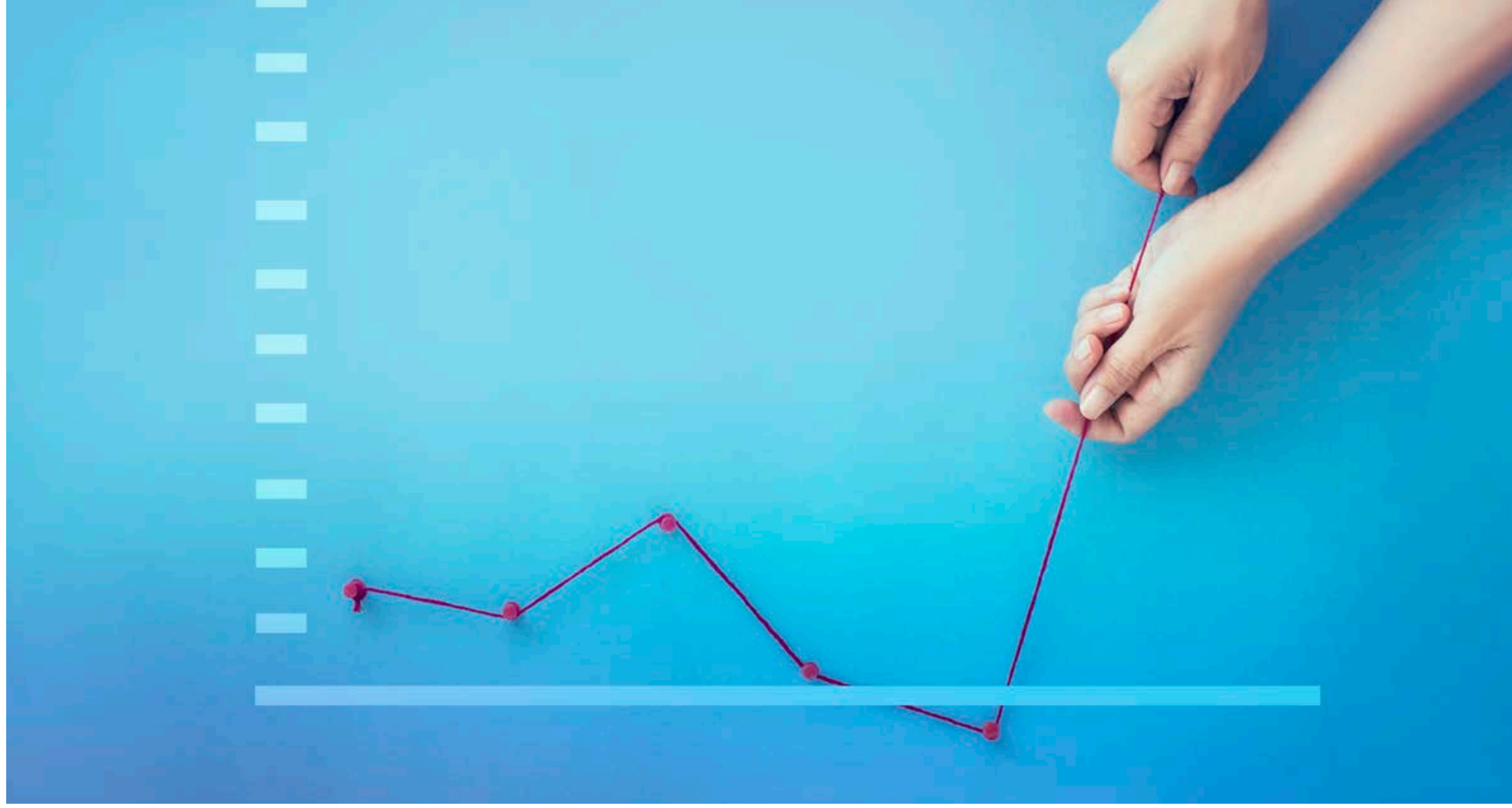
**Step 1**: Identify the contract(s) with a customer;

**Step 2:** Identify the performance obligations in the contract;

**Step 3:** Determine the transaction price;

**Step 4:** Allocate the transaction price to the performance obligations in the contract; and

**Step 5:** Recognise revenue when (or as) the entity satisfies a performance obligation.



Revenue comprises the invoiced or accrued amounts from the sale of goods and services (telecommunication and others) in the ordinary course of the Group's activities. Revenue is shown net of returns, discounts and rebates allowed.

Revenue recognition policies for product and services of the Group based on IFRS 15 guidelines is given below:

Revenue from telecommunication services comprise amounts charged to customers in respect of monthly access charges, airtime usage, messaging, the provision of other mobile telecommunications services, including data services and information provision and fees for connecting fixed line and mobile users to the Group's network. The Group recognises revenue, as mobile/telecommunication services are provided.

Products with multiple deliverables that have value to a customer on standalone basis are defined as multiple element arrangements. Contracts typically include the sale of equipment, subscriber identification module (SIM) card and a service package which mainly include voice, data and SMS/MMS or other services. These arrangements are divided into separate performance obligations. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from sale of standalone handsets under separate contract is recognised when the handset is delivered to the end customer and control has been transferred.

Revenue from the sale of prepaid credit is recognised on the actual utilisation of the prepaid credit. Unused prepaid credit is deferred as contract liability until such time as the customer uses the credit, expires or becomes unutilised. Unused prepaid vouchers are recognised as revenue on expiry of 24 months.

Revenue from sale of SIM cards is recognised on the date of activation of SIM.

Contract revenue, i.e. certain revenue from managed services provided by the Group, is recognised over time based on the cost-to cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. This input method is considered as an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Revenue from interconnection of voice and data traffic with other telecommunications operators is recognised at the time the services are performed based on the actual recorded traffic.

When the Group sells goods or services as a principal, revenue from customers and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

The Group operates loyalty programmes where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the reward points and the other components of the sale such that the reward points are initially recognised as contract liabilities at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage (forfeiture of points) is recognised when redemption becomes remote

### Significant financing component

Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In such circumstances, the contract contains a significant financing component.

Currently, in the case of handsets instalment products (bundled and standalone) with periods exceeding one year, since the list price, cash selling price and the promised consideration are significantly equal, the Group has assessed that financing component does not exist. In principle, the Group considers any price difference above 5% as significant in making necessary accounting based on the practical expediency. However, if there are any changes in products structure indicating the existence of a financing component, above 5%-6% of the standalone selling price of the products will be considered significant and accounted for accordingly.

### Variable Consideration

Certain customer contracts include variable discounts, rebates, refunds, credits, and incentives etc, which are provided to the customers during the contract period. Variability arises due to contractual terms and conditions, whereby customers are provided discounts/rebates/incentives etc upon reaching certain volume thresholds. Under IFRS 15, if consideration promised in the contract (either explicit or implicit) includes a variable amount, then the Group should estimate the amount and adjust the total transaction price at contract inception. The Group has certain interconnect and roaming contracts which contain such variable considerations, which are estimated and adjusted to the transaction price at contract inception.

## 3.20 Commission to intermediaries

Intermediaries are paid commissions by the Group mainly in return for selling recharge credits. Such commissions are recognised in consolidated statement of comprehensive income in the same period of services provided.



## 3.21 Recognition of finance income and costs

Finance income comprises interest income on short term investments and other bank deposits. Interest income is recognised as it accrues in consolidated statement of comprehensive income, using the effective interest rate method.

Finance costs is mainly interest payable on borrowing facilities obtained from suppliers and financial institutions at normal commercial rates and is recognised as an expense in the consolidated statement of comprehensive income in the period in which it is incurred.

## 3.22 Cash dividend distribution to equity holders of the parent

The Group recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the UAE Federal Law No. 2 of 2015 ("Companies Law"), a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

## 3.23 Segmental information

Information regarding the Group's operating segments is reported in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

## 3.24 Government grants

Government grants relating to non-monetary assets are recognised at nominal value. Grants that compensate the Group for expenses are recognised in the consolidated statement of comprehensive income on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the consolidated statement of comprehensive income on a systematic basis over the expected useful life of the related asset upon capitalisation.

# 4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, based on the following methods.

## 4.1 Contract assets

The fair value of contract assets are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date where applicable.

## 4.2 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## 4.3 Derivative financial instruments

Derivative financial instruments are initially measured at fair value at trade date, and are subsequently remeasured at fair value. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components from mark to market values provided by the bankers.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. The Group purchases derivatives only for hedging purposes.



# 5 Financial risk management

## 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

#### Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the extent to which extended credit terms are offered.

The management has established a credit policy under which each new customer is analysed for creditworthiness before the Group's terms and conditions are offered. The Group's review can include external ratings, when available, customer segmentation, and in some cases bank references. Credit limits are established for each customer in accordance with this policy, which represents the maximum open amount without requiring approval from senior management. These limits are reviewed periodically.

In monitoring customer credit risk, customers are classified according to their credit characteristics, including whether they are an individual or legal entity, projected business volumes, new or established businesses and existence of previous financial relationships with the Group.

The Group may require deposit or collateral in respect of granting credit for trade and other receivables, subject to results of risk assessment and the nature and volumes contemplated by the customer.

The Group recognises lifetime ECL for trade receivables and contract assets, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. All individually significant assets (such as receivables from broadcast customers and distributors etc.) are assessed for specific impairment.

Information on the ageing of trade and other receivables is given in Note 32.1.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### Term deposits and cash and bank balances

Cash is placed with reputable banks and the risk of default is considered remote. The table below presents the external credit ratings as at 31 December of the Group's short term investments and bank balances based on Fitch and Moody's rating scale.

| Ratings | Term deposits | | Cash and bank balances | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **AED 000** | AED 000 | **AED 000** | AED 000 |
| | | | | |
| Aa3 | - | - | 515 | 17,768 |
| A1 | - | - | 14,784 | 20,660 |
| A+ | - | - | 7,821 | 3,413 |
| A2 | 225,000 | - | 7,493 | 8,917 |
| A | - | - | - | - |
| A3 | 375,000 | 375,000 | 79,422 | 31,888 |
| A- | 475,000 | 900,000 | 3,641 | 219 |
| AA- | - | 350,000 | - | - |
| Baa1 | - | 200,000 | 116,120 | 108,080 |
| Baa2 | - | - | - | 251,471 |
| BBB+ | 1,875,000 | 2,175,000 | 3,756 | 14,386 |
| Others | - | - | 35,143 | 45,289 |
| | 2,950,000 | 4,000,000 | 268,695 | 502,091 |
| Less: loss allowance | (1,299) | - | - | - |
| | 2,948,701 | 4,000,000 | 268,695 | 502,091 |

#### b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's business and reputation. A major portion of the Group's funds are invested in short term investments which are readily available to meet expected operational expenses, including servicing of financial obligations. The table in Note 32.2 analyses the Group's non-derivative financial liabilities and derivative financial liabilities, if any, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities, if any, are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.



#### c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's exposure to market risk arises from:

- Foreign exchange risk
- Cash flow and fair value interest rate risks

#### (i) Foreign exchange risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency, primarily the Euro, other than the functional currency of the Company and its subsidiaries. In respect of the Group's transactions denominated in US Dollars (USD), the Group is not exposed to material currency risk as the AED is currently pegged to the USD at a fixed rate of exchange.

The Group's exposure and sensitivity analysis in respect to the foreign exchange risk is detailed in Note 32.3.

#### (ii) Cash flow and fair value interest rate risks

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by short term investments held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2019 and 2018, the Group's borrowings at variable rate were denominated in the USD.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and interest rate swaps. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The sensitivity analysis performed by the Group in respect to the interest rate risk is detailed in Note 32.4. The sensitivity analysis is done on a regular basis to verify that the maximum loss potential is within the limit given by the management.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

## 5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated statement of financial position, less cash and bank balances and term deposits. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Total borrowings (Note 18) | 716,332 | 2,177,650 |
| Less: Cash and bank balances/term deposits (Notes 15 and 16) | (3,217,396) | (4,502,091) |
| Net debt | (2,501,064) | (2,324,441) |
| **Total equity** | 8,648,755 | 8,511,738 |
| **Total capital** | 6,147,691 | 6,187,297 |
| Gearing ratio | (41%) | (38%) |

Under the terms of the major borrowing facility, the Group is required to comply with certain financial covenants including interest cover, total bank debt to EBITDA multiple and gearing ratio. The Group has complied with these covenants throughout the year.

## 5.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximated their book amounts as reflected in these consolidated financial statements.

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

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** – Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

**Level 3** – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

| | In AED'000 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **At 31 December 2019** | | | | |
| Financial asset at fair value through other comprehensive income (Note 10) | - | - | 18,368 | 18,368 |
| Derivative financial instruments (Note 11) | - | 520 | - | 520 |
| | - | 520 | 18,368 | 18,888 |
| **At 31 December 2018** | | | | |
| Financial asset at fair value through other comprehensive income (Note 10) | - | - | 18,368 | 18,368 |
| Derivative financial instruments (Note 11) | - | 10,968 | - | 10,968 |
| | - | 10,968 | 18,368 | 29,336 |



The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Due to the uncertain nature of cash flows arising from investment by the Group in unlisted shares, the carrying amount is considered to be the best estimate of its fair value. The fair value of interest rate swaps classified as derivative financial instruments in the table above is provided by the bank.

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include financial assets at FVOCI, cash and bank balances, trade and other receivables, contract assets, due from related parties and short term investments. Financial liabilities of the Group include borrowings, trade payables and accruals, due to other telecommunication operators, customer deposits, retention payable, accrued royalty, due to related parties and other payables. The fair values of these financial assets and liabilities are not materially different from their carrying values unless stated otherwise (Note 32).

# 6 Property, plant and equipment

| | Buildings | Plant and equipment | Furniture and fixtures | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| **Cost** | | | | | | |
| At 1 January 2018 | 47,569 | 16,596,727 | 300,797 | 1,384 | 1,007,117 | 17,953,594 |
| Reclassifications (Note 6.1) | 416 | (293,595) | (10,426) | 2,052 | (13,066) | (314,619) |
| Additions | 132 | 499,044 | 17,381 | 155 | 367,748 | 884,460 |
| Addition: asset retirement obligations | - | 3,375 | - | - | - | 3,375 |
| Transfers | (214) | 618,031 | 1,648 | - | (619,465) | - |
| Disposals/write-off | - | (372,565) | (2,895) | - | (4,562) | (380,022) |
| **At 31 December 2018** | **47,903** | **17,051,017** | **306,505** | **3,591** | **737,772** | **18,146,788** |
| Additions | 4,614 | 884,085 | 13,683 | 866 | 355,744 | 1,258,992 |
| Addition: asset retirement obligations | - | 73,646 | - | - | - | 73,646 |
| Transfers | - | 483,550 | 1,068 | 29 | (484,647) | - |
| Disposals/write-off | - | (38,206) | (1,445) | (48) | (2,023) | (41,722) |
| **At 31 December 2019** | **52,517** | **18,454,092** | **319,811** | **4,438** | **606,846** | **19,437,704** |
| **Depreciation / impairment** | | | | | | |
| At 1 January 2018 | 26,451 | 9,138,328 | 256,854 | 1,372 | 9,723 | 9,432,728 |
| Reclassifications (Note 6.1) | 189 | (238,065) | (9,858) | 2,023 | - | (245,711) |
| Charge for the year | 2,263 | 1,392,331 | 16,429 | 45 | - | 1,411,068 |
| Disposals/write-off | - | (320,855) | (2,874) | - | (52) | (323,781) |
| Impairment charge | - | - | - | - | 60,978 | 60,978 |
| **At 31 December 2018** | **28,903** | **9,971,739** | **260,551** | **3,440** | **70,649** | **10,335,282** |
| Reclassifications (Note 6.1) | - | - | - | - | 4,723 | 4,723 |
| Charge for the year | 2,273 | 1,364,086 | 15,907 | 107 | - | 1,382,373 |
| Disposals/write-off | - | (28,144) | (408) | (48) | (2,009) | (30,609) |
| Impairment charge | - | 3,748 | - | - | 1,068 | 4,816 |
| **At 31 December 2019** | **31,176** | **11,311,429** | **276,050** | **3,499** | **74,431** | **11,696,585** |
| **Net book value** | | | | | | |
| **At 31 December 2019** | **21,341** | **7,142,663** | **43,761** | **939** | **532,415** | **7,741,119** |
| **At 31 December 2018** | **19,000** | **7,079,278** | **45,954** | **151** | **667,123** | **7,811,506** |

The carrying amount of the Group's buildings include a nominal amount of AED 2 (2018: AED 2) in relation to land granted to the Group by the UAE Government.

6.1 Management of the Group undertook a review of the individual asset wise categorisation of its property, plant and equipment (PPE) and intangible assets to reflect changes in technology and information technology architecture. As a result of the review, certain assets were reclassified into different PPE categories and certain PPE assets were reclassified to intangible assets and certain intangible assets were reclassified to PPE. Accordingly, the related costs and accumulated depreciation/impairment provision were also reclassified.

# 7 Right-of-use assets

| | Land and buildings | Furniture and fixtures | Motor vehicles | Total |
|---|---|---|---|---|
| | AED 000 | AED 000 | AED 000 | AED 000 |
| **Cost** | | | | |
| At 1 January 2019 upon adoption of IFRS 16 | 2,105,347 | 825 | 2,805 | 2,108,977 |
| Additions during the year | 243,821 | 120 | - | 243,941 |
| Re-measurement/disposals | (349,354) | - | (89) | (349,443) |
| **At 31 December 2019** | **1,999,814** | **945** | **2,716** | **2,003,475** |
| Depreciation | | | | |
| Charge for the year | 318,403 | 100 | 1,315 | 319,818 |
| Disposals | (15,994) | - | - | (15,994) |
| **At 31 December 2019** | **302,409** | **100** | **1,315** | **303,824** |
| **Net book value** | | | | |
| **At 31 December 2019** | **1,697,405** | **845** | **1,401** | **1,699,651** |

The Group leases several assets including shops, technical sites, offices, warehouses, billboards and motor vehicles. The average lease term is 8.44 years.

The maturity analysis of lease liabilities is presented in Note 17.

| | 2019 |
|---|---|
| | AED 000 |
| **Amounts recognised in consolidated statement of comprehensive income** | |
| Depreciation expense on right-of-use assets (Note 25) | 319,818 |
| Interest expense on lease liabilities (Note 27) | 78,541 |



# 8 Intangible assets and goodwill

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Goodwill | 549,050 | 549,050 |
| Intangible assets | 502,396 | 553,825 |
| | **1,051,446** | **1,102,875** |

## Goodwill

The Group acquired the business of three wholly owned subsidiaries/divisions of Tecom Investments FZ LLC with effect from 31 December 2005. Goodwill represents the excess of purchase consideration paid over the fair value of net assets acquired.

Carrying amount of goodwill allocated to each of Cash Generating Units ("CGU") is as follows:

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Broadcasting operations | 135,830 | 135,830 |
| Fixed line business | 413,220 | 413,220 |
| | **549,050** | **549,050** |

The Group tests goodwill for impairment annually. The recoverable amount of the Cash Generating Units ("CGU") is determined using the Discounted Cash Flow method based on the five year business outlook.

The estimated recoverable amount of the broadcasting CGU exceeded the carrying amount of its net assets including goodwill, by approximately 39% and that of the fixed line business exceeded its carrying amount by approximately 164%.

**The key assumptions for the value-in-use calculations at 31 December 2019 include:**

- 5 year revenue growth projections for the fixed line business and broadcasting operations;
- a pre-tax discount rate of 10.23% based on the historical industry average weighted-average cost of capital;
- maintenance capital expenditure projections allowing for replacement of existing infrastructure at the end of its useful life; and
- terminal growth rate of 3% for the fixed line and 0% for broadcasting businesses, determined based on management's estimate of the long term compound EBITDA growth rate, consistent with the assumption that a market participant would make.

The fixed line model calculations are particularly sensitive to the revenue growth assumptions, including expectations around the impact of future competition in the Group's existing network zones. However, management considers that it would require a significant decline in revenue growth before any impairment of the fixed line CGU was required.

## Intangible assets

| | Software in use | Capital work in progress | Telecommunications license fees | Right of use | Total |
|---|---|---|---|---|---|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| **Cost** | | | | | |
| At 1 January 2018 | 1,594,292 | 280,480 | 124,500 | 193,990 | 2,193,262 |
| Reclassifications* | 300,714 | 13,905 | - | - | 314,619 |
| Adjustment | - | - | - | (8,539) | (8,539) |
| Additions | 130,949 | 30,595 | - | - | 161,544 |
| Transfers | 192,389 | (192,389) | - | - | - |
| Write off | (13,107) | - | - | - | (13,107) |
| At 31 December 2018 | 2,205,237 | 132,591 | 124,500 | 185,451 | 2,647,779 |
| Reclassifications* | | | | | |
| Adjustment | | | | | |
| Additions | 103,242 | 53,534 | - | 13,853 | 170,629 |
| Transfers | 88,754 | (88,754) | - | - | - |
| Write off | (705) | - | - | - | (705) |
| **At 31 December 2019** | **2,396,528** | **97,371** | **124,500** | **199,304** | **2,817,703** |
| **Amortisation/impairment** | | | | | |
| At 1 January 2018 | 1,396,458 | - | 73,847 | 141,675 | 1,611,980 |
| Reclassifications* | 245,711 | - | - | - | 245,711 |
| Charge for the year | 186,570 | - | 6,223 | 14,265 | 207,058 |
| Impairment charge | 42,312 | - | - | - | 42,312 |
| Write off | (13,107) | - | - | - | (13,107) |
| At 31 December 2018 | 1,857,944 | - | 80,070 | 155,940 | 2,093,954 |
| Reclassifications* | (65,125) | 60,402 | - | - | (4,723) |
| Charge for the year | 190,691 | - | 6,223 | 29,215 | 226,129 |
| Impairment charge | - | - | - | - | - |
| Write off | (53) | - | - | - | (53) |
| At 31 December 2019 | 1,983,457 | 60,402 | 86,293 | 185,155 | 2,315,307 |
| **Net book value** | | | | | |
| **At 31 December 2019** | **413,071** | **36,969** | **38,207** | **14,149** | **502,396** |
| At 31 December 2018 | 347,293 | 132,591 | 44,430 | 29,511 | 553,825 |

* These reclassifications represent certain assets reclassified from property, plant and equipment to intangibles assets and from intangible assets to property, plant and equipment (Note 6.1).

The Software in use represents all applications such as ERP and Billing systems which are currently in use while the Capital work in progress relates to the development of these systems. Software is being amortised on a straight-line basis over a period of 5 years. Telecommunication license fees represent charge by the Telecommunications Regulatory Authority to the Group to grant the license to operate as a telecommunications service provider in the UAE.

The fees are being amortised on a straight-line basis over a period of 20 years which is the term of the license, from the date of granting the license.

Indefeasible right of use represent the fees paid to a telecom operator to obtain rights to use Indoor Building Solutions relating to certain sites in the UAE. The fees are amortised on a straight line basis over 10 years. Also included in the balance is an amount charged by an operator of a fibre-optic cable system for the right to use its submarine fibre-optic circuits and cable system. The fees are amortised on a straight-line basis over a period of 15 years from the date of activation of the cable system.



# 9 Investments accounted for using the equity method

## Dubai Smart City Accelerator FZCO (DSCA)

In 2017, the Group acquired 23.53% shares in Dubai Smart City Accelerator FZCO ("the Associate"), a Free Zone Company with limited liability established in Dubai Silicon Oasis Free Zone, in the Emirate of Dubai. The business of the Associate is to run accelerator programs with the purpose of sourcing innovation and technology applicable to the Smart City Industry.

## Khazna Data Centre Limited (KDC)

The Group has 26% ownership shares in Khazna Data Centre Limited ("the Associate"), a limited liability company established in the Masdar City Free Zone, in the Emirate of Abu Dhabi. The business of the Associate is providing wholesale data centre services.

**Movement in investments in associates (DSCA and KDC)**

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| At 1 January | 188,179 | 142,086 |
| Investments during the year* | 70,256 | 35,879 |
| Share of profit for the year | 10,513 | 10,214 |
| At 31 December | 268,948 | 188,179 |
| Summarised financial information for the Associates are as follows: | | |
| **Associates' statement of financial position as of 31 December:** | | |
| Non-current assets | 1,444,602 | 910,526 |
| Current assets | 121,556 | 133,388 |
| Current liabilities | (162,106) | (66,726) |
| Non-current liabilities | (457,379) | (321,819) |
| Net assets | 946,673 | 655,369 |
| Revenue | 149,618 | 138,934 |
| Profit for the year | 38,264 | 41,835 |

*The investments during the year 31 December 2019, represent payment made for additional funding to Khazna Data Centre Limited amounting to AED 70,256 thousand.

# 10 Financial asset at fair value through other comprehensive income

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| **Unlisted shares** | | |
| Anghami | 18,368 | 18,368 |

In 2016, the Group acquired 4.8% shares in Anghami, a Cayman Islands exempted company registered in the Cayman Islands (unlisted company). The company is involved in the provision of media related content. The Group classified the investment as financial asset at fair value through other comprehensive income.

Due to the uncertain nature of cash flows arising from investment by the Group in unlisted shares of Anghami, the carrying amount is considered to be the best estimate of its fair value.

# 11 Derivative financial instruments

In 2015, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank term loans. The terms of the loans include quarterly interest payments, at a rate of LIBOR + 0.95% on the outstanding principal amount (Note 18).

The hedge covers the risk in variability of LIBOR over the entire term of the loans. The hedging instruments match the actual terms of the related interest payments on the loans in all respects, including LIBOR rate used, reset dates and notional amounts outstanding.

As of 31 December, the fair value of derivative financial instruments was as follows:

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Interest rate swap contracts – cash flow hedges | 520 | 10,968 |

The related movement in derivative financial instruments is shown under hedge reserve (Note 24.2).

There was no ineffectiveness during 2019 and 2018 in relation to the interest rate swap contracts.



# 12 Contract assets and contract liabilities

| | Current | | Non-current | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | AED 000 | AED 000 | AED 000 | AED 000 |
| Contract assets* | 509,191 | 539,616 | 218,353 | 208,243 |
| Less: provision for impairment of contract assets | (35,996) | (31,359) | (9,359) | (11,556) |
| | 473,195 | 508,257 | 208,994 | 196,687 |

* Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 304,097 thousands (2018: AED 273,080 thousands).

## 12.1 The movement in the provision for impairment of contract assets is as follows:

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Opening balance | 42,915 | 29,355 |
| Impairment charge during the year | 2,440 | 13,560 |
| Closing balance | 45,355 | 42,915 |

| | Current | | Non-current | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | AED 000 | AED 000 | AED 000 | AED 000 |
| Contract liabilities | 377,019 | 444,141 | 193,095 | 190,631 |

There was no revenue recognised in the current reporting period that is related to performance obligations that were satisfied in the prior year.

The Group has reviewed its contracts with customers and as permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

# 13 Trade and other receivables

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Trade receivables | 1,941,223 | 2,046,585 |
| Due from other telecommunications operators* | 201,176 | 179,730 |
| Less: provision for impairment of trade receivables and due from other telecommunications operators | (662,358) | (759,281) |
| Trade receivables, net | 1,480,041 | 1,467,034 |
| Prepayments | 95,355 | 176,739 |
| Advances to suppliers | 178,544 | 134,166 |
| Other receivables** | 116,616 | 129,799 |
| Total trade and other receivables | 1,870,556 | 1,907,738 |

* Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 833,130 thousand (31 December 2018: AED 677,410 thousand).

** Other receivables mainly include interest receivable on term deposits.

The Group's normal credit terms ranges between 15 and 150 days (2018: 15 and 150 days). No interest is charged on the trade and other receivable balances.

The movement in the provision for impairment of trade receivables and due from other telecommunications operators is as follows:

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| At 1 January | 759,281 | 661,758 |
| Provision for impairment | 215,414 | 232,237 |
| Write-off during the year | (312,337) | (134,714) |
| At 31 December | 662,358 | 759,281 |



# 14 Related party balances and transactions

Related parties comprise the shareholders of the Company, entities under common shareholding, its directors, key management personnel and entities over which they exercise control, joint control or significant influence. The founding shareholders mentioned in the note are Emirates Investment Authority, Mamoura Diversified Global Holding PJSC and Emirates International Telecommunications Company L.L.C. Transactions with related parties are done on an arm's length basis in the ordinary course of business and are approved by the Group's management or by the Board of Directors.

## Related party balances

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| **Due from related parties** | | |
| Axiom Telecom LLC (Entity under common shareholding) | 106,045 | 129,078 |
| Injazat Data Systems LLC (Entity under common shareholding) | 58,950 | - |
| | 164,995 | 129,078 |
| **Due to related parties** | | |
| Tecom Investments FZ LLC (Entity under common shareholding) | 1,970 | 3,249 |
| Khazna Data Centre Limited (Associate) | 4,103 | 6,585 |
| | 6,073 | 9,834 |

Due to the short-term nature of the related party balances, their carrying amount is considered to be the same as their fair value.

## Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All transactions with related parties referred to below are done on an arm's length basis in the ordinary course of business. The following table reflects the gross value of the transactions with related parties.

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| **Entities under common shareholding** | | |
| Tecom Investments FZ LLC: | | |
| - Office rent and services | 40,630 | 39,697 |
| Axiom Telecom LLC – Authorised distributor – net sales | 1,323,665 | 1,527,311 |
| Injazat Data Systems LLC – Data Centre - rent and services | 9,554 | 569 |
| Injazat Data Systems LLC – Data Centre – net revenue | 72,272 | - |
| **Associates** | | |
| Khazna Data Centre Limited – rent and telecom services | 98,138 | 116,746 |
| Khazna Data Centre Limited- additional funding | 70,256 | 34,044 |
| Dubai Smart City Accelerator FZCO- additional funding | - | 1,835 |

## Key management compensation

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Short term employee benefits | 39,520 | 38,511 |
| Employees' end of service benefits | 706 | 884 |
| Post-employment benefits | 1,311 | 1,267 |
| Long term incentives | 7,463 | 18,436 |
| | 49,000 | 59,098 |

Board of Directors fee during the year was AED 10,000 thousand (2018: AED 12,074 thousand).

No loan has been provided to Directors, their spouses, children and relatives of the second degree and any corporates in which they own 20% or more.

The Group also provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. The credit period allowed to Government customers ranges from 15 to 150 days. Refer Note 26 for disclosure of the royalty payable to the Federal Government of the UAE. In accordance with IAS 24 (revised 2009): Related Party Disclosures, the Group has elected not to disclose transactions with the UAE Federal Government and other entities over which the Federal Government exerts control, joint control or significant influence.



# 15 Term deposits

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Term deposits | 2,950,000 | 4,000,000 |
| Less: loss allowance | (1,299) | - |
| | 2,948,701 | 4,000,000 |

Term deposits represent bank deposits with maturity periods exceeding 3 months from the date of acquisition. These term deposits denominated primarily in UAE Dirham, with banks. Interest is earned on these term deposits at prevailing market rates. The carrying amount of these term deposits approximates to their fair value.

# 16 Cash and bank balances

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise:

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Cash at bank (on deposit and call accounts) | 269,278 | 501,431 |
| Cash on hand | 716 | 660 |
| Less: loss allowance | (1,299) | - |
| Cash and bank balances | 268,695 | 502,091 |
| Less: margin on guarantees (Note 30) | (4,038) | (5,393) |
| Cash and cash equivalents | 264,657 | 496,698 |

# 17 Lease liabilities

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| At 1 January 2019 upon adoption of IFRS 16 | 2,137,074 | - |
| Lease liabilities for the year | 122,521 | - |
| Payments made during the year | (128,448) | - |
| Re-measurement during the year | (274,342) | - |
| Closing balance | 1,856,805 | - |

| | Current | | Non-current | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | AED 000 | AED 000 | AED 000 | AED 000 |
| Lease liabilities | 460,005 | - | 1,396,800 | - |

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| **Maturity analysis:** | | |
| Not later than 1 year | 460,005 | - |
| Later than 1 year and not later than 5 years | 785,812 | - |
| Later than 5 years | 610,988 | - |
| Closing balance | 1,856,805 | - |

The Group does not face a significant liquidity risk with regard to its lease liabilities.

The Group does not have any variable component in lease payments.



# 18 Borrowings

| | Current | | Non-current | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | AED 000 | AED 000 | AED 000 | AED 000 |
| Bank borrowings | 716,332 | 1,432,665 | - | 716,332 |
| Buyer credit arrangements | - | 28,653 | - | - |
| | 716,332 | 1,461,318 | - | 716,332 |

**The details of borrowings are as follows:**

| | Currency | Nominal interest rate | Year of maturity | Opening balance | Drawn | Repaid | Closing balance |
|---|---|---|---|---|---|---|---|
| | | | | AED 000 | AED 000 | AED 000 | AED 000 |
| **Bank borrowings** | | | | | | | |
| Unsecured term loan 1 | USD | LIBOR+0.95% | 2020 | 1,322,460 | - | (881,640) | 440,820 |
| Unsecured term loan 2 | USD | LIBOR+0.95% | 2020 | 551,025 | - | (367,350) | 183,675 |
| Unsecured term loan 3 | USD | LIBOR+0.95% | 2020 | 275,512 | - | (183,675) | 91,837 |
| | | | | 2,148,997 | - | (1,432,665) | 716,332 |
| **Buyer credit arrangement** | | | | | | | |
| Buyer credit arrangement | USD | Nil | 2019 | 28,653 | - | (28,653) | - |

# 19 Provision for employees' end of service benefits

The Group provides end of service benefits (defined benefit obligations) to its eligible employees. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out as at 31 December 2019 by a registered actuary in the UAE. The present value of defined benefit obligations and the related current and past service cost, were measured using the Projected Unit Credit Method. Changes in the present value of defined benefit obligations is as follows:

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| At 1 January | 252,564 | 236,072 |
| Current service cost | 35,283 | 35,309 |
| Interest cost (Note 27) | 8,568 | 8,331 |
| Actuarial gain recognised in other comprehensive income* | (3,028) | (5,313) |
| Benefits paid during the year | (34,647) | (21,835) |
| **At 31 December** | **258,740** | **252,564** |

* Actuarial gain recognised in other comprehensive income relates to re-measurements of the employees' end of service benefits obligation from changes in financial assumptions amounting to AED 306 thousand (2018: AED 1,861 thousand ) and experience adjustments amounting to AED 2,722 thousand (2018: AED 3,452 thousand).

The provision is recognised based on the following significant actuarial assumptions:

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Average period of employment (years) | 7.50 | 7.54 |
| Average annual rate of salary increase | 2.77% | 3% |
| Discount rate | 3.57% | 3.80% |

Sensitivity of the provision for employees' end of service benefits to changes in principal assumptions is included below:

Impact on defined benefit obligation

| | Change in assumption | | Increase in assumption | | Decrease in assumption | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Average period of employment (years) | 1 year | 1 year | (0.29 %) | (0.51%) | 0.22 % | 0.51% |
| Average period of employment (years) | 1% | 1% | 8.48% | 8.31% | (7.57%) | (7.40%) |
| Discount rate | 1% | 1% | (7.01%) | (6.86%) | 7.99% | 7.83% |



# 20 Other provisions

## Asset retirement obligations

In the course of the Group's activities a number of sites and other commercial premises are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are expected to occur at the dates of exit of the assets to which they relate. These assets are long-term in nature, primarily in period up to 10 years from when the asset is brought into use.

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| At 1 January | 115,764 | 110,924 |
| Additions during the year | 49,003 | 3,375 |
| Adjustment for change in discount/inflation rates | 259 | (1,795) |
| Unwinding of discount | 4,806 | 3,260 |
| At 31 December | 169,832 | 115,764 |

The provision is recognised based on the following significant assumptions:

| | 2019 | 2018 |
|---|---|---|
| Average period of restoration (years) | 10 | 10 |
| Inflation rate | 1.80% | 2.10% |
| Discount rate | 3.96% | 3.99% |

# 21 Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Trade payables and accruals | 1,675,211 | 1,707,932 |
| Due to other telecommunications operators* | 523,658 | 603,129 |
| Accrued federal royalty (Note 26) | 2,062,972 | 2,103,174 |
| Valued Added Tax (VAT) payable | 8,987 | 26,427 |
| Other payables and accruals | 329,504 | 362,074 |
| | **4,600,332** | **4,802,736** |

* Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 833,130 thousand (31 December 2018: AED 677,410 thousand).

The carrying amounts of trade and other payables approximate their fair value.

# 22 Share capital

| | 2019 | 2018 |
|---|---|---|
| | No of shares | No of shares |
| Authorised, issued and fully paid up share capital (par value AED 1 each) | 4,532,905,989 | 4,532,905,989 |

# 23 Share premium

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Premium on issue of common share capital | 232,332 | 232,332 |



# 24 Other reserves

| | Statutory reserve (Note 24.1) | Hedge reserve (Note 24.2) | Proposed dividend | Total |
|---|---|---|---|---|
| | AED 000 | AED 000 | AED 000 | AED 000 |
| At 1 January 2018 | 1,415,726 | 13,594 | 997,239 | 2,426,559 |
| Transfer to statutory reserve | 175,299 | - | - | 175,299 |
| Interim cash dividend | - | - | 589,278 | 589,278 |
| Cash dividends paid | - | - | (1,586,517) | (1,586,517) |
| Fair value changes on cash flow hedge | - | (2,626) | - | (2,626) |
| At 31 December 2018 | 1,591,025 | 10,968 | - | 1,601,993 |
| At 1 January 2019 | 1,591,025 | 10,968 | - | 1,601,993 |
| Transfer to statutory reserve | 173,095 | - | - | 173,095 |
| Final cash dividend proposed | - | - | 997,239 | 997,239 |
| Proposed interim cash dividend | - | - | 589,278 | 589,278 |
| Cash dividends paid | - | - | (1,586,517) | (1,586,517) |
| Fair value changes on cash flow hedge | - | (10,448) | - | (10,448) |
| **At 31 December 2019** | 1,764,120 | 520 | - | 1,764,640 |

**24.1** In accordance with the UAE Federal Law No. 2 of 2015 ("Companies Law") and the Company's Articles of Association, 10% of the net profit is required to be transferred annually to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital.

**24.2** Hedge reserve is related to derivative financial instrument (Note 11)

# 25 Operating expenses

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| | AED 000 | AED 000 |
| Interconnect costs | 2,811,216 | 2,954,075 |
| Product costs | 894,253 | 1,335,156 |
| Depreciation and impairment on property, plant and equipment (Note 6) | 1,387,189 | 1,472,046 |
| Depreciation on right-of-use assets (Note 7) | 319,818 | - |
| Amortisation and impairment on intangible assets (Note 8) | 226,129 | 249,370 |
| Staff costs | 934,169 | 1,018,455 |
| Network operation and maintenance | 526,756 | 755,640 |
| Outsourcing and contracting | 360,504 | 422,955 |
| Commission | 390,423 | 388,105 |
| Telecommunication license and related fees | 407,575 | 217,358 |
| Marketing | 250,082 | 317,140 |
| Others | 121,707 | 275,925 |
| | 8,629,821 | 9,406,225 |

During the year ended 31 December 2019, the Group has paid AED 1,555 thousand (2018: AED 14,430 thousand) for various social contribution purposes.



# 26 Federal royalty

The royalty rates payable to the UAE Ministry of Finance for the period from 2017 to 2021 are 15% on regulated revenue and 30% on regulated profit after deducting royalty on regulated revenue.

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| Total revenue for the year (Note 34) | 12,587,958 | 13,414,057 |
| Broadcasting revenue for the year | (160,825) | (156,798) |
| Other allowable deductions | (3,521,026) | (4,128,702) |
| **Total adjusted revenue** | **8,906,107** | **9,128,557** |
| Profit before royalty | 3,759,962 | 3,831,804 |
| Allowable deductions | (113,425) | (91,182) |
| **Total regulated profit** | **3,646,537** | **3,740,622** |
| Charge for royalty: 15% (2018:15%) of the total adjusted revenue plus 30% (2018: 30%) of net regulated profit for the year before distribution after deducting 15% (2018: 15%) of the total adjusted revenue. | 2,029,103 | 2,080,685 |
| Adjustments to charge | (95) | (3,745) |
| Charge for the year | 2,029,008 | 2,076,940 |
| Royalty reimbursement (net) | - | 1,872 |
| **Total royalty charge for the year** | **2,029,008** | **2,078,812** |
| Movement in the royalty accruals is as follows: | | |
| At 1 January | 2,103,174 | 2,054,019 |
| Payment made during the year | (2,069,210) | (2,027,785) |
| **Charge for the year** | **2,029,008** | **2,076,940** |
| At 31 December (Note 21) | 2,062,972 | 2,103,174 |

# 27 Finance income and costs

| | 2019 | 2018 |
|---|---|---|
| | **AED 000** | AED 000 |
| **Finance income** | | |
| Interest income | 124,052 | 145,456 |
| **Finance costs** | | |
| Interest expense on lease liability | 78,541 | - |
| Interest expense others* | 46,824 | 92,226 |
| Exchange (gain)/loss, net | (375) | 1,357 |
| | 124,990 | 93,583 |

* Interest expense others includes interest cost on defined benefit obligations amounted to AED 8,568 thousand (2018: AED 8,331 thousand) (Note 19).

# 28 Earnings per share

| | 2019 | 2018 |
|---|---|---|
| Profit for the year (AED 000) | 1,730,954 | 1,752,992 |
| Weighted average number of shares ('000') | 4,532,906 | 4,532,906 |
| Basic and diluted earnings per share (AED) | 0.38 | 0.39 |

Diluted earnings per share have not been presented separately as the Group has no commitments that would dilute earnings per share.



# 29 Changes in working capital

| | 2019 | 2018 |
|---|---|---|
| | **AED 000** | AED 000 |
| Change in: | | |
| Inventories | 17,516 | (29,928) |
| Contract assets | 20,315 | 119,504 |
| Trade and other receivables | (275,706) | (459,242) |
| Trade and other payables | 1,805,374 | 1,695,247 |
| Contract liabilities | (64,658) | 40,999 |
| Due from related parties | (35,917) | 57,118 |
| Due to related parties | (3,761) | (10,460) |
| Net changes in working capital | 1,463,163 | 1,413,238 |

# 30 Contingent liabilities and assets

The Group has outstanding bank guarantees amounting to AED 70,626 thousand (2018: AED 36,677). Bank guarantees are secured against margin of AED 4,038 thousand (2018: AED 5,393 thousand) (Note 16).

The Group is subject to litigation with a party and expecting a reasonable prospect of success. If successful this is going to have a favourable impact on the Group's consolidated financial statements. Other than above, there are litigations in the normal course of business and the management is of the view that the outcome of these court cases will not have a material impact on the Group's consolidated financial statements. Details of these cases are not disclosed in order not to prejudice the Group's position in these litigations.

# 31 Commitments

The Group has outstanding capital commitments amounting to AED 1,321,653 thousand (2018: AED 1,139,214 thousand).

# 32 Financial instruments and risk management

## 32.1 Credit risk

### Exposure to credit risk

The carrying amount and the fair value of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Notes | Carrying amount | | Fair value | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| | | **AED 000** | AED 000 | **AED 000** | AED 000 |
| **Derivatives** | | | | | |
| Interest rate swap contracts – cash flow hedges | 11 | 520 | 10,968 | 520 | 10,968 |
| **Derivatives** | | | | | |
| Financial asset at fair value through other comprehensive income | 10 | 18,368 | 18,368 | 18,368 | 18,368 |
| Contract assets | 12 | 378,092 | 431,864 | 378,092 | 431,864 |
| Trade and other receivables | 13 | 1,596,657 | 1,596,833 | 1,596,657 | 1,596,833 |
| Due from related parties | 14 | 164,995 | 129,078 | 164,995 | 129,078 |
| Term deposits | 15 | 2,948,701 | 4,000,000 | 2,948,701 | 4,000,000 |
| Cash and bank balances | 16 | 268,695 | 502,091 | 268,695 | 502,091 |
| | | 5,375,508 | 6,678,234 | 5,375,508 | 6,678,234 |

For the purpose of the exposure to credit risk on financial assets disclosure, non-financial assets (subscriber acquisition costs, prepayments and advances to suppliers) amounting to AED 577,996 thousand (2018: AED 583,985 thousand) have been excluded from contract assets and trade and other receivables.

### Impairment of contract assets and trade and other receivables

The ageing of contract assets and trade receivables is as follows:

| | Gross | Impaired | Impaired | Gross | Impaired | Impaired |
|---|---|---|---|---|---|---|
| | 2019 | 2019 | 2019 | 2018 | 2018 | 2018 |
| | AED 000 | % | AED 000 | AED 000 | % | AED 000 |
| Not past due | 917,467 | 3.36% | (30,803) | 924,288 | 3.43% | (31,711) |
| Past due 0-30 days | 263,433 | 7.55% | (19,894) | 398,864 | 4.94% | (19,702) |
| Past due 31-180 days | 491,235 | 14.11% | (69,335) | 599,399 | 15.13% | (90,706) |
| More than 180 days | 1,726,841 | 34.03% | (587,681) | 1,455,953 | 45.34% | (660,077) |
| | 3,398,976 | | (707,713) | 3,378,504 | | (802,196) |

Non-financial assets (unamortised subscriber acquisition costs) amounting to AED 304,097 thousand (2018: AED 273,080 thousand) have been excluded from gross amounts.



To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss are based on the analysis of billing, collection and outstanding balance over an appropriate period adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The impairment provision in respect of contract assets and trade receivables is used to record impairment losses unless the Group is satisfied that there is no reasonable expectation of recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written-off. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 365 days past due.

## 32.2 Liquidity risk

The following are the contractual maturities of financial liabilities along with fair values:

### 31 December 2019

| | | | ---------------- Contractual cash flows ------------------------ | | | | |
|---|---|---|---|---|---|---|---|
| | Fair value AED 000 | Carrying amount AED 000 | Total AED 000 | 6 months or less AED 000 | 6-12 months AED 000 | 1-2 years AED 000 | Above 2 years AED 000 |
| **Non-derivative financial liabilities** | | | | | | | |
| Borrowings | 716,332 | 716,332 | 716,332 | 716,332 | - | - | - |
| Trade payables and accruals | 1,675,211 | 1,675,211 | 1,675,211 | 1,675,211 | - | - | - |
| Due to other telecommunication operators | 523,658 | 523,658 | 523,658 | 523,658 | - | - | - |
| Accrued royalty | 2,062,972 | 2,062,972 | 2,062,972 | 2,062,972 | - | - | - |
| Valued Added Tax (VAT) Payable | 8,987 | 8,987 | 8,987 | 8,987 | - | - | - |
| Other payables and accruals | 329,504 | 329,504 | 329,504 | 329,504 | - | - | - |
| Due to related parties | 6,073 | 6,073 | 6,073 | 6,073 | - | - | - |
| | 5,322,737 | 5,322,737 | 5,322,737 | 5,322,737 | - | - | - |

## 31 December 2018

| | Fair value AED 000 | Carrying amount AED 000 | Contractual cash flows: Total AED 000 | 6 months or less AED 000 | 6-12 months AED 000 | 1-2 years AED 000 | Above 2 years AED 000 |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Borrowings | 2,177,650 | 2,177,650 | 2,238,361 | 764,388 | 750,896 | 723,077 | - |
| Trade payables and accruals | 1,707,932 | 1,707,932 | 1,707,932 | 1,707,932 | - | - | - |
| Due to other telecommunication operators | 603,129 | 603,129 | 603,129 | 603,129 | - | - | - |
| Accrued royalty | 2,103,174 | 2,103,174 | 2,103,174 | 2,103,174 | - | - | - |
| Valued Added Tax (VAT) Payable | 26,427 | 26,427 | 26,427 | 26,427 | - | - | - |
| Other payables and accruals | 362,074 | 362,074 | 362,074 | 362,074 | - | - | - |
| Due to related parties | 9,834 | 9,834 | 9,834 | 9,834 | - | - | - |
| | 6,990,220 | 6,990,220 | 7,050,931 | 5,576,958 | 750,896 | 723,077 | - |

Contractual maturities related to lease liabilities disclosed in Note 17.

## 32.3 Currency risk

### Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Thousand | | Thousand | |
| | **EUR** | **GBP** | EUR | GBP |
| Trade receivables | 11,614 | 451 | 6,663 | 3,234 |
| Trade payables | - | (161) | (46) | (591) |
| Net exposure | 11,614 | 290 | 6,617 | 2,643 |

The following significant exchange rates against AED have been applied during the year:

| | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| EUR 1 | 4.1327 | 4.3673 | 4.1195 | 4.2142 |
| GBP 1 | 4.7017 | 4.9380 | 4.8722 | 4.6881 |



### Sensitivity analysis

A 10 percent strengthening of the AED against the following currencies at 31 December would have increased/ (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | **2019** | 2018 |
|---|---|---|
| | **AED 000** | AED 000 |
| **Increase/(decrease) in profit** | | |
| EURO | (4,800) | (2,890) |
| GBP | (136) | (1,305) |

Conversely a 10 percent weakening of the AED against the above currencies at 31 December will have had the exact reverse effect. In each of the above cases the impact on equity would have the same values as the above amounts.

## 32.4 Interest rate risk

### Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments was:

| | Carrying Amount | |
|---|---|---|
| | **2019** | 2018 |
| | **AED 000** | AED 000 |
| **Variable interest rate instruments** | | |
| Bank borrowings | 716,332 | 2,148,997 |

### Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | **2019** | 2018 |
|---|---|---|
| | **AED 000** | AED 000 |
| **Decrease in profit** | | |
| Variable interest rate instruments | 7,139 | 14,377 |

Conversely a decrease in interest rates by 100 basis points will have had the exact reverse effect. In each of the above cases the impact on equity would have the same values as the above amounts.

During previous years, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank borrowings. Hedged portion of the bank borrowings is not included in the sensitivity analysis (Note 11).

## 32.5 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

| | 2019 | 2018 |
|---|---|---|
| | AED 000 | AED 000 |
| **Derivative financial instruments** | 520 | 10,968 |
| **Financial asset at fair value through other comprehensive income** | 18,368 | 18,368 |
| **Financial assets measured at amortised cost** | | |
| Contract assets | 378,092 | 431,864 |
| Trade and other receivables | 1,596,657 | 1,596,833 |
| Due from related parties | 164,995 | 129,078 |
| Term deposits | 2,948,701 | 4,000,000 |
| Cash and bank balances | 268,695 | 502,091 |
| | 5,357,140 | 6,659,866 |
| Lease liabilities | 1,856,805 | - |
| Borrowings | 716,332 | 2,177,650 |
| Trade and other payables | 4,600,332 | 4,802,736 |
| Due to related parties | 6,073 | 9,834 |
| | 7,179,542 | 6,990,220 |

For the purpose of the financial instruments disclosure, non-financial assets amounting to AED 577,996 thousand (2018: AED 583,985 thousand) have been excluded from contract assets, trade and other receivables.



# 33 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The following table presents the recognised financial instruments that are offset in the statement of financial position, as at 31 December 2019 and 31 December 2018.

| | 31 December 2019 | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | Gross amounts | Gross amounts set off | Net amount presented | Gross amounts | Gross amounts set off | Net amount presented |
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| **Financial assets** | | | | | | |
| Trade and other receivables | 2,703,686 | (833,130) | 1,870,556 | 2,585,148 | (677,410) | 1,907,738 |
| **Total** | 2,703,686 | (833,130) | 1,870,556 | 2,585,148 | (677,410) | 1,907,738 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 5,433,462 | (833,130) | 4,600,332 | 5,480,146 | (677,410) | 4,802,736 |
| **Total** | 5,433,462 | (833,130) | 4,600,332 | 5,480,146 | (677,410) | 4,802,736 |

# 34 Segment analysis

The Group mainly has operations in the UAE. The Group is organised into four major business segments as follows:

- Mobile segment offers mobility services to the enterprise and consumer markets. Services include mobile voice and data, mobile content and mobile broadband WiFi. Mobile handset sales, including instalment sales, are also included in this segment.
- Fixed segment provides wire line services to the enterprise and consumer markets. Services include broadband, IPTV, IP/VPN business internet and telephony.
- Wholesale segment provides voice and sms to national and international carriers and operators. Services include termination of inbound international voice traffic and international hubbing.
- Others include broadcasting services, international roaming, site sharing, etc.

Segment contribution, referred to by the Group as Gross Margin, represents revenue less direct costs of sales. It is calculated before charging network operating costs, sales and general and administration expenses. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

**31 December 2019**

| | Mobile | Fixed | Wholesale | Others | Total |
|---|---|---|---|---|---|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| **Segment revenue** | | | | | |
| Timing of revenue recognition | | | | | |
| Over time | 6,536,690 | 2,484,172 | 2,059,516 | 927,196 | 12,007,574 |
| At a point in time | 517,909 | 9,120 | - | 53,355 | 580,384 |
| | 7,054,599 | 2,493,292 | 2,059,516 | 980,551 | 12,587,958 |
| Segment contribution | 4,409,691 | 2,140,970 | 1,318,954 | 637,757 | 8,507,372 |
| Unallocated costs | | | | | (4,759,845) |
| Other income | | | | | 2,860 |
| Operating profit before federal royalty | | | | | 3,750,387 |
| Federal royalty | | | | | (2,029,008) |
| Operating profit | | | | | 1,721,379 |
| Finance income/costs and share of profit of investments accounted for using equity method (net) | | | | | 9,575 |
| Profit for the year | | | | | 1,730,954 |

**31 December 2018**

| | Mobile | Fixed | Wholesale | Others | Total |
|---|---|---|---|---|---|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| **Segment revenue** | | | | | |
| Timing of revenue recognition | | | | | |
| Over time | 7,103,905 | 2,339,042 | 2,128,333 | 894,571 | 12,465,851 |
| At a point in time | 904,276 | 10,418 | - | 33,512 | 948,206 |
| | 8,008,181 | 2,349,460 | 2,128,333 | 928,083 | 13,414,057 |
| Segment contribution | 4,792,250 | 2,051,762 | 1,413,971 | 471,184 | 8,729,167 |
| Unallocated costs | | | | | (4,965,859) |
| Other income | | | | | 6,409 |
| Operating profit before federal royalty | | | | | 3,769,717 |
| Federal royalty | | | | | (2,078,812) |
| Operating profit | | | | | 1,690,905 |
| Finance income/costs and share of profit of investments accounted for using equity method (net) | | | | | 62,087 |
| Profit for the year | | | | | 1,752,992 |



The Group's assets and liabilities have not been identified to any of the reportable segments as the majority of the operating fixed assets are fully integrated between segments. The Group believes that it is not practical to provide segment disclosure relating to total assets and liabilities since a meaningful segregation of available data is not feasible.

# 35 Comparatives

## Change in the presentation of consolidated statement of comprehensive income

During 2019, the Group has changed the categorisation and presentation of its expenses in the 'consolidated statement of comprehensive income' from 'by nature' to 'by function', both of which are allowed as per International Financial Reporting Standards. Accordingly, the presentation of comparative information for the year ended 31 December 2018 has been amended to be consistent with the current year presentation. There is no impact of the change on revenues, finance costs, provision for impairment of trade receivables and contract assets, total amount of expenses or on profit for the year.

The table below shows the impact of the change in classification of various expenses for the year ended 31 December 2018:

| Presentation of expenses by nature | AED'000 | Presentation of expenses by function | AED'000 |
|---|---|---|---|
| Interconnect costs | 2,954,075 | Operating expenses | 9,406,225 |
| Product costs | 1,335,156 | | |
| Depreciation and impairment on property, plant and equipment | 1,472,046 | | |
| Amortisation and impairment of intangible assets | 249,370 | | |
| Staff costs | 1,018,455 | | |
| Network operation and maintenance | 755,640 | | |
| Outsourcing and contracting | 422,955 | | |
| Commission | 388,105 | | |
| Telecommunication license and related fees | 217,358 | | |
| Rent and utilities | 125,852 | | |
| Marketing expenses | 317,140 | | |
| Other expenses | 150,073 | | |
| | 9,406,225 | | |

There is no change to the consolidated statement of financial position presentation or amounts as a result of the above change.

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March 2020