Annual Report 2020

Emirates Integrated Telecommunications Company PJSC

Contents

About EITC

Emirates Integrated Telecommunications Company, launched in 2006 and commercially rebranded as du in February 2007, 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, data hub, internet exchange facilities and satellite services for broadcasters.

As a rapidly-growing business, we have over 3,000 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 57% of our senior management team and 48% customer-facing staff are UAE nationals, and we remain committed to providing fulfilling opportunities for quality talent in a cosmopolitan working environment.

So far we have 6.7 million mobile customers (almost 39% market share), 236 thousand fixed line subscribers.

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, surprising and our value guide our actions.

Financial KPIs	
28 fils Dividend	(including 13 fils paid as interim dividend and 15 fils proposed as final cash dividend)
AED 1,443 m Net Income	(-16.6%)
AED 4,507 m EBITDA	(-20.7%)
AED 1,871 m Capital Expenditure	(+24.1%)

Non-Financial KPIs	
6,658 thousand Mobile subscriber base	**236** thousand Fixed subscriber base
1.3 GBPS 5G speed achieved	
37% of the total workforce Emiratisation	49% females and 51% males As per our 2020 workforce figures

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Emirates Integrated Telecommunications Company PJSC (the "Company"), it is my honour and privilege to present the Company's annual report, which covers the operational achievements and financial results of the year 2020.

Whilst 2020 witnessed a global pandemic with ramifications felt across all countries and economies, 2020 was also the year that we stood up to our responsibilities and commitments to our nation and echoed the UAE leadership's efforts in mitigating the impact of the pandemic. We utilised our resources to provide unprecedented support for those working and studying from home ensuring that in a time of crisis, connectivity remained reliable for businesses, government institutions, and families while safeguarding the interests of our shareholders.

But with great challenges come great opportunities. The pandemic undoubtedly was a major disruption on all facets of our lives and the Company displayed unparalleled resilience as an organisation. We seized this opportunity to accelerate our efforts to become the UAE's leading digital telecom operator. We reshaped our strategy to transform the Company to be more agile and nimble. We introduced new leadership with the vision and perseverance to carry out this new direction for the years to come. This new strategy is underscored by a new operational model built around digitalisation, customer experience, efficiency, and innovation.

The relative resilience of the telecommunications sector and our efforts to adapt to the new environment were reflected in the Company's 2020 fiscal results, as we closed the year with total revenues of AED 11.08 billion and a net profit after royalty standing at AED 1.44 billion or 13% net margin.

During 2020, the Company deployed significant amount of capital reaching AED 1.87 billion - the highest in the last five years - to further expand its 5G network and modernise its infrastructure. Confident in the long term prospects of the Company supported by a strong balance sheet, the Board recommended to the Company's shareholders a cash dividend for the year of AED 0.28 per share, out of which AED 0.13 per share have been paid in the form of an interim dividend in August 2020.

Since the end of 2020 and continuing in 2021 we started seeing signs of recovery across multiple sectors in the country. With the country opening up, and life returning to a sense of normalcy – albeit a measured sense – we expect further improvements in 2021.

2020 may be remembered as a year of global turmoil and uncertainty, but it is also a year that we – as a nation and the Company as an organisation – came together to face an unprecedented situation for the good of all. To this, I want to express my deepfelt gratitude to the UAE's leaders and thank them for their continued support and visionary astuteness as without the wisdom and guidance from the leadership the country and the Company would not have been able to successfully navigate through the challenges of the pandemic and emerge just as strong as we were before.

And finally, I want to share my gratefulness to Board members, shareholders, and partners for their continued support, trust, and unshakeable faith in our brand and organisation. I also want to extend my thanks to the entire team at the Company for their resilient spirit and for their achievements.

The Company will continue to play its role as a major contributor to our nation, communities, and people, while creating value for all its stakeholders.

Thank you.

— **Mohamed Al Hussaini**
Chairman of the Board of Directors - EITC

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

Ahmad Julfar

Board Member
Managing Director

Sara Musallam

Board Member

Mohamed Al Shehi

Board Member

Malek Al Malek

Board Member

Wesam Lootah

Board Member

> " In the face of the extraordinary challenges we met during this year, we prioritised our people, ensured continuity and connectivity for our customers, invested in the future of our business, and stepped up in support of our nation. The pride, power and patriotism of EITC shone through in 2020 like never before. "

Dear Shareholders,

It has long been EITC's mandate not only to adapt to the rapidly shifting digital landscape but to enable transformation for our customers and country. We have dedicated ourselves to the society we are privileged to serve, the United Arab Emirates. Though the pace and nature of the change this year was truly unprecedented, we did not waver from our responsibility.

— **Fahad Al Hassawi**
Acting Chief Executive Officer

CEO's Message

CEO's Message

Reinforcing our importance to the nation

When the pandemic reached the UAE and lockdowns caused severe disruptions in business activity, we took immediate action, complying with all local and federal regulations and guidelines to protect the health and safety of our people, while enabling and empowering them to ensure the continuity of our operations and services.

It has long been true that EITC has no greater asset than its people. During this turbulent year, our healthy and safe workforce provided a measure of continuity, security and comfort across the EITC family at a time of great individual and collective stress.

As a responsible corporate citizen with a significant national profile, we also responded with speed and agility to the evolving needs of our customers, demand on our network and opportunities to support our community and nation, launching a wide range of #WeGotYou initiatives while continuing to invest in our organisation and strategic priorities.

Rapid response and continued investment

As with almost all other business sectors, we were not immune to the economic and market shocks brought about by the pandemic. The disruptions in travel impacted roaming revenues, the transfer to work from home translated into a shift of data usage from monetisable mobile plans to unlimited Home Broadband plans, and the lockdowns and movement restrictions impacted sales through the temporary closure of shops.

While we saw a positive momentum towards a gradual return to normalcy towards the end of 2020, our revenue for the full year decreased by 11.9% to AED 11.08 billion, reflecting the drop in tourism, mobility and consumer spending. This was partially offset by the company's strong efficiency programme and the cost mitigation strategy implemented at the onset of the pandemic, resulting in full-year net profit of AED 1.44 billion, equivalent to earnings per share of AED 0.32. Our business remains profitable and resilient, with a strong balance sheet and liquidity position.

Despite the uncertainty throughout the year, we continued to leverage our financial strength, built over the years, to respond to the short-term challenges without sacrificing our long-term strategic objectives. Our strong balance sheet enabled us to maintain our investment plans, including 5G and infrastructure deployment, and to accelerate the digital transformation of the business, all of which are key to the company's future success. Our capex intensity for the year was 16.9%, up from 12% in 2019, and capex spending was AED 1.87 billion, up from AED 1.51 billion in 2019, reflecting our commitment to make the right investments for the future of our business.

During Q3, we announced the sale of our 26% stake in Khazna Data Centre for AED 800 million, which resulted in a profit of AED 519 million for EITC. The sale reflects our new focus on the data centre business through partnership and direct build-up. Our long-term commercial agreements with Khazna continue, in order to support the company's needs moving forward.

Our new customer-centric operating model

As part of our ongoing transformation, we put in place a new operating model during this year to enable greater customer engagement, spur a stronger focus on innovation, and build a digital powerhouse for the future. The new model seeks to deliver deeper and more personalised customer engagement, a faster go-to-market approach, and a purpose and performance driven culture. It will digitally future-proof EITC, whilst accelerating our transformation and our ability to adapt to evolving market dynamics.

EITC's new operating model is based on five key pillars, individually empowered yet collectively focused on achieving the company's vision and strategy.

The Commercial function is responsible for EITC's commercial strategy; management of consumer and enterprise segments, products and services; and customer experience, digitalisation and brand management. It is designed to ensure a more synchronised, simplified and consistent product offering for each segment, as the wide-ranging implications of this new model translate to tangible benefits for our customers.

The Customer and Channels function is a centralised hub for all sales and service touchpoints for our consumer and enterprise customers, including channel strategy, service quality and digital shift. It is focused on offering more consistent and digitised end-to-end customer experience and care. As such the convergence of customer contact avenues, coupled with the agile adaptation to COVID-19, has seen a significant step-change in our digital interaction capabilities. During 2020, du handled almost 70% of our service contacts through digital channels, collected over 80% of bills through digital means, and saw a 300% jump in sales coming through digital channels.

We also launched a direct-to-customer sales channel to visit customers at times and places convenient to them; expanded our distribution by opening 13 new locations to be closer to our customers; added a Chatbot capability to help customers get answers quicker (+500k queries); and introduced an online Livechat Agent Service (+700k conversations), allowing customers to talk directly to agents via our app. The focus was to serve our customers when, where and how they please.

The New Business and Innovation function is the interface to opportunities in the digital ecosystem, tasked with the incubation and acceleration of new businesses and services that drive EITC's growth beyond the core. It is also tasked with managing new business-related partnerships, investments and business analytics insights, having realigned to support industry verticals with a strong focus on the government, banking and finance and technology sectors.

Under our newly combined Technology and IT function, we converged technology strategy, governance, security and operations to unlock collaboration and efficiency. The two functions work together to build a common roadmap of future capabilities, manage business demand in a unified manner and ensure service quality. During this year, the coverage and speed of our network reached new heights, while our IT operations also transformed, improving time to market and availability of critical applications, while simultaneously reducing business and operational risk.

> **"2020 also reinforced the value of the innovative business model and premium experience for the tech-savvy market segment"**

2020 also reinforced the value of the innovative business model and premium experience for the tech-savvy market segment that has made Virgin Mobile an outstanding brand and performer since it was launched three years ago. Enabled by its digital-first approach and strong people culture, it launched a range of new features, enhanced customer experience through the app, and rapidly rebounded from the adversity of the year to post healthy gains in financials, active users and customer satisfaction by year-end.

Building our talent base

Our talented and engaged workforce remains key to the execution of our strategy and maximising the potential of our new operating model. We maintained our focus on attracting, retaining and engaging outstanding individuals across our organisation, continuing our proactive recruitment of talented Emiratis and the specialist expertise needed to support our operating model and strategic direction.

During the pandemic, we participated in a range of 'virtual career fairs' hosted by partner universities. Our employees were able to continue their professional development through a blended learning approach, with the majority of learning opportunities made available to them digitally. 76% of this learning was self-directed and, on average, our du colleagues spent 17 hours taking part in learning programmes to develop their knowledge and skills during 2020.

Looking forward with confidence

My first year as the Acting Chief Executive of EITC has undoubtedly been challenging and eventful, but I enter 2021 with pride in what we have accomplished and optimism for the year ahead.

We will continue to prioritise the health and safety of our employees and our customers, as we work with government and other partners to find a new normal and contribute significantly to combatting COVID-19, until the widespread rollout of vaccinations puts an end to this pandemic.

The coming year will see continued large-scale investment in technology and infrastructure, focusing on modernising our internal IT infrastructure and the continued roll-out of our 5G network – increasing reach, reliability and speed to better serve our customers across the UAE.

Customer-centric innovation will remain a driving force for our business, as we launch new services and solutions for the businesses and people across our nation to live, work and play, all supported by the most dependable network and fastest connectivity speeds.

Our transformation journey into a modern telco fit for the future will remain a priority, as we leverage our new operating model and implement our strategy to elevate our brand, and create lasting value for our people, customers, partners, community and shareholders.

Acknowledgements

I would like to thank all our valued stakeholders who came together during this unique year to support each other and work for the best interests of EITC.

I am grateful to our Chairman, Managing Director and Board Members for their inspiration and guidance, to our technology partners and service partners for their exceptional support, and to our shareholders and customers for their continued trust.

Finally, to all our amazing employees – from the front lines to our network engineers and everyone in between – I thank you for your dedication and hard work through this remarkable year. Together, we persevered and emerged leaner, stronger and energised to achieve our shared ambition – to power the UAE's digital future.

Fahad Al Hassawi
Acting CEO

Management Team

Fahad Al Hassawi

Chief Executive Officer (Acting)

Karim Benkirane

Chief Commercial Officer (Acting)

Anthony Shiner

Chief Customer and Channels Officer

Saleem Albalooshi

Chief Technology Officer

Farid Faridooni

Chief New Business and Innovation Officer

Kais Ben Hamida

Chief Financial Officer

Peter Larnholt

Chief Information Officer

Ehab Hassan

Chief Human Resources Officer

Hanan Ahmad

Head of Corporate Affairs and Assurance (Acting)

Market Overview

A year of extreme uncertainty and volatility for the UAE and economies worldwide due to COVID-19 put pressure on an already saturated UAE telecommunications industry, while accelerating digital adoption of customers and digitalisation of services across all sectors.

Globally, the telecom sector was already under pressure entering the year. This trend was further accelerated due to the COVID-19 pandemic, putting further pressure on revenues and margins while simultaneously catalyzing the acceleration of the digital adoption and ICT services and the evolution of digital ecosystems. Despite the unique challenges of this year, telcos maintained their investment in new technologies in terms of capital investment in network and IT.

Global macroeconomic uncertainty due to COVID-19 remains high as of the end of 2020. However, in the UAE, GDP showed signs of recovery towards the end of the year. With the start of the recovery in the UAE market, we are pleased to see green shoots of recovery across our business too, for the first time since the onset of the pandemic.

The UAE telecom market is highly penetrated in both the fixed and mobile segment. As a result of this high penetration and the impact of COVID-19, the UAE telecom mobile market declined overall by 8.0% in terms of total subscribers during 2020.

This decline was mainly attributable to the mobile segment, which was strongly impacted due to COVID-19 restrictions and associated impact of lockdowns on business and travel, as well as sustained pressure due to intense competition in the pre-paid market and in OTT/VoIP.

During 2020:

- Pre-paid subscribers market declined by 10.1%;
- Postpaid subscribers market grew by 0.5%; and
- Broadband subscriptions declined by 2.2%.

In 2021, digital ecosystems will continue to rapidly evolve and COVID-19 will accelerate the digital adoption (working from home, digitalisation of enterprises) and ICT solutions (cloud, data centre, cybersecurity). At EITC, we continue to play a vital role in supporting the country's digital infrastructure through the provision of communications and connectivity services.

We expect the following trends to continue in core areas:

- **Fixed**: Moderate growth due to remote working and the proliferation of broadband packages at higher speeds.
- **Mobile**: Despite the COVID-19 recovery, ongoing pressure due to mature and highly penetrated mobile market and OTT/VoIP revenue pressure.

ICT: Growing as telcos offer end-to-end enterprise solutions and bundle connectivity with ICT services, such as cloud, security and data centres, with accelerated adoption due to COVID-19.

Strategy

In a shifting industry and current market context, EITC has evolved its vision to become a 'Leading digital telco' to reflect its ambition we continue 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, and growing in the new business space.

Become a Leading Digital Telco

Back to winning (B2W)

Enhance the Core business		Build the New business	
Win back and excel in the Consumer business	Drive Enterprise business to the next level	B2C (digital lifestyle services)	B2B, B2B2C (integrated solutions)

Exceed Customer Expectations (ECE)

Re-invent customer experience	Improve channels and services

State of the Art Engine (SAE)

Invest in IT	Expand fixed and mobile network

Purpose and Performance Driven Culture (PPC)

Implement new operating model	Build performance culture

To succeed in our strategy, we have identified key focus areas:

Core Business

- Introduce segment view and personalisation for consumers and vertical focus for enterprise
- Design superior customer experience with focus on digitalisation and innovation (Greenfield)
- Already on a path of expanding our fixed reach outside Dubai and strengthening our mobile indoor coverage

New Business

- To become a leading digital lifestyle/integrated business solutions provider
- Becoming a partner of choice as an enabler for digital transformation

Key Performance Indicators for 2020

Our Key Performance Indicators allow us to measure progress in executing our corporate strategy and fulfilling our Vision and Mission.

	KPI
Financial	Total Revenue
	EBITDA Margin
Customer	Net Promoter Score
Operational	Transformational Programme
	Network Deployment
Learning and Growth	Emiratisation

Our Transformation Programme

In order to deliver our ambitious Vision of becoming a 'Leading Digital Telco', EITC accelerated our transformation journey during 2020, designing and integrating its key transformational initiatives under three pillars, and laying a foundation for rapid transformation in the years ahead.

Become a Leading Digital Telco

Back to winning (B2W)

Exceed Customer Expectations (ECE)

A customer experience programme ensuring that all segments and functions are equipped to Exceed Customer Expectations

State of the Art Engine (SAE)

A technology programme providing EITC with state of the art IT and Network factories to enable its future ambition

Purpose and Performance Driven Culture (PPC)

An Organisation and People programme enabling new ways of working through a new operating model and performance driven culture

These programmes entail multi-year initiatives and require close coordination for successful implementation. In 2020, we initiated most of these initiatives and made noteworthy progress in many of them, specifically:

Exceed Customer Expectations

- Developed comprehensive strategy and plans focusing on near-term by prioritizing the current Customer Experience paint points and defining short-term improvements in the areas of digitalisation, channels, products and network
- Designed a superior Customer Experience for the mid-term by leveraging the upcoming innovative system capabilities with a focus on digitalisation
- Integrated the people dimension into all our Customer Experience initiatives to ensure sustainability

State-of-the-Art Engine

- Continued to stabilise and improve existing IT systems
- Progressed in the design and selection of the future state of the art IT system capabilities that will enable the ambitions vision of becoming a "Leading Digital Telco"
- Invested heavily in network capacities to support the increased traffic due to home working and distance learning
- Increased our 5G footprint to reach 80% coverage of the heavily populated areas in Dubai and Abu Dhabi
- Continued rollout of fiber network to new geographies
- Finished construction of our own state of the art Tier 3 commercial data centre enabling us to start onboarding customers in 2021

Purpose and Performance Driven Culture (PPC)

- Executed a major change in operating model focusing on customer centricity, clear accountabilities and efficiencies
- Conducted the appointments/reappointments of all the leadership roles through a rigorous process ensuring best fit of talent based on external assessments
- Significantly delayered organisation and enhanced spans of management control enhancing effectiveness
- Delivered on the planned cost efficiencies by right sizing the organisation as per the new operating model
- Ensured a good transition to the new operating model by proactive planning and phased rollout

Financial Review

EITC's business model, bolstered by its strong balance sheet and cash flow, proved resilient in an unprecedented year. The company adapted to meet the challenges raised by the COVID-19 pandemic and delivered a healthy financial performance.

EITC reported in 2020 a net profit of AED 1.44 billion. On the basis of this result, the Board of Directors recommended to the general assembly the distribution of an annual dividend for 2020 of 28 fils per share out of which 13 fils per share were distributed in August 2020 as an interim dividend.

During the year, we focused on containing the erosion of revenues resulting from (a) the WiFi offload driven by limited mobility in Q2; and (b) the shrinkage in the population after the travel restrictions in the UAE were lifted. We also implemented several cost optimisation measures to manage the impact of revenue decline. This supported a robust EBITDA of AED 4.5 billion, 40.7% margin.

We continue to position ourselves to meet the future needs of the UAE by creating seamless interactions for our customers and building an advanced infrastructure to empower the nation's digital agenda. In August, we announced a new operating model to enhance customer engagement, support stronger focus on innovation and build a digital powerhouse for the future. The operating model includes three customer-facing functions; Commercial, Customer and Channels, as well as New Business and Innovation and two technology functions grouped as Technology and IT.

Highlights (AED Millions)	2019	2020	% Change
Revenues	12,588	11,084	(11.9%)
EBITDA(1)	5,684	4,507	(20.7%)
CAPEX	1,508	1,871	24.1%
Free Cash Flow(2)	1,594	1,156	(27.5%)
Net Debt	(2,501)	(2,243)	(10.3%)
Net Income	1,731	1,443	(16.6%)

(1) Earnings before interest, tax, depreciation, amortisation and goodwill write-off
(2) Free Cash Flow represents the amount of cash generated from operational activities minus cash generated from investment activities and royalty payments

Revenues

Revenues were under significant pressure due to the COVID-19 pandemic. Movement restrictions to manage the spread of the pandemic came into effect at the end of the first quarter and continued during the second quarter. During these restrictions, our customers' consumption habits shifted their data usage from mobile usage towards their home broadband. This led to a significant reduction in mobile data revenues (WiFi offload). Travel restrictions have also an adverse negative impact on roaming revenues. Although movement restrictions were eased during the summer, the pandemic continued to have an impact due to concerns on job losses, companies' going concern and a contraction in the population.

In 2020, revenues declined by 11.9% to AED 11.1 billion. Mobile revenues retracted from AED 6.5 billion in 2019 to AED 5.5 billion in 2020. However, following the ease of movement restrictions, in the second half of the year, the company reported two consecutive quarters of sequential revenue growth thus highlighting the initial stages of recovery. Despite a challenging market environment, ARPU increased 3.4% to AED 86 as we continued our focus on the higher value mobile customer segment.

Despite the above-mentioned challenges, our fixed line business delivered a robust performance, demonstrating its resilience throughout the year. Fixed revenues increased 3.0% to AED 2.6 billion, supported by a 7.4% growth in our fixed subscriber base.

Wholesale and other revenues retracted from AED 3.6 billion in 2019 to AED 3.1 billion in 2020 due to lower roaming and hubbing revenues.

Efficiency and Profitability

Throughout the year, we maintained our focus on cost optimisation and were able to partially manage the impact of the COVID-19 pandemic. EBITDA declined 20.7% to AED 4.5 billion due to lower revenues. Despite the challenges, we achieved a healthy EBITDA margin of 40.7% through several cost efficiency initiatives. Net income for the year was at AED 1.44 billion.

In Q3 2020, we announced the disposal of our 26% stake in Khazna Data Centre. This transaction generated proceeds of AED 800 million and a profit of AED 519 million. We continue to focus and drive our data centre and colocation business through partnership and own investment in infrastructure. We remain committed to the ICT segment and continue to see opportunities in the provision of end to end managed services as a way of diversification of our revenues.

In Q4 2020, we took a goodwill impairment charge of AED 137 million on our broadcasting business to reflect the impact of the COVID-19 pandemic.

Excluding these exceptional items, we generated a net profit of AED 1.1 billion.

Royalties

Since 2010, EITC has been paying royalties to the UAE Federal Government in line with an official directive from the UAE Ministry of Finance. In 2020, the royalty charge was AED 1.5 billion (2019: AED 2.0 billion). The decline is due to lower revenues and net profit.

Capital Expenditure and Free Cash Flow

We increased our Capital expenditure ("**Capex**") by 24.1% to AED 1.9 billion as capital intensity reached a five year high of 16.9%. We remain committed to deliver long-term value for our customers, shareholders and the nation. Our capital deployment plan enables an improved network quality, increases 5G coverage and facilitates thew digital transformation of platforms and infrastructure for products and services.

Despite challenges and higher capital intensity, we generated a robust free cash flow of AED 1.2 billion, thus highlighting the resilience and agility of our business.

Dividends

For fiscal year 2020, the Board of Directors recommended for the shareholders a dividend distribution of 28 fils per share out of which 13 fils per share were distributed in August 2020 in the form of an interim dividend.

Commercial Division

"Our economy and our sector have never faced a more decisive moment than in 2020. By responding to the changes and challenges of this year with agility and innovation, the new Commercial division ensured the disruption to our consumers was minimised and business continuity was assured."

Simple solutions, consistent quality and, perhaps most important during the lockdown and pandemic, a determination and capacity to adapt and innovate. This is the essence of our Commercial division, launched this year to serve a population whose expectations are amongst the highest in the world, and an ambitious business community that is transforming and being transformed at the breakneck speed of digital progress.

We kept the nation talking to each other

For decades, connectivity has become increasingly important for society to grow and flourish. In 2020, it became a matter of personal stability and business survival. As a result of rigorously streamlining our business over the last few years, the new Commercial division of EITC was able to adapt to the pandemic with speed and focus.

We immediately acted to support our customers, with more data, more speed and more apps to ensure the transition to working, schooling and shopping from home was empowering, rather than crippling.

We provided customers with free upgrades in internet speeds and voice and data allowances, while delivering additional quality content on cable, an upgraded eShop, and even door to door deliveries. We also white-listed VOIP and various communication and collaboration apps, so the people of the UAE could connect with the world and their loved ones from the safety of their homes.

For consumers, we activated the #WeGotYou programme, which promoted safety and provided financial relief through:

- Free internet calling packs with white-listed data, including voice and internet video
- For calling home
- White-listed educational and commercial apps, including Zoom, MS Teams and WebEx
- Greater value for online services, such as bonuses for digital recharge/payments
- Extended payment deadlines
- Discounts for medical, civil defense and other first responders on postpaid plans and additional bonuses on prepaid

For our Enterprise customers, we assured business continuity and empowered success during this challenging period by offering:

- Fixed connectivity speed upgrades
- Discounted data bundles to connect employees
- Free VOIP calling data packs
- Thermal cameras, video surveillance and tele-consultation to keep their businesses moving and physical premises safe

In addition to supporting our customers during this very challenging period, we put the time to good use by examining how we could make our business even more customer-centric, even more agile, and even more digitally-focused. This led to the launch of our Commercial division, which is now ready to help empower the country on its recovery back to growth and prosperity.

A new model of Commercial success

The pandemic was an accelerator, driving innovation and pushing pre-existing trends forward by months and years. While the pace of change may have accelerated, we were well prepared for the direction and had already built the infrastructure and capabilities to support our customers. So when we launched our new operating model, it wasn't just geared to streamline our response, it was created to deliver growth and long-term returns for our shareholders.

The Commercial division is designed and equipped to provide a more synchronised, simplified and consistent product offering for each segment, supported by a new five-year strategy to drive improvements across products, services and customer experience for both consumers and enterprises.

In line with our new strategic focus, and keeping pace with the shifting needs of our customers across the UAE, we invested heavily in our digital presence during the year. We enhanced our app, our website and our processes

Our performance by the numbers

Despite these achievements during the year, our business was heavily impacted by the pandemic, as tourism dried up and economic activity slowed in Q2 because of the lockdown. Our revenues were down overall by 11.9% to AED 11.1 billion during 2020, though we saw an uptake in activity and positive momentum towards the end of the year.

We experienced a sharp decline in mobile business, with revenues down 16.6% to AED 5.4 billion, mainly due to the pandemic's impact on both the size of our mobile subscriber and average revenue per user. By year-end, this decline had been arrested and a return to growth was realised, although still below pre-COVID levels.

Meanwhile our fixed services revenues rose by 3.0% to AED 2.6 billion, reflecting the increase in our fixed subscriber base to reach 236 thousand as of year-end. The resilient performance of the fixed segment was fueled by the increased connectivity needs to live, work and play from home in 2020.

More speed, more support and more services

Both the pandemic and competitive pressure kept us busy by adding more, and greater, value and services to our mobile customers, particularly with content and meaningful partnerships.

EITC has made innovation and customer-centricity its domain, and it is the mandate of the Commercial division to deliver on this promise. We aim to bring the best connectivity, speeds and innovative services to the people and businesses of the UAE.

To that end, we significantly increased our capex spend during 2020 for network deployment and maintenance, including the rollout of 5G across the country. The successful roll-out of our 5G network in 2020 has revealed monetisation opportunities in 5G as well as in digital services and partnerships.

During the year, the growth of our fixed services has expanded both our service potential for enterprise clients and our Triple Play base for consumers. This trend will continue as more homes come online and the work from home trend grows.

New packages, products and services

In 2020, we introduced a number of new propositions and enhanced existing ones to drive sales, engagement and experience across our customer segments.

For our consumer prepaid customers, we launched:

Flexi and Easy

- Freedom to choose the right plan
- Flexibility to change plans and packages
- Unlimited calls to favourite number
- Unlimited voice and video calls from a small fee
- Full digital experience on the du App

Power Plans enhancements

- Unlimited international calls to families back home
- Free Amazon and BeIN subscriptions

For our home services customers, we launched:

It's Good to be Home

- Free speed upgrade up to 500 Mbps
- Free Video on Demand
- Free internet calling pack (Voico)
- Free Amazon Prime membership

Triple Play enhancements

- Ultra-high-speed broadband up to 1 Gbps
- Premium TV (IPTV)
- Unlimited national calls
- Premium WiFi router
- IPTV recordable box

For both postpaid mobile and home services customers, we introduced:

Amazon Prime

- Free membership for 12 months
- Free domestic next day delivery and free international delivery on orders above AED 100
- Exclusive access to Amazon originals, popular movies and TV shows
- Exclusive early access to deals 12 hours in advance
- Free games every month, access to free in-game loot and a Twitch channel subscription every 30 days

For both postpaid mobile and home services customers, we introduced:

- We got your business launch to provide agility and business continuity with:
  - Free fixed broadband upgrade for educational institutes, including schools and universities
  - Opening VOIP to support remote working and e-learning initiatives, including Skype for business, WebEx, Blackboard, Zoom, Google Hangout Meets, Microsoft Teams, and Google Classroom and Google Dojo
  - Digital self-care services, including online bill payments
  - Remote working solutions
- New postpaid plans launched on SME online store for convenience and better customer experience
- Homat Al Watan plans with exclusive rates and features
- Smart office thermal cameras to manage contactless temperature screening for enterprise customers
- eShop for SME customers as well as door-to-door delivery to support them during the pandemic
- eShop for business employees
- Direct-to-home broadcast solutions to maximise TV channels through satellites
- National data boosters with special mobile data offers
- Fazaa launch with exclusive offers on Fazaa card along with data and minutes

Taking a giant leap in digitisation

Our ongoing mission to consolidate our position as the leading telco service provider continued during 2020. Through our digital interfaces, we have vastly simplified all interactions with our customers to purchase or manage their accounts online. By necessity, this was in parallel to enlarging our tele-sales presence when digital traffic became much heavier during the year.

It must be noted that our engagement with consumers and enterprise customers during the accelerated shift to digitisation was so vindicating that our digital ambitions into the future have become more ambitious and aggressive. This will provide a foundation for the new Commercial division to drive even better service and engagement to benefit our customers in the years ahead.

Overall, while 2020 proved to be a testing year for all of us, it was also a transformational year that saw structural changes to our division and our strategic focus, in order to unleash our full growth potential in the years to come.

Thinking, planning and moving ahead in 2021

As the UAE pushes forward with its vaccination campaign, and market confidence and economic activity continue their positive momentum from the end of 2020, we remain confident and anticipate a slow but steady recovery for our business in 2021. Our new Commercial division is well-positioned to capitalise on this rebound in activity over the coming years, through the execution of our new five-year strategy.

We will retain our **mobile** base and grow our share of new customers through better value and better services for an all-around better experience.

Our **fixed** base will continue to grow as we increase the proliferation of high-speed broadband services across the UAE and capitalise on the remote working phenomenon that is here to stay.

ICT is entering a new age of applied technology, and our end-to-end enterprise solutions and bundled connectivity will continue to offer competitive advantages to our customers in the areas of cloud, security, data centre, AI and IoT services.

Customer and Channels

"With our increased focus on customer experience and to further support our nation's digital transformation agenda, the inception of our Customer and Channels function is now serving as a key strategic enabler to accelerate the foundation laid in the years before."

The devastating impact on people's lives and global economies brought by the abrupt arrival of the COVID-19 pandemic continues to be the world's primary conversation. But there have been examples of services that were fully prepared for the widespread disruption. In the UAE, EITC was such an example, converting the privilege of serving the nation into a responsibility to enable, support, and empower residents faced with a new day-to-day reality. This was achieved for the most part by the new Customer and Channels department.

With a focus on the immediate needs of our customers, this department enabled and drove a significant increase in download speeds, free or decreased costs for services, the accessibility of remote education and working apps, educational services, and other video conferencing tools to drive an overall acceleration of digital services. Just to name a few actions geared towards remote working and other services helping to overcome pandemic-induced hindrances. Those efforts were complemented by strictly adhering to regulations concerning regular sanitisation in our shops and our offices. We continue to take the safety of our colleagues on the front line seriously, and ensuring that both our customers and colleagues can enjoy safe and worry-free visits to our shops continues to be our top priority.

The introduction of the Customer and Channels department coincided with the pandemic, enabling EITC to provide greater support to the people of the UAE. As the scale and reach of the du brand's offerings have grown year after year, this department was set up to ensure the customer experience remains efficient, simple and always improving.

Putting customers at the heart of our business

The COVID-19 pandemic has undoubtedly accelerated a range of pre-existing digital trends for our customers. Within the Customer and Channels department, we keenly appreciated this acceleration of digital technology, resulting in a society better able to cope with the necessary constraints the pandemic has caused. This is manifested in the simple fact that by year-end, over 80% of bills were paid digitally and over two-thirds of our customer service interactions were conducted on digital platforms. We are very happy to report that penetration of our digital channels has never been higher, and we are making sure this increased demand is met with an increase in stability and performance.

The past few years saw EITC make considerable investments and progress in process automation and digitisation which placed us in a prime position to manage the peculiar demands of remote work. We are now enabling the future work trends which have emerged from the pandemic. The new 'Work From Home' drive was greatly facilitated for our customers by amping up our live chat, accelerating the development of our chatbot, and implementing further improvements on our eShop and WhatsApp channels. We can also record that a staggering ten million-plus process transactions were managed by robotics and other automation functions in 2020, significantly enhancing customer experience, whilst increasing operational efficiencies and resulting in substantial cost savings.

Digitising the customer experience
Chatbot volumes up by 400%
Digital payments up by 47%
16% decrease in contact centre calls, now managed digitally
Improved SLA of the customer experience through automation
Increased online help and support services

Serving our customers better today while preparing for tomorrow

The department was established with the overarching objective to delight our customers and empower them to be self-sufficient in all sales and service transactions. This will be achieved through faster, easier and more personalised experiences through a variety of digital interfaces. We already have seen a decrease in call centre volumes, adding further evidence that customers prefer digital solutions. It is also evidence of increasing levels of trust, which will positively impact our Net Promoter Score (NPS) performance.

The department itself accounts for all touchpoints and compromises around 1,600 EITC employees, whose main objective is the consistency of our customer experience and the achievement of our aggressive service levels. These staff members are deployed in the following areas: Retail, door-to-door, telesales, digital channels, contact centres, fieldwork (engineers) and customer experience.

The strategy of centralising these functions is designed to ensure more consistent delivery of excellent service to our customers, particularly in this newly accelerated digital era. The Customer and Channels department serves as a hub for all consumer and enterprise customers and has been able to migrate an overwhelming percentage of interactions to a fully digitised end-to-end experience thus far, recording a 300% increase in sales coming exclusively from digital channels.

With our continued focus to be closer to our customers, we opened 14 new retail locations in the UAE during 2020.

Much of our ambition echoes the vision of our Government. When COVID-19 struck, we supported the national imperative to sustain education without disruption while moving our customers – and the country at large – towards the goal of being digitally self-sufficient. In what would later become Government policy, EITC ensured that learning and school websites were provided for free to students of over 800 schools nationwide, as were the tools for online video and collaboration. WhatsApp Direct was also activated during the initial national lockdown for aspects of home service, including sales, ID renewal, and other functions to ensure maximum service in the safest possible manner.

The safety of our employees – both in shops and at home – was paramount, as was the safety of our customers. We were determined to provide consistency of service during the uncertainty of the pandemic by way of the strength of our network and the commitment of our people.

2020 performance highlights

During its first year, the Customer and Channels department drove enhanced customer engagement and experience by:

- Launching a brand new Chatbot service
- Implementing our eShop in the du app
- Launching WhatsApp Direct

- Introducing interactive bill for enterprise and consumer customers
- Expanding Telesales
- Introducing direct to home service during the lockdown
- Boosting call centre performance to handle increased volume
- Opening 14 new physical retail locations

We also increased marketing efforts and promotions to inform our customers about our digital services, with our TikTok campaign garnering over 158 million views, further contributing to our exceptional growth during the year.

Moving from strength to strength

Our ultimate ambition: to provide our customers the right product, at the right place, at the right time.

In 2021, Customer and Channels will focus on fulfilling its mandate and improving customer experience through strategic progress in three specific areas:

Driving and accelerating sales and service delivery

The focus for customers will be to create even more personalised experiences across multiple du touchpoints. We want our customers to have both trust and pride in their choice, proclaiming "I'm a du customer wherever I go". The focus for channels will be to revamp our stores to enhance customer experience and create a product-specific concierge service, before shifting our focus to driving enhanced experience for other customer segments.

Driving channel shift to suit customer demand

Simply put, this is providing our customers with the services and features they want, when they want it and where they want it. This will include creating a cross-channel experience to broaden the perception of consistent quality of service at every touchpoint. Having accelerated the digital experience with the COVID-19 pandemic, our current and future customers now expect us to continue at the same pace and scale of innovation. Naturally, we will continue to open new stores and refresh others to deliver a seamless, fast and rewarding in-store experience, integrated with our digital online assets.

Significant improvement in customer experience

We are targeting a figure of 90% of our customers to regularly interact with us on a digital platform, representing a further increase of 10%. We will also work on measurement models to accurately audit end-to-end service across all touchpoints. Also under development is the ability to understand and measure the customers reaction through an on boarding process when a new product is launched. These improvements will give us real-time analysis and represent a major leap from the prior methodology, which was based on lagging indicators.

Our ultimate ambition: to provide our customers the right product, at the right place, at the right time.

New Business and Innovation

The recently launched New Business and Innovation function is designed to lead change and support customer success, driving resilient growth through a higher level of service demanded by the UAE's transforming business community. This was the vision behind the creation of this new EITC division.

New Business and Innovation was established in the second half of 2020, as part of the new organisational structure, to play a deep and meaningful partnership role with our commercial customers. Now fully consolidated and integrated with the broader organisation, in order to build stronger collaboration and focus, it is now ready to deploy bespoke digital solutions, uncovering deeper insights through business analytics, and foster new business-related partnerships and alliances for EITC.

By realigning EITC with industry verticals, with a particular emphasis on the Government, Banking and Finance, and Technology sectors, we were able to start cultivating deeper more cohesive relationships with our customers in these strategic sectors. But this was just the beginning because once more closely aligned with these sectors – with whom we had always enjoyed strong ties – we will be well-placed and considerably better equipped to expand our digital growth strategies into 2021. In this regard, NBI is positioned to play a significant role in the Back to Winning stream of EITC's ongoing Transformation Programme.

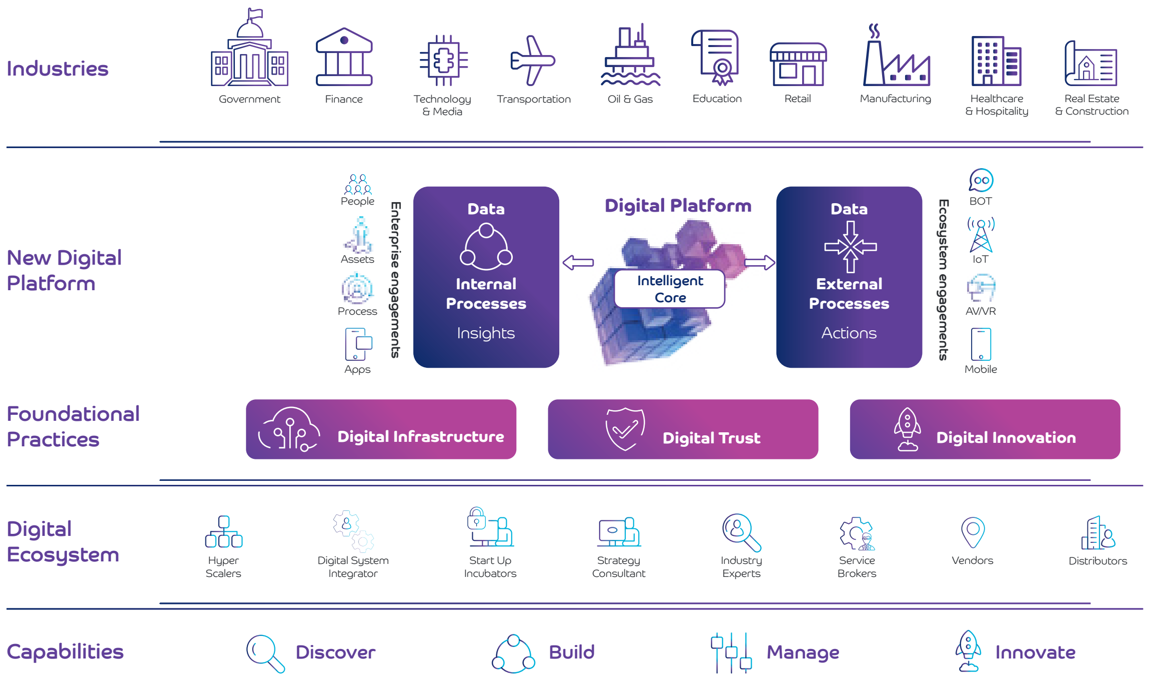
At a time of great social and economic uncertainty, this division is a bold initiative to future-proof the group. If 2020 was the year when 'going beyond the core' reached full throttle for EITC, the New Business and Innovation (NBI) division was in the driving seat.

Laying a strong foundation for growth during 2020

A digital platform for transformational success

Our digital platform lies at the heart of our value proposition to our customers. We create by developing and deploying integrated solutions built around a digital platform with an intelligent core, which serve to bridge silos of innovation and help scale up digital transformation. This initiative has been built on three foundational portfolio pillars:

These are supported by a robust capabilities framework and a comprehensive partner ecosystem. At GITEX 2020, the NBI sales organisation was on hand to demonstrate how this commitment – our narrative – converts to greater efficiency and competitive growth for our customers.



New Customers and Projects

Because of the global pandemic, 2020 was the year in which companies large and small were required to accelerate their digital transformation, with the new 'work from home' ethic, plus the inherent need to reduce costs. In this regard EITC, through this new division, maximised its data centre, cloud, security, IoT, artificial intelligence, and blockchain capabilities. As a result, we attracted new business from government and the private sector, particularly in Q4, providing solid momentum heading into 2021.

A New Direction in Data Centres

The sale of our stake in Khazna Data Centre, reflects our new focus on the data centre business through partnership and direct build-up. While our long-term commercial agreements with Khazna remain in force, in order to support the company's needs moving forward, we shifted focus during 2020.

The construction of two new data centres in Dubai's Silicon Oasis and the Khalifa Industrial Zone in Abu Dhabi represent the pinnacle of EITC's, and its partners', technological capabilities. With the capacity to accommodate the data storage needs of the UAE's entire business community, these data centres fulfil EITC's mission to be the nation's managed service provider of choice – combining agility, flexibility, versatility and security. With sub-5ms latency, enabling an astonishingly quick flow of data between locations and the advanced functionality of Optical Transport Networks, our new data centres are configured for hyperscalers, SMEs, and everything in between, to maximise their operations with dedicated, reliable and secure connections.

Blockchain Platform – "Blockchain Edge Launch"

NBI has been mandated to assist EITC customers build and secure scalable blockchain solutions. Consequently, in 2020 we launched three business streams to enable organisations and systems integrators. These streams are:

Succeed with Us **Sell with Us** **Build with us**

EITC's prior proficiency in blockchain solutions, in particular our ready-to-market applications for government and large enterprises has placed further expectations upon our organisation to be the telco innovators in the UAE. Rising to this expectation, we launched the first locally-hosted blockchain platform in March 2020 in partnership with Dubai Economy; a BPaaS named The Blockchain Edge Platform.

Building Alliances of Strategic and Commercial Importance

UAE Ministry of Health

The leadership of the UAE has, for some time, placed the ongoing advancement of healthcare at the very top of their list of national imperatives. So it is with some pride that NBI has been tasked with exploring and implementing opportunities in this vital sector to improve service to patients, clinicians and healthcare providers, on behalf of our brand du. This was as a result of a Memorandum of Undertaking signed by the Ministry of Health and du in January 2020. The first fruit from this collaboration is the AI-enabled Telemedicine Platform providing secure video and audio connections for doctor-patient consultations. As a support tool, this platform aids doctor and patient to find the right care path.

Equinix

EITC has partnered with this global leader in co-location data centres for over eight years. NBI assumed the mantle of this partnership in 2020 and our first step was to renew our Alliance Agreement. In effect, this renewal considerably bolsters our data centre capacity in the UAE, while also supporting the success of datamena. The secure connectivity provided by EITC through this collaboration will continue to ensure the UAE and the region remain a digital economy powerhouse in the world, at the forefront of transformative practices.

Wipro

Through the channel of NBI, du and the Indian software and technology service provider are partnering to create two important platforms. Multi-cloud is a highly sophisticated method of utilising multiple computing and storing services through a single interface. The development of this platform will give our customers a level of automation and artificial intelligence that will increase their business efficiency by a significant margin.

Around the world, the need for heightened cybersecurity increases every year as ever more sophisticated hacking techniques are developed. Consequently, du's new Cyber Defence Centre is a next generation facility built to the most exacting current and future global security protocols. The holistic technology employed to create the Centre will also continue to safeguard EITC's reputation as the providers of the most secure facility in the region.

SoftwareAG

Perhaps the biggest single transformative leap that business is about to take, will be the deployment of IoT technology. In August, EITC signed an agreement with the German IoT specialists SoftwareAG to provide a subscription-based licencing model enabling du business customers to integrate IoT into their systems, and it is the responsibility of NBI to assist in this process. The complexities of this integration include rapid application features, immediate analytics and dashboards. Not only will du customers be able to deploy and/or upgrade IoT applications with ease and flexibility, but in so doing, give their organisations a competitive head-start in the most important advance in connectivity the world has ever seen.

Accelerating New Business and Innovation into 2021

2021 will see the collection and dissemination of deeper real time data insights, and more collaboration across the organisation with improved technological tools, in service of our customers.

We will continue with our go-to-market strategy of offering leading-edge integrated services to all sectors, but we will also retain a sharp focus on the Government, Banking and Finance, and Technology (including Media) sectors. By maintaining our commitment to auditing and improving customer experience and engagement, we will help our customers achieve their transformational and operational objectives, as society returns to normalcy after a challenging period.

We will continue to develop our digital platform capabilities In order to bring our value proposition to maturity in the coming year, to ensure our customers realise their digital transformation objectives. This will focus on the same three key pillars:

Our Digital Infrastructure Services

In terms of expanding the multi-cloud, NBI has established relationships between EITC and key hyperscalers (i.e. search engines, global tech companies, etc.) in the region to better assist our customers with their increasingly complex cloud management requirements.

With construction now complete, our two new data centres will open in Q1 2021, consolidating EITC's reputation as the most comprehensive and secure caretakers of data in the region.

Our Digital Trust Services

Our highly advanced Cyber Security Defense Centre will allow EITC to pursue and contract more UAE Government departments and financial businesses that are looking to outsource their security management.

Our Digital Innovation Services

EITC will ensure that IoT, the biggest digital game-changer of all, quickly becomes an operational reality for du business customers.

Already the only locally hosted blockchain platform in the UAE, the multi-protocol and interoperability of Blockchain Edge will continue to attract both Government, established enterprises and start-ups.

Technology

2020 was a tough year for everyone, but we were able to take advantage from our advanced infrastructure and investment toward achieving our goals by relying on 3 factors within infrastructure:

- **Innovation**: by pioneering 5G solutions and delivering best-in-class infrastructure
- **Performance**: by enabling transformation by boosting performance and operating model.
- **Smart / flexible network**: by actively driving the telecom sector through thought and unusual situation.

During the year, we continued with our 5G rollout as and we have already reached an excellent milestone of covering close to 80% of the heavily populated areas in both Dubai and Abu Dhabi and started preparing the foundation for the standalone 5G that will be available in the coming years. We were able also to increase our fiber footprint, automate inventory management and data, and robotise to operate our infrastructure.

At any time, this would be great news for the government, businesses, and individuals of the UAE, who benefit from better coverage, higher network speeds and faster-to-market applications. During the outbreak and spread of COVID-19, it proved to be a communication lifeline for the nation and its people.

A dynamic synergy for today and tomorrow (Technology Operating model)

The new technology operating model marks an important milestone of the evolving collaborative blueprint envisaged by EITC and to support our business and customers emerged.

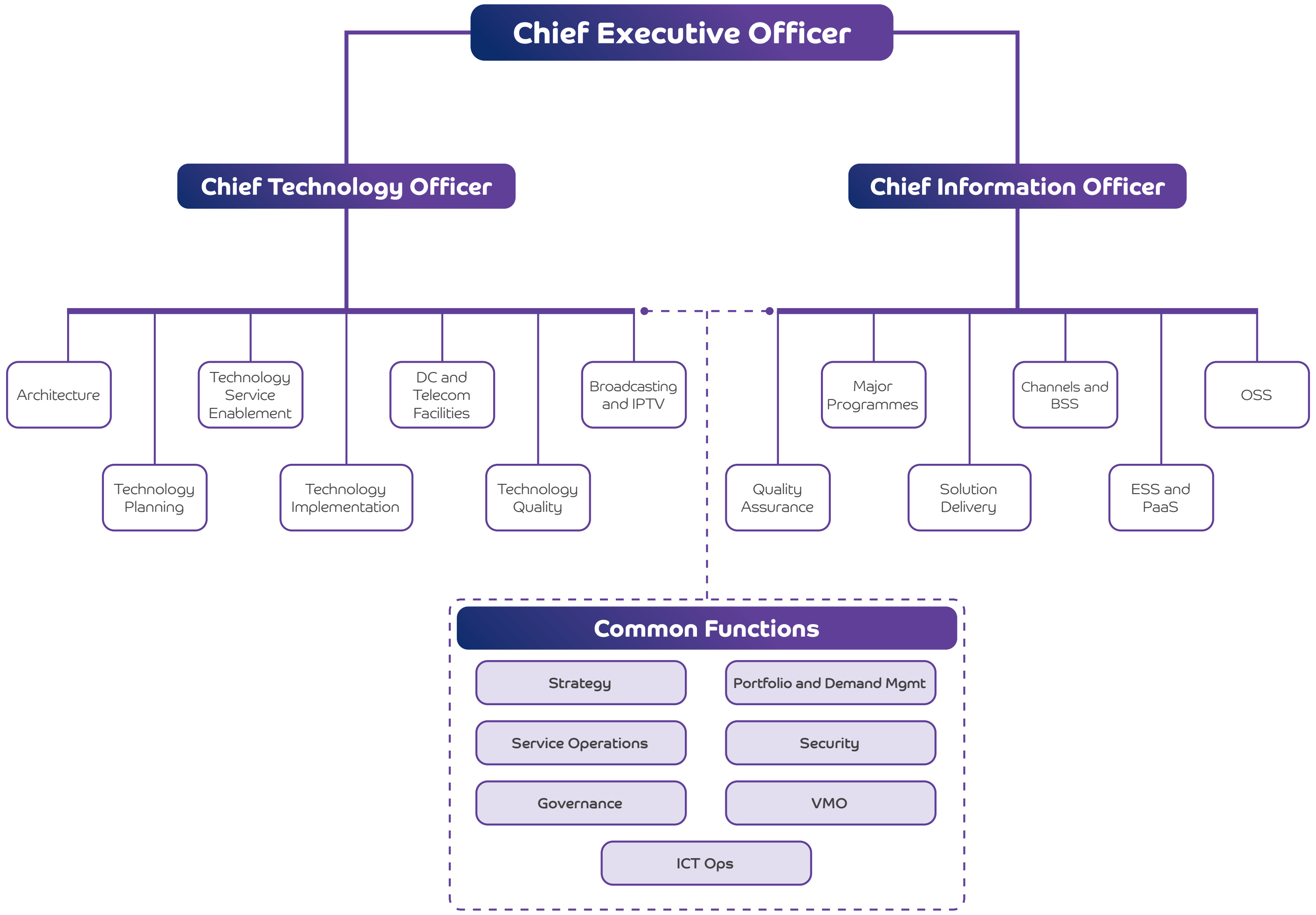
Our aim from this new operating model is to focus into our customer centricity, digitising the factory and to move from the traditional way of working into a more collaborative and agile way with IT.

This operating model was built based on core functions (Planning, Implementation and Architecture) that are responsible network rollout, and the introduction of the common functions (Strategy, Demand, Governance, Operation and Security) to add more synergy to the interaction with IT, and to have an integrated strategic approach across all layers.

The main design principles of our new Operating Model are:

- One view and "One point of responsibility" for customer touchpoints and unified customer experience
- Strong business alignment with segment focused demand and delivery lines
- One factory to plan, design, build, test and deploy solutions

Technology Operating Model



Creating a shared Technology and IT Strategy will seamlessly align its objectives with the overall corporate strategy and operational needs of EITC. This will include the development of an annual Strategic Roadmap, outlining short-term priorities and long-term aspirations, as well as detailed impact assessments on the company's business plan to align priorities and initiatives.

The new model therefore aims to increase market share nationwide in fixed and mobile, accordingly in alignment with this strategic decision the operating model has been refreshed now to cope with the projected increase in business demand across both mobile and fixed.

In Technology, major progress was delivered during the year in infrastructure and network speeds, quality and coverage, and a wide range of other critical areas to address the current needs as well as future requirements of our business and customers across the UAE.

We focused on developing a technological blueprint and architecture framework to build and operate enterprise capabilities while ensuring effective risk and governance, this ensures that all technology initiatives undertaken will support the defined blueprint.

A dedicated Service Quality Team was established to design and develop a quality framework that delivers the customer experience requirements for technology services, service optimisation and performance management. It is tasked with managing all technology-related customer complaints and their resolutions, in collaboration with planning and service operations.

Milestones for 2020

5G rollout

The long-awaited rollout of 5G across the world was at its most impressive in the UAE last year, with 80% of heavily populated areas in Dubai and Abu Dhabi already covered, and progress on track for full nationwide coverage by 2023-24. This is complemented by the launch of 5G roaming during the year, and contributed to the UAE's achievement of posting the fastest download speed in the world.

We also managed to build the first site on 5G millimeter waves technology in Yas Island that will support specific high-speed use cases and started preparing the foundation for the standalone 5G that will be available in the coming years.

80% of heavily populated areas in Dubai and Abu Dhabi

Launch of **5G roaming**

The first site on **5G millimeter waves**

Standalone 5G preparation

Network Rollout and Service Enablement

During 2020, EITC also increased its fiber footprint, launched VoLTE services, delivered a 100G backbone upgrade, equipped two data centres with advanced Network Functions Virtualisation Infrastructure, and successfully deployed the Telco Cloud NFVI at two DC. Although World Expo 2020 Dubai was unfortunately postponed by a year, its infrastructural technology was in place and ready, which will be put to use when the Expo begins place in late 2021. In addition, the automation of inventory management and data, plus increased infrastructural robotisation, represented a giant leap in EITC's operational efficiencies.

- Delivered 1st multivendor VoLTE platform.
- Delivered Netflix CDN with 360 Gbps
- Delivered container management platform that will support native cloud applications

Technology delivered a wide range of other significant advances and milestones during the year, including:

launched **VoLTE** services

100G backbone upgrade

Successfully deployed the **Telco Cloud NFVI** at data centres

1st multivendor **VoLTE platform**

Netflix CDN with **360 Gbps**

Delivered **container management platform**

110% Taawun Units

100% FNU fiber

124% Fixed rollout

GPON upgrade

du continues to be recognised as a global leader in satellite and broadcasting services by the WTA's Top Teleport Operators of 2020 rankings, with Samacom ranked:

Rank #5 In The Fast 10 ranks all teleport-operating companies

Rank #6 In the Independent top 10 ranks teleport operators

Rank #15 In the Global top 20 teleport

COVID 19 response

The network infrastructure was not only able to provide a disruption-free service during the lockdown of 2020, but also scaled up the network to deal more than adequately with the larger demand. By increasing our home network capacity 100% in just two weeks, the challenges faced by the new Work From Home ethic were minimised.

Disruption to lifestyle was kept to a minimum as well, with huge increases in virtual shopping, virtual tours and more digital entertainment coming to the fore, which were effectively absorbed by our network. While it was a testing time for healthcare and education, an increased investment in e-health, an advanced e-learning platform with mixed reality capabilities, and the new efficiencies and capabilities of the division allowed us to meet the high pressure demands of businesses in these sectors and their customers.

To ensure continued technological and operational support during this challenging period, we:

- Built a remote contact centre setup to enable remote operation during COVID-19 lockdown
- Doubled the capacity of our fixed network to meet COVID-19 requirement
- Established over 50 links 10/100G links IP Core expansion for COVID-19 initiative for distance learning and double speed projects

To support our customers during this unprecedented period, we also doubled all customers home broadband speed to 500 Mbps and 1Gps.

Built a **remote contact centre** for operation	**Doubled the** capacity of our fixed network	Established over **50 links 10/100G links IP** Core expansion	Doubled all customers home broadband speed to **500 Mbps and 1Gps.**
50% increased in Netflix cashes	**210%** increase for Microsoft team capacity	**150%** increase in BNG capacity	**50%** increase in DBT uplink capacity

Technology in 2021

In line with UAE vision to make the UAE among the best countries in the world, we strongly believe that an advanced network infrastructure is the key to reap the benefit of smart cities and digital economy that will enable faster response time for business decision makers.

In the coming year, we aim to progress our goal of network excellence through the accelerated deployment of 5G, Fiber and Fixed Wireless Access. We will also focus on the modernisation of our mobile network, while also increasing and enhancing our fixed wireless coverage and services.

We also plan to modernise our transport network to enable the transport slicing to vastly increased network traffic, as well as the launch new services that align with our core and cloud journey including 5G SA, edge computing and voice convergence.

Information Technology

IT's role in the most transformative year in memory

With the launch of the new division, IT managed to deliver full IT roadmap during 2020, improving time to market, launching new tools and implementing agile methodologies, while also supporting EITC's COVID-19 response.

Our division's new operating model aims to establish a more dynamic way of working with clear accountabilities, more agility, higher efficiency and greater collaboration. As part of this reorganisation, the IT team expanded to include Architecture and Design for all applications, including Channels, BSS, OSS and ESS.

Overall, the IT factory has now become consolidated as one group for digital, fast-track and normal delivery lines, with further major changes planned in the IT Quality Assurance function to streamline testing, release and deployments in the near future.

During this year, IT continued its journey that begun in 2019 from mitigating risks to injecting new capabilities with a tailored programme for:

Fix the Core

- Completed Disaster recovery for critical applications
- Enhanced performance and availability of Digital Channels
- Enabled security scanning of application code

Extend the Core

- eShop extended to mobile app

Build the New

- Introduced real-time charging for mobile post-paid
- Enabled interactive bill for our customers with chatbot support
- Enabled the launch of Hybrid products

Supporting the COVID-19 response

The unexpected, total reliance on telecommunications last year, although through unfortunate circumstances, vindicated EITC's vision and prior investments, with IT rising to the many new challenges of 2020 across business and consumer markets.

IT supported the business with focused propositions to remote working transitions and for the continuity of services, with a range of key initiatives that included:

- Extended support for widely used collaboration tools.
- New proposition for thermal readers to enable temperature reading at entry and exist points of the for commercial establishments.
- Integration with new NOKIA VIMS Platform to enable automated provisioning for Voice over LTE for du customers.

Continuity and resilience were offered to the business community through new applications and automated processes accelerated availability. The enablement of people to adhere to the Work From Home ethic was vital to the economy and to people's sense of normality. Tools like Video conferencing and VoIP had to be seamless. Just as important, time to market with appropriate technology and services was improved to minimalize disruption.

IT launched interactive bill and Hybrid products with chatbot support, whilst enabling eShop on DU app – an key extension to IT core offering. Addressing other core issues, IT completed disaster recovery for critical applications, enhanced the performance and availability of digital channels and enabled application code security scanning.

Our new IT engine

The deployment of the new IT engine has transformed operations efficiency across three main areas:

Business

Advanced business capabilities were deployed right across the value chain. New revenue streams were enabled by transforming EITC as an aggregator of third party and OTT providers offerings. This was achieved by enabling extensive business autonomy and fast time to market for new products and services.

Technology

A new and resilient architecture injecting emerging technologies, design driven by insights, and an effective partner ecosystem.

Organisation

An agile, collaborative and accountable culture and structure, increased automation, and the adoption of devOps methodology and a fast-fail mentality enabling internal innovation.

IT in 2021

The economic recovery from the pandemic must be supported by a continued stream of innovation, along with customer experience which must be more empathic and informed than before. Our infrastructure must become totally cloud-based, including network functions and Edge.

Our offers will be bespoke to segments and the digital customer experience will reach new heights of simplicity and convenience. The growing addressable market will be serviced with B2C and B2B services beyond connectivity, and we will also work to realise and monetise the value of data.

The Binocular focus of Technology and IT in 2021

Two lenses with one focus – our customers, in a world of 5G empowerment and digital ecosystem support. Our goal is to give our clients a competitive edge through connectivity beyond measure, and consumers a world that is faster, bigger and simpler to access.

And we will do this with a capability of invention and reinvention, and an attitude that nothing is impossible in the service of the UAE.

Virgin Mobile

The dramatic changes in human interaction brought about by the pandemic last year did not impact Virgin Mobile in the same way it affected many other brands. Indeed, although not designed for such extreme social circumstances, our innovative app first digital business model demonstrated its value not only to our customers, but also through our resilient return back to growth, the return of record annual revenue for EITC's shareholders and further validated the power of the digital business model.

In the eye of the storm in 2020

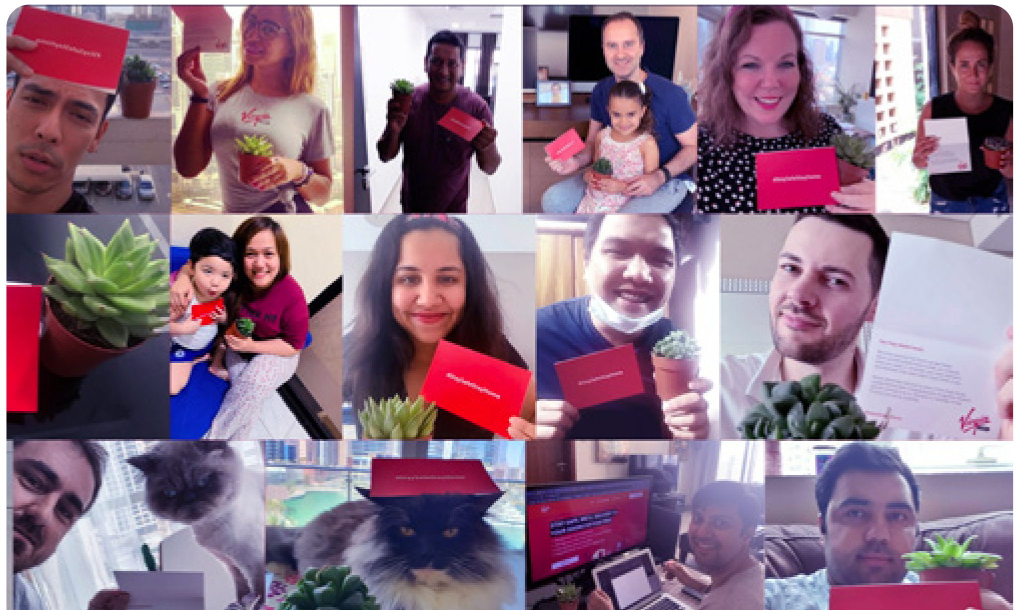
With the sudden surge and complete reliance on the digital domain in all areas of life and business, digital transformation and digital businesses suddenly became an everyday normality for consumers across the UAE. Being uniquely digital, Virgin Mobile UAE was well positioned for that change in consumer behaviour, and had already built a rapidly growing tech-savvy customer base for whom all transactions, products and services launches were expected – and delivered – entirely digitally through our app.

In a rapidly evolving market for our business and customers during 2020, we persevered through the challenges and rapidly rebounded to drive the business back to full growth and deliver record year-on-year revenue. EITC's complementary strategy of one mature mass market brand (du) and another innovator digital brand (Virgin Mobile) proved its sustainability, as tech-savvy UAE residents sought value in the digital proposition that Virgin Mobile offers.

Our lightning-fast response to COVID-19

At the onset of the pandemic we quickly sent every single member of the Virgin Mobile team to work from home immediately upon instructions from the government. We count ourselves fortunate that the nation's Leadership demonstrated a clear, precise and timeous intent to protect its people, and safeguard the foundations of the economy. This created a mood of positivity, and resilience, and a common belief that, as a community, together, we would overcome the challenges ahead.

Virgin Mobile augmented this positive action by the government by ensuring that we had open channels of communication with our colleagues at all times. We created activities and initiatives such as care packages and support for those who were, emotionally, more affected by these new circumstances. Morale amongst our staff was high and



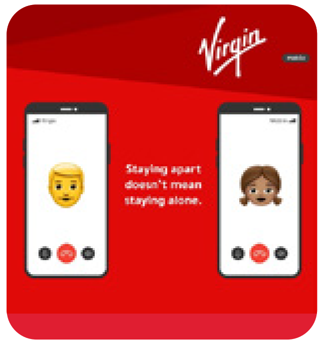
this was reflected in an increased engagement with our services and our positive performance. The competitive advantages created by the digital operating model and the consumer promise of being contactless became a necessity during 2020 and enabled us to create the platform for our growth in 2020 and position us well for 2021.

It was particularly important that our customers received – from day one of the lockdown – a regular stream of educational communications reminding them that all of our services are available to them directly through the app. Where any physical contact was needed, we took all necessary precautions to protect our customers and team. In particular our quick commerce Home Delivery SIM channel were stringently trained with all health and safety procedures. Enabling them to continue to deliver SIMs to new customers in under 1 hour, with uninterrupted service continuously through the pandemic.

We demonstrated our resilience again and again in 2020

In performance – Virgin Mobile recorded a strong start to 2020. Our plans included scaling up our services before COVID-19 reached our shores. However, overnight our tourist revenue, normally a rich and regular vein of income for us, disappeared. Our resident revenue also dropped but stabilised and by the second half of the year our revenues recovered and grew incrementally. By year end we recorded our highest annual revenue since the Virgin Mobile brand was introduced to the UAE, delivering value to EITC.

Already blessed with a highly talented team of digital natives, Virgin Mobile reacted quickly to the pandemic; the move to Work from Home protocols was seamless, and our call centre was shifted to remote in a matter of days. There was no break in our service to our customers – after all, our systems and processes were already fully digital. And because of the relative lack of disruptiveness, we were able to continue innovating, continuing our strategy of making mobile better for our customers.



With no disruption in service continuity or service delivery because of our digital model, we were able to sustain our delivery against the very high expectations of our customers. The tone and style of our communications to customers evolved to be more appropriately empathic and we extended our care hours to round-the-clock. We continued to deliver SIMs in less than one hour (still unique in the UAE), paid for via our various digital payment options. Not only did our Net Promoter Score (NPS) increase, as it has done every year, but we also received recognition at esteemed global award shows.

Same strategy path with refocused priorities

Although a recent entrant into the UAE market, Virgin Mobile has built unprecedented equity, synonymous with quality, digital innovation, integrity, fresh thinking and simplicity. These values are evidence of a successful customer first strategy, which by definition place us at the heart of our customers' needs. Therefore, when COVID-19 struck, we needed to rise to the challenge, quickly understand the new realities faced by the people of the UAE and react accordingly.

We promoted the value of our hero proposition; our 12-month plan, built around differentiated digital principles, which resonated with people in uncertain times. Also, the ability for our customers to pay or transfer credit through the app and share data were some of our practical innovations necessary in 2020. To remote workers and those who stayed at home to work, this was important. Listening to our customers' needs via social media also became even more of a priority because of the constraints of lockdown.

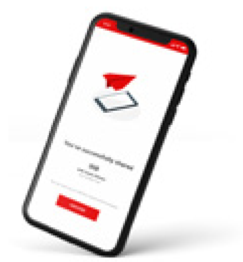
Consequently, we have championed a customer first approach across the business unit, using the voice of the customer to guide our product roadmap and the launch of new features that meet the customer need.

We certainly reaped immediate rewards for these measures. The news and benefits of our new loyalty programme quickly spread through social media community groups. It is in the DNA of the Virgin Mobile brand that we champion the consumer through a constant stream of fresh thinking and simplified engagement. Last year, it was our customers who championed Virgin Mobile with encouragement to family and friends to enjoy the benefits of being a Virgin Mobile customer, driving an uptake in customer referral and a positive NPS position.

The Virgin Mobile online digital business model was well positioned for the disruption caused to society through COVID-19. During this unprecedented year, our steadfast commitment to the UAE as the simple, convenient and safe telecoms service provider delivered results including:

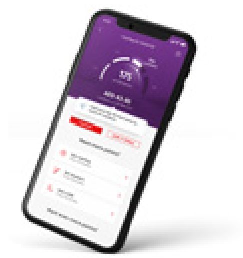
- By Q4 2020, we had not only made a full recovery, but also recorded our highest year-on-year revenue since launch.
- We reported the lowest churn in the market...
- ...and grew our customer base.
- We achieved the best Net Promoter Score (NPS) in the market for the third consecutive year.
- We saw a stronger performance with a higher ARPU measure.
- We showed robust support for EITC through driving incremental value and defending market share.

We continued to innovate in 2020



In April, we created Data Sharing, giving our customers the ability to transfer up to 5GB per month to family and friends (who are also Virgin Mobile customers), easily through our app. This simple innovation helps to avoid wastage and gives greater value to customers' plans.

In July, we launched our innovative Virgin Mobile Rewards, a new gamified loyalty programme where customers accrue points based on their spend, from when they interact with us and according to how long they've been with Virgin Mobile UAE. These points are converted to cashback which is added to the digital wallet feature in our app and from which can be used to purchase other Virgin Mobile features, such as data or voice boosters.



In September, we initiated our in app Digital Credit Sharing feature. Allowing our customers to seamlessly transfer credit with anyone on the Virgin Mobile network straight from our app in a matter of taps. This innovation demonstrated how hard we worked at Virgin Mobile to truly understood our customers' needs during the pandemic and by following the voice of the customer we were able to leverage the digital operating model to be agile and move quicker than others to market.

Industry recognition for our service to the consumer

Our focus on our customers' needs yielded a reputational bonus for Virgin Mobile in the form of four awards, two of which are from the world's premier business awards forum, The Stevie Awards. Eminent and prestigious telco-specific forums also acknowledged Virgin Mobile UAE for its dedication to innovation in the customer experience area.

Stevie Awards

- **Gold Award** – Excellence in Innovation in Consumer Product and Service Industries – Organisations with up to 100 Employees
- **Gold Award** – Innovative Use of Technology in Customer Service – Telecommunications Industries

Telecoms World Awards 2020

- **Best Customer Experience**

Telecom Review Excellence Awards 2020

- **Best Customer Service Provider**

The Virgin Mobile adventure continues into 2021 and beyond

Virgin Mobile's vision is to expand its digital platform to create an online ecosystem that makes mobile simple for customers and remain at the forefront of digital innovation in the UAE. By continuing to innovate and inspire our customers the app will incorporate more and more services to give our customers an ever-increasing range of services directly in the palm of their hand. And of course, we will continue to investigate adjacencies to enlarge the digital ecosystem and heighten the experience of Virgin Mobile as the tech savvy choice. By doing this the Virgin Mobile strategy remains complementary to the du strategy.

In particular, there are four areas worth noting where we will continue to focus:

Our people – By continuing to build on the Virgin Mobile culture, we will not only develop our existing team of digital natives, but we'll also attract the brightest of new talent to challenge, inspire and foster an innovation culture well into the future.

Our brand and customer experience – Customer experience will remain a core competitive advantage for the brand. We will continue to invest in digital differentiation by providing the best brand and customer experience through digital innovation for new and existing customers. And we'll do so with the same simplicity that has made Virgin Mobile the game-changing brand of the last twenty years, the world over.

Our digitisation and innovation – Brilliantly simple, digital and rewarding for customers every time they interact with the Virgin Mobile app. As we expand our digital ecosystem, we will hold these core values at the heart of our innovation strategy.

Our scalability – By creating opportunities and empowering our people, ensuring that we remain customer first and offer the best customer experience, and by our continued focus on innovation and making brilliantly simple solutions. We position ourselves for future growth and scalability in 2021 and beyond.

Our strategy and sustainability pillars

Our aim is to deliver the benefits of ICT to everyone, while operating as a responsible corporate citizen, and making our people and communities happier. These three sustainability objectives are the foundation of our policies and practices at du.

In 2020, amidst the pandemic, our telecoms technology and services have helped enrich the lives of the families, schools, universities, and businesses in the UAE by enabling everyone to be connected anytime, and anywhere.

During the year, we also introduced a new operating model for the organisation. This model fits well with our sustainability objectives as it aligns on several organisation-wide objectives such as:

- Exceeding Customer Expectations (ECE)
- Creating a State of the Art Engine (SAE), and
- Developing a Purpose and Performance driven Culture (PPC)

In 2021, our objective is to build further focus on certain areas through which we believe we can make a significant contribution to the UAE's sustainability ambitions and Global Goals.

To drive our sustainability ambitions with relevant 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 purpose	Our purpose is to build a sustainable and responsible business by connecting and enhancing lives.		
Our sustainability objectives	Deliver ICT's benefits to everyone	Make people and society happier	Operate ethically and responsibly
Priority focus areas	Customer happiness Technology for Good	Employee engagement and wellbeing CSR and Community wellbeing	Environmental footprint Data privacy and security
Additional focus areas	Entrepreneurs and SME development Digital transformation Network infrastructure Products for various customer segments	Emiritsation Responsible HR practices Health and Safety Diversity and inclusion Youth and Gender Volunteering	Corporate Governance Responsible Procurement Responsible Marketing Financial Performance Risk Management
Contribution to the UN SDGs and targets	9, 10, 11, 17 9.c, 10.2, 11.6, 17.8	3, 4, 5, 8 3.8, 4.4, 5.1, 5.5, 5.b, 8.2, 8.3, 8.5, 8.6, 8.8	7, 12, 13, 15 7.2, 7.3, 12.4, 12.5, 12.6, 12.7, 13.2, 15.9

Our stakeholders and material topics

We regularly engage with a range of stakeholders – our employees, investors, customers, media and others – to understand their concerns and requirements. Based on our most recent stakeholder engagement study, our material issues remain the same. However, we were able to determine the six priority focus areas in our sustainability strategy (mentioned in the previous table).

The topics in the materiality matrix help us determine the topic boundaries and the content of our sustainability report. The material issues that have been identified as part of our stakeholder engagement process help us prioritise the UN Sustainable Development Goals and targets that we are able to influence and contribute.

This report was prepared in accordance with the GRI Standards Comprehensive option, and aims to capture our performance against our sustainability strategy, material sustainability topics, and the prioritised Sustainable Development Goals.

Materiality matrix

Level of concern to stakeholders

	Somewhat important	Important	Very important	Most important
Most important			Privacy and security of custimer data	Customer satisfaction and happiness Innovative products and technical services
Very important	Management of our electronic and hazardeous waste	Health impact of our base transceiver stations/signal towers Energy-efficiency measures and/or increase in usage of renwwable energy sources	Employee wellness, happiness and safety Employee training and development opportunities	Good corporate governance and business ethics
Important	Management of our greenhouse gas emissions Management of our office waste	Equal opportunities for all Digital inclusion of all society members Human and labour rights principles	Efficiency in use of materials for our products and packaging Community needs and social development Education and capacity building incetinves	Marketing and advertising that is clear and not misleading 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	Enterpreneurs and SME development	

Current / potential impact on business

Our brand values

"Confident" Taking responsibility and having the courage to trust your judgement	**"Honest"** The basis of any successful relationship is trust, and that starts with the simple and straightforward truth
"Friendly" Relating to others in a human way; approachable, respectful and compassionate	**"Surprising"** New, different and better ways of doing things, no matter how small

Delivering the benefits of ICT to everyone

#WeGotYou - Customer happiness

In 2020, amidst the lockdown, we launched our #WeGotYou campaign to ensure our customers had access to the tools and service they needed to remain connected with us and others. Some of the highlights of this campaign were:

1. Doubling the broadband speed for all our enterprise customers (free of cost) so they could can enjoy faster connections and the ultimate internet experience
2. Providing self-service links to save time and access our customers service online
3. 24/7 instant help and support through our online chatbot Blu
4. 'Quick Pay' to pay your bills securely online without the hassle of logging in

During the year, as a result of our efforts to deliver world-class customer support, we improved our speed of resolving customer problems by 10%. We complemented this effort by a range of customer-focused services such as real-time charging to provide visibility and control over telecom spends, and enriching our digital channels by introducing additional capabilities to reduce customers' efforts to resolve their connectivity issues.

In 2020, we introduced a smart "Interactive e-bill" to provide an exceptional billing experience to our consumer customers – the first telecom operator in the UAE to do so. We have also introduced a new design for our consumer and enterprise bills, to help customers navigate their monthly bills with simplicity and ease.

Technology for Good

BabNoor

For many years, we have been supporting the BabNoor app to facilitate easy and effective communication for people with special communication needs. Using digital pre-defined cards that form sentences, Babnoor has unlocked a new medium for alternative and assistive channels of communication while remaining in line with the Arab culture, traditions and standards.

During the year, the BabNoor app saw a complete revamp to its user interface. The developers of the app – Flagship Projects – added a host of features to enhance the user experience, such as color customisation, ability to add an audio file from Apple's "Files" application, new libraries and additional cards in the cloud with more than 5000 new symbols and much more.

All participating centres, therapists and parents in the phases 1 and 2 of our partnership with BabNoor (close to 2,600 users) were offered a free upgrade and training session on the new BabNoor app update.

Entrepreneurs and SME development

Supporting SME Corporates through our e-shop

In 2020, as part of our efforts to transform business communications solutions across the country, we launched our e-Shop, a new digital platform that can be availed by SME corporates in the UAE.

The e-Shop will enable SME corporates to on-board new mobile services for themselves and their employees with free and fast delivery within 48 hours, as well as other products and services through an end-to-end digital experience.

Launching the e-Shop comes as a support to our #WeGotYou initiative which aims to provide services to its customers, particularly those who are currently working remotely, the e-Shop will be hugely beneficial to SME customers, startups, decision-makers, IT administrators, and more.

Supporting enterprise productivity with access to Cisco Webex

Fulfiling our committment to supporting the needs of enterprise customers to ensure that their operations continue as normal while employees work from home during the lockdown in 2020, we partnered with Cisco to enable enterprise customers to access Cisco WebEx to collaborate with teams while working remotely.

This offering makes us the only local service provider in the UAE that offers its enterprise customers Cisco's Hosted Collaboration Solution, combined with Cisco Webex allowing them to benefit from a complete work from home experience. This will also provide them access to a full set of integrated communication tools that enable enterprises to stay in touch with their business teams from multiple devices anywhere.

Digital transformation

WiFi UAE

Through our WiFi UAE service, we offer free nationwide WiFi access for everyone. In 2020, we launched the new WiFi UAE Brand and also enhanced the user experience by launching our WiFi UAE landing page. This will help our WiFi UAE users use our services in a seamless, faster and more organised manner.

During the year, we have enabled WiFi UAE from du in All RTA taxis and in more than 500 public buses in Abu Dhabi. To further increase the coverage of this public service, we have also installed WiFi equipment in all Metro route 2020 trains and stations. Currently, the WiFi upgrade is being implemented in the existing metro trains and stations.

For our premium users, we introduced a new WiFi bundle – the daily (5AED) and the weekly bundle (25 AED) for high speed and unlimited data with pay with du account feature. We will continue providing the WiFi bundles for the new rate plans from du for our postpaid and prepaid customers.

Accelerating the pace of 5G in the country

As part of our commitment to support the UAE's digital transformation, last year, we successfully deployed the Middle East and North Africa's first millimeter Wave site at Yas Island, Abu Dhabi, which will provide the region's highest ultra-high mobile broadband 5G services.

The mm Wave frequencies will greatly improve network capacity and allow du to deliver enhanced services to an unprecedented number of mobile users. Furthermore, they will provide cost-effective 5G coverage in high-traffic areas. Our transition to 5G will ultimately contribute towards the UAE's goals for global competitiveness, ICT infrastructure readiness, and becoming the global leader in online government services.

Our customers enjoy the fastest fixed broadband services in the Gulf region

To offer the best-in-class connectivity during the pandemic, we upgraded the fixed broadband services for our customers. This was essential for various segments including education, remote working, entertainment, and streaming services. Due to this upgrade, our customers were found, via our network performance tool, to be benefitting from an average of 130 Mbps – 30% above the average speed in the UAE.

During the entire 2020, our network continually provided reliable communication services and accommodated all surges in traffic. This aligns with our vision to drive digital transformation and deliver pioneering solutions to our valued customers.

Supporting the Government and financial organisations for data centre requirements

During 2020 GITEX Technology Week, we announced the launch of two state-of-the-art data centres to support the UAE government and financial organisations seeking to outsource their data centre requirements through a managed service provider.

Located in Dubai Silicon Oasis (DSO) and the Khalifa Industrial Zone Abu Dhabi (KIZAD), both establishments offer Government and financial institutions with high-performance connectivity and computing power, as well as dedicated, reliable, secure, and versatile connections to multiple clouds, on the most advanced connectivity available with

Optical Transport Networks (OTN).

Network infrastructure

Meeting the nation's requirements during COVID-19

As remote learning came into effect due to COVID-19, we observed a significant increase (300%) across telework/collaboration tools as well as e-learning tools. In a very short time we were able to manage to expand our network in order to absorb the traffic surge due to the lockdown situation. In response, we increased our uplink capacity, and doubled all our customers speed to 500Mbps and 1Gbps.

We also built a remote contact centre setup to enable remote operation during the lockdown and doubled the capacity of our fixed network to meet COVID-19 requirements. Furthermore, due to the pandemic, it was evident that the fastest way to complement our fiber footprint was to provide fixed services for homes using the 5G Fixed Wireless Access. During the year, we started start working on a wide range of 5G use cases across different sectors such as remote work, advanced e-learning, e-health, virtual shopping, virtual tours, and more.

In 2020, we were able to take advantage from our advanced infrastructure and investment toward achieving our goals to roll out our fiber network, increase our footprint, automate inventory management and data, and robotise to operate our infrastructure.

During the year, we continued with our 5G rollout as planned and are targeting to have nationwide coverage in line with our 2023-24 timeframe. We have already reached an excellent milestone of covering close to 80% of the heavily populated areas in both Dubai and Abu Dhabi.

We also managed to build the first site on 5G millimeter waves technology in Yas Island that will support specific high speed use cases and started preparing the foundation for the standalone 5G that will be available in the coming years.

In 2021, we will continue to expand our fiber network and upgrade the core systems with cloud native computing foundation that will uplift the ecosystem platforms to the highest standard.

> "We have already reached an excellent milestone of covering close to 80% of the heavily populated areas in both Dubai and Abu Dhabi."

Making our people and communities happier

Employee wellbeing

Our COVID response for employee safety

The COVID-19 pandemic has resulted in radical changes in the way we work, and we have had to take several measures to safeguard our people in this time of need.

At the start of the spread of COVID-19 in the UAE, we enhanced our work-from-home policy to allow more flexibility for parents with young children, pregnant women, as well as those with high-risk conditions to work from home. All team managers were requested to follow this policy. Additionally, during the pandemic, our organisation was aligned with all government regulations and our executive management was closely monitoring the situation on a daily basis.

With the start of the lockdown, what helped us most in our COVID-19 response was our Pandemic Contingency Plan based on which we created a task force for business continuity and crisis management.

As part of this plan, all business heads and team managers identified critical roles that were required to classify all main functions into those that should remain on site, and those that could work remotely. Employee business travel was also monitored to determine an employee's potential for exposure. The Contingency Plan also included our vendors and suppliers to ensure continuity of supply of products and services to avoid any business disruption.

We also had a robust communication plan to ensure that all employees were regularly kept aware of policy changes and safety regulations. We organised a series of virtual live sessions with our in-house doctor to educate people about the virus and preventative measures to stay safe and healthy - both physically and mentally – during the lockdown.

We provided our staff convenient access to a number of resources to address any sort of panic attacks, depression or mental and/or physical breakdowns. These included the du clinic hotline, a third-party counselling support line, the government hotline, pulse survey, as well as access to our nurses and doctor via WhatsApp. As part of our HR policy, our staff could utilise their occupational leaves to avail any sick leaves so as to minimise deducting off days from their annual leave. We had zero work-related fatalities during the year.

To keep our facilities safe, we develop strict plans and procedures for regular and deep cleaning to prevent transfer of any communicable diseases. Occupancy limits were put in place throughout the office on all floors, meeting rooms, elevators, chill-out rooms etc. We also installed thermal scanners at all our entrances to ensure further safety of our staff.

Emiratisation

We support Emiritisation by creating jobs, offering various learning opportunities, and encouraging growth and development for UAE Nationals.

In 2020, Emirati talent comprised 37% (627 individuals) of the workforce (35.9% in 2019), of which 50% were women. In addition, 52% of UAE Nationals hold leadership positions across our departments.

Despite the pandemic, we implemented a number of initiative to nurture our Emirati talent. In addition to three physical career fairs (at the Sharjah Career Fair, Khalifa University, and the Rochester Institute of Technology), we also had virtual career fairs with students from American University of Sharjah and Zayed University.

Currently we have 21 UAE National students that are completing their internships with us in various areas such as Technology, Security and Risk Management, Brand Development, Finance, Customer Experience and more. We also had 17 Graduate Trainees join our 12-month programme that support job development though a blended learning approach.

Our UAE Nationals joined two cohorts for the Harvard Manager Mentor programme which was directed at Directors and Managers. We also launched a development initiative for UAE Nationals employed in part-time work, and partnered with the Ministry of Education for their ongoing Work placement project.

In 2021, we will continue supporting our UAE National workforce, and are looking at supporting them with a Career Development framework with a focus on our customer interfacing colleagues.

"In 2020, Emirati talent comprised 37% (627 individuals) of the workforce (35.9% in 2019), of which 50% were women."

Employee wellness and engagement

2020 and the COVID-19 pandemic was a reminder of the importance that health and wellness has on the safety, productivity and engagement of our colleagues. At the start of the year, we were able to participate in a few group fitness activities – such as the Aventura challenge and the Desert Warrior challenge where we had close to 200 colleagues participate.

At the start of the year, we also subscribed to telephonic counselling services by ICAS International for all our staff members. The specialists and psychologists at ICAS are available 24/7, 365 per year to provide professional and qualified counselling to deal with a wide range of issues, from stress, anxiety, depression, burnout and bereavement to trauma, relationship problems, work issues and many more. This service came at a very opportune time as we went through a lockdown that had an adverse impact on the mental wellbeing of many of our colleagues.

Mental wellbeing was also the focus of our employee engagement strategy where we tried to create a positive culture despite the challenges of remote working. We introduced a number of initiatives to allow our staff to voice their concerns, stay connected with colleagues, and find positivity even in adverse conditions. These initiatives included pulse surveys, internal communications with tips, articles and links to resources to avoid

burnout while working from home, educating managers how to manage their teams remotely, live sessions on mental and physical wellbeing, virtual competitions and activities, and more.

Learning and growth

At EITC, we offer training programmes for all our colleagues at all career stages to encourage them to strengthen their areas of expertise, explore new skills, and create their learning and development paths. In 2020, 100% of all EITC employees were exposed to some form of learning and development, with the average time of learning received per employee was at 13 hours.

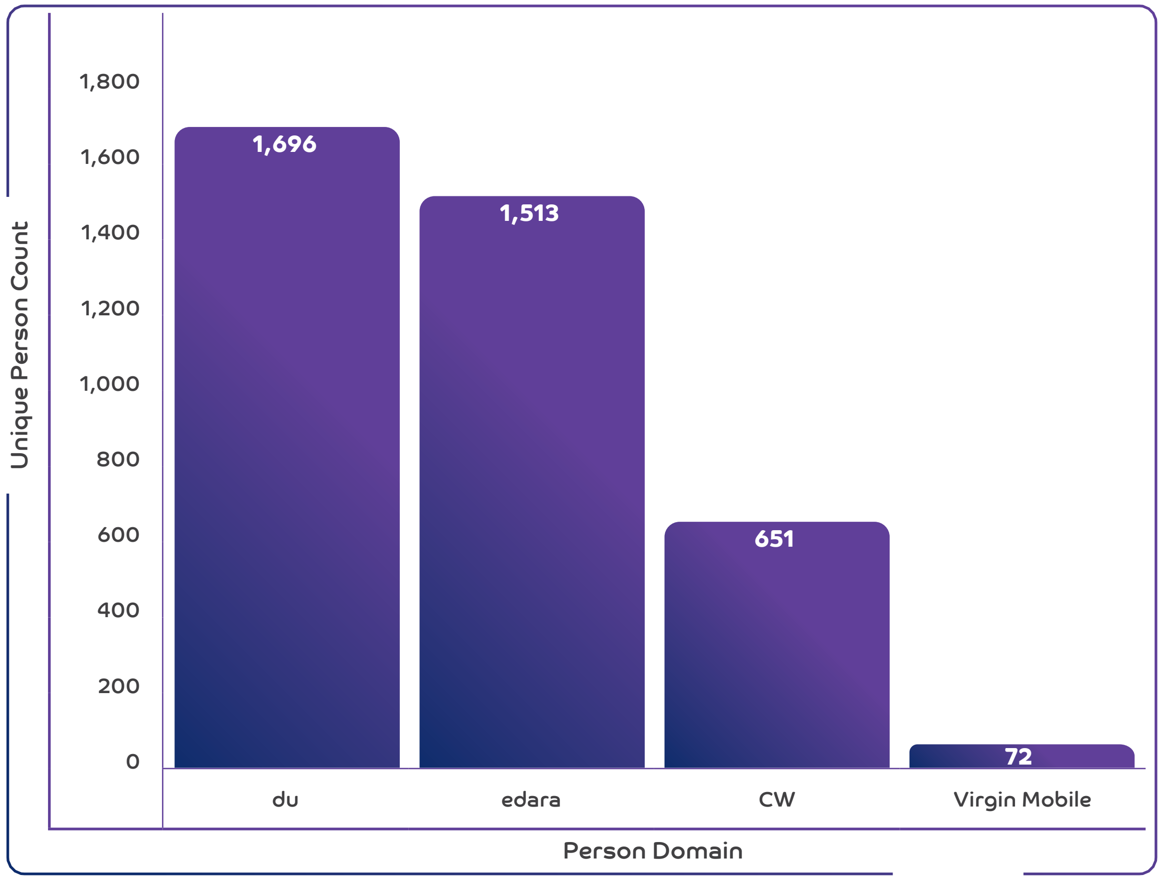
During the year, we completed an organisation-wide learning needs analysis, interviewing over 600 employees which led to the development of a company-wide learning plan that would align with our business needs.

With the help of our 'My Journey' platform, this new plan has enabled us to create an entirely new learning culture that is centreed around digital, bite-sized, virtual training. This has not only been beneficial for our work-from-home colleagues, but has also resulted in the successful delivery of 72 major learning programmes using less resources and saving AED1.2M in learning budget.

During the year, our training and development plans drove high level of engagement with 3100+ employees completing 1248 unique courses (79,599 completions in all) equating to 51,000+ learning hours on our digital My Journey platform. We introduced the Harvard Manager Mentor Programme with Harvard and introduced virtual learning cafes.

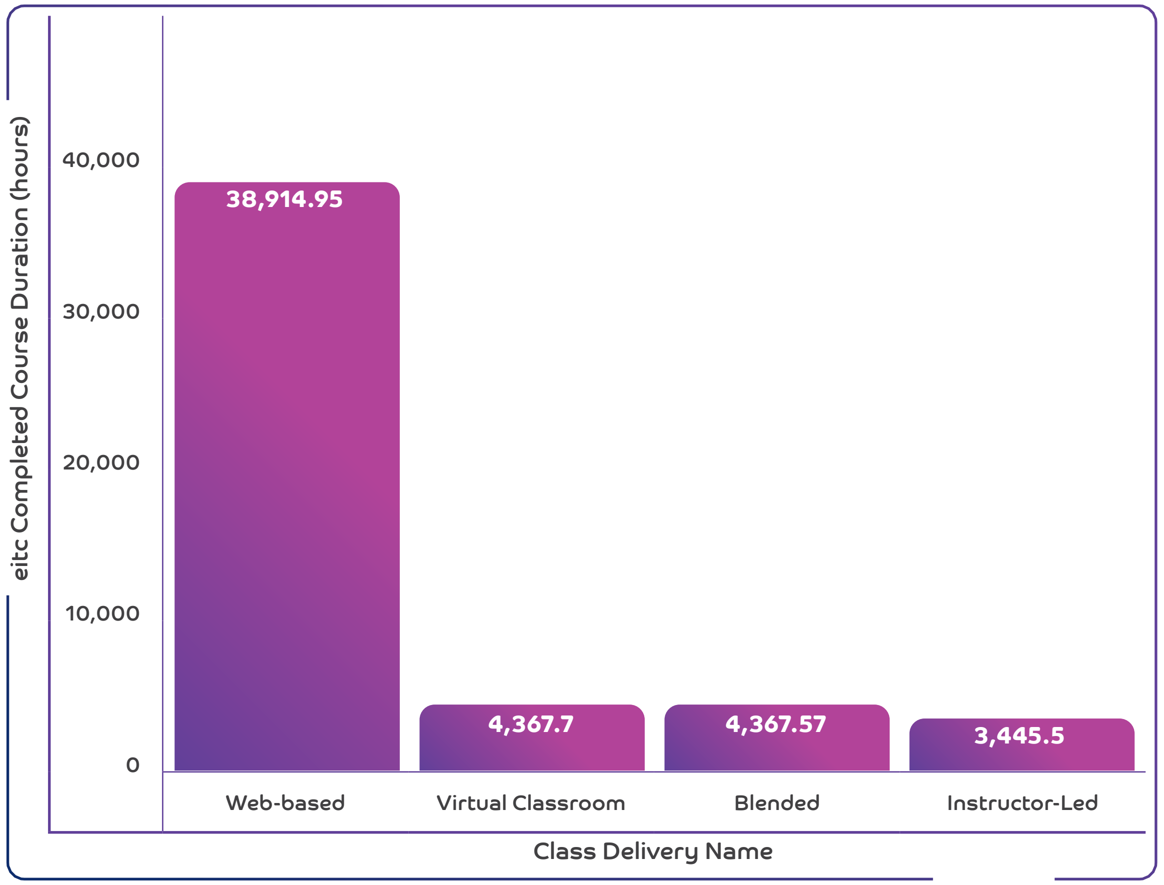
In 2021, we will continue to provide quality digital learning content across all business units with a focus on programmes for customer experience, culture, agility, leadership and career development. We also aim to introduce learning rewards and enhance our National Development programmes, such as customer facing roles.

Overall learning engagement by domain



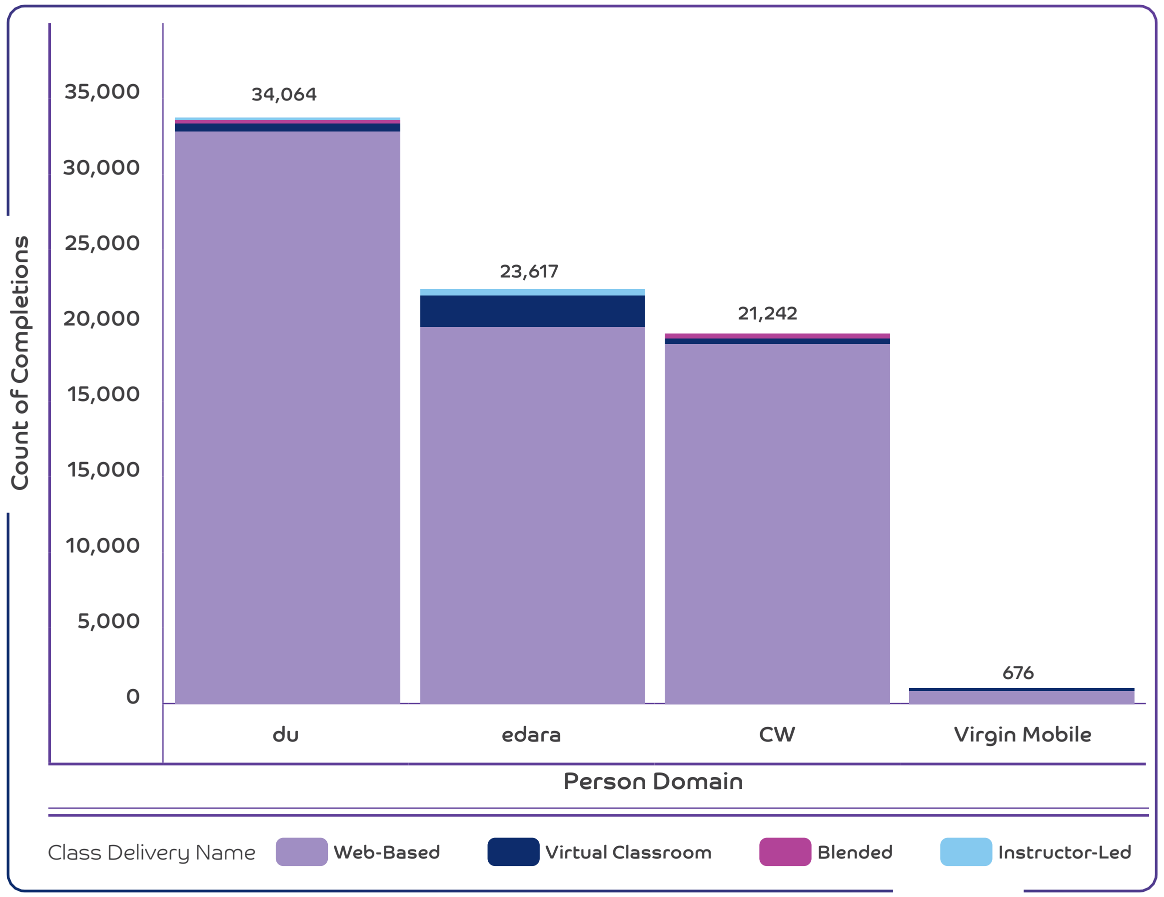
*CW: Contingent workers (Customer facing outsource staff)

Completed learning hours by delivery type

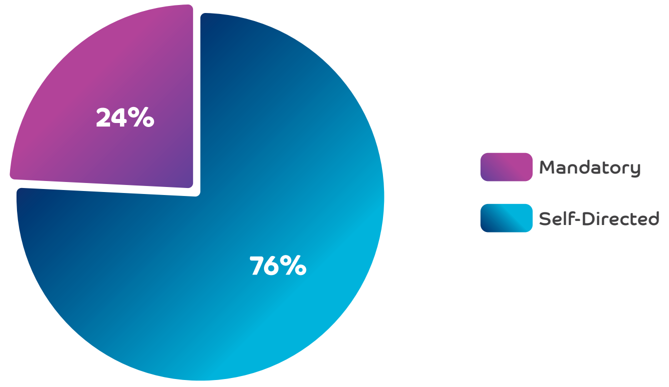


Learning completion count by domain

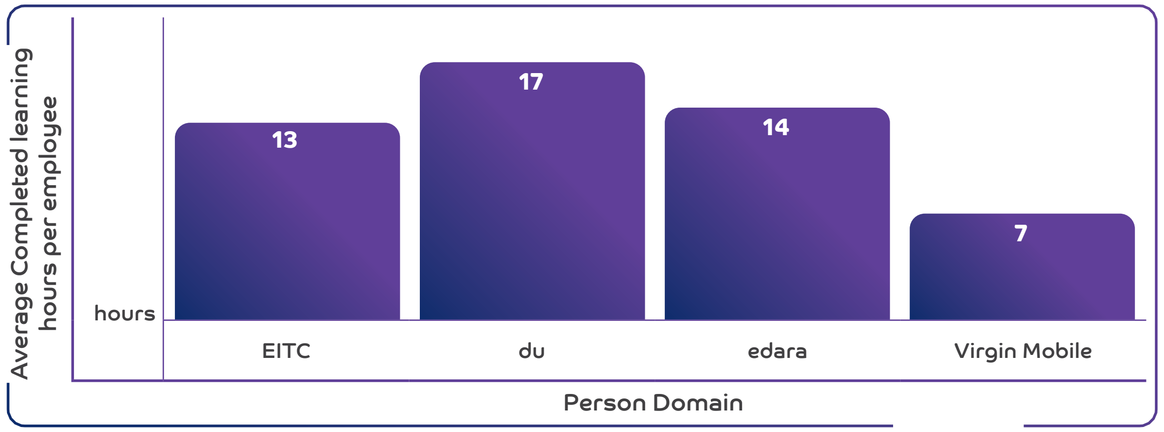
Person Domain	Blended	Instructor-Led	Virtual Classroom	Web-Based	Total
	Class Delivery Name				
Edara	110	52	449	33,403	**34,064**
du	9	107	1,663	21,838	**23,617**
CW	130	-	174	20,938	**21,242**
Virgin Mobile	-	-	73	603	**676**
Total	**249**	**159**	**2,409**	**76,782**	**79,599**



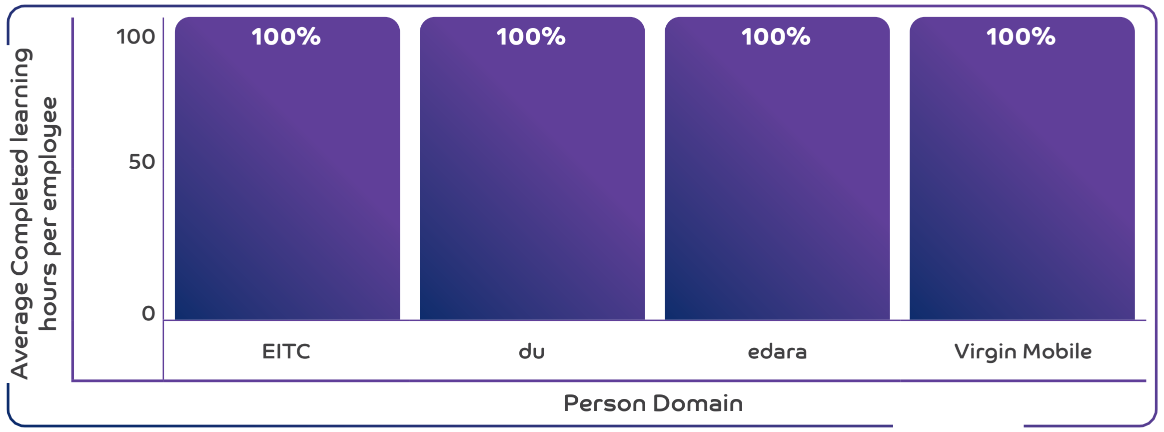
Learning completion (Self-directed vs Mandatory)



Average Completed learning hours per employee



Percentage of employees receiving regular performance and career development reviews



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 reviewed and maintained our employee benefits across all career bands and levels to stay in line with the local market. During the pandemic we were quick to launch our work from home initiative enabling employees to work in the safety of their home.

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 programmes such as FAZAA. Rewards schemes such as spot awards are regularly exercised to engage and recognise employees who walk the extra mile in delivering their accountabilities.

Diversity

We have 74 unique nationalities at our office, and we believe that this diversity is the foundation for a thriving culture at EITC that positively impacts all our people, as well as our customers.

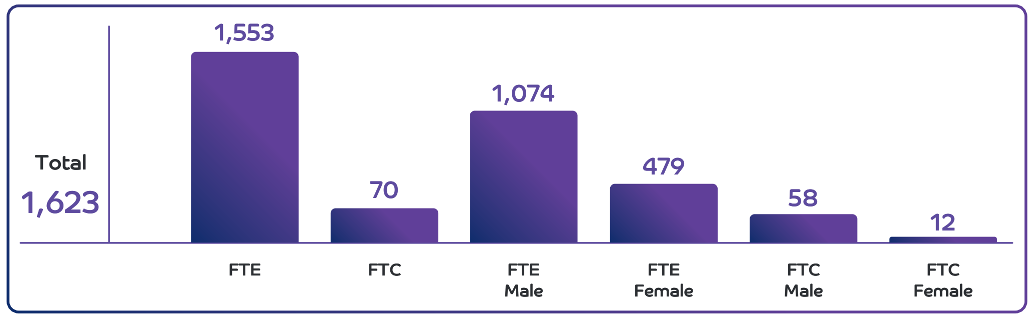
We endeavour to be an equal opportunity employer that displays no discrimination regarding age, gender, colour or religion in our decisions to recruit or develop careers. We also support people of determination to build long-term opportunities at our organisation. We currently have four colleagues that 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

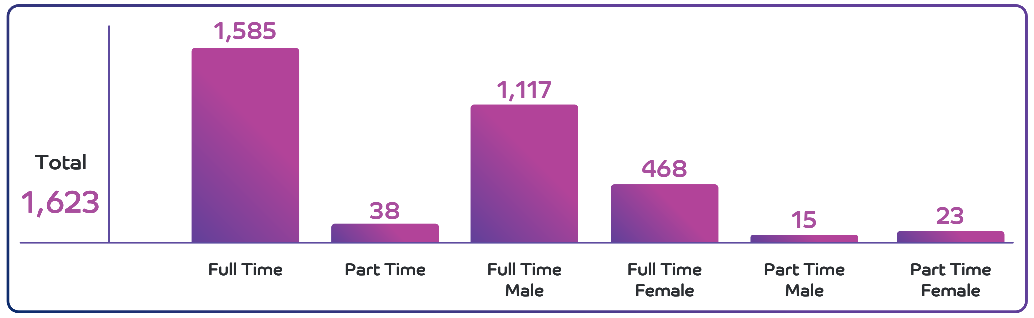
During the year, a total of 122 colleagues (31 women and 91 men) took parental leave; of these 1 female colleague did not return to work from her maternity leave. Of those that did return, 113 (29 women and 84 men) were still employed 12 months after their return to work.

Diversity at du

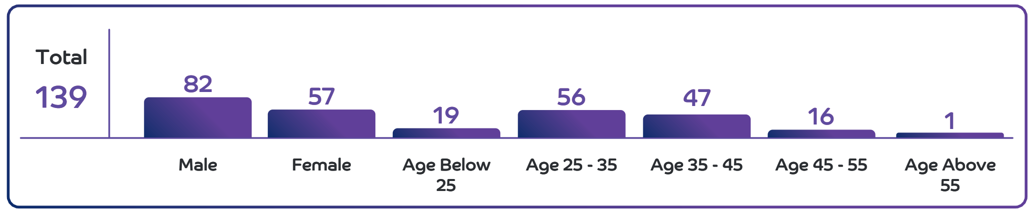
du (full-time employee and full-time contractor by gender)



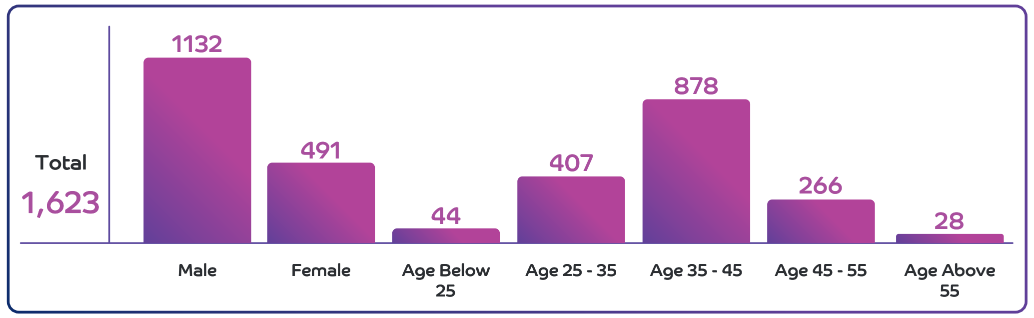
Total Number of Employees at du (full-time and part-time employee by gender)



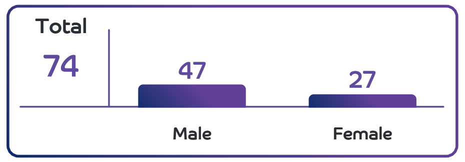
Total number of employees hired at du



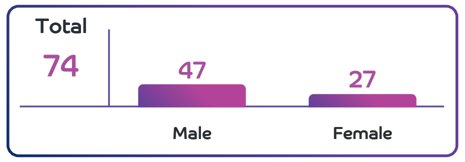
Total number of employee turnover at du



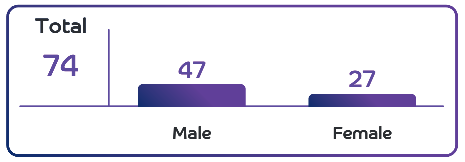
Total Number of Employee Entitled for Parental Leave at du



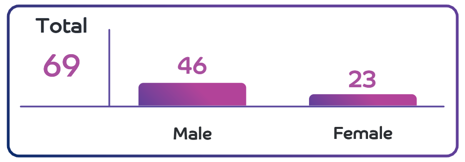
Total Number of Employee took Parental Leave at du



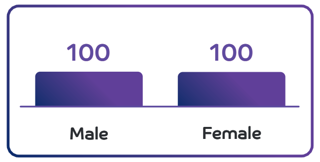
Total Number of Employee returned work after Parental Leave at du



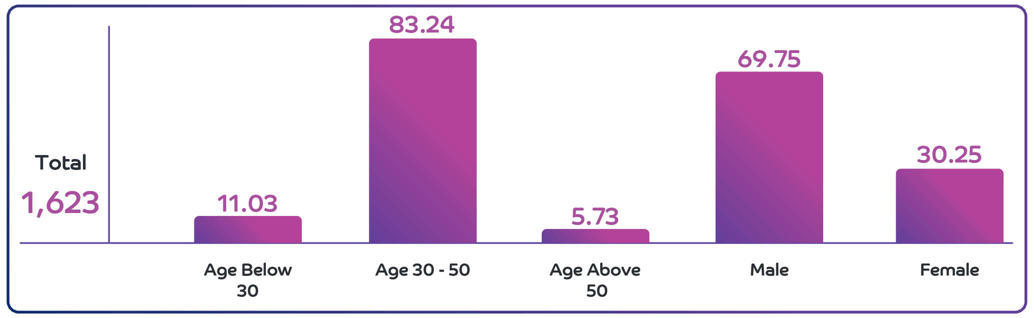
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender at du



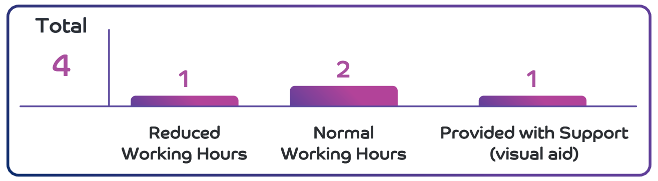
Return to work and retention rates of employees that took parental leave, by gender at du



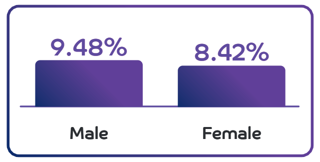
Percentage of employee category at du



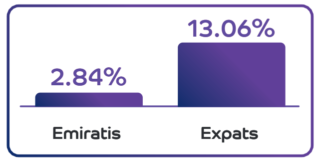
Opportunities for the physically disadvantaged/people of determination at du
Total number of colleagues as on 31-Dec-2020 who are physically disadvantaged



Attrition rate by men vs. women at du

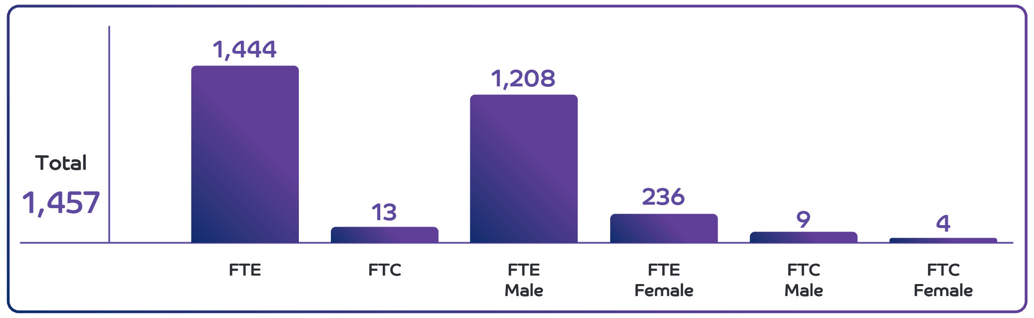


Attrition rate by Emiratis vs. expats at du

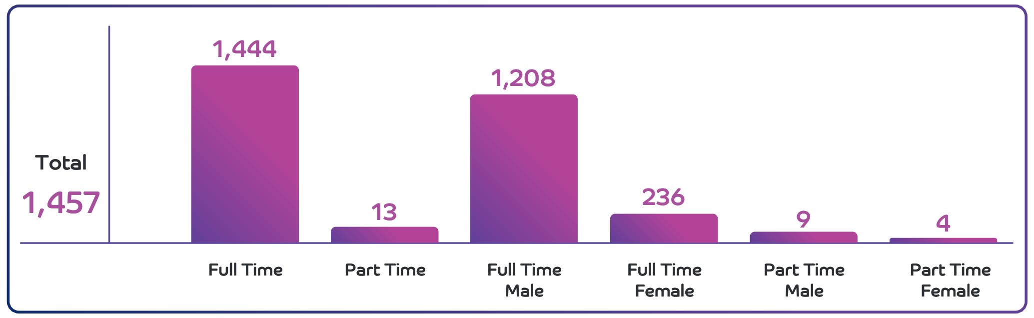


Diversity at Edara

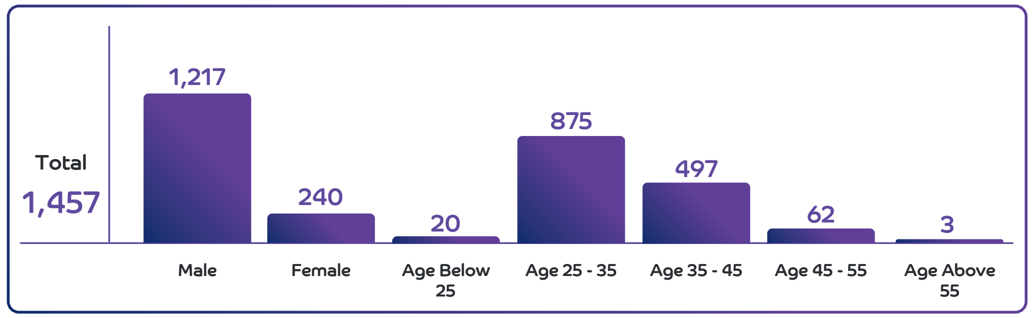
Edara (full-time employee and full-time contractor by gender)



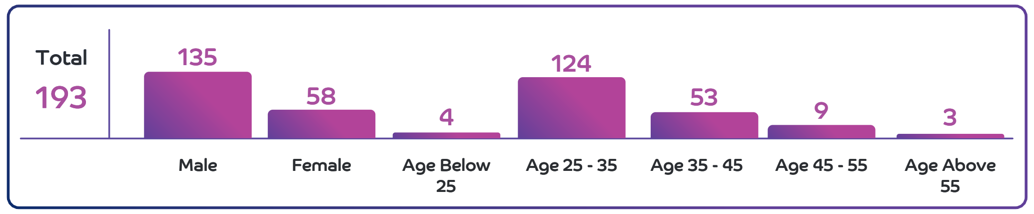
Total Number of Employees at Edara (full-time and part-time employee by gender)



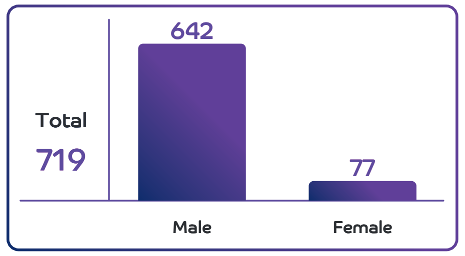
Total number of employees hired at Edara



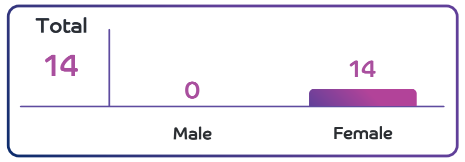
Total number of employee turnover at Edara



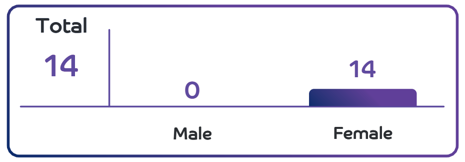
Total Number of Employee Entitled for Parental Leave at Edara



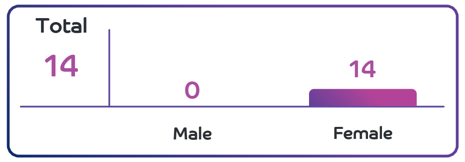
Total Number of Employee took Parental Leave at Edara



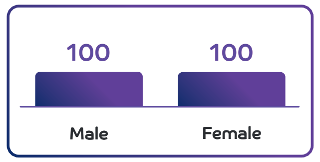
Total Number of Employee returned work after Parental Leave at Edara



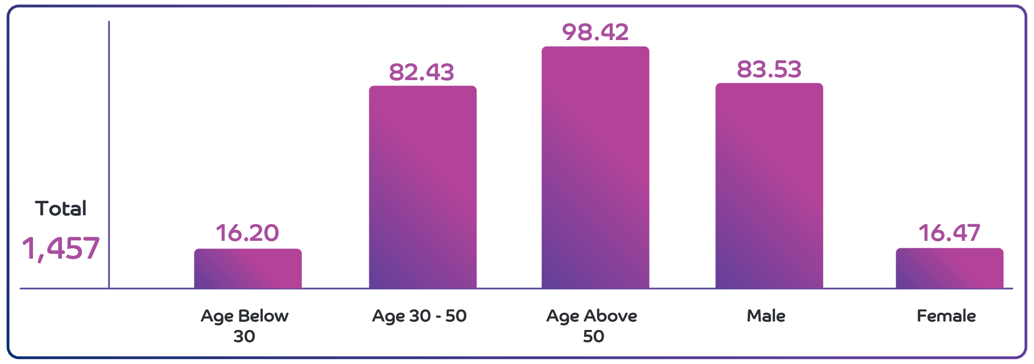
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender at Edara



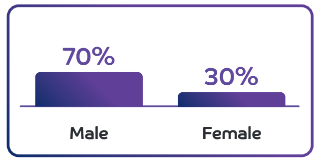
Return to work and retention rates of employees that took parental leave, by gender at Edara



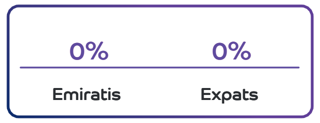
Percentage of employee category at Edara



Attrition rate by men vs. women at Edara

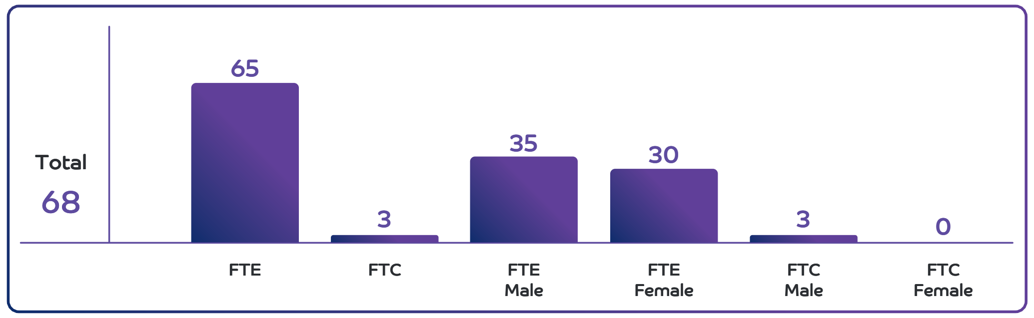


Attrition rate by Emiratis vs. expats at Edara

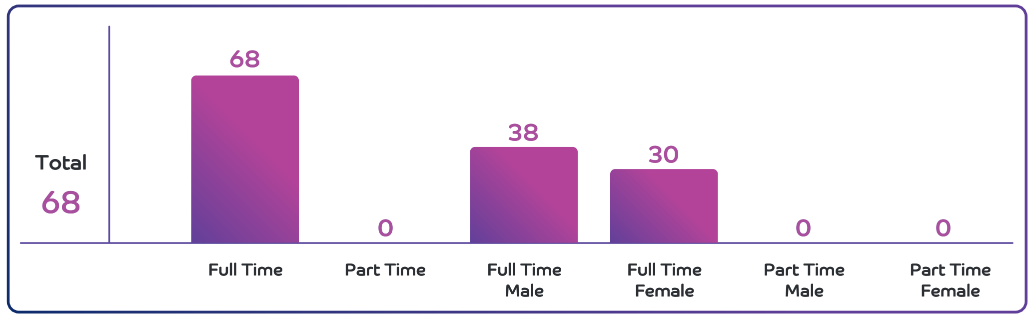


Diversity at Virgin

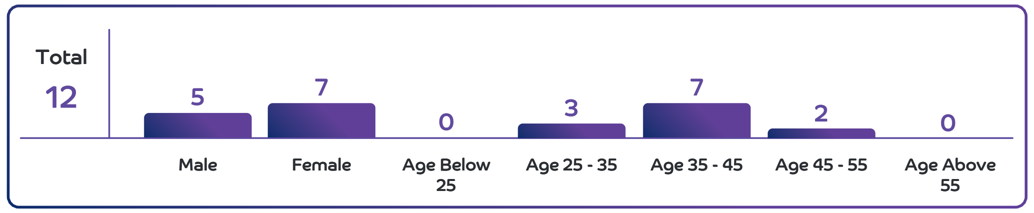
Virgin (full-time employee and full-time contractor by gender)



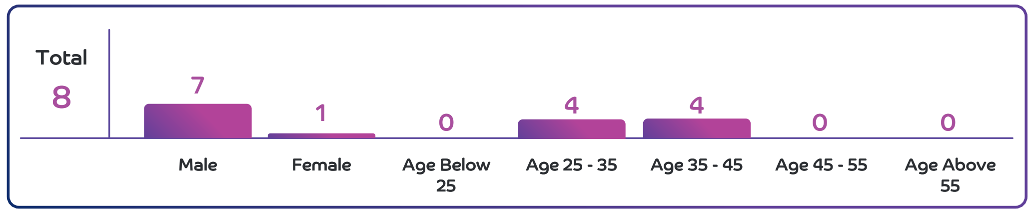
Total Number of Employees at Virgin (full-time and part-time employee by gender)



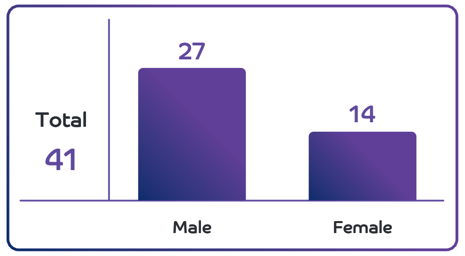
Total number of employees hired at Virgin



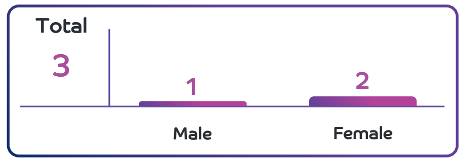
Total number of employee turnover at Virgin



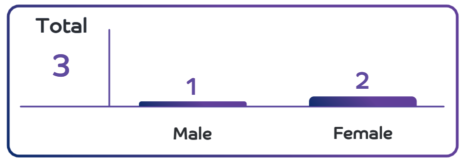
Total Number of Employee Entitled for Parental Leave at Virgin



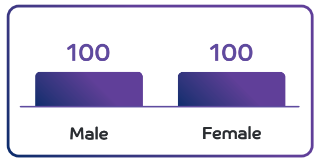
Total Number of Employee took Parental Leave at Virgin



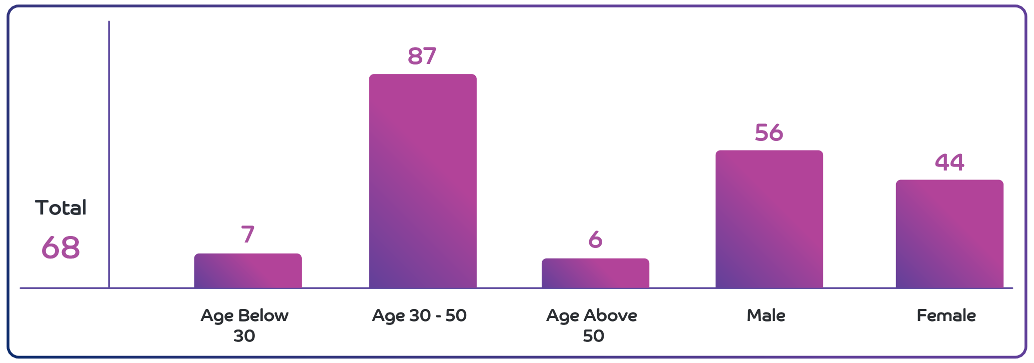
Total Number of Employee returned work after Parental Leave at Virgin



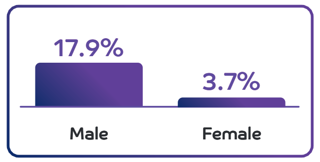
Return to work and retention rates of employees that took parental leave, by gender at Virgin



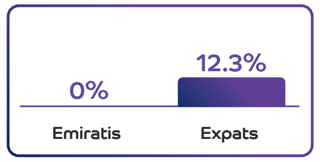
Percentage of employee category at Virgin



Attrition rate by men vs. women at Virgin



Attrition rate by Emiratis vs. expats at Virgin



Community wellbeing

Supporting students' remote learning across the UAE

We addressed the COVID-19 situation in the country by supporting remote learning and online educational platforms for students and teachers. We did this by enabling all our postpaid and prepaid customers to access their school websites and homework throughout the entire duration of the closed period without occurring any additional charges on their data.

We also provided access to selected VOIP applications: Blackboard Collaborate, Zoom, Google Hangout Meet, and Microsoft Teams. This in addition to Skype for Business which was made available for all fixed-line users for a certain duration.

Through these facilities, we helped ensure that our customers were able to take full advantage of their respective learning platforms and continue their development within the confines of their own homes without any lack of connectivity or increased costs.

Supporting schools, universities and our customers during COVID-19

Upholding our responsibility to support the Ministry of Education as well as all schools and universities in the UAE, we doubled the internet speed for schools and universities across the country at no additional cost. This was done to ensure seamless and uninterrupted connectivity during the lockdown. We also connected schools and universities with unlimited free Webex for three months and provided discounted rates for additional internet packages for additional bandwidth.

We also offered our customers a free upgrade on internet speeds of up to 500Mbps, and be able to communicate with their loved ones for free through the internet calling application, Voico UAE. Our customers also enjoyed online and digital services that included free delivery to their homes within 24 hours when placing orders through the du App or website.

We provided our customers with the options to use the du App or visit our website to pay their bills, follow up on the consumption of their packages, recharge packages, purchase data and minutes, and renew identity registration. We also offered required support via our online instant chat service.

Celebrating UAE's special moments

Raising the UAE flag high on Flag Day

On the occasion of UAE Flag Day 2020, we invited our frontline employees, along with our CEO and Board of Directors, to hoist the UAE flag in honour of the prestigious national event. With this event, we aim to pay our tribute to our frontline workers, whose efforts have been instrumental in ensuring that we met our commitment to our customers and communities across the country.

Underlining our fondest memories on the 49th UAE National Day

We celebrated the 49th UAE National Day by releasing a special video honoring the nation's fondest memories over the past 49 years and looking ahead to the coming 50 years.

The short film is a unique testament to UAE National Day, which includes memorable moments lived by UAE residents from various age groups and cultural backgrounds. The content counts up from 1 to 49 (each number represents a year in the UAE union), with each number a memory that was lived in the UAE.

To engage the UAE's residents in this campaign, we invited them to select a number between 1 and 49 and reveal what makes this number special for them.

A Guinness World Record on National Day

In the month of December 2020, we supported a campaign by Emirates Red Crescent and Nefsy to feed 49,000 families in honour of UAE's 49th National Day. Not only did we support feeding 49,000 underprivileged families, but the initiative broke a Guinness World Record of the largest greeting card mosaic flag of the UAE representing the first and biggest flag of a good cause.

Celebrating the UAE's first mission to Mars

In mid-2020, the UAE launched its historic first mission - the Hope probe - to Mars to study the planet's weather and climate. Hope's arrival in 2021 will coincide with the 50th anniversary of the UAE's formation. To mark this momentous occasion in the country's space mission, we celebrated the launch with our customers through a series of social media posts, stories and text messages.

Youth empowerment

We signed an MoU with the Dubai Government Human Resources Department (DGHR) to be part of their Riyada programme. Riyada aims to empower the Emirati workforce and equip them with technical, behavioral and professional competencies.

Riyada will allow us to target strategic areas of knowledge in the workplace and allow the Emirati youth at du to exchange their experiences with youth from other organisations for an agreed period of time. This will not only encourage knowledge and experience sharing, but will also help increase the collaboration between government and private sectors.

During the year, we also signed an MoU with the Department of Education and Knowledge in Abu Dhabi (ADEK) based on which we will provide sessions on coding for students that are specialised in programmeing. ADEK is planning to open a programmeing school that will provide a various range of courses that targets future coding generation.

Furthermore, in collaboration with the Hamdan Bin Rashid Centre for Giftedness and Creativity, we signed an agreement to provide experienced instructors who will educate the youth at the Centre on topics such as Technology, IOT, IT and Security to empower students in their future.

Gender balance

Rebranding our Gender Balance Council to achieve equal representation

Early in 2020, we rebranded our Gender Balance Council, aiming for greater inclusion and equal representation of both genders within EITC. The aim of the Council is to create awareness, encourage discussions, drive sustainable actions, and build and maintain an environment that supports equality and empowers women throughout their professional development.

The Council continue working across four main pillars – Leadership Mindset, Behavior and Culture, Polices and Structure, and Internal and External Communication. It continued to pursue the gender balance agenda and performance throughout EITC by increasing female presence, promoting female leadership positions, and fostering the next generation of female leadership across the organisation.

Gender Balance Council has been proactive in promoting the UAE Vision with our Executive Leadership team, leading to the new operating model's selection process being more gender inclusive as reflected in the appointment of Hanan Ahmad as the acting Chief Corporate Affairs and Assurance (homegrown talent), the first female Emirati C-level Executive at EITC. In addition, EITC's leadership has been proactive in promoting inclusive practices such as the identification of talents, as well as the company's selection process.

Defying gender stereotypes in gender dominated industries

Our Gender Balance Council organised its first-ever internal webinar, where a range of topics were discussed concerning gender equality and achieving inclusion in the workplace. Held under the theme 'Defying gender stereotypes through working in gender dominated industries,' the agenda entailed insights from four guest speakers - H.E. Shamsa Saleh, Dubai Women Establishment CEO and UAE Gender Balance Council Secretary General, H.E Samata Gifty Bukari, Consul General of Ghana, Eng. Hiba Shabrouq, a Product Marketing expert and TechWomen fellow, and Eng. Maryam Al Balooshi, Environmental Manager at the UAE General Civil Aviation Authority.

The speakers shared their experiences and provided further inputs regarding equality. They praised the UAE's progression in terms of achieving its gender balance goals, and also spoke about the barriers that women must overcome to achieve success. They also gave recommendations on how employees can contribute to financial growth and how gender stereotypes can be removed to maximise the talent pool.

"We appointed the first female Emirati C-level Executive at EITC - Hanan Ahmad as the acting Chief Corporate Affairs and Assurance (homegrown talent)."

Innovation in Education

Enhancing education through 5G

Last year, we used our 5G technology and network to empower future minds by partnering with the Emirates Airline Festival of Literature to power a series of educational live streams. These were broadcasted via the 5G network to UAE schools who were participating in the event through a weblink.

One of these live streams was the 'Eight Days in Space' session featuring Emirati space pioneers Hazza Al Mansoori, Sultan Al Neyadi, and Salem Al Marri. We also live streamed a Creativity and Innovation session with Lebanese writer Rania Zaghir, and a session titled 'Making a Stand' that features Ziauddin Yousafzai – the father of Nobel Prize laureate and world-renowned education advocate, Malala Yousafzai.

These 5G live sessions showed us the immense potential for enhanced mobile broadband connectivity to develop UAE's key industrial verticals, especially the education sector.

Event experiences

The year 2020 was an exceptional year for live events and on ground activations due to the Covid-19 pandemic. Our events and sponsorship unit delivered on multiple initiatives on how to cope with the pandemic and we maintained our promise to engage with the audience.

We launched our first Gender Balance themed webinar to educate and raise awareness on gender balance related topics in the work environment. We also participated in the UAE's first mega event during the pandemic - GITEX 2020. Our focus during GITEX was on the measures taken to support the UAE's vital industries such as healthcare sector, education, government and private sector through our digital solutions. We created a one of a kind digital journey through our stand with all safety measures adhered to.

We continue to deliver on our promise to be closer to our customers and engage with community through various mediums virtually and on ground.

Operating ethically and responsibly

Environmental footprint

Energy-efficiency in our network

Our network, i.e. the base transceiver stations and data centres, create a significant environmental impact due to its energy consumption. To address this impact, we have invested in a range of energy- efficient technologies, such as:

Energy-efficiency hybrid generators

- At the moment, we have a total of 382 generator-run BTS sites – of these, 218 are running on normal generators, and 164 on hybrid generators
- Our hybrid generators help reduce diesel consumption by up to 40%
- To date our hybrid generators have resulted in diesel savings of approximately 1.79 M litres/year (a carbon footprint reduction of 4,540 tonnes/year)

Solar energy

- We have a total of 30 sites that run completely on solar panels
- Six new solar sites were installed in our network in 2020
- To date our solar sites have resulted in total diesel savings of approximately 2.4M litres (a carbon footprint reduction of 6,000 tonnes)
- There are additional 30 site planned to be completed in 2021

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
- To date, we have installed 1,100 free cooling systems in our mobile sites.
- 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.

During the pandemic, we turned off non-essential load in our various offices – this has resulted in overall energy savings of 8% across our offices compared to 2019.

We have also taken various initiatives for energy management across our offices such as installation of variable frequency drive which helped in energy saving of 18% over the year. We also have retrofitted the CFL lights with LED low wattage lights which helped for energy savings of 11% across our offices in Al Salam Tower, AUH Hamdan, Khazna Dubai, DIAC Blocks 8 and 9.

To date, our LEED certified stores located in Fujairah, Mirdiff and Me'aisem City centres have saved a total of 608,629 KWhr (AED 251,098). An overview of the energy and cost savings at our key non-technical sites can be found in the following table:

Site	Energy consumption	% savings in energy consumption (compared to 2019)	AED savings in energy consumption
Offices – Al Salam Tower, DIAC 8 and 9, and Hamdan	1,919,065.70	37%	825,198.25
Retail shops (x37)	26,642.58	3%	11,456.31
Call centres (FCC)	82,930.21	17%	35,659.99
Warehouse (DIP)	152,788.20	18%	65,698.93
Virgin (D3)	18,042.40	15%	7,758.23
Al Salam Tower – Chiller energy	354,632.88	18%	152,492.14

Data privacy and security

It is extremely important for us to keep our customers' information safe and safeguard their privacy and security online. To ensure this basic, yet essential customer right, we have a dedicated function for 'Data Security and Privacy Management' within our Technology Security and Risk Management (TSRM) department.

Our Data Security and Privacy Management framework and standards are based on national and international regulations, standards and guidelines from the UAE's Telecommunications Regulatory Authority, International Organisation for Standardization (ISO), National Institute of Standards and Technology (NIST), Payment Card Industry Data Security Standard (PCI DSS) etc.

We continue to enhance our organisation-wide internal awareness of the importance of customer data and privacy requirements. In 2020, we revamped our current Data Security and Privacy Policies and standards to include diverse platforms and technologies. We initiated an overall data taxonomy with all our business owners. We are currently working on adopting cloud security and tokenisation to further secure our business.

Additionally, we are working on Privilege Identity Management and Database Access Management controls including User Access Governance platform. The Subscriber Data Protection through Database Access Management will give our customers more confidence in the protection of their data.

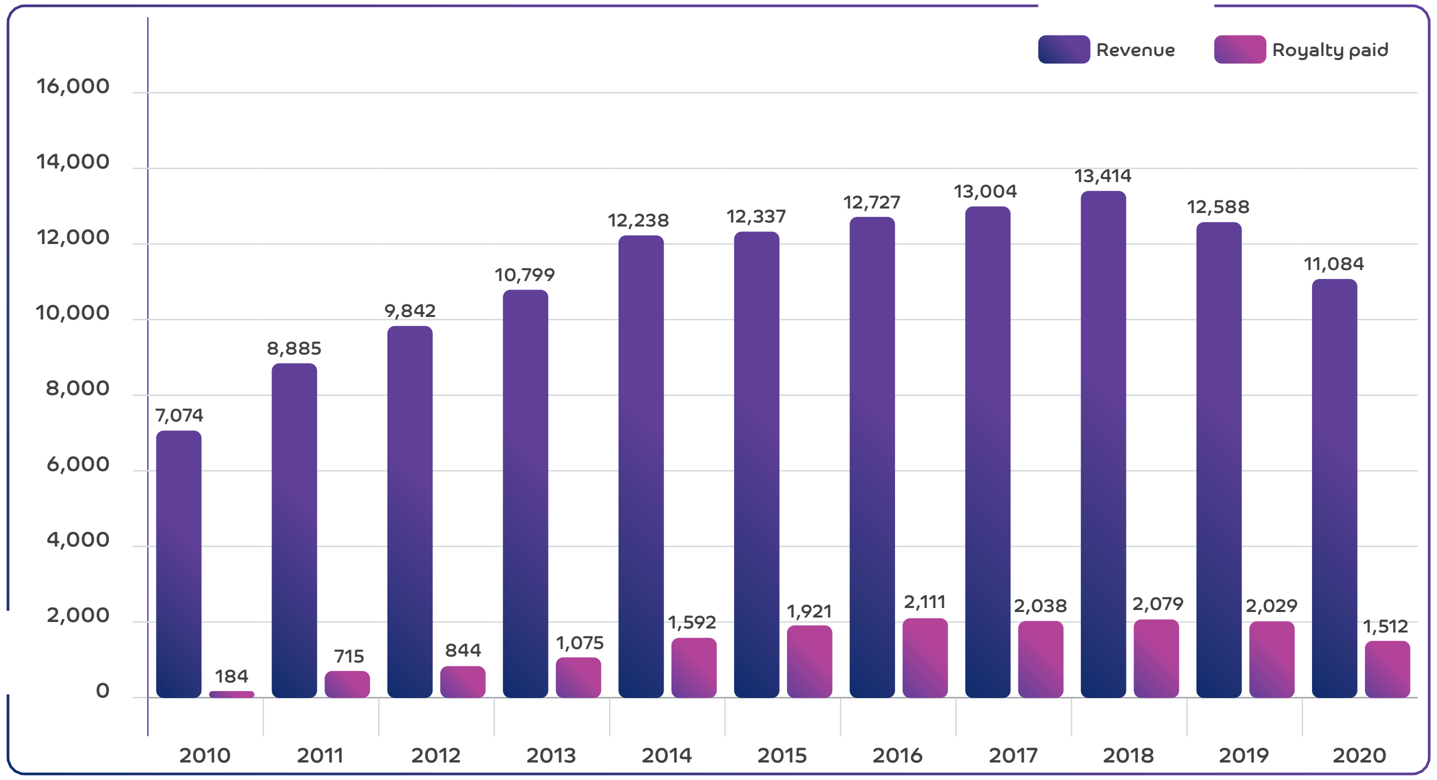
"It is extremely important for us to keep our customers' information safe and safeguard their privacy and security online."

Financial performance

In 2020, we achieved revenues of AED 11.08 billion. Our net profit after royalty amounted to AED 1.44 billion, equating to earnings per share of AED 0.32.

Since 2010, we have been paying royalties to the Government as per an official directive from the Ministry of Finance. In 2020, the royalty charge was AED 1.51 billion – year on year figures indicated below.

Comparative 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 2020, we did not receive any financial assistance from the Government.

Percentage of economic value distributed (AED 6.24 billion)

The consolidated financial statements of the Company for the year ended 31 December 2020 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.

All entities included in the organisation'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 LLC	100%	Subsidiary
EITC Singapore PTE. LTD.	100%	Subsidiary
Khazna Data Centre Limited	26%	Associate (ownership disposed on 30th September 2020)
Dubai Smart City Accelerator FZCO	23.5%	Associate
Advanced Regional Communication Solutions Holding Limited (ARC)	50%	Joint Venture
Anghami (A Cayman Islands Company)	4.8%	Financial asset at fair value

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 PJSC) 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

In 2020, we had more than 645 active suppliers and we sourced products and services worth AED 3.3 billion from them. More than 80% of these were local suppliers (i.e. companies with their headquarters in the UAE). We also worked with 8 Emirati SMEs during the year from whom we purchased AED 18 million worth of goods and services – an increase of AED 4 million as compared to 2019.
Our Sourcing Policy continued to help us manage the social and environmental impacts of our vendor base as it ensures that all dealings with our vendors are fair, competitive and without any conflict of interest.

Our Sourcing Policy is complemented by our Sustainable Environmental Procurement Policy which obliges our current and prospective suppliers to complete our HSE requirements. We also continued with our Robotics Process Automation which uses artificial intelligence to create efficiencies in the way we work.
In 2020, 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.

Responsible marketing

For our industry, it is extremely important for our marketing and communication campaigns to be responsible, honest and friendly to 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

To deal with any wrong doing or unethical practices, we follow the processes defined in our whistle blowing 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).

Our whistleblowing 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.

> "In 2021, the main aim is to automate all processes related to business continuity"

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. Business Continuity Plans (BCPs), Disaster Recovery Plans (DRPs), Crises Management Plans and Simulations all contribute towards our BCM system which proved its efficiency during the COVID-19 pandemic.

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 2020, we successfully participated in three field simulations where we reflected the capabilities of our organisation to protect our assets and ensure the availability of our services. In 2020, we also complied with the NCEMA Business Continuity Guidelines in the event of COVID-19 where all the aspects of people, technology and supply chain were maintained. We maintained the ISO 22301 certificate as well without major non-conformity.

In 2021, the main aim is to automate all processes related to business continuity and reevaluate the prioritisation and processes within EITC. Another aim is to get the maxim benefits of covid19 during the recovery stage of the pandemic.

Radio frequency fields

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

With regards to the grievances- kindly note that within 2020- we have documented 15 employee grievances, 13 of which were relate to employee performance appraisals, with the remaining related to other issues. There is only 1 employee grievance reported on the basis of harassment.

Kindly note that all grievances whether performance or other are captured and updated in the system database with full details about the case and action taken against the involved employees. Along with the case file documented internally. All grievances are handled by a dedicated team within HR in order to avoid any favouritism and ensure process compliance.

Greenhouse gas emissions

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).

In 2019, 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 2018). The main reason for this reduction was the decrease in printed bills for customers (12.15 tonnes in 2018 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 in 2019 was 0.041 tCO2e per customer which is attributed to our progress on our various energy-efficiency practices. In 2019, 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).

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).

95% of our office paper is 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 continue our e-billing initiative to reduce printing and paper consumption.

We continue to recycle our paper, cardboard and plastic used in our operations as can be seen in the graph below.

	2018	2019	2020
Paper (tonnes)	6.26	5.99	6.44
Plastic (tonnes)	14.71	15.48	10.04
Cardboard (tonnes)	13.77	15.19	10.49

We also have an Equipment Donation Policy that allows us to reduce our waste footprint by donating our used assets, such as IT equipment and furtniture to registered charities in the UAE. This year, we donated printers, laptops, office desks, chairs and other furniture to charities and community organisations in the UAE.

Corporate Governance Report of Emirates Integrated Telecommunications Company PJSC ("EITC" or the "Company") for the financial year ended on 31 December 2020

1. Statement of procedures taken to complete the corporate governance system, during the year 2020, and method of implementing thereof:

The corporate governance framework of EITC is in accordance with the applicable laws and regulations prescribed by the Securities and Commodities Authority of the UAE (the **"SCA"**) including the Chairman of SCA's Board of Directors' Decision No. (3/Chairman) of 2020 concerning approval of joint stock companies' governance guide (**"SCA Corporate Governance Rules"**). EITC continuously ensures compliance with all the governing laws as well as the applicable regulations and directives issued by the SCA and the Dubai Financial Market (the **"DFM"**).

Over the years, EITC has strengthened its governance practices and has continued to do so in this exceptional year 2020 during which EITC's Board of Directors (the **"Board"**) had proactively and continuously monitored the measures taken by the management to ensure minimal disruptions and impact on the business of EITC due to COVID-19 thereby ensuring responsively that people, businesses, government institutions and all vital sectors remain connected and operational. Several measures to protect EITC's stakeholders have been taken prioritizing their health and safety and EITC's infrastructure was managed in a way to cope with the evolution of the needs of its customers. An efficient remote working policy was rolled out in the 1st quarter of 2020 and it was ensured that necessary support required in terms of technology or other means by the employees and customers were provided to allow business operations to be smoothly carried out throughout the year. Board and its Committee meetings were also held remotely thereby ensuring continuous effective participation by the Board and the Committee members in the decision making amidst COVID-19 restrictions.

The annual general assembly of EITC was held remotely on 14 April 2020 with the support of SCA and EITC's registrar (First Abu Dhabi Bank). Following the approval by the shareholders to amend the Articles of Association of EITC at the annual general assembly, changes were made by the shareholders to the Board members appointed by them. Accordingly, effective 15 April 2020, Mr. Kaj-Erik Relander and Mr. Masood Mahmood ceased to act as directors of EITC and Mr. Wesam Lootah and Ms. Sara Musallam were appointed as directors of EITC. A detailed induction was also provided to the newly appointed Board members subsequent to their appointment and these members were also requested to provide adequate disclosures required under the governing regulations.

On 27 August 2020, EITC announced the redesign of its business operations with the introduction of five empowered and versatile functions, namely, Commercial, Customer and Channels, New Business and Innovation, IT and Technology. As such, the organisation structure of the Company was reviewed and approved by the Board to enable greater customer engagement. Mr. Fahad Al Hassawi, the current CEO (Acting) of EITC was appointed by the Board on 17 September 2020 to replace Mr. Johan Dennelind who had joined EITC earlier in 2020. The Board had also appointed a Managing Director effective 17 September 2020 as a result of which the Board currently comprises an

> "The Board has a very clear corporate governance framework and the relevant policies for declaration of conflicts ofinterests and related party transactions were followed appropriately."

executive director. As a part of the reorganisation, the scope of Internal Audit, Risk and Compliance functions was also considered and revised (as required). The Board also considered the option to separate audit and risk committees, however, for the time being decided to continue having Audit Committee overseeing both audit and risk matters.

A detailed Board evaluation was conducted in 2020 by an external consultant, GCC Board Directors Institute (**"Board Evaluation 2020"**) and the key finding from this evaluation is that the Board had handled COVID-19 crisis well. Despite the challenges, the Board had successfully started the transformation programme and decided on IT roadmap thereby preparing the Company for the coming years. The Board Evaluation 2020 also concluded that the Board has a very clear corporate governance framework (thereby having strict separation of responsibilities at the level of senior management, executive management and the Board) and that the relevant policies for declaration of conflicts of interests and related party transactions were followed appropriately.

In terms of gender diversity, the Board firmly 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. In April 2020, a female director was appointed on the Board and who also chairs the Audit Committee. EITC's gender balance council (previously known as Women Council) which was formed in December 2018 continued its activities of driving gender balance agenda and performance across EITC, to increase female presence and foster female leadership positions in EITC (the **"Gender Balance Council"**). In 2020, the Gender Balance Council's main objective has been to align with the UAE Vision 2021 for Gender Balance, which aims for the UAE to become one of the world's top 25 countries for gender equality by 2021, by establishing relationships with key UAE gender balance advocates such as H.E. Sheikha Shamma bint Sultan bin Khalifa Al Nahyan and H.E. Shamsa Saleh, CEO Dubai Women Establishment and Secretary-General of the UAE Gender Balance Council, to name a few. Internally, the Gender Balance Council has been proactive in promoting the UAE Vision with EITC's executive leadership team, leading to the new operating model's selection process being more gender inclusive as reflected in the appointment of Ms. Hanan Ahmad as the Acting Head of Corporate Affairs and Assurance (homegrown talent), the first female C-level Executive in the history of EITC.

In accordance with SCA Corporate Governance Rules, quarterly disclosures are being obtained from every Board member in relation to their other external positions in the UAE in addition to obtaining such disclosures upon their appointment as Board members. The Board reviewed the composition of its committees and its terms of reference in line with SCA Corporate Governance Rules as well the existing financial, human resources and other corporate policies and procedures and where required issued new policies and procedures. 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. In September 2020, EITC sold its entire shareholding held in Khazna Data Centre Limited in accordance with the approval and directions provided by the Board on the transaction.

The Board provided strategic guidance to the management and ensured that the Company's strategy was aligned with the expectations of the shareholders by considering strategic framework and periodic updates on core and new business, network evolution, IT strategy and roadmap, ongoing transformation programme and customer experience. The Board also 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 were being followed.

2. Statement of ownership and transactions of Board members', their spouses and children in EITC's shares during 2020

EITC's Insiders and 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 2020:

No	Name	Position / Kinship	Total sale during 2020	Total purchase during 2020	Owned shares as on 31 Dec. 2020
1	Ahmad Abdulkarim Julfar	Board member	467,839	0	0
		Spouse	0	0	3,000
2	Ziad Abdulla Galadari	Board member	0	0	119,350
		Spouse	0	0	94,000
3	Mohamed Hamad Al Shehi	Spouse	0	0	247
4	Malek Sultan Al Malek	Board member	0	0	562

3. Board of directors

3.1 Board Composition

The shareholders of EITC had on 14 April 2020 by passing special resolution approved the amendment to Article 18 of the Articles of Association of EITC in relation to the appointment/election of the Board members following which the below changes were made in the Board composition effective 15 April 2020:

1. Resignation of Mr. Masood Mahmood as a director of EITC
2. Appointment of Mr. Wesam Lootah as a director of EITC
3. Appointment of Mr. Khaled Al Qubaisi as a director of EITC by Emirates Investment Authority (who was representing Mamoura Diversified Global Holding PJSC until 14 April 2020)
4. Replacement of Mr. Kaj-Erik Relander by Ms. Sara Musallam as a director of EITC

Subsequently, on 17 September 2020, Mr. Ahmad Julfar (a telecom veteran and Board member of EITC) was appointed by the Board as the Managing Director of EITC to provide strategic guidance and mentoring to the CEO.

One of the key findings from the report issued on Board Evaluation 2020 is that the Board is talented, experienced, committed, well balanced in terms of capability and the individual directors brought a diverse range of skills and expertise. Board members provides independent opinion, use their skills and expertise and ensure that the Company's and shareholders' interests are given priority in the event of conflict of interest.

The Board is currently composed of ten (10) directors, out of which eight (8) are independent non-executive, one (1) is non-executive and one (1) is executive and their details as on 31 December 2020 are as follows:

Mr. Mohamed Hadi Al Hussaini

Chairman
Independent Non-Executive

First Appointment	Representing
28 February 2018	Emirates Communications and Technologies Company LLC

Mr. Mohamed Al Hussaini was appointed as the 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:

1. Chairman of Emaar Malls PJSC
2. Board Member of Emirates NBD Bank PJSC
3. Board Member of Emirates Islamic Bank PJSC
4. Board Member of Dubai Refreshment PJSC

Other entities:

1. Board Member of Emirates Investment Authority
2. Board Member of Dubai Real Estate Corporation
3. Board Member of Investment Corporation of Dubai

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

Mr. Khaled Mohamed Balama

Vice Chairman
Independent Non-Executive

First Appointment	Representing
17 March 2015	Emirates Investment Authority

Mr. Khaled Mohamed Balama has held various executive roles in prestigious companies and organisations during the past 30 years.

He is currently the Vice Governor of the Central Bank of the UAE and is also a 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).

Mr. Ahmad Abdulkarim Julfar

Board Member
Managing Director

First Appointment	Representing
21 March 2018	Public Shareholders

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

1. Chairman of Knowledge Fund, Government of Dubai
2. Vice Chairman of Commercial Bank of Dubai PJSC
3. Board Member of Smart Stream Technologies
4. Board Member of Al Jalila Children's Speciality 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 Programme of Sheikh Mohammed Bin Rashid Al Maktoum.

Ms. Sara Awadh Eisa Musallam

Board Member
Independent Non-Executive

First Appointment	Representing
15 April 2020	Emirates Investment Authority

Ms. Sara Awad Musallam has broad experience in various sectors and has made major contributions to key vital government sectors in her previous roles as the Director of Private Schools and Quality Assurance at Abu Dhabi Department of Education and Knowledge, and as the Vice President of Aerospace, Renewables and ICT Platform at Mubadala Investment Company. Her vast experience has gone beyond the public sector as she also worked as a Business Analyst at BP International for several years.

She is currently the Chairperson of Abu Dhabi Department of Education and Knowledge and holds the following positions in several other leading entities in the UAE:

1. Member of Abu Dhabi Executive Council
2. Member of Life Quality and Wellbeing Committee of Abu Dhabi Executive Committee
3. Board member of Al Yah Satellite Communication Company (YahSat)
4. Member of UAE Cabinet's Education and Human Resources Council
5. Member of the Board of Trustees of Khalifa Award for Education
6. Member of the Board of Trustees of Abu Dhabi Early Childhood Authority
7. Member of Initiatives Committee of Mubadarat
8. Member of Abu Dhabi's Advanced Technology Research Council
9. Member of the UAE's National Emergency, Crisis and Disasters Management Authority
10. Member of the Board of Trustees of Mohamed bin Zayed University for Humanities

She holds a Master's degree in Business Administration from the American University of Sharjah and holds a Bachelor's degree in Applied Sciences in Business Administration as well as Higher Diploma in Financial and banking services from the UAE's Higher Colleges of Technology of Abu Dhabi. She is also a Chartered Financial Analyst (CFA).

Mr. Mohamed Hamad Al Shehi

Board Member
Independent Non-Executive

First Appointment	Representing
21 March 2018	Emirates Investment Authority

Mr. 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 position of The Deputy Director General at the Department of Finance, Government of Dubai and is the Secretary to the Supreme Fiscal Committee.

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

1. Chairman of Emirates NBD Capital P.S.C.
2. Chairman of NAS Neuron Health Services LLC
3. Board Member of Emirates NBD Bank PJSC
4. Board Member of Emirates NBD Capital Ltd
5. Board Member of Emirates NBD Asset Management Limited
6. Board Member of Emirates Islamic Bank PJSC
7. Board Member of Dubai Real Estate Corporation
8. Board Member of Independent Health Information Technology Services LLC (inHealth)
9. Governor of GCC Board Directors Institute

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).

Mr. Ziad Abdulla Galadari

Board Member
Non-Executive

First Appointment	Representing
14 March 2007	Public Shareholders

Mr. Ziad Galadari is the Founder and Chairman of Galadari Advocates and Legal Consultants and 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 serves on the Board of the following leading entities in the UAE:

1. Chairman of Jebel Ali Racecourse Council
2. Board Member of Dubai World Trade Centre
3. Board Member of Dana Gas PJSC

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

Mr. Mohamed Saif Al Suwaidi

Board Member
Independent Non-Executive

First Appointment	Representing
27 August 2012	Emirates Investment Authority

Mr. 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).

Mr. Khaled Abdulla Al Qubaisi

Board Member
Independent Non-Executive

First Appointment	Representing
19 April 2018	Mamoura Diversified Global Holding PJSC (formerly Mubadala Development Company PJSC) – until 14 April 2020 Emirates Investment Authority – from 15 April 2020

Mr. 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's Investment Committee.

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

1. Chairman of Al Yah Satellite Communications Company PJSC
2. Chairman of National Central Cooling Company PJSC (Tabreed)
3. Chairman of Injazat Data Systems LLC
4. Vice Chairman of Abu Dhabi Motor Sports Management LLC
5. Vice Chairman of Abu Dhabi Future Energy Company PJSC (Masdar)
6. Vice Chairman of Global Foundries Inc
7. Vice Chairman of Finance House PJSC
8. Board Member of Insurance House PJSC
9. 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 from Boston University.

Mr. Malek Sultan Al Malek

Board Member
Independent Non-Executive

First Appointment	Representing
21 March 2018	Emirates Communications and Technologies Company LLC

Mr. 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 Chief Executive Officer of TECOM Group, 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 several leading entities in the UAE:

1. Chairman of Dubai Institute of Design and Innovation
2. Board Member of Mohammed Bin Rashid Library
3. Board Member of Higher Colleges of Technology
4. Board Member of Dubai Creek Harbour LLC
5. Board Member of Dubai Waste Management Company
6. Council Member of Dubai Freezone Council
7. Council Member of Dubai Urban Planning Executive Council

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

Mr. Wesam Alabbas Lootah

Board Member
Independent Non-Executive

First Appointment	Representing
15 April 2020	Emirates Investment Authority

Mr. Wesam Lootah is a digital transformation leader with more than 20 years of strategic leadership that drastically shaped Dubai into the Smart city it is today. He built his extensive leadership portfolio and experience through various executive roles in institutions affiliated with the Dubai Government, the World Trade Centre and Emaar.

He is the Chief Executive Officer of the Smart Dubai Government Establishment, the technology arm of Smart Dubai Department. Since becoming CEO in 2015, in record time he has managed to transform technology from being the backbone of Smart Dubai initiative to become a true enabler of digital transformation, with a focus on humanizing technology to influence life's experiences. He pioneered Smart Dubai strategy and plans related to Artificial Intelligence (AI), and has the distinction of launching the first AI Lab in the Middle East and North Africa region, in addition to launching hundreds of initiatives and numerous smart services. He also serves as the Chairman of Executive Committee of Dubai Cooperative Society.

He holds a master's degree in Computer Science and Engineering from Pennsylvania State University, USA and a bachelor's degree from Ohio State University. He is also an author with published research in the field of Computer Security and is a renowned speaker on smart cities and digital transformation at top events.

3.2 Female Representation on the Board

During the year 2020, Ms. Sara Musallam was appointed as a Board member and accordingly there is currently one (1) female representation on the Board (representing 10% of the total Board members).

EITC acknowledges the requirement prescribed by SCA Corporate Governance Rules according to which atleast 20% of the Board needs to be comprised of females. As appointment/ election of directors is a matter reserved for the shareholders of EITC, appointment of additional females on the Board depends upon the shareholders' decision.

3.3 Remuneration and Allowances of the Board Members:

1. **Total remuneration paid to the Board for 2019**

   In 2020, the General Assembly approved the remuneration of the Board for 2019 for the aggregate amount of AED 9,603,000. This sum was distributed to all members of the Board as remuneration for services rendered by them in the year 2019.

2. **Proposed total remuneration to be paid to the Board for 2020**

   The Nomination and Remuneration Committee submits its recommendations to the Board for the remuneration to be paid to the Board members based on the below criteria:

Board retainer fees	Annual (AED)
Chairman	1,500,000
Vice Chairman	700,000
Board member	550,000

Committee retainer fees	Annual (AED)
Committee Chairman	140,000
Committee Member	70,000

Committee meeting attendance fees	AED 21,000 per meeting

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 2021, the Board will propose an amount of AED 9,608,320 to be distributed to the members of the Board as remuneration for 2020 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 Committees for the year 2020**

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 2020 (AED)
Mohamed Hadi Al Hussaini	Investment Committee	10	210,000	**210,000**
Khaled Mohamed Balama	Nomination and Remuneration Committee	9	189,000	**189,000**
Ahmad Abdulkarim Julfar	Investment Committee	10	210,000	**252,000**
	Audit Committee (from 15 April 2020 to 28 September 2020)	2	42,000	
Sara Musallam	Audit Committee (from 21 April 2020)	3	63,000	**63,000**
Ziad Abdulla Galadari	Audit Committee	6	126,000	**126,000**
Mohamed Hamad Al Shehi	Audit Committee	6	126,000	**315,000**
	Nomination and Remuneration Committee	9	189,000	
Mohamed Saif Al Suwaidi	Nomination and Remuneration Committee	9	189,000	**189,000**
Khaled Abdulla Al Qubaisi	Investment Committee	8	168,000	**168,000**
Malek Sultan Al Malek	Nomination and Remuneration Committee	9	189,000	**189,000**
Wesam Lootah	Investment Committee (from 21 April 2020)	7	147,000	**147,000**
Masood M. Sharif Mahmood	Audit Committee (until 15 April 2020)	2	42,000	**42,000**
Kaj-Erik Relander	Audit Committee (until 15 April 2020)	2	42,000	**84,000**
	Investment Committee (until 15 April 2020)	2	42,000	

3.4 Additional allowances, salaries or fees received by the Board members other than the allowances for attending the committees

The Board had approved for the payment of the additional compensation of AED 90,000 per annum to the Managing Director in consideration of the additional time devoted by him for EITC. For the year 2020, he will receive this compensation on pro rata basis for the actual number of the days he served as the Managing Director effective from the date of his appointment which is 17 September 2020.

The only allowance being paid to the remaining 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 (who are non-UAE nationals) in accordance with the Board Travel Policy approved by the Board. Accordingly, Mr. Kaj-Erik Relander was paid AED 47,119 in 2020 as travel and hotel accommodation costs for attending Board and Committee meetings during his tenure as a Board member.

3.5 Board meetings held in the year 2020

During the year 2020, a total of thirteen (13) 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.

The report on the Board Evaluation 2020 reflects that the Board processes and protocols are generally of high standard and Board meetings are very efficient and despite the increased number of Board and Committee meetings in the exceptional year 2020, attendance for the meetings was high which showed great commitment of the members.

No.	Date of the Board meeting	Number of attendees	Attendance by proxy	Absentees
1	11 February 2020	9	Khaled Al Qubaisi had appointed Masood Mahmood as his proxy	None
2	2 April 2020*	10	None	None
3	21 April 2020	9	Khaled Al Qubaisi had appointed Mohamed Hussaini as his proxy	None
4	5 May 2020*	10	None	None
5	8 June 2020*	10	None	None
6	21 July 2020	10	None	None
7	13 August 2020*	8	None	Khaled Al Qubaisi and Sara Musallam did not attend the meeting as they were conflicted
8	27 August 2020	10	None	None
9	8 September 2020	8	None	Khaled Al Qubaisi and Sara Musallam did not attend the meeting as they were conflicted
10	17 September 2020	10	None	None
11	28 September 2020*	10	None	None
12	21 October 2020	9	Khaled Balama had appointed Mohamed Suwaidi as his proxy	None
13	8 December 2020*	10	None	None

*Board meetings held to consider ongoing operational matters

3.6 Number of the Board resolutions passed during 2020 along with the dates of passing these resolutions

In accordance with the applicable provisions from SCA Corporate Governance Rules, five (5) resolutions were passed by circulation by the Board (which were mostly for considering urgent operational matters) and these resolutions were recorded in the minutes of the subsequent meeting of the Board.

No.	Date
Board Resolution No. 1/2020 passed by circulation	6 February 2020
Board Resolution No. 2/2020 passed by circulation	16 March 2020
Board Resolution No. 3/2020 passed by circulation	15 April 2020
Board Resolution No. 4/2020 passed by circulation	31 May 2020
Board Resolution No. 5/2020 passed by circulation	1 November 2020

3.7 Delegation of authorization by the Board during the year 2020

Pursuant to the authorities delegated to the Board in the Articles of Association of EITC and the governing regulations, the Board is responsible for carrying out its duties but may delegate them to one of its Committees or to the management, in writing. In the case of delegation, they have clear instructions on how the delegation can be authorized and the relevant limitations. The Board has agreed matters reserved for the Board and its Committees within the Governance Manual and during the year 2020, the Board did not delegate any of its reserved matters to the management.

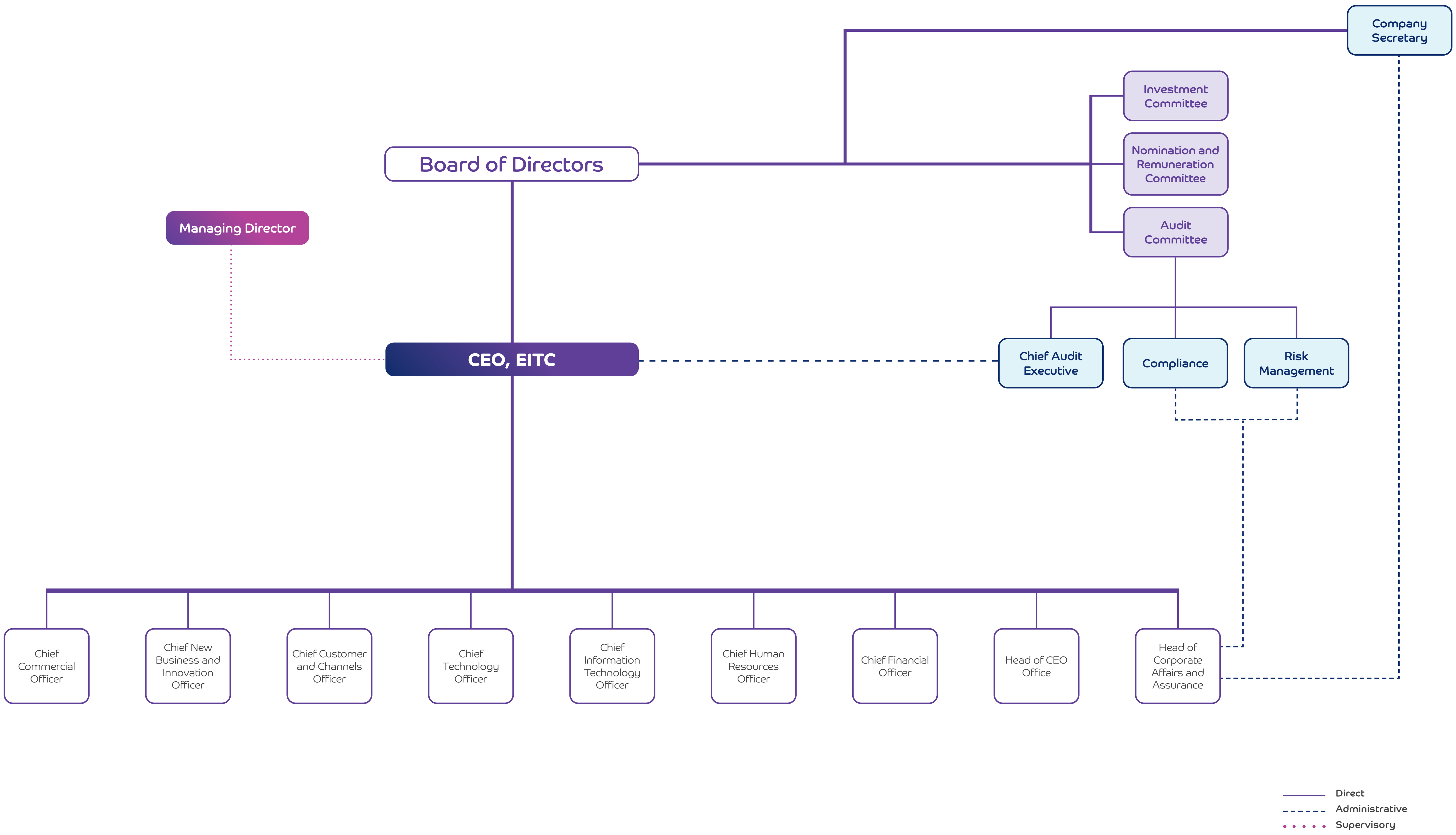
3.8 Transactions with Related Parties

The Company's related party transactions policy provides a sound framework for the review and approval of these transactions. When a transaction with related parties is concluded, the Chairman of the Board notifies the SCA with the content related to such 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 2020, EITC did not enter into any related party transaction in accordance with the UAE Companies Law or SCA Corporate Governance Rules.

3.9 Organisational Structure

The organisational structure of EITC as on 31 December 2020 is as follows:



3.10 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 2020.

Position	Date of Joining	Total Salaries and Allowances paid in 2020 (AED)	Any Other Cash/in-kind benefits for 2020 (AED)	LTI	Total Bonus paid for 2020 (AED)
Chief Executive Officer (Acting)	23 April 2006	2,613,600	349,255	N/A	1,764,791
Chief Human Resources Officer	13 May 2018	1,843,200	38,690	N/A	591,480
Chief Financial Officer	14 July 2019	2,400,000	603,515	N/A	850,392
Chief New Business & Innovation Officer	1 January 2006	2,432,424	292,350	N/A	865,470
Chief Technology Officer	7 September 2008	1,843,200	142,353	N/A	709,776
Chief Customer & Channels Officer	4 March 2018	1,999,200	184,350	N/A	664,020
Chief Information Technology Officer	1 April 2019	1,800,000	706,224	N/A	685,671
Head of Corporate Affairs and Assurance (Acting)*	4 April 2010	566,300	99,345	N/A	318,106
Chief Commercial Officer (Acting)**	1 August 2016	260,000	257,000	N/A	541,913
Head of CEO office	Vacant	N/A	N/A	N/A	N/A

*Head of Corporate Affairs and Assurance (Acting) movement date is June 2020

**Chief Commercial Officer(Acting) movement date is November 2020

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 2020. Deloitte provides audit and assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning among multiple industries.

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.) Mr. Rama Padmanabha Acharya
Number of years he served as the Company's external auditor	2 years
Total audit fees for 2020 in (AED)	AED 1,478,000
Fees and costs of other services other than auditing the financial statements for 2020 (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 2020 (if any). In the absence of another external auditor, this matter is explicitly stated.	Refer to paragraph 4.3 below

*External auditors - known audit firms in line with EITC choice of auditors

4.3 Statement of fees, costs and services provided by external auditor firms in 2020:

Audit/Consulting Firm	Details of service	Amount (AED)
Deloitte and Touche (M.E.)	Professional and advisory services – Consulting services.	1,346,625
Ernst and Young (E&Y)	Professional and advisory services – Strategic transformation projects and consulting services.	11,348,938
PricewaterhouseCoopers (Dubai Branch)	Professional and advisory services - Consulting services.	458,552
	Total	**13,154,115**

4.4 There are no qualified opinions made by EITC's External Auditor in the interim or annual financial statements for the year 2020.

5. Audit committee

5.1 Ms. Sara Musallam, Chair of the Audit Committee acknowledges her 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 the Board to monitor the Company's financial position, review and recommend changes to the Company's financial and control systems, maintain appropriate relationship with the Company's external auditors and perform other functions as required by SCA Corporate Governance Rules.

5.3 In order to comply with the revised independence criteria of the Board members as stated in the SCA Corporate Governance Rules, Mr. Ziad Galadari who was appointed by the shareholders for the 5th consecutive term of the Board and was chairing the Audit Committee was replaced as the chair of the Audit Committee by Ms. Sara Musallam on 21 April 2020. Due to the resignation received on 15 April 2020 from Mr. Kaj-Erik Relander and Mr. Masood Mahmood, their appointment as members of Audit Committee had ceased effective 15 April 2020. Mr. Ahmad Julfar was appointed as a member of the Audit Committee from 15 April 2020 to 28 September 2020. Mr. Malek Al Malek was appointed as a member of the Audit Committee on 8 December 2020.

5.4 The members of the Audit Committee have sufficient knowledge and expertise in financial, accounting, legal, compliance and regulatory matters. The current members of the Audit Committee are:

- Ms. Sara Musallam (Chair)
- Mr. Ziad Abdulla Galadari
- Mr. Mohamed Hamad Al Shehi
- Mr. Malek Al Malek

5.5 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 Audit 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 functions 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

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

5.7 During the year 2020, six (6) meetings of the Audit Committee were held, the details of which are as follows:

Meeting Number	Date of Meeting	Main Purpose of the Meeting	Members Present	Absentees
Audit Committee Meeting No. 1/ 2020	10 February 2020	Review of annual financials for the year 2019, audit, internal control and governance related matters	Ziad Abdulla Galadari, Mohamed Hamad Al Shehi, Kaj-Erik Relander and Masood Mahmood	None
Audit Committee Meeting No. 2/ 2020	22 March 2020	Review readiness for COVID-19		None
Audit Committee Meeting No. 3/ 2020	20 April 2020	Review Q1 2020 financials and governance related matters	Ziad Abdulla Galadari, Mohamed Hamad Al Shehi and Ahmad Abdulkarim Julfar	None
Audit Committee Meeting No. 4/ 2020	20 July 2020	Review Q2 2020 financials, audit, internal control and governance related matters	Sara Musallam, Ziad Abdulla Galadari, Mohamed Hamad Al Shehi and Ahmad Abdulkarim Julfar	None
Audit Committee Meeting No. 5/ 2020	19 October 2020	Review Q3 2020 financials, audit, internal control and governance related matters	Sara Musallam, Ziad Abdulla Galadari and Mohamed Hamad Al Shehi	None
Audit Committee Meeting No. 6/ 2020	7 December 2020	Review audit, internal control and governance related matters		None

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 2020, nine (9) 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/ 2020	11 February 2020
Nomination and Remuneration Committee Meeting No. 2/ 2020	22 March 2020
Nomination and Remuneration Committee Meeting No. 3/ 2020	21 April 2020
Nomination and Remuneration Committee Meeting No. 4/ 2020	7 May 2020
Nomination and Remuneration Committee Meeting No. 5/ 2020	21 May 2020
Nomination and Remuneration Committee Meeting No. 6/ 2020	13 July 2020
Nomination and Remuneration Committee Meeting No. 7/ 2020	19 August 2020
Nomination and Remuneration Committee Meeting No. 8/ 2020	22 September 2020
Nomination and Remuneration Committee Meeting No. 9/ 2020	7 December 2020

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 Due to the resignation received on 15 April 2020 from Mr. Kaj-Erik Relander, his appointment as a member of Investment Committee had ceased on 15 April 2020. Mr. Wesam Lootah was appointed as a member of the Investment Committee on 21 April 2020. The current members of the Investment Committee are:

- Mohamed Hadi Al Hussaini (Chair)
- Khaled Al Qubaisi
- Ahmad Abdulkarim Julfar
- Wesam Lootah

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 2020, ten (10) meetings of the Investment Committee were held, the details of which are mentioned below:

Meeting Number	Date of Meeting	Main Purpose of the Meeting	Absentees
Investment Committee Meeting No.1/ 2020	2 February 2020	Mohamed Hadi Al Hussaini, Ahmad Abdulkarim Julfar and Kaj-Erik Relander	Khaled Abdulla Al Qubaisi
Investment Committee Meeting No.2/ 2020	30 March 2020	Mohamed Hadi Al Hussaini, Khaled Abdulla Al Qubaisi Ahmad Abdulkarim Julfar and Kaj-Erik Relander	None
Investment Committee Meeting No.3/ 2020	15 April 2020	Mohamed Hadi Al Hussaini, Khaled Abdulla Al Qubaisi and Ahmad Abdulkarim Julfar	None
Investment Committee Meeting No.4/ 2020	2 June 2020	Mohamed Hadi Al Hussaini, Khaled Abdulla Al Qubaisi, Ahmad Abdulkarim Julfar and Wesam Lootah	None
Investment Committee Meeting No.5/ 2020	18 August 2020	Mohamed Hadi Al Hussaini, Ahmad Abdulkarim Julfar and Wesam Lootah	Khaled Abdulla Al Qubaisi
Investment Committee Meeting No.6/ 2020	13 September 2020	Mohamed Hadi Al Hussaini, Khaled Abdulla Al Qubaisi, Ahmad Abdulkarim Julfar and Wesam Lootah	None
Investment Committee Meeting No.7/ 2020	23 September 2020		None
Investment Committee Meeting No.8/ 2020	27 October 2020		None
Investment Committee Meeting No.9/ 2020	26 November 2020		None
Investment Committee Meeting No.10/ 2020	8 December 2020		None

8. Insiders committee

8.1 Ali Al Ali, Chair of the Insiders Committee acknowledges his 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 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:

- Ali Al Ali, Company Secretary(Acting), Chair*
- Ali Al Mansoori, SVP Business Human Resources, Member
- Mia Buckthought, Director Legal Counsel, Member
- Mohammad AlMehrezi, Manager Financial Reporting and Compliance, Member

*Replaced Hanan Ahmad effective 27th August 2020

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 insiders
- 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
- Initiate disciplinary action against non-compliant employees, with support from Human Resources
- Report to the Audit Committee on the work done by the Insiders Committee

8.5 The key activities undertaken by the Insiders Committee in the year 2020 were:

- Implementation and rolling out of the revised Insiders and Share Dealing policy by launching online mandatory courses for employees and obtaining annual declarations
- Updated Insiders Register submitted to the DFM on a quarterly basis and as and when required
- Notifications sent to all employees and Board members before commencement and after completion of every closed period reminding them about prohibition of trading in closed periods
- Attended to the queries received from the employees generally in relation to Insiders and Share dealing policy
- Provided recommendations the Board to revise the terms of reference of the Insiders Committee

8.6 The Insiders Committee met five (5) times during the year 2020 as follows:

Meeting Number	Date of meeting
Insiders Committee Meeting No. 1/ 2020	7 January 2020
Insiders Committee Meeting No. 2/ 2020	4 February 2020
Insiders Committee Meeting No. 3/ 2020	11 June 2020
Insiders Committee Meeting No. 4/ 2020	9 September 2020
Insiders Committee Meeting No. 5/ 2020	24 November 2020

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 of EITC. 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).

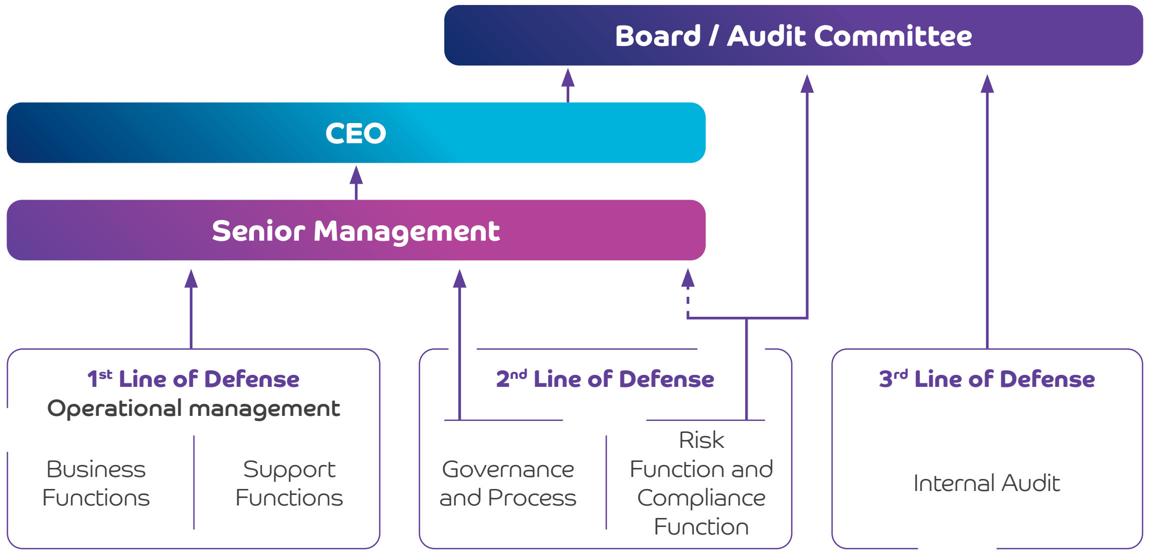


Diagram 1: The "3 Lines of Defense".

- **The First Line of Defense:** Includes business and process owners whose activities create and / or manage risks. The first line of defense owns the risks, and design and execute 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 generally separate from the first line of defense but under the supervision of senior management. However, Risk and Compliance functions (under second line of defence) have a direct reporting line to the Audit Committee and reporting operationally to the senior management, under the governance of Corporate Affairs and Assurance. The Governance and Process function was established in 2020 with the objective to embed a stronger and simplified governance culture across EITC and its subsidiaries.
- **The Third Line of Defense:** Includes Internal Audit function of the Company which is an independent function and does not perform operational activities. 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 Audit 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 Internal Audit 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 laws and all other internal and external regulations, oversight is provided by the 2nd Line of Defense – Compliance Department.
- To comply with SCA mandate, the Compliance function provides oversight in regards to compliance with 'external regulations and policies and procedures' across EITC. The Risk Function, oversees the implementation of risk management processes and methodologies, with the aim to build 'risk aware culture' across EITC.

EITC Risk Management Policy

The EITC Risk Management policy is aligned with global standards and industry best practices and enables us to identify, measure, manage, monitor and report EITC's key risk exposures.

The Risk function has developed the consolidated EITC risk profile and conducts continuous monitoring of these risks which allows senior management and the Board to exercise transparent and effective oversight of the key risks and supports senior management in informed decision making.

EITC risk profile is dynamically updated, in line with the 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.

The EITC Risk Officer heads the EITC Risk Function with a direct reporting line to the Audit Committee and reports operationally to the Head of Corporate Affairs and Assurance.

EITC Compliance Framework

The EITC Compliance framework, approved by the Board, provides effective oversight and monitoring of the key compliance requirements and embeds a strong compliance culture across EITC, in terms of adherence to applicable laws, regulations, statutory requirements, resolutions, all policies and procedures, and rules of business using an appropriate 'tone at the top' and through effective coordination with all internal and external stakeholders.

The EITC Compliance Officer heads the EITC compliance function with a direct reporting line to the Audit Committee and reports operationally to the Head of Corporate Affairs and Assurance.

Enhancements in 2020

EITC continued to enhance and strengthen the risk management by:

- Effective Implementation of Risk Management policy and related procedures across EITC.
- Establishment of the baseline for governance around processes across EITC.
- Driving Divisional Risk Councils to establish and embed 'risk and compliance' governance at the operational level within the business.
- Continuous scanning and reporting to Board on the risk horizons around business objectives with focus on impact due to pandemic COVID 19 situation.
- Embedded transformation risk management at strategic level across EITC.
- Enhanced the risk reporting structure in line with the new SCA regulations

These initiatives allow focused management, discussion and oversight of each business units' risk and provide real-time partnership and support to our 1st line of defense.

EITC continued to enhance and strengthen the compliance management by:

- Enhanced and up-scaled the Board approved EITC Compliance Framework and reporting structure in line with the new SCA regulations.
- Revised and updated the EITC Employee Code of Business Conduct and Ethics Policy, to embed a strong compliance culture across EITC.
- Developed and updated key compliance policies like EITC Partner Code of Business Conduct and Ethics Policy, Anti Money Laundering (AML)/ Sanctions and Recusal Policy and Third Party due diligence policy.
- Conducted continuous and ongoing monitoring of the external compliance requirements and proactively highlighted non-compliances through various compliance activities.
- Conducted EITC wide Compliance trainings to build 'ethics and compliance oriented' culture across the Company.

> **"These initiatives allow focused management, discussion and oversight of each business units' risk and provide real-time partnership and support to our 1st line of defense. "**

9.2 Name and qualifications of the Internal Audit Department Head:

Internal Audit Department is headed by Rashid Al Sheikh, who was appointed by the Board on 14 December 2016. He has over 21 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 Audit 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 Compliance Officer:

EITC's Compliance function is led by Ms. Muna Ali, who was recently appointed as 'Compliance officer' of EITC. She has vast experience in the various relevant areas of Compliance, Ethics, Risk, Audit, Finance, Accounting etc. As EITC's 'Compliance Officer', she oversees the EITC compliance function covering critical areas – 'Internal Compliance', 'External Compliance', Code of Business Conduct and Ethics etc., in line with SCA's mandate regarding roles and responsibilities of 'Compliance officer'. She plays a key role in formulating the EITC compliance strategy and defining the Compliance roadmap, which puts her in pivotal position to foster a "compliance oriented" culture across EITC. In her capacity as advisory role to Board and Audit committee, Ms. Muna liaises with Audit Committee members, CXOs, senior management staff of EITC in relation to 'compliance related matters' across the Company. She holds Bachelor's degree in Accounting and has completed her Masters in Finance from the reputed 'British University'.

9.4 How Internal Audit management addresses serious issues:

Internal Audit management achieves its tasks through the following five divisions:

- IT and Technology
- Financial Audit
- Operational Audit
- Forensic and Whistle Blowing
- QA and GRC system

The Internal Audit 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 2020 to be disclosed in the annual financial statements.

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

Internal Audit Department has issued 3 reports to the Audit Committee indicating the high observations noted during 2020 including audit plan for 2021. 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 2020

During the year 2020, EITC received 37 violations from Telecommunications Regulatory Authority (TRA) of the UAE as follows:

- 30 violations were related to regulatory policy requirements "Registration requirements of mobile consumer" (RRMC). 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.
- 4 violations related to "Consumer Protection Regulation" policy. EITC has provided adequate justification to the regulator on the violations noted. The business units within EITC along with compliance team have identified areas of improvements and the Company is in the process of incorporating the necessary preventive checks and validations to address the issues noted.
- 2 violations related to "Mobile Number Portability" instructions. EITC has provided adequate justification to the regulator and taken necessary action to comply with the requirements. The Compliance function worked with various business units within EITC and conducted a review in Q4 2020, identified gaps and suggested preventive checks which are in the process of being improved and fixed.
- 1 violation related to Regulatory Policy on "Price Control". EITC has provided adequate justification to the regulator in regards to the violation noted. Compliance function has scheduled a detailed compliance review in FY 2021 to ensure all corrective actions are implemented.

11. Statement of contributions made by the Company during the year 2020 in the development of the community and the preservation of the environment

In this time of need, EITC continues to stand by its customers, its people, and its communities by ensuring connectivity and accessibility by investing in faster networks and wider coverage. During 2020, our focus was to ensure the wellbeing of our staff and our customers. We facilitated our customers by offering them reliable, comfortable and flexible connectivity throughout the year. This was in the form of free upgrade on internet speeds, free video-on-demand services, free delivery for online services and more. We also launched an initiative to support remote learning for schools and universities across the UAE. Our environmental initiatives also saw much success as we installed six new solar sites which will further help us reduce our carbon emissions.

In 2021, our sustainability strategy will focus on initiatives that contribute to wellbeing and safety for our customers and our colleagues. We also aim to make a positive impact in our society and on the environment by using technology for good wherever we can. During the year, we also aim to strengthen our commitment towards the UN Sustainable Development Goals.

During the year 2020, EITC contributed AED 1,054,595, supporting a range of social initiatives and campaigns.

12. General information

12.1 Statement of the Company's share price in the market during the year 2020:

Month	Highest Price	Lowest Price	Closing Price
January 2020	5.86	5.42	5.77
February 2020	6.35	5.70	6.20
March 2020	6.12	4.33	5.20
April 2020	5.90	5.05	5.29
May 2020	5.30	4.97	5.09
June 2020	5.24	5.00	5.10
July 2020	5.30	5.00	5.08
August 2020	5.56	5.05	5.25
September 2020	5.45	5.10	5.30
October 2020	5.63	5.23	5.58
November 2020	5.80	5.40	5.65
December 2020	5.80	5.62	5.75

12.2 Performance of the Company's shares in 2020 compared with the general market index and sector index:

Month	Financial Market's General Index	The Company's Shares	Telecom Sector Index
January 2020	2790.42	5.77	973.93
February 2020	2590.00	6.20	1046.51
March 2020	1771.31	5.20	877.72
April 2020	2026.61	5.29	892.91
May 2020	1945.09	5.09	859.15
June 2020	2065.28	5.10	860.84
July 2020	2050.77	5.08	857.47
August 2020	2245.29	5.25	886.16
September 2020	2273.48	5.30	894.60
October 2020	2187.86	5.58	941.86
November 2020	2419.60	5.65	953.68
December 2020	2491.97	5.75	970.56

12.3 Statement of the shareholders' ownership distribution as on 31 December 2020:

Investor/ Shareholder	Type of Customer	Number of Investors	Percentage
UAE	Government	4	0.1268%
	Banks	8	0.4571%
	Companies	124	86.8367%
	Individuals	93,939	11.8302%
	Sole Proprietors	2	0.000%5
GCC Countries	Companies	----	----
	Individuals	164	0.2671%
	Government	----	----
Arabs	Companies	----	----
	Individuals	448	0.3096%
	Government	----	----
Other nationalities	Companies	3	0.0011%
	Individuals	449	0.1709%

12.4 Statement of shareholders owning 5% or more of the Company's capital as on 31 December 2020:

Name	Number of owned shares	Percentage of owned shares
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 (formerly 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 2020:

Share (s) ownership	Number of shareholders	Number of owned shares	Percentage of owned shares
Less than 50,000	94,147	113,590,772	2.506%
From 50,000 to less than 500,000	759	115,667,555	2.552%
From 500,000 to less than 5,000,000	202	285,375,383	6.296%
More than 5,000,000	31	4,018,272,279	88.647%
Total	**95,139**	**4,532,905,989**	**100.000%**

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 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 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 investors and analysts to update our shareholders on relevant developments. As such, EITC's senior management was in frequent and direct contact with journalists, investors and analysts to provide input and context regarding the Company's financial position. Every quarter, the Company held analysts calls and where relevant, press conferences to communicate its quarterly and annual results, after disclosing them to the DFM. During these meetings, the senior management provided a clear overview of EITC's financial performance through presentations and Q&A sessions. We also held several analyst and investor calls and meetings to discuss, in detail, the financial and strategic position of the Company. The quarterly and annual analysts presentations are 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. As directed by the SCA, effective 10 August 2020, monthly advertisements were made in one leading English and Arabic newspaper in UAE for announcement to the shareholders regarding uncollected cash dividends for the period before 1 March 2015. The copies of these publications were submitted to the DFM and SCA along with the monthly reports of the outstanding dividend collected by the shareholders during the last month.

EITC developed a website specifically for investor relations, which is periodically and 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 our Company's share price along with quarterly and annual dividends.
- Corporate governance reports.
- Ownership structure and ratios.
- Formation of EITC Board, Committees and 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 the Company Secretary the contact details of which are Email: shareholder.relations@du.ae; and Telephone Number: **+971-4-5686000.**

12.7 Special Resolutions passed by the General Assembly in the year 2020:

At the Annual General Assembly of EITC held on Tuesday, 14th April 2020, one (1) special resolution was passed to amend Article 18 of the Company's Articles of Association subject to the approval from all the relevant authorities.

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 27th August 2020.

12.8 Company Secretary:

On 27th August 2020, the Board appointed Mr. Ali Al Ali (who is independent from the management in accordance with SCA Corporate Governance Rules) as the Company Secretary (Acting) in place of Ms. Hanan Ahmad.

12.9 Statement of the major events and important disclosures that took place in 2020:

- Announcement of the financial results for the year ended on 31 December 2019
- Resignation of Mr. Ananda Bose as the Chief Wholesale and Corporate Affairs Officer of EITC
- Annual general assembly held virtually/ remotely at which shareholders approved dividend distribution of AED 0.34 per share for 2019 and also amended the Articles of Association of EITC
- Resignation of Mr. Masood Mahmood as a director of EITC
- Appointment of Mr. Wesam Lootah as a director of EITC
- Appointment of Ms. Sara Musallam to replace Mr. Kaj-Erik Relander as a director of EITC
- Announcement of the new organisation structure/ operating model to enable greater customer engagement, stronger focus on innovation, and build a digital powerhouse for the future
- Appointment of Mr. Ali Al Ali as the Acting Company Secretary to replace Ms. Hanan Ahmad
- Announcement made to the shareholders to collect unclaimed cash dividends for the period prior to 1 March 2015
- Sale of 23% stake held in Khazna Data Centre Limited
- Appointment of Mr. Ahmad Julfar, a telecom veteran and one of the Board members as the Managing Director of EITC

- Appointment of Mr. Fahad Al Hassawi as the Acting Chief Executive Officer of EITC due to the departure of Mr. Johan Dennelind
- Announced quarterly financial results after the end of each quarter

12.10 Statement of transactions which were equal to or more than 5% of EITC's share capital:

In September 2020, the Board had approved to sell its entire 26% indirect stake (including its interest in shareholder loans) in Khazna Data Centre Limited to Technology Holding Company LLC. This transaction was more than 5% of EITC's share capital as it involved a cash inflow of AED 800 million and a net profit estimated at AED 521 million.

12.11 Statement of 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 year 2020, we have managed to achieve all the allocated targets (both internal and external) despite the challenges that presented themselves. Because of certain governmental directives, our Emiratisation rate dropped at the beginning of the year to about 32.5%. However, through continued efforts and dedication, we managed to achieve our original target of 37%. We have also been successful is reducing our Emirati attrition rate to 3% (reduced by half) versus a target of 7%. In addition, we have overachieved the points system target that's been allocated to EITC by MOHRE.

We have also managed to integrate the governmental mandates into our processes which aided in the alignment to the 160 job roles/families mandate. We have also ensured adherence to MOHRE and TRA directives in regards to any changes affecting UAE nationals which put us in a very favorable position with TRA and also helps us avoid any audit points that might present themselves in the future.

The Emiratisation percentage in the Company at the end of 2017, 2018, 2019 and 2020 is as follows:

Year	Emiratisation Percentage
2017	32.50%
2018	34%
2019	35.91%
2020	37%

12.12 Statement of innovative projects and initiatives carried out or being developed during 2020 by EITC:

Partnering with MOHAP to offer smart healthcare services: During the year 2020, we signed an MoU with the Ministry of Health and Prevention (MOHAP) to explore opportunities to offer the Digital Hospital Platform thus enabling MOHAP to provide state of the art and best in class eHealth solutions/applications to patients, clinicians and other clinical workforce under their healthcare facilities. This Digital Hospital Platform will gradually address all major digital healthcare components. The first step of this collaboration, is the AI-enabled Telemedicine platform which will deliver clinical healthcare via secure video and audio connections. The AI-enablement of the Telemedicine platform will also serve as a decision support tool for both the patient and the clinician in order to select the best care pathway.

UAE's new paperless property rental platform: We partnered with Smart Dubai Government Establishment (SDGE), the technology arm of the Smart Dubai initiative, to launch of a new paperless property rental platform to automate business processes between SDGE, Al Wasl Group, Dubai Land Department (DLD), and Emirates NBD. Available through du Blockchain Edge, this platform will make the property rental process more convenient for customers. du Blockchain Edge provides seamless digital experiences and solutions, guaranteeing scalability and empowering individuals, enterprises, and government entities to contribute to the UAE's knowledge-based journey which supports the UAE Blockchain Strategy 2021, as well as the Dubai Paperless Strategy.

Signature of the Board Chairman	Signature of Audit Committee Chair
Mohamed Al Hussaini	Sara Musallam
Date:	Date:
Signature of Nomination and Remuneration Committee Chair	**Signature of Head of Internal Audit Department**
Khaled Balama	Rashid El Sheikh
Date:	Date:

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 2020, 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 notes to the financial statements, including a summary of significant accounting policies.

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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

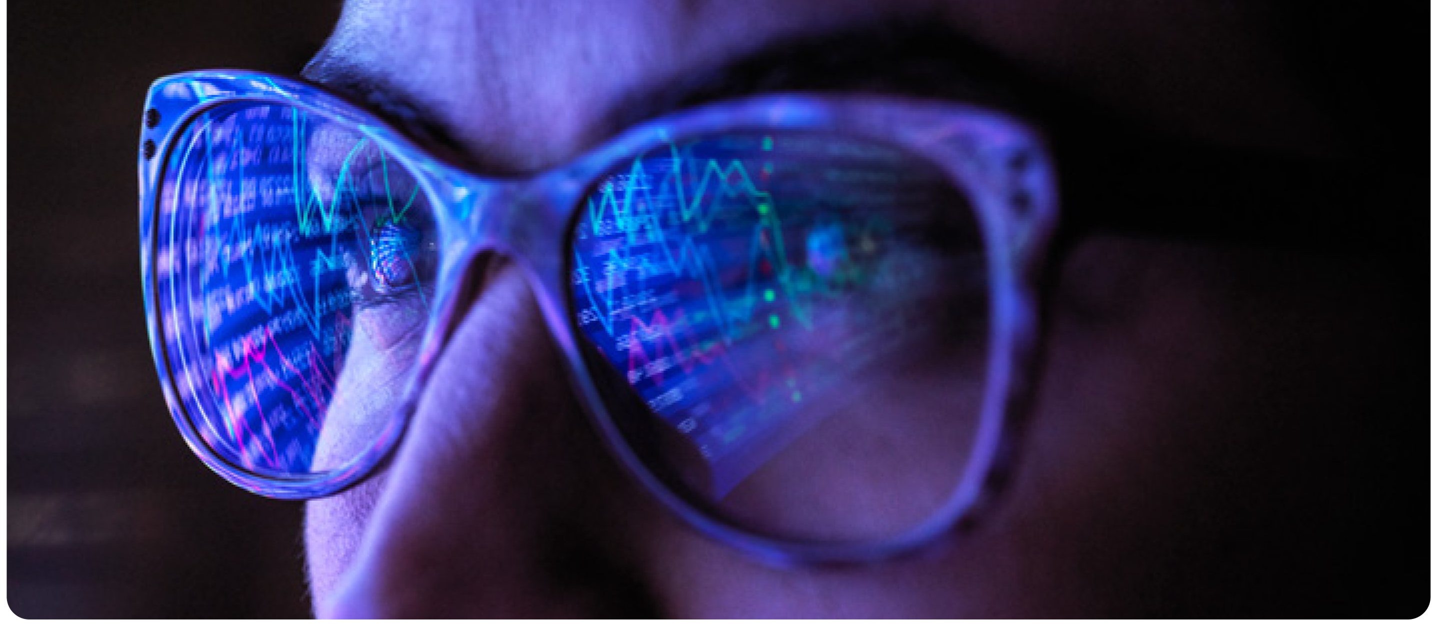
Basis for Opinion

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
Revenue recognition and related IT systems	
The Group reported revenue of AED 11.1 billion from telecommunication and related activities. We focused on this area of the audit as there is an inherent risk related to revenue recognition 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 3 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 analytics and other substantive procedures, but were not limited to, the following: • Performing enhanced risk assessment procedures in response to the significant economic disruption associated with the COVID-19 pandemic and increasing audit effort to challenge whether the revenue recognition criteria adopted for significant revenue streams is appropriate and in accordance with IFRSs. • 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 procedures of significant revenue streams. • Reviewing key reconciliations performed by the Revenue Assurance team. • Performing test of details on non-routine adjustments processed by management which are outside of normal billing platform. • Performing specific procedures to test the accuracy and completeness of adjustments relating to grossing up certain revenue and costs. • Assessing the disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs.

Key audit matter	How our audit addressed the Key audit matter
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 1.5 billion for the year with an accrual of AED 1.6 billion as at 31 December 2020. 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 2020 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 27 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 abovementioned 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.

Key audit matter	How our audit addressed the Key audit matter
Carrying value of goodwill	
As of 31 December 2020, the carrying value of goodwill amounted to AED 413 million, or 2.60 % of total assets as disclosed in Note 8 to the consolidated financial statements. 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. The Group has recorded an impairment loss of AED 135.8 million in relation to the Broadcasting business for the year ended 31 December 2020 in accordance with IAS 36 Impairment of Assets. 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. 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. Uncertainty in the estimations have increased as COVID-19 has led to significant market volatility through the year 2020, including an increase in country risk premium, which also leads to additional complexity in determining the appropriate discount rate. The critical accounting estimates made and judgements applied by management are disclosed in note 2.3 and further details about the impairment of goodwill is disclosed in note 8 to the consolidated financial statements. 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.	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. • Evaluating and challenging the Group's cash flow forecasts based on historical forecasting accuracy and external data (i.e. external industry and broker reports) to substantiate management's growth forecasts and management's assessment on the impact of COVID-19 on the Group. • 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.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' report, 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 (as amended) 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 (as amended), 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 (as amended).
- The Group has maintained proper books of account.
- The financial information included in the Board of Directors' report is consistent with the books of account of the Group.
- As disclosed in note 10 to the consolidated financial statements, the Group has made investments in a Joint Venture during the financial year ended 31 December 2020.
- Note 15 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 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.
- Note 26 to the consolidated financial statements discloses the social contributions made by the Group during the year ended 31 December 2020.

Deloitte and Touche (M.E.)

Rama Padmanabha Acharya
Registration Number 701
8 February 2021
Dubai
United Arab Emirates

Consolidated statement of financial position

Assets	Notes	2020 AED 000	2019 AED 000
		As at 31 December	
Non-current assets			
Property, plant and equipment	6	8,063,422	7,741,119
Right-of-use assets	7	1,851,429	1,699,651
Intangible assets and goodwill	8	900,215	1,051,446
Lease receivable	9	149,963	-
Investments accounted for using the equity method	10	29,835	268,948
Financial asset at fair value through other comprehensive income	11	18,368	18,368
Contract assets	13	211,216	208,994
Total non-current assets		**11,224,448**	**10,988,526**
Current assets			
Inventories		61,513	111,795
Lease receivable	9	18,213	-
Derivative financial instruments	12	-	520
Contract assets	13	454,101	473,195
Trade and other receivables	14	1,726,401	1,870,556
Due from related parties	15	139,869	164,995
Term deposits	16	2,029,327	2,948,701
Cash and bank balances	17	213,375	268,695
Total current assets		**4,642,799**	**5,838,457**
Total assets		**15,867,247**	**16,826,983**

Equity and liabilities	Notes	2020 AED 000	2019 AED 000
		As at 31 December	
Equity			
Share capital	23	4,532,906	4,532,906
Share premium	24	232,332	232,332
Other reserves	25	1,908,411	1,764,640
Retained earnings		1,895,763	2,118,877
Total equity		**8,569,412**	**8,648,755**
Non-current liabilities			
Lease liabilities	18	1,691,727	1,396,800
Contract liabilities	13	195,149	193,095
Provision for employees' end of service benefits	20	254,037	258,740
Other provisions	21	184,581	169,832
Total non-current liabilities		**2,325,494**	**2,018,467**
Current liabilities			
Trade and other payables	22	3,991,797	4,600,332
Lease liabilities	18	616,896	460,005
Contract liabilities	13	358,538	377,019
Due to related parties	15	5,110	6,073
Borrowings	19	-	716,332
Total current liabilities		**4,972,341**	**6,159,761**
Total liabilities		**7,297,835**	**8,178,228**
Total equity and liabilities		**15,867,247**	**16,826,983**

To the best of our knowledge, the financial information included in these consolidated financial statements fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein. The consolidated financial statements were approved by the Board of Directors on 8th February 2021 and signed on its behalf by:

Sara Awad Issa Musallam
Board Member

Kais Ben Hamida
Chief Financial Officer

Consolidated statement of comprehensive income

For the year ended 31 December	Notes	2020 AED 000	2019 AED 000
Revenue	34	11,083,845	12,587,958
Operating expenses	26	(8,253,903)	(8,629,821)
Expected credit losses on contract assets, trade receivables and due from related parties (net of recoveries)		(227,353)	(210,610)
Other income		13,904	2,860
Federal royalty	27	(1,511,938)	(2,029,008)
Finance income	28	50,575	124,052
Finance costs	28	(105,859)	(124,990)
Impairment of goodwill	8	(135,830)	-
Share of profit of investments accounted for using equity method	10	10,099	10,513
Gain on disposal of investment accounted for using equity method	10.1	519,374	-
Profit for the year		**1,442,914**	**1,730,954**
Other comprehensive (loss)/income			
Items that may be re-classified subsequently to profit or loss			
Fair value changes on cash flow hedge	25	(520)	(10,448)
Items that will not be re-classified to profit or loss			
Actuarial gain on defined benefit obligations	20	19,451	3,028
Other comprehensive income/(loss) for the year		**18,931**	**(7,420)**
Total comprehensive income for the year attributable entirely to shareholders of the Company		**1,461,845**	**1,723,534**
Basic and diluted earnings per share (AED)	**29**	**0.32**	**0.38**

Consolidated statement of changes in equity

	Share capital AED 000	Share premium AED 000	Other reserves (Note 25) AED 000	Retained earnings AED 000	Total AED 000
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 paid	-	-	-	(997,239)	(997,239)
Interim cash dividend paid	-	-	-	(589,278)	(589,278)
At 31 December 2019	**4,532,906**	**232,332**	**1,764,640**	**2,118,877**	**8,648,755**
At 1 January 2020	4,532,906	232,332	1,764,640	2,118,877	8,648,755
Profit for the year	-	-	-	1,442,914	1,442,914
Other comprehensive (loss)/income	-	-	(520)	19,451	18,931
Total comprehensive income	**-**	**-**	**(520)**	**1,462,365**	**1,461,845**
Transfer to statutory reserve	-	-	144,291	(144,291)	-
Final cash dividend paid*	-	-	-	(951,910)	(951,910)
Interim cash dividend paid**	-	-	-	(589,278)	(589,278)
At 31 December 2020	**4,532,906**	**232,332**	**1,908,411**	**1,895,763**	**8,569,412**

*For the year 2019, a final cash dividend of AED 0.21 per share amounting to AED 951,910 thousand was approved by the shareholders at the Annual General Meeting held on 14 April 2020 and was paid in May 2020.

**For the year 2020, an interim cash dividend of AED 0.13 per share amounting to AED 589,278 thousand was proposed on 21 July 2020 and paid in August 2020.

For the year 2020, a final cash dividend of AED 0.15 per share amounting to AED 679,936 thousand is proposed.

Consolidated statement of cash flows

For the year ended 31 December	Notes	2020 AED 000	2019 AED 000
Cash flows from operating activities			
Profit for the year		1,442,914	1,730,954
Adjustments for:			
Depreciation and impairment of property, plant and equipment	6	1,346,997	1,387,189
Depreciation of right-of-use assets	7	362,409	319,818
Amortisation and impairment of intangible assets	8	181,018	226,129
Loss on disposal of property, plant and equipment		1,032	-
Provision for employees' end of service benefits	20	32,970	35,283
Loss allowance on contract assets	13	9,099	2,440
Loss allowance on trade receivables	14	219,996	215,414
Loss allowance on due from related parties	15	25,007	-
Finance income	28	(50,575)	(124,052)
Finance costs	28	105,859	124,990
Impairment of goodwill	8	135,830	-
Adjustment for change in discount/inflation rates	21	1,239	259
Unwinding of discount on asset retirement obligations	21	6,953	4,806
Share of profit of investments accounted for using equity method	10	(10,099)	(10,513)
Gain on disposal of investment accounted for using equity method	10.1	(519,374)	-
Changes in working capital	30	1,430,256	1,463,163
Cash generated from operations	-	4,721,531	5,375,880
Royalty paid (net)	27	(1,950,078)	(2,069,210)
Payment of employees' end of service benefits	20	(26,312)	(34,647)
Net cash generated from operating activities		**2,745,141**	**3,272,023**

For the year ended 31 December	Notes	2020 AED 000	2019 AED 000
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,834,580)	(1,186,639)
Purchase of intangible assets		(174,414)	(164,640)
Proceeds from disposal of property, plant and equipment		126	-
Payment for additional investments accounted for using equity method	10	(31,000)	(70,256)
Proceeds from disposal of investment accounted for using equity method		800,000	-
Interest received		116,543	157,522
Margin on guarantees released		1,535	1,355
Term deposits released (net)		919,374	1,051,299
Net cash used in investing activities		**(202,416)**	**(211,359)**
Cash flows from financing activities			
Repayment of lease liabilities		(240,917)	(128,448)
Repayment of borrowings	19	(716,332)	(1,461,318)
Dividends paid		(1,541,188)	(1,586,517)
Interest paid on borrowings and lease liabilities		(98,073)	(116,422)
Net cash used in financing activities		(2,596,510)	(3,292,705)
Net decrease in cash and cash equivalents		(53,785)	(232,041)
Cash and cash equivalents at 1 January		264,657	496,698
Cash and cash equivalents at 31 December	17	**210,872**	**264,657**

Notes to the consolidated financial statements

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 2020 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		Country of incorporation
		2020	2019	
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

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 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, associates and joint venture 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 statements from the date that control commences until the date that control ceases.

(iii) Going concern

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2.1 New standards, amendments and interpretations

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2020.

- **Amendments to references to the Conceptual Framework in IFRS standards**

Amendments to References to the Conceptual Framework in IFRS Standards related 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.

- **Definition of Business - amendments to IFRS 3**

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

- **Definition of Material – amendments to IAS 1 and IAS 8**

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

- **Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7**

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

- **Covid-19-Related Rent Concessions – amendments to IFRS 16**

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This is effective for periods beginning on or after 1 June 2020.

The above stated new standards and amendments are not expected to have any significant impact on consolidated financial statements of the Group except Covid-19 Related Rent Concessions – amendments to IFRS 16, details given below:

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16.

Impact on accounting for changes in lease payments applying the exemption

The Group has applied the practical expedient retrospectively to all rent concessions that meet the above mentioned conditions and has not restated prior period figures.

The waiver of lease payments of AED 6,080 thousand has been accounted for as other income in statement of comprehensive income. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments.

The Group has remeasured the lease liability using the revised lease payments and the discount rate originally applied to the lease, resulting in a decrease in the lease liability of AED 6,080 thousand, which has been recognised as other income in consolidated statement of comprehensive income. The Group continued to recognise interest expense on the lease liability.

(b) New standards and amendments issued but not yet effective

- **Classification of Liabilities as Current or Non-Current - amendments to IAS 1 (effective from 1 January 2023).** The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- **Reference to the Conceptual Framework - Amendments to IFRS 3 (effective from 1 January 2022).** The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

- **Property, Plant and Equipment - Proceeds before Intended Use - amendments to IAS 16 (effective from 1 January 2022).** The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- **Onerous Contracts - Cost of Fulfilling a Contract - amendments to IAS 37 (effective from 1 January 2022).** The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- **IFRS 17: Insurance Contracts (effective from 1 January 2023).** IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2023.
- 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 an investor to its associate or joint venture.

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 judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Critical accounting judgements

(i) 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 21.

(ii) 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.

(iii) 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.

(iv) 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). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Key sources of estimation uncertainty

(i) Provision for expected credit losses of contract assets, trade receivables and due from related parties

The Group recognises a loss allowance for expected credit losses (ECL) on its contract assets, trade receivables and due from related parties. 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 contract assets, trade receivables and due from related parties, 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 contract assets, trade receivables and due from related parties, 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. An impairment of AED 135,830 thousand is recognised on the goodwill in the current year. The sensitivity analysis in respect of recoverable amount of the CGUs is prescribed in Note 8 to the consolidated financial statements.

(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 3.2.

(v) 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.

2.4 COVID-19 updates

In January 2020, the World Health Organisation ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 Outbreak"). Subsequently (March 2020), the WHO classified COVID-19 Outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this virus resulted in global travel restrictions and total lockdown in most countries of the world between March and May 2020. Due to the unprecedented adverse effect of the lockdown on the global economy and some success in the efforts to flatten the infection curve, many countries started easing the lock down restrictions at the end of Q2 2020.

In Q3 2020, the UAE government started re-opening the economy with gradual resumption of international flights, re-opening of offices, malls, etc. with some additional safety measures around social distancing, use of masks, increased COVID-19 testing (including tests at airport arrivals), etc. These measures allowed first signs of the start of recovery in several business activities.

In Q4 2020, the economic activity continued to improve and further releases of restrictions on mobility were introduced allowing an important increase in the tourist activity. The approval of few vaccines and the start of their deployment boosted the general sentiment about a close exit to the crisis.

However, the increase in the number of infections particularly towards the end of the year and the risk of a second wave in many countries led to a higher level of uncertainty and re-introduced doubts about the speed of recovery.

Although the Group has been able to gradually improve its assessment of the COVID-19 impact on the business, the surge in the number of infections during Q4 introduced a new element of volatility. Also, the complete impact of the pandemic on the UAE population and economy in general requires further data, time and analysis. The Group will continue monitoring the evolution of the situation and adjust its operations in a dynamic manner to cope with an acceleration or a deceleration of the recovery.

From accounting perspective, the Group continued to assess the Expected Credit Loss (ECL) from trade receivables and contract assets and accounted for such in the consolidated financial statements in accordance with the requirements of IFRS 9. The Group also assessed the potential impacts of the current situation across all relevant areas of the business; specifically relating to going concern, impairment of assets and inventory, impairment of goodwill, subsidiary accounting, etc., with no material impact except impairment of goodwill related to broadcasting business as disclosed in Note 8.

3. Summary of significant accounting policies

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

3.1 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.

3.2 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.

3.3 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land and building	2-25
Furniture and fixtures	8-13
Motor vehicle	2

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities

is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group as a lessor

The Group also enters into lease agreements as a lessor. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as lease receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

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.

Licences and indefeasible rights of use

Separately acquired licences and rights of use are shown at historical cost. Licences and rights of use acquired in a business combination are recognised at fair value at the acquisition date. Licences 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 licences and rights of use over their estimated useful lives as shown below:

	Years
Telecommunications licence fee	20
Indefeasible rights of use	10-15

Acquired computer software licences 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.

Capital work in progress includes assets which are under development 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 software in use and amortised in accordance with the Group's policies. No amortisation is charged on such assets until available for use.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.5 Associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of investments accounted for using equity method' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. Allowance is made, where appropriate, for deterioration and obsolescence. Cost is determined in accordance with the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.7 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 the Group 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.

3.8 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.

3.9 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.

3.10 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.

3.11 Financial instruments

3.11.1 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.

3.11.2 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.

3.11.3 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 12. Movement in the hedging reserve in shareholders' equity is shown in Note 25. 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.

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.

3.11.4 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.

3.12 Share capital

Ordinary shares are classified as equity.

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 Credit 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 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 and contract assets.

(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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve. Since the presentation currency of the Group and its subsidiaries AED or USD which is pegged to AED, there is no foreign currency translation reserve at reporting date.

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, SMS/MMS, VAS 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 recognition for voice, data, SMS/MMS, VAS or other services is over the period when these services are provided to the customers.

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.

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 by using the most likely amount method. Variable consideration adjusted to the transaction price at contract inception.

Contract Modification

Contract modifications exist when the parties to the contract approve a modification that creates or changes the enforceable rights and obligations of the parties to the contract.

A modification is accounted for as either a separate contract (Accounted for prospectively) or as part of the existing contract (accounted through a cumulative catch-up adjustment). This assessment is to be based on whether:

(a) the modification adds distinct goods and services and

(b) the distinct goods and services are priced at their standalone selling prices.

If the modification results only in a change in price of the contract, then that change is allocated to separate performance obligations under the contract on the same basis as at contract inception including the satisfied performance obligations at the date of modification. This will result in a cumulative catchup adjustment to revenue.

If the modification results in change in scope of the contract adding distinct goods or services at a price reflecting their standalone selling price the contract is accounted for as a new contract till the end of the contract term.

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.

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 provide.

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, contract assets and due from related parties

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, contract assets and due from related parties, 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, contract assets and due from related parties 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	
	2020	2019	**2020**	2019
	AED 000	AED 000	**AED 000**	AED 000
Aa3	-	-	63,982	515
A1	-	-	32,526	14,784
A+	-	-	5,211	7,821
A2	275,000	225,000	6,949	7,493
A3	-	375,000	4,909	79,422
A-	400,000	475,000	-	3,641
AA-	350,000	-	-	-
Baa1	-	-	52,479	116,120
Baa2	-	-	14,030	-
BBB+	1,005,000	1,875,000	3,235	3,756
Others	-	-	30,150	36,442
	2,030,000	2,950,000	213,471	269,994
Less: loss allowance	(673)	(1,299)	(96)	(1,299)
	2,029,327	**2,948,701**	**213,375**	**268,695**

(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, 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.

	2020	2019
	AED 000	AED 000
Total borrowings (Note 19)	-	716,332
Less: Cash and bank balances/term deposits (Notes 16 and 17)	(2,242,702)	(3,217,396)
Net debt	(2,242,702)	(2,501,064)
Total equity	8,569,412	8,648,755
Total capital	6,326,710	6,147,691
Gearing ratio	**(35%)**	**(41%)**

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 in 2019 and the borrowings were fully repaid in 2020.

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 2020				
Financial asset at fair value through other comprehensive income (Note 11)	-	-	18,368	18,368
Derivative financial instruments (Note 12)	-	-	-	-
	-	**-**	**18,368**	**18,368**
At 31 December 2019				
Financial asset at fair value through other comprehensive income (Note 11)	-	-	18,368	18,368
Derivative financial instruments (Note 12)	-	520	-	520
	-	**520**	**18,368**	**18,888**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. 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 2019	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
Additions	15	1,210,437	6,129	-	469,567	1,686,148
Addition: asset retirement obligations	-	9,343	-	-	-	9,343
Transfers	-	456,458	8,319	-	(464,777)	-
Disposals/write-off	-	(196,207)	(6,359)	(35)	(646)	(203,247)
At 31 December 2020	**52,532**	**19,934,123**	**327,900**	**4,403**	**610,990**	**20,929,948**
Depreciation / impairment						
At 1 January 2019	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
Reclassifications (Note 6.1)	-	8,879	-	-	14,558	23,437
Charge for the year	2,273	1,316,038	17,746	385	30	1,336,472
Disposals/write-off	-	(194,303)	(6,126)	(35)	(29)	(200,493)
Impairment charge	-	2,247	1,024	-	7,254	10,525
At 31 December 2020	**33,449**	**12,444,290**	**288,694**	**3,849**	**96,244**	**12,866,526**
Net book value						
At 1 January 2020	**19,083**	**7,489,833**	**39,206**	**554**	**514,746**	**8,063,422**
At 31 December 2019	21,341	7,142,663	43,761	939	532,415	7,741,119

The carrying amount of the Group's buildings include a nominal amount of AED 2 (2019: AED 2) in relation plots of 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 management has identified certain PPE assets for which accumulated depreciation was recorded under intangible assets instead of PPE, therefore re-classified from intangible assets to PPE.

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	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
Additions	696,817	-	-	696,817
Transfer to lease receivable	(177,425)	-	-	(177,425)
Re-measurement	14,778	-	-	14,778
Disposals	(51,002)	-	(144)	(51,146)
At 31 December 2020	**2,482,982**	**945**	**2,572**	**2,486,499**
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
Charge for the year	361,103	100	1,206	362,409
Disposals	(31,019)	-	(144)	(31,163)
At 31 December 2020	**632,493**	**200**	**2,377**	**635,070**
Net book value				
At 31 December 2020	**1,850,489**	**745**	**195**	**1,851,429**
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. Short term and low value leases are also included in right of use assets.

The maturity analysis of lease liabilities is presented in (Note 18).

Amounts recognised in consolidated statement of comprehensive income	2020	2019
	AED 000	AED 000
Depreciation expense on right-of-use assets (Note 26)	362,409	319,818
Interest expense on lease liabilities (Note 28)	86,454	78,541

8. Intangible assets and goodwill

	2020	2019
	AED 000	AED 000
Goodwill	413,220	549,050
Intangible assets	486,995	502,396
	900,215	**1,051,446**

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:

	2020	2019
	AED 000	AED 000
Broadcasting operations	-	135,830
Fixed line business	413,220	413,220
	413,220	**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 was lower than the carrying amount of its net assets including goodwill, by AED 137,010 thousands. As a result of this analysis, the Group has recognised an impairment charge of AED 135,830 thousand in the current year against broadcasting CGU goodwill and AED 1,180 thousand against related assets. The impairment charge of AED 135,830 thousand on broadcasting CGU goodwill is presented separately on consolidated statement of comprehensive income and AED 1,180 thousand related to broadcasting CGU assets is disclosed in operating expenses under "depreciation and impairment on property, plant and equipment" Note 26.

The estimated recoverable amount of the fixed line business CGU exceeded its carrying amount by approximately 191%.

The key assumptions for the value-in-use calculations at 31 December 2020 include:

- 5 year revenue growth projections for the fixed line business and broadcasting operations;
- a pre-tax discount rate of 10.62% (2019: 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.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the CGUs to which goodwill is allocated.

For broadcasting business CGU, any adverse movement in key assumptions (1% underperformance against forecast revenue or 1% increase in discount rate) would lead to further impairment.

For fixed line business CGU, any adverse movement in key assumptions (1% underperformance against forecast revenue or 1% increase in discount rate) would not result in an impairment charge.

Intangible assets

	Software in use	Capital work in progres	Telecommunications licence fees	Indefeasible rights of use	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Cost					
At 1 January 2019	2,205,237	132,591	124,500	185,451	2,647,779
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
Additions	25,899	108,230	-	8,055	142,184
Transfers	21,706	(21,706)	-	-	-
Write off	(54)	-	-	-	(54)
At 31 December 2020	**2,444,079**	**183,895**	**124,500**	**207,359**	**2,959,833**
Amortisation/impairment					
At 1 January 2019	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
Reclassifications*	(4,244)	(19,194)	-	-	(23,438)
Charge for the year	158,304	-	6,223	16,404	180,931
Impairment charge	87	-	-	-	87
Write off	(49)	-	-	-	(49)
At 31 December 2020	**2,137,555**	**41,208**	**92,516**	**201,559**	**2,472,838**
Net book value					
At 31 December 2020	**306,524**	**142,687**	**31,984**	**5,800**	**486,995**
At 31 December 2019	413,071	36,969	38,207	14,149	502,396

* The management has identified certain PPE assets for which accumulated depreciation was recorded under intangible assets instead of PPE, therefore re-classified from intangible assets to PPE (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.

Telecommunication licence fees represent charge by the Telecommunications Regulatory Authority to the Group to grant the licence to operate as a telecommunications service provider in the UAE.

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. 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.

9. Lease receivable

	Current		Non-current	
	2020	2019	**2020**	2019
	AED 000	AED 000	**AED 000**	AED 000
Lease receivable	18,213	-	149,963	-

During the year Group signed a sub-lease agreement to lease its data centre with a customer for a period of 10 years.

10. Investments accounted for using the equity method

Dubai Smart City Accelerator FZCO

During the year 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 programmes with the purpose of sourcing innovation and technology applicable to the Smart City Industry.

Khazna Data Centre Limited

The Group had 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. In September 2020, the ownership in this associate has been disposed (Note 10.1).

Advanced Regional Communication Solutions Holding Limited

In 2019, the Group signed a Shareholder Agreement ("SHA") with Bahrain Telecommunications Company (B.S.C.) to form a limited liability private company ("the Joint Venture"). The joint venture has been incorporated with the name of Advanced Regional Communication Solutions Holding Limited (ARC Limited) in UAE. The Group has 50% ownership in shares of ARC Limited. The principal activity of the joint venture is provision of connectivity and data centre services.

Movement in investments in associates and joint venture

	Associates	Joint venture	**Total**
	AED 000	AED 000	**AED 000**
2020			
At 1 January	268,948	-	268,948
Investments during the year	-	31,000	31,000
Share of profit/(loss) for the year	12,620	(2,521)	10,099
Disposal of investment during the year (Note 10.1)	(280,212)	-	(280,212)
At 31 December	**1,356**	**28,479**	**29,835**
2019			
At 1 January	188,179	-	188,179
Investments during the year	70,256	-	70,256
Share of profit for the year	10,513	-	10,513
At 31 December	268,948	-	268,948

Summarised financial information for the associates and joint venture are as follows:

Associate and joint venture statement of financial position as of 31 December and statement of comprehensive income for the year ended 31 December.

	Associates AED 000	Joint venture AED 000	Total AED 000
2020			
Non-current assets	5,038	246	5,284
Current assets	741	63,915	64,656
Current liabilities	(9)	(7,208)	(7,217)
Non-current liabilities	-	-	-
Net assets	**5,770**	**56,953**	**62,723**
Revenue	**156,127**	**4,113**	**160,240**
Profit/(loss) for the year	**37,689**	**(5,042)**	**32,647**
2019			
Non-current assets	1,444,602	-	1,444,602
Current assets	121,556	-	121,556
Current liabilities	(162,106)	-	(162,106)
Non-current liabilities	(457,379)	-	(457,379)
Net assets	**946,673**	**-**	**946,673**
Revenue	**149,618**	**-**	**149,618**
Profit for the year	**38,264**	**-**	**38,264**

10.1 Gain on disposal of investment accounted for using equity method

On 14 September 2020, EITC Investment Holding, a fully owned subsidiary of EITC Group, signed with Technology Holding Company, a fully owned subsidiary of Mubadala, a sale and purchase agreement to sell its 26% shareholding (including its interest in shareholder loans) in Khazna Data Centre Limited for a consideration of AED 800 million.

On 30 September 2020 the transaction was concluded and EITC Group received the AED 800 million cash consideration. The impact of this transaction on the financial statements is reflected as per the below:

	2020 AED 000	2019 AED 000
Consideration received in cash	800,000	-
Less: carrying value of the investment	(280,212)	-
Less: transaction cost	(414)	-
Gain on disposal	**519,374**	**-**

11. Financial asset at fair value through other comprehensive income

Unlisted shares	2020 AED 000	2019 AED 000
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.

12. 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 19).

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:

	2020	2019
	AED 000	AED 000
Interest rate swap contracts – cash flow hedges	-	520

The related movement in derivative financial instruments is shown under hedge reserve (Note 25.2).

During the year 2020 borrowings has been fully repaid and related interest rate swap contract is also settled. There was no ineffectiveness during 2020 and 2019 in relation to the interest rate swap contracts.

13. Contract assets and contract liabilities

	Current		Non-current	
	2020	2019	**2020**	2019
	AED 000	AED 000	**AED 000**	AED 000
Contract assets*	493,153	509,191	226,618	218,353
Less: provision for impairment of contract assets	(39,052)	(35,996)	(15,402)	(9,359)
	454,101	**473,195**	**211,216**	**208,994**

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 314,288 thousands (2019: AED 304,097 thousands).

13.1 The movement in the allowance for expected credit losses of contract assets is as follows:

	2020	2019
	AED 000	AED 000
1 January	45,355	42,915
Charge during the year	9,099	2,440
31 December	**54,454**	**45,355**

	Current		Non-current	
	2020	2019	**2020**	2019
	AED 000	AED 000	**AED 000**	AED 000
Contract liabilities	358,538	377,019	195,149	193,095

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 contracts with customers are for periods of one year or less or are billed based on service provided. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

14. Trade and other receivables

	2020 AED 000	2019 AED 000
Trade receivables	1,761,251	1,941,223
Due from other telecommunications operators*	103,472	201,176
Less: provision for impairment of trade receivables and due from other telecommunications operators	(646,099)	(662,358)
Trade receivables, net	**1,218,624**	**1,480,041**
Prepayments	124,726	95,355
Advances to suppliers	240,829	178,544
Other receivables**	142,222	116,616
Total trade and other receivables	**1,726,401**	**1,870,556**

*Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 862,534 thousand (31 December 2019: AED 833,130 thousand).

**Other receivables mainly include interest receivable on term deposits.

The Group's normal credit terms ranges between 15 and 150 days (2019: 15 and 150 days). No interest is charged on the trade and other receivable balances.

The movement in the allowance for expected credited losses of trade receivables and due from other telecommunications operators is as follows:

	2020 AED 000	2019 AED 000
At 1 January	662,358	759,281
Charge for the year	219,996	215,414
Write-off during the year	(227,571)	(312,337)
Transfer of provision to due from related parties	(8,684)	-
At 31 December	**646,099**	**662,358**

15. 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 are Emirates Investment Authority, Mamoura Diversified Global Holding PJSC and Emirates International Telecommunications Company L.L.C. Transactions with related parties are in the ordinary course of business and are approved by the Group's management or by the Board of Directors.

Related party balances

	2020 AED 000	2019 AED 000
Due from related parties		
Axiom Telecom LLC (Entity under common shareholding)	105,695	106,045
Injazat Data Systems LLC (Entity under common shareholding)	63,193	58,950
ARCS Bahrain S.P.C (Subsidiary of a joint venture)	790	-
ARCS Holding Limited (Joint venture)	3,882	-
	173,560	164,995
Less: Loss allowance	(33,691)	-
	139,869	**164,995**
The movement in loss allowances for due from related parties is as follows:		
Reclassified from trade and other receivables	8,684	-
Expected credit losses during the period	25,007	-
Closing balance	**33,691**	**-**
Due to related parties		
Khazna Data Centre Limited (Associate)	2,684	4,103
Tecom Investments FZ LLC (Entity under common shareholding)	2,426	1,970
Closing balance	**5,110**	**6,073**

Due to the short term nature of related party balances, their carrying amount is considered to be the same as their fair values.

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 in the ordinary course of business. The following table reflects the gross value of transactions with related parties.

	2020 AED 000	2019 AED 000
Net revenue	948,070	1,395,937
Rent and services	35,168	148,322
Recharge of operating expenses incurred on behalf of joint venture	3,882	-
Additional funding to associate and joint venture	31,000	70,256
Sale of an associate to a related party (Note 10.1)	800,000	-

Key management compensation

	2020 AED 000	2019 AED 000
Short term employee benefits	30,628	39,520
Employees' end of service benefits	245	706
Post-employment benefits	1,245	1,311
Long term incentives	4,000	7,463
	36,118	**49,000**

Board of Directors fee during the year was AED 10,000 thousand (2019: AED 10,000 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 27 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.

16. Term deposits

	2020 AED 000	2019 AED 000
Term deposits	2,030,000	2,950,000
Less: loss allowance	(673)	(1,299)
	2,029,327	**2,948,701**

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.

17. Cash and bank balances

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise:

	2020 AED 000	2019 AED 000
Cash at bank (on deposit and call accounts)	213,264	269,278
Cash on hand	784	716
Less: loss allowance	(673)	(1,299)
Cash and bank balances	**213,375**	**268,695**
Less: margin on guarantees (Note 31)	(2,503)	(4,038)
Cash and cash equivalents	**210,872**	**264,657**

18. Lease liabilities

	2020 AED 000	2019 AED 000
At 1 January	1,856,805	2,137,074
Lease liabilities during the year	696,817	122,521
Interest expense during the year	86,454	78,541
Payments made during the year	(327,371)	(206,989)
Re-measurement during the year	14,778	51,752
Disposals during the year	(18,860)	(326,094)
Closing balance	**2,308,623**	**1,856,805**

	Current		Non-current	
	2020 AED 000	2019 AED 000	2020 AED 000	2019 AED 000
Lease liabilities	616,896	460,005	1,691,727	1,396,800

	2020 AED 000	2019 AED 000
Maturity analysis		
Not later than 1 year	692,269	529,436
Later than 1 year and not later than 5 years	1,082,705	994,699
Later than 5 years	733,887	665,826
	2,508,861	2,189,961
Less: unearned interest on lease liabilities	(200,238)	(333,156)
	2,308,623	**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.

19. Borrowings

The details of borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Opening balance AED 000	Drawn AED 000	Repaid AED 000	Closing balance AED 000
Bank borrowings							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	440,820	-	(440,820)	-
Unsecured term loan 2	USD	LIBOR+0.95%	2020	183,675	-	(183,675)	-
Unsecured term loan 3	USD	LIBOR+0.95%	2020	91,837	-	(91,837)	-
				716,332	**-**	**(716,332)**	

The borrowings were fully repaid during the year.

20. 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 2020 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:

	2020 AED 000	2019 AED 000
At 1 January	258,740	252,564
Current service cost	32,970	35,283
Interest cost (Note 28)	8,090	8,568
Actuarial gain recognised in other comprehensive income*	(19,451)	(3,028)
Benefits paid during the year	(26,312)	(34,647)
At 31 December	**254,037**	**258,740**

*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 437 thousand (2019: AED 306 thousand), experience adjustments amounting to AED 18,053 thousand (2019: AED 2,722 thousand) and demographic assumptions amounting to AED 961 thousand (2019: AED nil)

The provision is recognised based on the following significant actuarial assumptions:

	2020	2019
Average period of employment (years)	7.05	7.50
Average annual rate of salary increase	2.00%	2.77%
Discount rate	2.50%	3.57%

Through its defined benefit plan, the Group is exposed to a number of actuarial risks, the most significant of which include, longevity risk, withdrawal risk and salary increase risk.

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	
	2020	2019	2020	2019	2020	2019
Average period of employment (years)	1 year	1 year	(0.37%)	(0.29 %)	0.39%	0.22%
Average annual rate of salary increase	1%	1%	7.61%	8.48%	(6.84%)	(7.57%)
Discount rate	1%	1%	(6.30%)	(7.01%)	7.13%	7.99%

21. 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.

	2020 AED 000	2019 AED 000
At 1 January	169,832	115,764
Additions during the year	6,557	49,003
Adjustment for change in discount/inflation rates	1,239	259
Unwinding of discount	6,953	4,806
At 31 December	**184,581**	**169,832**

The provision is recognised based on the following significant assumptions:

	2020	2019
Average period of restoration (years)	10	10
Inflation rate	1.94%	1.80%
Discount rate	3.87%	3.96%

22. Trade and other payables

	2020 AED 000	2019 AED 000
Trade payables and accruals	1,438,164	1,675,211
Due to other telecommunications operators*	593,085	523,658
Accrued federal royalty (Note 27)	1,624,832	2,062,972
Valued Added Tax (VAT) payable	4,829	8,987
Other payables and accruals	330,887	329,504
	3,991,797	**4,600,332**

*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 862,534 thousand (31 December 2019: AED 833,130 thousand).

The carrying amounts of trade and other payables approximate their fair value.

23. Share capital

	2020 AED 000	2019 AED 000
Authorised, issued and fully paid up share capital (4,532,905,989 shares of AED 1 each)	4,532,906	4,532,906

24. Share premium

	2020 AED 000	2019 AED 000
Premium on issue of common share capital	232,332	232,332

25. Other reserves

	Statutory reserve (Note 25.1) AED 000	Hedge reserve (Note 25.2) AED 000	Total AED 000
At 1 January 2019	1,591,025	10,968	1,601,993
Transfer to statutory reserve	173,095	-	173,095
Fair value changes on cash flow hedge	-	(10,448)	(10,448)
At 31 December 2019	**1,764,120**	**520**	**1,764,640**
At 1 January 2020	1,764,120	520	1,764,640
Transfer to statutory reserve	144,291	-	144,291
Fair value changes on cash flow hedge	-	(520)	(520)
At 31 December 2020	**1,908,411**	**-**	**1,908,411**

25.1 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.

25.2 Hedge reserve is related to derivative financial instrument (Note 12).

26. Operating expenses

	31 December	
	2020	2019
	AED 000	AED 000
Interconnect costs	2,552,170	2,811,216
Depreciation and impairment on property, plant and equipment (Note 6)	1,346,997	1,387,189
Staff costs	979,194	934,169
Product costs	833,451	894,253
Network operation and maintenance	703,448	633,682
Telecommunication licence and related fees	390,813	407,575
Commission	367,064	390,423
Depreciation on right-of-use assets (Note 7)	362,409	319,818
Outsourcing and contracting	196,435	222,229
Amortisation and impairment on intangible assets (Note 8)	181,018	226,129
Marketing	150,629	250,082
Others	190,275	153,056
	8,253,903	**8,629,821**

During the year ended 31 December 2020, the Group has paid AED 1,055 thousand (2019: AED 1,555 thousand) for various social contribution purposes.

In order to conform with current year presentation, the items "network operation and maintenance", "outsourcing and contracting" and "other expenses" for the year ended 31 December 2019 were presented reflecting certain reclassifications to ensure comparability with 2020 figures. Without these reclassifications the figures should have been AED 526,756 thousand, AED 360,504 thousand and AED 121,707 thousand respectively.

27. 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.

	2020	2019
	AED 000	AED 000
Total revenue for the year (Note 34)	11,083,845	12,587,958
Broadcasting revenue for the year	(148,214)	(160,825)
Other allowable deductions	(3,232,266)	(3,521,026)
Total adjusted revenue	7,703,365	8,906,107
Profit before royalty	2,954,852	3,759,962
Allowable deductions	(467,439)	(113,425)
Total regulated profit	**2,487,413**	**3,646,537**
Charge for royalty: 15% of the total adjusted revenue plus 30% of net regulated profit for the year before distribution (after deducting 15% of the total adjusted revenue).	1,555,077	2,029,103
Adjustments to charge	(43,139)	(95)
Charge for the year	**1,511,938**	**2,029,008**
Movement in the royalty accruals is as follows:		
At 1 January	2,062,972	2,103,174
Payment made during the year (net)	(1,950,078)	(2,069,210)
Charge for the year	1,511,938	2,029,008
At 31 December (Note 22)	**1,624,832**	**2,062,972**

28. Finance income and costs

	2020 AED 000	2019 AED 000
Finance income		
Interest income	47,771	124,052
Finance income on lease receivable	2,804	-
	50,575	**124,052**
Finance costs		
Interest expense on lease liabilities	86,454	78,541
Interest expense others*	20,528	46,824
Exchange (gain)/loss, net	(1,123)	(375)
	105,859	**124,990**

*Interest expense others includes interest cost on defined benefit obligations amounted to AED 8,090 thousand (2019: AED 8,568 thousand) (Note 20).

29. Earnings per share

	2020	2019
Profit for the year (AED 000)	1,442,914	1,730,954
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	0.32	0.38

Diluted earnings per share have not been presented separately as the Group has no commitments that would dilute earnings per share.

30. Changes in working capital

	2020 AED 000	2019 AED 000
Change in:		
Inventories	50,282	17,516
Contract assets	7,773	20,315
Trade and other receivables	(141,809)	(275,706)
Trade and other payables	1,531,281	1,805,374
Contract liabilities	(16,427)	(64,658)
Due from related parties	119	(35,917)
Due to related parties	(963)	(3,761)
Net changes in working capital	**1,430,256**	**1,463,163**

31. Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 82,647 thousand (2019: AED 70,626). Bank guarantees are secured against margin of AED 2,503 thousand (2019: AED 4,038 thousand) (Note 17).

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 the 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.

The Group has outstanding capital commitments amounting to AED 1,282,735 thousand (2019: AED 1,321,653 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	
		2020	2019	2020	2019
Derivatives					
Interest rate swap contracts – cash flow hedges	12	-	520	-	520
Non-derivatives					
Financial asset at fair value through other comprehensive income	11	18,368	18,368	18,368	18,368
Lease receivable		168,176	-	168,176	-
Contract assets	13	351,028	378,092	351,028	378,092
Trade and other receivables	14	1,360,846	1,596,657	1,360,846	1,596,657
Due from related parties	15	139,869	164,995	139,869	164,995
Term deposits	16	2,029,327	2,948,701	2,029,327	2,948,701
Cash and bank balances	17	213,375	268,695	213,375	268,695
		4,280,989	**5,375,508**	**4,280,989**	**5,375,508**

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 679,844 thousand (2019: AED 577,996 thousand) have been excluded from contract assets, trade and other receivables and due from related parties.

Impairment of contract assets, trade receivables and due from related parties

The ageing of contract assets, trade receivables and due from related parties as follows:

	Gross	Impaired	Impaired	Gross	Impaired	Impaired
	2020	2020	2020	2019	2019	2019
	AED 000	%	AED 000	AED 000	%	AED 000
Not past due	903,126	1.29%	(11,658)	1,082,462	2.85%	(30,803)
Past due 0-30 days	232,426	9.06%	(21,051)	263,433	7.55%	(19,894)
Past due 31-180 days	546,139	11.59%	(63,303)	491,235	14.11%	(69,335)
More than 180 days	1,624,609	39.29%	(638,232)	1,726,841	34.03%	(587,681)
	3,306,300		**(734,244)**	**3,563,971**		**(707,713)**

Non-financial assets (subscriber acquisition costs, prepayments and advances to suppliers) amounting to AED 679,844 thousand (2019: AED 577,996 thousand) have been excluded from contract assets, trade receivables and due from related parties.

To measure the expected credit losses, contract assets, trade receivables and due from related parties have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses 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, trade receivables and due from related parties 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:

	Fair value	Carrying amount	Total	Contractual cash flows: 6 months or less	6-12 months	1-2 years	Above 2 years
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Non-derivative financial liabilities							
31 December 2020							
Trade payables and accruals	1,438,164	1,438,164	1,438,164	1,438,164	-	-	-
Due to other telecommunication operators	593,085	593,085	593,085	593,085	-	-	-
Accrued royalty	1,624,832	1,624,832	1,624,832	1,624,832	-	-	-
Valued Added Tax (VAT) Payable	4,829	4,829	4,829	4,829	-	-	-
Other payables and accruals	330,887	330,887	330,887	330,887	-	-	-
Due to related parties	5,110	5,110	5,110	5,110	-	-	-
	3,996,907	**3,996,907**	**3,996,907**	**3,996,907**	**-**	**-**	**-**
31 December 2019							
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**	**-**	**-**	**-**

Contractual maturities related to lease liabilities disclosed in Note 18.

32.3 Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

	31 December 2020		31 December 2019	
	Thousand		Thousand	
	EUR	**GBP**	EUR	GBP
Trade receivables	5,360	329	11,614	451
Trade payables	(59)	(416)	-	(161)
Net exposure	**5,301**	**(87)**	**11,614**	**290**

The following significant exchange rates against AED have been applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	**2020**	2019
EUR 1	4.1624	4.1327	4.4879	4.1195
GBP 1	4.6856	4.7017	5.0246	4.8722

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.

	2020	2019
	AED 000	AED 000
Increase/(decrease) in profit		
EURO	(2,206)	(4,800)
GBP	41	(136)

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	
	2020	2019
	AED 000	AED 000
Variable interest rate instruments		
Bank borrowings	-	716,332

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.

	2020	2019
	AED 000	AED 000
Decrease in profit		
Variable interest rate instruments	-	7,139

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 12).

32.5 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2020	2019
	AED 000	AED 000
Derivative financial instruments	-	520
Financial asset at fair value through other comprehensive income	18,368	18,368
Financial assets measured at amortised cost		
Lease receivable	168,176	-
Contract assets	351,028	378,092
Trade and other receivables	1,360,846	1,596,657
Due from related parties	139,869	164,995
Term deposits	2,029,327	2,948,701
Cash and bank balances	213,375	268,695
	4,262,621	**5,357,140**
Lease liabilities	2,308,624	1,856,805
Borrowings	-	716,332
Trade and other payables	3,991,797	4,600,332
Due to related parties	5,110	6,073
	6,305,531	**7,179,542**

For the purpose of the financial instruments disclosure, non-financial assets amounting to AED 679,844 thousand (2019: AED 577,996 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 2020 and 31 December 2019.

	31 December 2020			31 December 2019		
	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	2,588,935	(862,534)	1,726,401	2,703,686	(833,130)	1,870,556
Total	2,588,935	(862,534)	1,726,401	2,703,686	(833,130)	1,870,556
Financial liabilities						
Trade and other payables	4,854,331	(862,534)	3,991,797	5,433,462	(833,130)	4,600,332
Total	4,854,331	(862,534)	3,991,797	5,433,462	(833,130)	4,600,332

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. 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.

	Mobile	Fixed	Wholesale	Others	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue					
31 December 2020					
Timing of revenue recognition					
Over time	5,454,339	2,562,418	1,800,823	766,097	10,583,677
At a point in time	481,756	6,191	-	12,221	500,168
	5,936,095	2,568,609	1,800,823	778,318	11,083,845
Segment contribution	3,428,069	2,193,145	1,288,179	416,662	7,326,055
Unallocated costs					(4,723,466)
Other income					13,904
Federal royalty					(1,511,938)
Finance income/costs, impairment of goodwill and share of profit of investments accounted for using equity method (net)					(181,015)
Gain on disposal of investment accounted for using equity method					519,374
Profit for the year					**1,442,914**
31 December 2019					
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
Federal royalty					(2,029,008)
Finance income/costs and share of profit of investments accounted for using equity method (net)					9,575
Profit for the year					**1,730,954**

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

In order to conform with current year presentation, the comparative figures for the previous year has been regrouped, where necessary. Such regrouping did not affect the previously reported profit, comprehensive income or equity.

36. Subsequent events

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Group shall apply and adjust their status in accordance with the provisions thereof (to the extent applicable) by no later than one year from the date on which this Decree-Law takes effect.

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