IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum (the "**document**") and you are therefore advised to read this carefully before accessing, reading or making any other use of the attached document. In accessing the document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended only for you and **you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached document (electronically or otherwise) to any other person.**

ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES.

The document and the offer are only addressed to, and directed at, persons in member states of the European Economic Area ("**EEA**") (each, a "**Relevant State**") who are "qualified investors" within the meaning of Article 2(e) of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (including any relevant delegated regulations) ("**Qualified Investors**"). In the United Kingdom ("**UK**"), the document and the offer is only addressed to and directed at persons who are "qualified investors" ("**UK Qualified Investors**") (as defined under Article 2(e) of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018) (the "**UK Prospectus Regulation**"). In addition, in the UK, this document is being distributed only to, and is directed only at, persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) are high net worth entities falling within in Article 49(2) (a) to (2d) of the Order; and/or (iii) other persons to whom it may lawfully be communicated (all such persons being referred to in (i), (ii), and (iii) are defined as "Relevant Persons"). Any investment or investment activity to which this document relates is only available to, and will only be engaged with: (i) in any Relevant State, Qualified Investors; and (ii) in the UK, UK Qualified Investors and Relevant Persons. In Australia, the document and offer is only provided and addressed to select investors who are able to demonstrate they fall within one or more of the categories of investors available under section 708 of the Corporations Act 2001 (Cth) ("**Corporations Act**") as set out below.

Confirmation of your representation: By accepting electronic delivery of this document, you are deemed to have represented to Citigroup Global Markets Limited, Emirates NBD Capital Limited, HSBC Bank Middle East Limited (the "**Joint Global Coordinators**") and Credit Suisse International, EFG Hermes UAE Limited, First Abu Dhabi Bank PJSC and Goldman Sachs International (together with the Joint Global Coordinators, the "**Joint Bookrunners**"), Emirates NBD Capital Limited and Moelis & Company UK LLP DIFC Branch (the "**Financial Advisers**"), the Company and the Selling Shareholder (as each such term is defined in the attached document) that you are acting on behalf of, or you are an institutional investor outside the United States (as defined in Regulation S under the Securities Act); (ii) if you are in the UK, (a) you are a "Relevant Person" (b) you are a UK Qualified Investor; (c) in the case of any Shares acquired by you as a financial intermediary, as that term is used in Article 5(1) of the UK Prospectus Regulation, (I) the Shares acquired by you in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in the UK other than qualified investors, as that term is defined in the UK Prospectus Regulation, or in circumstances in which the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (II) where Shares have been acquired by you on behalf of persons in the UK other than qualified investors, the offer of those Shares to you is not treated under the UK Prospectus Regulation or FSMA (as defined below) as having been made to such persons; (iii) if you are in any member state of the EEA (a) you are a qualified investor within the meaning of Article 2(e) of the Prospectus Regulation; (b) in the case of any Shares acquired by you as a financial intermediary, as that term is used in Article 5(1) of the Prospectus Regulation: (I) the Shares acquired by you in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant State other than qualified investors, as that term is defined in the Prospectus Regulation, or in circumstances in which the prior consent of the Underwriters has been given to the offer or resale; or (II) where Shares have been acquired by you on behalf of persons in any Relevant State other than qualified investors, the offer of those Shares to you is not treated under the Prospectus Regulation as having been made to such persons; (iv) if you are in Australia (a) you are either (I) a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act; (II) a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made; (III) a person associated with the Company under section 708(12) of the Corporations Act; or (IV) a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance; and (b) you warrant and agree that you will not offer any of the Shares for resale in Australia within 12 months of the Shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act; and (v) if you are outside the USA, UK, EEA and Australia (and the electronic mail addresses that you gave the Company and to which this document has been delivered are not located in such jurisdictions), you are a person into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Selling Shareholder, the Joint Bookrunners, the Financial Advisers, or any of their respective affiliates, directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and any hard copy version. By accessing the linked document, you consent to receiving it in electronic form.

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THE DOCUMENT CONTAINS INFORMATION THAT IS SUBJECT TO COMPLETION AND CHANGE. NO OFFER OF SECURITIES WILL BE MADE AND NO INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THIS DOCUMENT ALONE, BUT ONLY ON THE BASIS OF THIS DOCUMENT AS FINALISED AND COMPLETED BY THE RELEVANT PRICING NOTIFICATION.

None of the Joint Bookrunners, the Financial Advisers or any of their respective affiliates, or any of their respective directors, officers, employees or agents, accepts any responsibility whatsoever for the accuracy, completeness or verification of the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the offer. Each of the Joint Bookrunners, the Financial Advisers and any of their respective affiliates accordingly disclaims, to the fullest extent permitted by applicable law, all and any responsibility or liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Bookrunners, the Financial Advisers or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this document.

The Joint Bookrunners and the Financial Advisers are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offer and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their clients, nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

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CONFIDENTIAL

(***a public joint stock company incorporated in the Emirate of Dubai, United Arab Emirates, pursuant to Ruler of Dubai law No. (27) of 2021 and subject to Federal Decree Law No. 32 of 2021 concerning commercial companies, as amended***)

Global Offering of 9,000,000,000 Shares
Offer Price: AED 2.48 per Share

9,000,000,000 ordinary shares with a nominal value of AED 0.01 each (the "**Shares**") of Dubai Electricity and Water Authority PJSC (the "**Company or DEWA**") are being offered in this global offering (the "**Global Offering**") by the Company's shareholder, the Government of Dubai (the "**Government**" or the "**Selling Shareholder**"). The Selling Shareholder reserves the right to amend the size of the Global Offering at any time prior to the end of the subscription period at its sole discretion. The Company will not receive any of the proceeds of the sale of the Shares, all of which will be paid to the Selling Shareholder (net of any expenses relating to the Global Offering).

The Global Offering comprises an offering of Shares (i) outside the United States in reliance on Regulation S ("**Regulation S**") under the United States Securities Act of 1933 (the "**Securities Act**") (the "**Institutional Offering**"); (ii) in the Dubai International Financial Centre ("**DIFC**") only as an Exempt Offer (the "**DIFC Exempt Offer**") pursuant to the Markets Rules of the Dubai Financial Services Authority ("**DFSA**"); (iii) in the Abu Dhabi Global Market ("**ADGM**") only as an Exempt Offer (the "**ADGM Exempt Offer"** and, together with the Institutional Offering and the DIFC Exempt Offer, the "**Qualified Investor Offering**") pursuant to the Market Rules of the Abu Dhabi Financial Services Regulatory Authority ("**FSRA**") and (iv) in the United Arab Emirates (the "**UAE**") pursuant to a prospectus (the "**UAE Prospectus**"), the publication of which was approved by the UAE Securities and Commodities Authority (the "**SCA**") to (a) certain natural persons, companies, establishments and other entities, and (b) in accordance with the requirements of Federal Law No. 32 of 2021 concerning commercial companies, as amended, up to 5% of the Shares to the Emirates Investment Authority (the "**UAE Retail Offer**").

Prior to the Global Offering, there has been no public market for the Shares. The Company has applied and been granted approval for the Shares to be listed on the Dubai Financial Market (the "**DFM**") under the symbol "**DEWA**" (the "**Admission**"). There will be no conditional dealings in the Shares prior to Admission. It is expected that Admission will become effective and that dealings in the Shares will commence on the DFM on or around 12 April 2022 (the "**Closing Date**").

Investing in the Shares involves significant risks. Prospective investors should read this document in its entirety and, in particular, prospective investors are advised to examine all the risks that are relevant in connection with an investment in the Shares. See "*Risk Factors*" for a discussion of certain risks and other factors that should be considered before making an investment decision with respect to the Global Offering.

The Shares have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and, subject to certain limited exceptions, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Shares are being offered and sold outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of the Shares and the distribution of this offering memorandum (this "**Offering Memorandum**"), see "*Subscription and Sale*" and "*Transfer Restrictions*".

The Shares are offered by the Joint Bookrunners named herein on behalf of the Selling Shareholder when, as and if delivered to, and accepted by, the Joint Bookrunners and subject to their right to reject orders in whole or in part. Purchasers will be required to make full payment for the Shares to the Joint Bookrunners for receipt by the Joint Bookrunners on the business day prior to the Closing Date, and delivery of the Shares is expected to be made on the Closing Date through the book-entry facilities operated by the DFM.

The SCA and the DFM have not approved this Offering Memorandum, take no responsibility for the contents of this Offering Memorandum, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from, or in reliance upon, any part of the contents of this Offering Memorandum.

DIFC Exempt Offer Statement: This Offering Memorandum relates to an Exempt Offer in the DIFC in accordance with the Market Rules of the DFSA. It is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Offering Memorandum nor taken steps to verify the information set out in it and have no responsibility for it. The securities to which this Offering Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered may be required to bear the financial risks of this investment for an indefinite period of time and should conduct their own due diligence on the securities. If you do not understand the contents of this Offering Memorandum, you should consult an authorised financial adviser.

ADGM Exempt Offer Statement: This Offering Memorandum relates to an Exempt Offer in the ADGM in accordance with the Market Rules of the FSRA. It is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The FSRA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The FSRA has not approved this Offering Memorandum nor taken steps to verify the information set out in it and has no responsibility for it. The securities to which this Offering Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered may be required to bear the financial risks of this investment for an indefinite period of time and should conduct their own due diligence on the securities. If you do not understand the contents of this Offering Memorandum, you should consult an authorised financial adviser.

Joint Global Coordinators and Joint Bookrunners

Citigroup **Emirates NBD Capital Limited** **HSBC**

Joint Bookrunners

Credit Suisse **EFG-Hermes** **First Abu Dhabi Bank** **Goldman Sachs International**

Financial Advisers

Emirates NBD Capital Limited **Moelis & Company UK LLP DIFC Branch**

This Offering Memorandum is dated 7 April 2022.

EMEA 138206132

IMPORTANT INFORMATION

This offering memorandum (this "Offering Memorandum") does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

THIS OFFERING MEMORANDUM CONTAINS INFORMATION THAT IS SUBJECT TO COMPLETION AND CHANGE. NO OFFER OF SECURITIES WILL BE MADE AND NO INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THIS OFFERING MEMORANDUM ALONE, BUT ONLY ON THE BASIS OF THIS OFFERING MEMORANDUM AS FINALISED AND COMPLETED BY THE RELEVANT PRICING INFORMATION.

Recipients of this Offering Memorandum are authorised solely to use this Offering Memorandum for the purpose of considering the acquisition of the Shares, and may not reproduce or distribute this Offering Memorandum, in whole or in part, and may not disclose any of the contents of this Offering Memorandum or use any information herein for any purpose other than considering an investment in the Shares. Such recipients of this Offering Memorandum agree to the foregoing by accepting delivery of this Offering Memorandum.

Prior to making any decision as to whether to invest in the Shares, prospective investors should read this Offering Memorandum in its entirety and, in particular, the section titled "*Risk Factors*" when considering an investment in the Company. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Global Offering, including the merits and risks involved. The investors also acknowledge that: (i) they have not relied on the Joint Bookrunners (as defined herein) or the Financial Advisers (as defined herein) or any person affiliated with the Joint Bookrunners or the Financial Advisers in connection with any investigation of the accuracy of any information contained in this Offering Memorandum or their investment decision; (ii) they have relied only on the information contained in this Offering Memorandum; and (iii) no person has been authorised to give any information or make any representations concerning the Company or the Shares other than those contained in this Offering Memorandum and, if given or made, such information or representations must not be relied on as having been so authorised by the Company, the Selling Shareholder, the Joint Bookrunners or the Financial Advisers. Neither the delivery of this Offering Memorandum nor any subscription or sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Offering Memorandum or that the information in it is correct as at any subsequent time to the date hereof.

None of the Company, the Selling Shareholder, the Joint Bookrunners or the Financial Advisers or any of their respective representatives is making any representation to any prospective investor in the Shares regarding the legality of an investment in the Shares by such prospective investor under the laws applicable to such prospective investor. The contents of this Offering Memorandum should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, business, financial or tax adviser for legal, business, financial or tax advice applicable to an investment in the Shares.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised.

The Company accepts responsibility for the completeness and accuracy of the information contained in this Offering Memorandum, and having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of the Company's knowledge, accurate and complete in all material respects and no material facts, the omission of which would make misleading any statements of fact or opinion herein, have been omitted. None of the Joint Bookrunners, the Financial Advisers or any of their respective affiliates accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to, the accuracy, completeness or verification of the contents of this Offering Memorandum or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Global Offering, and nothing in this Offering Memorandum will be relied upon as a promise or representation in this respect, whether as to the past or future. Each of the Joint Bookrunners, the Financial Advisers and any of their respective affiliates accordingly disclaims, to the fullest extent permitted by applicable law, all and any responsibility or liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this Offering Memorandum or any such statement. No representation or warranty, express or implied, is made by any of the Joint Bookrunners, the Financial Advisers or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this Offering Memorandum.

None of the Company, the Selling Shareholder, the Joint Bookrunners or the Financial Advisers accepts any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media, regarding the Global Offering or the Company. None of the Company, the Selling Shareholder, the Joint Bookrunners or the Financial Advisers makes any representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Citigroup Global Markets Limited ("**Citi**"), Emirates NBD Capital Limited ("**EMCAP**"), HSBC Bank Middle East Limited ("**HSBC**") have been appointed as joint global coordinators and joint bookrunners (the "**Joint Global Coordinators**"), and Credit Suisse International, EFG Hermes UAE Limited, First Abu Dhabi Bank PJSC and Goldman Sachs International have been appointed as joint bookrunners (together with the Joint Global Coordinators, the "**Joint Bookrunners**"). EMCAP has been appointed as financial adviser and Moelis & Company UK LLP DIFC Branch has been appointed as independent financial adviser (the "**Independent Financial Adviser**" and together with EMCAP, the "**Financial Advisers"**). EMCAP is regulated by the Dubai Financial Services Authority ("**DFSA**"), each of Citigroup Global Markets Limited and Goldman Sachs International is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority in the United Kingdom ("**UK**"), HSBC Bank Middle East Limited is lead-regulated by the DFSA and regulated by the Central Bank of the United Arab Emirates and the Securities and Commodities Authority of the United Arab Emirates for licensed activities in on shore United Arab Emirates, EFG Hermes UAE Limited is authorised and regulated by the DFSA, First Abu Dhabi Bank PJSC is authorised and regulated in the United Arab Emirates by the Central Bank of the United Arab Emirates and the Securities and Commodities Authority of the United Arab Emirates, Credit Suisse International is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority in the United Kingdom. Moelis & Company UK LLP DIFC Branch is regulated by the DFSA. Citi, EMCAP, HSBC, Credit Suisse International, EFG Hermes UAE Limited, First Abu Dhabi Bank PJSC and Goldman Sachs International and the Financial Advisers are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Global Offering, and will not regard any other person (whether or not a recipient of this Offering Memorandum) as a client in relation to the Global Offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients, nor for giving advice in relation to the Global Offering or any transaction or arrangement referred to in this Offering Memorandum.

In connection with the Global Offering, the Joint Bookrunners and any of their respective affiliates, may take up a portion of the Shares in the Global Offering as a principal position and in that capacity, may subscribe for and/or acquire Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Global Offering or otherwise. Accordingly, references in this Offering Memorandum to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, the Joint Bookrunners and any of their respective affiliates acting as investors for their own accounts. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Shares. Moreover, in the course of their business with the Company and with parties affiliated with the Company (including the Selling Shareholder), the Joint Bookrunners (and/or their respective affiliates) have from time to time been engaged, and may in the future engage, in commercial banking, financing, trading, hedging, investment banking and financial advisory and ancillary activities, for which they have received, and may in the future receive, customary compensation. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures or by rules and regulations. As a result of any such transactions, any Joint Bookrunner may have interests that may not be aligned, or could potentially conflict, with the interests of holders of Shares or with the interests of the Company or the Selling Shareholder. None of the Joint Bookrunners intends to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Global Offering relates to securities of a UAE public joint stock company to be listed on the DFM and potential investors should be aware that this Offering Memorandum and any other documents or announcements relating to the Global Offering have been or will be prepared solely in accordance with the disclosure requirements applicable to a public joint stock company established in the UAE and listed on the DFM, all of which may differ from those applicable in any other jurisdiction.

This Offering Memorandum has been drafted in a specific manner to be addressed only to qualified investors located outside the UAE, and in compliance with the laws and regulations of the relevant competent jurisdictions and acceptable to such jurisdictions, and it has not been approved by the SCA. This Offering Memorandum does not form part of the UAE Prospectus and the information contained herein does not form part of the UAE Prospectus, the review of this Offering Memorandum or any related advertisements does not fall under SCA's remit/jurisdiction.

This Offering Memorandum is not intended to constitute a financial promotion, offer, sale or delivery of shares or other securities under the DIFC Markets Law (DIFC Law No. 1 of 2012, as amended) (the "**Market Law**") or under the Markets Rules of the FSRA or the Market Rules of the DFSA (collectively, the "**Market Rules**"). The Global Offering has not been approved or licensed by the FSRA or the DFSA, and does not constitute an offer of securities in the ADGM or the DIFC in accordance with the Markets Law or the Markets Rules.

NOTICE TO INVESTORS

The Shares are subject to transfer restrictions in certain jurisdictions. Prospective purchasers should read the restrictions described in the section "*Transfer Restrictions*". Each purchaser of the Shares will be deemed to have made the relevant representations described therein.

The distribution of this Offering Memorandum and the offer of the Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholder, the Joint Bookrunners or the Financial Advisers to permit a public offering of the Shares or to permit the possession or distribution of this Offering Memorandum (or any other offering or publicity materials relating to the Shares) in any jurisdiction where action for that purpose may be required, other than the UAE. Accordingly, neither this Offering Memorandum nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the manner of distribution of the Shares, and the transfer restrictions to which they are subject, see "—*Transfer Restrictions*".

In particular, save for the UAE, no actions have been taken to allow for a public offering of the Shares under the applicable securities laws of any other jurisdiction, including Australia, New Zealand, Canada, Japan or the United States. This Offering Memorandum does not constitute an offer of, or the solicitation of an offer to subscribe for or buy any of, the Shares in any jurisdiction where it is unlawful to make such offer or solicitation.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Shares have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state of the United States. The Shares offered by this Offering Memorandum may not be offered, sold, pledged or otherwise transferred in the United States, except in a transaction not subject to, the registration requirements of the Securities Act. Outside the United States, the Global Offering is being made in offshore transactions as defined in and in reliance on Regulation S under the Securities Act. No actions have been taken to allow a public offering of the Shares under the applicable securities laws of any jurisdiction, including Australia, Canada or Japan. Subject to certain exceptions, the Shares may not be offered or sold in, or to or for the account or benefit of any national, resident or citizen of, Australia, Canada or Japan. This Offering Memorandum does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. For a description of these and certain further restrictions on offers, sales and transfers of the Shares and the distribution of this Offering Memorandum, see "Subscription and Sale" and "*Transfer Restrictions*".

The Shares offered by this Offering Memorandum have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any State securities commission in the United States or any other United States regulatory authority, nor have any such authorities passed upon, or endorsed the merits of, the Global Offering or the accuracy of this Offering Memorandum. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area (the "**EEA**") which has implemented the Prospectus Regulation (each, a "**Relevant State**"), with effect from and including the date on which the Prospectus Regulation is implemented in that Relevant State, no Shares which are the subject of the Global Offering contemplated herein have been offered of will be offered to the public in that Relevant State, except that an offer of Shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation, if they are implemented in that Relevant State:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation) per Relevant State, subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, *provided that* no such offer of Shares shall result in a requirement for the publication by the Company or any Joint Bookrunner of a Prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation or any measure implementing the Prospectus Regulation in a Relevant State, and each person who initially acquires any Shares or to whom any offer is made under the Global Offering will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" as defined in the Prospectus Regulation.

For the purposes of this provision, the expression an offer of any Shares to the public in relation to any Shares in any Relevant State means the communication in any form and by any means of sufficient information of the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Relevant State by any measure implementing the Prospectus Regulation in that Relevant State; the expression Prospectus Regulation means Regulation (EU) 2017/1129 and includes any relevant implementing measure in each Relevant State.

In the case of any Shares being offered to a financial intermediary, as that term is used in Article 5(1) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale.

The Company, the Selling Shareholder, the Joint Bookrunners and their respective affiliates, and others will rely (and the Company and the Selling Shareholder each acknowledge that the Joint Bookrunners and their respective affiliates and others will rely) upon the truth and accuracy of the foregoing representations, acknowledgements and agreements and will not be responsible for any loss occasioned by such reliance. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Bookrunners of such fact in writing may, with the consent of the Joint Bookrunners, be permitted to subscribe for or purchase Shares.

NOTICE TO DISTRIBUTORS IN THE EUROPEAN ECONOMIC AREA

Solely for the purposes of the product governance requirements contained within: (i) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (iii) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares to be issued in the Global Offering have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or substantially all of their investment; the Shares to be issued in the Global Offering offer no guaranteed income and no capital protection; and an investment in the Shares to be issued in the Global Offering is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Global Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of MiFID II; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Shares and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN THE UK

The Shares have not been offered or will not be offered pursuant to the Global Offering in the UK, except that an offer to the public in the UK of any Shares may be made at any time under the following exemptions under the UK Prospectus Regulation:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or

(iii) in any other circumstances falling under the scope of Section 86 of the FSMA,

provided that no such offer of Shares shall require the Company or the Joint Bookrunners to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an offer of any Shares to the public in relation to any Shares in the UK means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase, or subscribe for, any Shares, and the expression UK Prospectus Regulation means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**").

This Offering Memorandum is only being distributed to, and is only directed at, and any investment or investment activity to which this Offering Memorandum relates is available only to, and will be engaged in only with (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (ii) high net worth entities falling within Article 49(2)(a) to (2d) of the Order and/or (iii) other persons to whom it may be lawfully communicated (all being "**Relevant Persons**"). The Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Offering Memorandum or any of its contents.

The Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**").

NOTICE TO DISTRIBUTORS IN THE UK

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Requirements**") and/or any equivalent requirements elsewhere to the extent determined to be applicable, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK MiFIR Product Governance Requirements and/or any equivalent requirements elsewhere to the extent determined to be applicable) may otherwise have with respect thereto, the Shares to be issued in the Global Offering have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, as respectively defined in paragraphs 3.5 and 3.6 of the FCA Handbook Conduct of Business Sourcebook and (ii) eligible for distribution through all permitted distribution channels (the "**UK Target Market Assessment**"). Notwithstanding the UK Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares to be issued in the Global Offering offer no guaranteed income and no capital protection; and an investment in the Shares to be issued in the Global Offering is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The UK Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Global Offering. Furthermore, it is noted that, notwithstanding the UK Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the UK Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS AND DISTRIBUTORS IN AUSTRALIA

The Shares have not been offered and will not be offered pursuant to the Global Offering in Australia, except to select investors who are able to demonstrate that they fall within one or more of the following categories of investors:

(i) a "**sophisticated investor**" under section 708(8)(a) or (b) of the Corporations Act;

(ii) a "**sophisticated investor**" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

(iii) a person associated with the Company under section 708(12) of the Corporations Act; or

(iv) a "**professional investor**" within the meaning of section 708(11)(a) or (b) of the Corporations Act.

This document does not constitute a prospectus or other disclosure document under Chapter 6D.2 of the Corporations Act, has not been, and will not be, lodged or registered with the Australian Securities and Investments Commission ("**ASIC**") or the Australian Securities Exchange ("**ASX**") or any other regulatory body or agency in Australia and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act.

NOTICE TO PROSPECTIVE INVESTORS IN THE ABU DHABI GLOBAL MARKET

The Shares have not been offered and will not be offered to any persons in the Abu Dhabi Global Market except on the basis than an offer is:

(i) an "**Exempt Offer**" in accordance with the Market Rules of the ADGM Financial Services Regulatory Authority; and

(ii) made only to persons who are Authorised Persons or Recognised Bodies (as such terms are defined in the FSMR) or persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 18 of FSMR) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated.

NOTICE TO PROSPECTIVE INVESTORS IN THE DUBAI INTERNATIONAL FINANCIAL CENTRE

This Offering Memorandum relates to a company which is not subject to any form of regulation or approval by the DFSA.

The DFSA has not approved this Offering Memorandum and does not have any responsibility for reviewing or verifying any document or other documents in connection with the Company. Accordingly, the DFSA has not approved this Offering Memorandum or any other associated documents nor taken any steps to verify the information set out in this Offering Memorandum, and has no responsibility for it.

The Shares have not been offered and will not be offered to any persons in the Dubai International Financial Centre except on the basis that an offer is:

(i) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) module of the DFSA; and

(ii) made only to persons who meet the Deemed Professional Client criteria set out in Rule 2.3.4 of the DFSA Conduct of Business Module.

This Offering Memorandum must not, therefore, be delivered to, or relied on by, any other type of person.

The Shares to which this Offering Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Shares should conduct their own due diligence on the Company and the Shares. If you do not understand the contents of this Offering Memorandum you should consult an authorised financial advisor.

NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF SAUDI ARABIA

This Offering Memorandum may not be distributed in the Kingdom of Saudi Arabia ("**Saudi Arabia**" or the "**KSA**"), except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority (the "**CMA**") pursuant to resolution number 3-123-2017, dated 27 December 2017G, as amended pursuant to Resolution of the Board of the CMA number 1-7-2021 dated 14 January 2021G (the "**Saudi Regulations**").

The CMA does not make any representation as to the accuracy or completeness of this Offering Memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Memorandum. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If a prospective purchaser does not understand the contents of this Offering Memorandum, they should consult an authorised financial adviser.

The Shares must not be advertised, offered or sold and no memorandum, information circular, brochure or any similar document has or will be distributed, directly or indirectly, to any person in Saudi Arabia other than to institutional or qualified clients under Article 8(a)(1) of the Saudi Regulations as such term is defined in the Glossary of Defined Terms used in Regulations and Rules of the CMA (issued by the Board of the CMA pursuant to resolution number 4-11-2004 dated 4 October 2004G, as amended pursuant to Resolution of the Board of the CMA number 1-7-2021 dated 14 January 2021G) or by way of a limited offer under Article 9 of the Saudi Regulations.

The Global Offering of the Shares in Saudi Arabia shall not, therefore, constitute a "public offer" pursuant to the Saudi Regulations. Prospective investors are informed that Article 14 of the Saudi Regulations places restrictions on secondary market activity with respect to the Shares. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the Saudi Regulations shall not be recognised by us.

NOTICE TO PROSPECTIVE INVESTORS IN THE REPUBLIC OF SOUTH AFRICA

This Offering Memorandum does not constitute a registered prospectus, written statement or advertisement relating to a public offer in terms of Chapter 4, sections 98, 99 and 101 of the South African Companies Act, No. 71 of 2008 ("**SA Companies Act**"). No offer of Shares to the public in South Africa, whether by way of subscription, sale or otherwise, can be made unless the offeror complies with Chapter 4 of the SA Companies Act and files the requisite disclosure documents with the South African Companies and Intellectual Property Commission in respect thereof. The "public" includes any section of the public. This Offering Memorandum does not constitute an offer of securities to the public in South Africa.

Certain offers of the Shares are deemed, in terms of the safe harbour provisions of section 96 of the SA Companies Act, to not be offers to the public. These include offers to (i) persons whose ordinary business is dealing in securities, whether as principals or agents; (ii) the Public Investment Corporation; (iii) registered banks; (iv) authorised and licensed financial services providers; and (v) financial institutions as defined in the Financial Services Board Act, No. 97 of 1990, or a combination of any of the aforegoing. Also included in the safe harbours are offers where the minimum offer consideration per offeree, acting as principal, is R1,000,000 (one million Rand). Accordingly, offers may be made to such institutions, or under such circumstances, in the Republic of South Africa without having to comply with Chapter 4 of the SA Companies Act.

Nothing in this Offering Memorandum shall be construed as being a recommendation, guidance or advice to an addressee or prospective investor in respect of a financial product as contemplated in the South African Financial Advisory and Intermediary Services Act, No. 37 of 2002.

TABLE OF CONTENTS

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The historical financial information presented in this Offering Memorandum is based on the audited consolidated financial statements of the Group for the years ended 31 December 2020 (the "**2020 Financial Statements**") (which include comparative information for the year ended 31 December 2019) and 31 December 2021 (which include comparative information for the year ended 31 December 2020) (the "**2021 Financial Statements**", and together with the 2020 Financial Statements, the "**Financial Statements**"), which have been audited by KPMG Lower Gulf Limited ("**KPMG**") as stated in their audit reports have been included in this Offering Memorandum beginning on page F-1. The Financial Statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and IAS 34, Interim Financial Reporting, respectively.

The Group's financial year ends on 31 December of each year. References to any financial year refer to the year ended 31 December of the calendar year specified.

Non-IFRS Information

The Group presents in this Offering Memorandum certain measures to assess the financial performance of its business that are termed "non-IFRS measures" because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. These non-IFRS measures include EBIT, EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, ROE, Free cash flow and Net debt to EBITDA ratio. The Group presents non-IFRS measures because it believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Group believes that non-IFRS measures such as EBIT, EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, ROE, Free cash flow and Net debt to EBITDA ratio are a useful indicator of its ability to incur and service its indebtedness and can assist certain investors, securities analysts and other interested parties in evaluating the Group.

The non-IFRS measures the Group presents herein may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS. Non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation.

Currency Presentation

The Group's reporting currency is the UAE dirham. The dirham is the lawful currency of the UAE, and since 22 November 1980, the dirham has been pegged to the US Dollar. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = US$1.00. All US$ translations of dirham amounts appearing in this Offering Memorandum have been translated at this fixed exchange rate, unless otherwise stated. Such translations should not be construed as representations that dirham amounts have been or could be converted into US Dollars at this or any other rate of exchange.

All references in this Offering Memorandum to "**$**", "**USD**" and "**US Dollars**" refer to US dollars being the legal currency for the time being of the United States of America; all references to "**dirham**" and "**AED**" are to UAE dirham being the legal currency of the UAE. References to a "**billion**" are to a thousand million.

Rounding

Certain figures and percentages, including data related to financial, statistical and operating information, included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Market Data

The Company has included in this Offering Memorandum market data and other market information derived from reports (the "**Industry Report**") prepared for the Company by FTI Consulting Gulf Limited ("**Industry**

Consultant"). The Company confirms that the data and other information derived from the Industry Report and any other third party information included herein has been accurately reproduced and that, as far as the Company is aware and is able to ascertain from the Industry Report and from information published by these and other third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company notes that none of the Industry Consultant or other third party sources, and none of the Joint Bookrunners, accepts any liability for the accuracy of any such information, and prospective investors are advised to consider such information with caution. In addition, in certain instances in this Offering Memorandum the Company has included its own estimates, assessments, adjustments and judgments in preparing market information, which have not been verified by an independent third party. Such information is to a certain degree subjective. While the Company believes that its own estimates, assessments, adjustments and judgments are reasonable and that the market information prepared by the Company approximately reflects the industry and the markets in which its operate, there is no assurance that the Company's own estimates, assessments, adjustments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

No Incorporation of Website Information

None of the contents of the Company's website or any website directly or indirectly linked to this website has been verified and they do not form part of this Offering Memorandum, and investors should not rely on such information.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements which relate to, among other things, the Company's plans, objectives, goals, strategies, future operational performance and anticipated developments in markets in which operate and in which it may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "would", "risk", "intends", "estimates", "aims", "plans", "targets", "predicts", "continues", "assumes", "potential" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding intentions, beliefs and current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry in which it operates. In particular, the statements under the headings regarding the Company's strategy and other future events or prospects in the following sections are forward-looking statements: "*Summary*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry Overview*" and "*Business*".

These forward-looking statements and other statements contained in this Offering Memorandum regarding matters that are not historical facts involve predictions and are based on the beliefs of the Company's management, as well as the assumptions made by, and information currently available to, the Company's management. Although the Company believes that the expectations reflected in such forward looking statements are reasonable at this time, the Company cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward looking statements. Important factors that could cause actual results to differ materially from the Company's expectations are contained in cautionary statements in this Offering Memorandum, including, without limitation, in conjunction with the forward looking statements included in this Offering Memorandum and specifically under the section entitled "*Risk Factors*" or the underlying assumptions.

If any of these risks and uncertainties materialise, or if any of the Company's underlying assumptions prove to be incorrect, the Company's actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. Under no circumstances should the inclusion of such forward looking statements in this Offering Memorandum be regarded as a representation or warranty by us, the Selling Shareholder or the Joint Bookrunners or any other person with respect to the achievement of the results set out in such statements. Please refer to "*Risk Factors*" for further information in this regard.

The forward-looking statements contained in this Offering Memorandum speak only as at the date of this Offering Memorandum. The Company, the Selling Shareholder, the Joint Bookrunners and the Financial Advisers expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law.

SUMMARY

This summary should be read as an introduction to this Offering Memorandum and is qualified in its entirety by, and is subject to, the detailed information contained elsewhere in this Offering Memorandum. Accordingly, any decision to invest in the Shares should be based on consideration of the Offering Memorandum as a whole. Potential investors should read this entire Offering Memorandum carefully, including "Risk Factors" and the Financial Statements, including the related notes, before making any decision to invest in the Shares.

Overview

The Dubai Electricity and Water Authority was created in 1992 as a result of the merger of the Dubai Electricity Company ("**DEC**") and the Dubai Water Department ("**DWD**"), which were each established in 1959 by H.H. Sheikh Rashid bin Saeed Al Maktoum, the then Ruler of Dubai. Prior to the establishment of DEC and DWD, there were no specific authorities responsible for power generation and the supply of potable water in Dubai.

The merger of the two entities brought the provision of these essential public utilities within one commercial organisation under the control of the Government as its sole owner. Since then, the Group has been the exclusive provider of electricity and potable water in Dubai and its business has grown along with Dubai's expanding economy, population and infrastructure. Dubai's fast pace of development has resulted in a rapid increase in the demand for electricity and water, a demand that, to date, the Group has been able to meet. The Group believes that it is therefore both integral to, and has itself benefited, and continues to benefit, from, Dubai's past and current economic growth.

On 30 December 2021 pursuant to Dubai Law No. (27) of 2021 (which repealed Ruler of Dubai Law No.(1) of 1992), the Company was established in its current form, as a public joint stock company, to succeed to the Dubai Water and Electricity Authority. The Government's shareholding in the Company is currently held by Department of Finance on behalf of the Government.

Vision and mission

The Company's vision is to be a globally leading sustainable, innovative corporation with a mission committed and aligned with Dubai's eight Principles and 50-Year Charter, supporting the UAE's strategic directions through the delivery of global leading services and innovative energy solution enriching lives while ensuring happiness and well-being of its stakeholders in a sustainable manner.

Provider of Electricity and Water in Dubai and World's Largest District Cooling Services Operator

The Group is the exclusive electricity and water utility provider in Dubai. The Group generates, transmits and distributes electricity throughout Dubai, and the Group produces potable water principally through a desalination process, and distributes it to end users throughout Dubai. As at 31 December 2021, the Group's installed electricity capacity was approximately 13.4 GW and its installed water desalination capacity was approximately 490 MIGD. As at the date of this Offering Memorandum, the Group believes that it has adequate electricity generation and water desalination capacity, which includes existing as well as under construction and planned projects, to meet the forecasted demand until 2030.

The Group is currently party to five IPP projects, with a total capacity of approximately 2.7 GW as at 31 December 2021, including photovoltaic solar power projects, as well as natural gas in respect of the Hassyan power plant. The capacity of the Group's IPP projects is expected to increase up to 7.4 GW by 2030 with the delivery of additional renewable energy projects, including concentrated solar power. In addition, the Group has one IWP project, the Hassyan sea-water reverse osmosis (**"SWRO"**) desalination plant, which has an initial planned capacity of 120 MIGD. The Group's target is to have a SWRO capacity of 240 MIGD by 2030. The Group's IPPs and IWP are clean and renewable projects with less focus on conventional projects.

As part of the Group's strategic focus on ESG and sustainability, the Group established the Dubai Green Fund, the first specialised green impact investment fund in the MENA region, focused on making investments in ventures focused on environmentally friendly projects, and projects focused on sustainability and renewable energy. The Group's ambition is to promote investment in such projects to eventually reach AED 100 billion. The Dubai Green Fund's investments include investments in certain of the Group's IPP/IWP projects as well as a range of other investments. The Group also established Forward Investment Limited, which is the Group's corporate venture capital unit. Forward Investment Limited was recently established with a mandate to invest globally in venture investments in renewable energy, distributed generation, energy storage, utility digitisation, smart technology and security, cleantech, and other diversification opportunities relevant to the Group's strategy.

Empower, which is currently the world's largest district cooling services provider by connected capacity, is 70% owned by the Company, and it owns, manages, operates and maintains district cooling plants and affiliated distribution networks across Dubai.

The Group also comprises a number of other key businesses including Mai Dubai, a manufacturer and distributor of bottled water, Digital DEWA, a digital business solutions company, and Etihad ESCO, a company focused on the development and implementation of energy efficient solutions.

The Group currently operates on the basis of an ESG centric business model aligned with the United Nations' sustainable development goals (SDGs) (See "*—Sustainable Business Model with Strong ESG Management Aligned with UN SDGs*" —"*The Group's ESG initiatives*").

As at 31 December 2021, the Group had revenues of approximately AED 23.8 billion (comprised over 95% of regulated or contracted revenues), adjusted EBITDA of approximately AED 12.1 billion and net income of approximately AED 6.6 billion, with a net debt to Adjusted EBITDA ratio of 1.5x. Of the Group's 2021 revenues (and EBITDA), 9.3% of revenues (pre-intercompany eliminations and adjustments) (and 10% of Adjusted EBITDA) was from Empower, and 5.0% of revenues (pre-intercompany eliminations and adjustments) (and 7.0% of Adjusted EBITDA) were from the Group's IPPs. The Group's total investment in gross property, plant and equipment, as at 31 December 2021 was around AED 201.4 billion.

Large Scale Integrated Corporation with Critical Infrastructure and a Focus on Best-in-class Efficiency

As at 31 December 2021, the Group's installed electricity capacity was 13.4 GW and its installed water desalination capacity was 490 MIGD with 45.0 TWh of electricity and approximately 117.8 billion IG of water units sold during 2021.

The Group has consistently achieved 100% transmission system availability over last decade and is benchmarked as "Best in Class Performance" as per the McKinsey Benchmarking Report. In 2021 the Group continued making significant improvements to its network and infrastructure, resulting in approximately 3.3% in electricity line losses, a 25% improvement since 2006, and 5.3% water line losses, with 9.24 GW of peak power and 380 MIGD of peak water demand and 4,115 km of power transmission network length and 2,453 km of water transmission pipelines, respectively.

The Group is committed to making investments into smart grid initiatives and is continuously seeking to innovate and develop further. The Group is investing AED 7 billion in Smart Grid initiatives over the course of 2014-2035.

In 2021, the Group supplied 1,061,476 electricity customers and 960,032 water customers, and enjoyed 100% of demand met in power and water. With respect to smart adoption, the Group enjoys a 98.7% smart adoption rate (which is the highest of any Government entity in Dubai). The Group's power distribution grid to its customers extends to approximately 37,815 km and the Group's water distribution grid to its customers is approximately 11,140 km.

Empower is currently the world's largest district cooling company and a dominant player in the district cooling market in Dubai with a market share of approximately 79% and more than 110,000 customers (excluding the recent acquisitions of Nakheel and Dubai Airports district cooling assets). As of 31 December 2021, Empower had a connected capacity of approximately 1.4 million refrigeration tonnes, contracted capacity of 1.6 million refrigeration tonnes and over 2,000 million refrigeration tonnes per hour delivered over its network of 369 km length.

At the Heart of Dubai's Green Energy Transition

The Group plays a key role in Dubai's green energy transition process, with clean energy transition forming a central pillar of the Group's strategic direction. The Group already generates the highest proportion of energy from renewable sources in the region (as compared to other regional utility companies). The Dubai Clean Energy Strategy, as updated, has a target of generating 100% of power in Dubai from clean energy sources by the year 2050. Similarly, the Dubai Net Zero Emissions Strategy 2050 targets 100% clean energy by 2050. The Group currently generates approximately 11% of its power through renewable energy sources, as of 2021, having started renewable energy generation approximately nine years ago.

The Mohammed bin Rashid Al Maktoum Solar Park ("**MBR Solar Park**") is currently the world's largest single-site solar park, with a current capacity of approximately 1.5 GW (using solar PV), with an additional 300MW expected to be added per year from 2025 to 2030. The MBR Solar Park's 700 MW CSP plant currently under construction has the world's largest single-site thermal storage capacity. The planned maximum capacity of the solar park by 2030 is targeted at 5 GW. The CSP tower at the solar park is currently the tallest in the world at 262 meters high.

The Group expects to supply 100% of desalinated water by 2030 using clean energy and waste heat. The Hassyan complex is targeted to have 240 MIGD of water desalination capacity using SWRO by 2030 and through its first phase it has already achieved the world's lowest levelised tariff of USD 0.277 per cubic metre.

Some of the Group's other green achievements include: (i) a 37.6% improvement in production efficiency from 2006 to 2021 (ii) the first pumped storage hydro plant (250 MW) in the GCC region under construction; (iii) once completed, a 750 MW second energy storage project at the MBR Solar Park; (iv) the MENA region's first operational Green Hydrogen facility; (v) 325 EV green charger stations installed across Dubai with a target of 1,056 green chargers installed by 2025; and (vi) the integration of new technologies to improve efficiency including the internet of things ("**IoT**"), artificial intelligence "**AI**" and big data.

Competitive Strengths

UAE and Dubai: Positive Tailwinds and Market Fundamentals to Support Future Growth

Dubai has a track record of delivering long-term stable growth with its vibrant economy and agile management methods. Dubai has achieved a unique fast-tracked development over a span of 50 years with approximately 3.5 million Dubai residents and over 4.7 million active daytime population as of 31 December 2021. Dubai is home to one of the world's largest shopping malls, largest district cooling services provider, largest international airline, tallest building and world's busiest airport by international passengers welcoming approximately 16.7 million visitors as of 2019 and it is expected to receive 25 million visitors by 2025. Dubai has a diversified economy with limited reliance on commodities (approximately 1% of GDP) with its visionary leaders setting strong goals "*to become a city with the zero emissions by 2050*" (H.H. Sheikh Mohammed). Dubai's handling of the COVID-19 pandemic was particularly successful with a world-class COVID-19 recovery, a vaccination rate above 90% of the population, limited restrictions on travel and adequate financial measures put in place to mitigate the economic crisis during the COVID-19 pandemic.

According to InterNations, Dubai has consistently been one of the best places in the world to travel to, live and do business in and in 2011 it was ranked as the 5th best city worldwide, as well as the 3rd best city for expats to live and work in. The country's currency, the AED, pegged to the US Dollar since 1997. The UAE ranked number one worldwide scoring 100% in all Getting Electricity indicators in the Word Bank's Doing Business report in 2018, 2019 and 2020. The UAE also recently allowed up to 100% foreign ownership of certain companies, facilitating foreign direct investment. Further, Dubai in 2000 was the first Emirate to open up its property market to foreign ownership. With a solid underlying credit profile, high credit ratings and a competitive tax environment, the UAE is rated Aa2 stable by Moody's and AA- stable by Fitch. Dubai's population growth is mainly driven by job growth, given that 92% of its residents are non-UAE nationals.

Dubai launched a number of initiatives to accelerate its clean energy transition and deliver its carbon neutrality ambitions. The Government supported a dynamic and 100% green vision for Dubai with the Dubai 2040 Urban Master Plan launched in March 2021 to promote the sustainable development of Dubai. The plan aims to make Dubai the best city to live in the future by developing five of its major urban areas, while preserving up to 60% of Dubai's land area as natural reserves. The Dubai 2040 Urban Master Plan projects an increase in land areas for hotels and tourism by 134% as well as an increase in residents and daytime population to 5.8 million and 7.8 million respectively by 2040 and aims to facilitate non-automotive means of transportation.

In January 2015, the UAE cabinet issued a decision to approve and to implement the UAE Green Agenda 2015-2030 as an overarching framework of actions to transform the UAE into a more green and sustainable economy. This was subsequently followed by the launch of the Dubai Clean Energy Strategy 2050 by H.H. Sheikh

Mohammed bin Rashid Al Maktoum in November 2015, which will aim to ensure that Dubai produces 100 per cent of its energy requirements from clean sources by 2050. The Dubai Clean Energy Strategy 2050 also aims to make Dubai a global centre of clean energy and the green economy. More recently, in 2021 the UAE launched its nationwide initiative to transform the UAE into a 100% clean energy economy by 2050, which includes an updated Nationally Determined Contribution ("**NDC**") with an emissions reduction target of 23.5% below business as usual by 2030. Similarly, Dubai also announced its own commitment to 100% clean energy through the Dubai Net Zero Emissions Strategy 2050. These initiatives makes the UAE the first country in MENA to commit to 100% clean energy with the Group remaining at the forefront of this clean energy transformation.

Dubai is also at the forefront of global efforts on climate change and sustainability and is currently hosting or plans to host a number of major regional and international events. These include Expo 2020, a mega international event connecting 192 countries, the MENA Climate Week Dubai, which is part of the umbrella of UN regional Climate Weeks, to be the first ever MENA Climate Week, the WETEX & Dubai Solar show 2022 which aims to achieve integration across sectors of the energy industry and COP 28, which is the 28th session of the Conference of the Parties (COP 28) to the UN Framework Convention on Climate Change.

Large Scale Fully Integrated Infrastructure Supporting the Emirate of Dubai

A number of large scale, critical infrastructure projects ensure the provision of potable water to 100% of Dubai and are responsible for all of Dubai's electricity value chain. In the power sector, the Group's current aggregate generation capacity amounts 13.4 GW, of which 89% is gas-fired and 11% solar for the year 2021. In addition, the planned hydroelectric power station of 250 MW generation capacity expected to be commissioned in 2024, coupled with the 5GW target capacity of the MBR Solar Park by 2030 will enable the Emirate of Dubai to reach its 100% clean energy target by 2050.

In the water sector, the Group's current daily water desalination capacity amounts to 490 MIGD, with a target of 100% of desalinated water to be provided through clean energy and waste heat by 2030. This is enabled by the decoupling of power and water production. The Group's daily water production capacity breakdown for the year 2021 was 87% (427 MIGD) through multi stage flash ("**MSF**") and 13% (63 MIGD) through reverse osmosis. The Group is also planning additional water reservoirs at Al Nakhli and Al Lusaily sites to increase storage capacity to 1,002 MIG from 822 MIG currently.

The Group's networks currently serve over one million customers in electricity and potable water. The water network pipelines have witnessed a major expansion over the years with the length of the water transmission and distribution network pipelines having quadrupled from 3,349 km in 1992 to 13,593 km currently. 94% of the Group's electricity transmissions and distribution lines consist of underground cables while the remaining 6% consist of overhead lines. Furthermore, in 2021 the Group inaugurated 16 new transmission substations (which resulted in AED 2,597 million in capital expenditures) and built 1,406 new distribution substations, while in 2020 it built 25 new transmission substations (which resulted in AED 3,119 million in capital expenditures).

Empower, which is 70% owned by the Company, held 79% of the Dubai district cooling market share in 2021, with the district cooling sectors' market penetration set to grow from 23% in 2021 to 40% by 2030, as per the Dubai Integrated Energy Strategy 2030. Empower uses a centralised metering data management system with a state of the art command control centre to monitor and operate its plants and network efficiently. As at 31 December 2021, Empower served more than 1,413 buildings through its 76 plant rooms and a 369 km-long network across Dubai.

Empower: world's largest district cooling services provider

Empower is a growth engine for the Company and it is supported by both M&A activities and organic expansion plans. As at 31 December 2021, Empower had a connected capacity of approximately 1.4 million refrigerated tonnes with 76 plant rooms and a market share of over 79% in Dubai. District cooling systems used by Empower are particularly important in the Middle East region where around 50% of generated electricity is used for cooling, as they consume up to 50% less electricity than conventional cooling systems. Empower represents environmentally friendly investment propositions and is at the forefront of innovation as it uses an efficient centralised metering data management system and also uses treated sewage effluent ("**TSE**") instead of freshwater, which is 60% to 70% more cost effective than using freshwater once you factor in treatment costs.

In 2021 the use of TSE represented 9% of Empower's total water use. Its use of thermal energy storage can also help in optimizing the operation of the power system.

Empower is an award winning district cooling provider with strong financial results year over year. Empower's revenues for the year ended 31 December 2021 amounted to AED 2,464 million (with a CAGR of 6.1% for the period from 2019 to 2021) while its net income for the same year was AED 936 million (US$255 million) (with a CAGR of 3.7% for the period from 2019 to 2021). Empower has been awarded a number of awards in a range of categories by the International District Energy Association for Innovation, including for the number of buildings and area committed, among others. It was also awarded Company of the Year (2020) and Executive Achievement of the Year (2020) awards at the Golden Bridge Awards. Furthermore, Empower is a partner of the United Nations Environment Program ("**UNEP**") and special advisor for its "District Energy in Cities" global initiative. Empower has also launched, in collaboration with the American Society of Heating, Refrigerating and Air-Conditioning Engineers ("**ASHRAE**"), the "Owner's Guide for buildings served by District Cooling" and the updated edition of the "District Cooling Guide" in 2019, for designers and building owners.

Mohammed Bin Rashid Al Maktoum Solar Park: largest single–site solar park in the world

With a total targeted capacity of 5GW by 2030, the MBR Solar Park is the largest single-site solar park in the world. The project currently has five phases of completion. The first three phases with a total connected capacity of 1,010 MW were completed in 2013, 2017 and 2020 and all consists of PVs. The fourth phase consisting of CSPs and PVs, with a total capacity of 950 MW, is targeted for completion by 2024, of which 217 MW of PVs has already been commissioned with construction works having started. The fifth phase consisting of PVs with a total capacity of 900 MW is targeted for completion by 2023, of which 300 MW of PVs has already been commissioned with construction works having started. The remaining 2.2 GW of solar capacity is planned to be rolled out between 2025 and 2030, at an estimated cost of between AED 8.9 billion and AED 9.0 billion, of which between 75% and 85% will be funded by non-recourse debt. By 2030, through the use of renewable energy generated at the MBR Solar Park, carbon emissions are expected to be reduced by 6.5 million tonnes per year, the equivalent of over 32 million trees per year.

Sustainable Business Model with Strong ESG Management Aligned with UN SDGs

Leader in the region - driving the transition to a low carbon, climate resilient economy

The Group's strong ESG practices and targets have evolved and matured throughout the years. The Group targets a reduction of Scope 1 GHG emissions of 35% by 2030 against BAU. In 2012 the Company launched its Carbon Dioxide Emission Reduction programme, followed by the launch of the national innovation strategy in 2014. The Group has a strong track record with regards to Scope 1 emission intensity and energy efficiency. In 2020 the Group achieved a Scope 1 emission intensity of 0.4744 tCO2e/MWH for combined electricity and water and improved its cumulative energy efficiency by 37.63% between 2006 and 2021. In 2015 Phase II of the MBR Solar Park achieved the world record for the lowest levelised cost of electricity at 5.62c/kWh. This was a start of the Group's track record of beating world records on achieving world record electricity prices, with the latest being1.69c/kWh in 2019 for Phase V (Shuaa Energy 3). In 2021 the Group's generation capacity culminated at 13.4 GW while having one of the lowest electricity line loss rates in the world at 3.3%. In that same year the Group achieved another world record with the world's lowest Customer Minutes Lost ("**CML**") of 1.43 min/year. In addition, the Group is at the heart of the Emirate of Dubai's target of 25% clean energy generation capacity by 2030 and Dubai's recently set target of 100% of clean energy sources by 2050.

Investment and excellence in technologies enabling decarbonisation

The Group has been a precursor in investing in advanced technologies enabling decarbonisation. From 2006 to 2021, the Group improved cumulative energy efficiency by 37.63%, which is equivalent to a reduction of 72.7 million tons of CO2 emitted, driven by fuel savings achieved because of efficiency improvements by the decoupling Power Generation & Water Production, efficiency initiatives, and optimum design, reengineering, and O&M. In the solar sector, the Group had, as at 31 December 2021, 11% of its power generation capacity from solar energy. The Group also decided to expand the renewable energy capacity of the MBR Solar Park to 5 GW by 2030. The Group was also able to consistently achieve record-breaking low levelised cost of electricity with its IPP projects, starting at 5.62c/kWh in 2015 (Phase II of MBR Solar Park) and most recently 1.69c/kWh in 2020 (Phase V of MBR Solar Park). The Group also launched its pilot green hydrogen project to produce hydrogen using solar power and set its targets to produce 100% of desalinated water using clean energy and waste heat by 2030. The Group has been at the forefront of digitisation reaching a rate of 98.7% smart adoption of the Company's digital services in 2021, with more than two million smart electricity and water meters installed and 325 EV green charger stations installed across Dubai. The Group is starting a number of pilot projects to include storage capacity with solar power.

Sustainable Business Model with Strong ESG management practices

The Group enjoys a robust environmental management system which consists of a comprehensive emissions reduction programme. Audited carbon footprint reporting is done on Scope 1 and 2 GHG emissions. The programme forecasts a Scope 1 emissions reduction of 35% by 2030 against BAU. The Group's environment management system also entails: (i) a number of initiatives to reduce NOx and SO2 emission; (ii) a circular economy roadmap; (iii) water efficiency and re-use programmes to support the Emirate of Dubai's target of reducing water use by 30% by 2030; (iv) ISO certifications for nearly 100% of its sites with ISO 14001 for Environment Management System, ISO 9001 for Quality Management System and ISO 45001 for Health and Safety Management System with the exception of MBR Solar Park and DEWA Academy which are undergoing certification. The Group also has a number of policies in place relating to, among others, Integrated Management System, Energy Management, Electricity and Water Supply.

The Group's corporate and social responsibility is at the core of its business model and priorities. The Group consistently focuses on human capital development and was able to achieve a low employee turnover rate of 2.23% in 2021, an employee happiness rate of 92% for the year 2020 and a lost time injury frequency rate ("**LTIFR**") of 0.71 during 2021 compared to 3.28 in 2016. Since 2016, the Group has consistently been able to achieve a declining LTIFR trend. The Company is committed to creating an inclusive and empowering environment for its employees. The Group has put in place an inclusive parental leave which applies to male and female employees, which includes, among others, maternity leave, paternity leave, child care leave and nursing break. The Group has the largest number of childcare centres compared to other Dubai Government Departments. Female employees make up 8.3% and 34.2% of the Group's leadership and management team, respectively. The Group's Emiratisation policy focuses on training and career development of Emirati nationals. For the year ended 31 December 2021, UAE nationals made up approximately 88.33% of the Group's leadership, each receiving an average of 83.78 hours of training and career development per UAE employee. The Group prides itself on the DEWA youth council which has launched a number of initiatives to recognize and honour young employees. Other community impacts of the Group include (i) the access to basic programmes, which provides among other things, support to low income individual for new house connection, and utility bill discounts, ii) 22 humanitarian initiatives and iii) 15,998 volunteering hours.

The Company has a strong governance framework in place based on four main pillars: (i) trust; (ii) accountability; (iii) transparency; and (iv) fair practices. It has established a Board-level ESG Committee for oversight of ESG matters, and has an operational level Climate Change & Sustainability Committee.

The Company's approach towards aligning its strategies and operations with the UN SDGs

The Company's approach is to align its sustainability strategies, operations and sustainable development goals with the with the United Nations' sustainable development goals ("**UN SDGs**") which are grouped into the following three categories:

- Tier 1 Goals, which are business-critical to the Company's reputation, its ability to grow, to manage risks and create business opportunities;
- Tier 2 Goal, which are key to the Company's leadership commitments as a leading sustainable innovative global corporation; and
- Tier 3 Goals, which are important to the Company as a stakeholder in the Emirate of Dubai.

The Company also won the European Foundation for Quality Management UN SDGs Challenge in 2021. For more information on the Group's UN SDGs, see "—*The Group's ESG initiatives*".

Highly Innovative World Class Integrated Corporation with a Renowned Management Team

Consistent trajectory of operational excellence

The Company operates with high standards of efficiency, reliability, availability and sustainability. It enjoys a leading safety and efficiency track record enabled by its use of technology and innovation. The Group outperforms a number of international benchmarks in various categories. For instance, in 2021 it recorded 3.3% of electricity line losses compared to 6.5% for its European and North American peers, 5.3% of unaccounted for water compared to 15% for its European and North American peers. The Group's System Average Interruption Frequency Index ("**SAIFI**") Forced was 0.05 for 2021 compared to 0.10 in 2017 and its System Average Interruption Duration Index - Customer Minutes Lost ("**SAIDI – CML**") was 1.43 for 2021 compared to 15.0 for its European and North American peers.

During the period from 2006 to 2030 the Group expects cumulative savings, driven by its efficiency improvements (current and planned), to be as follows, driven by fuel savings achieved because of efficiency improvements by the decoupling Power Generation & Water Production, efficiency initiatives, and optimum design, reengineering and O&M:

- Total CO2 reductions: 185 million tonnes
- Total savings: AED 55 billion
- Fuel heat utilisation: up to 90% across five plants

Technological innovation at the centre of the Company's strategy

The Company has proven itself as a global digital leader through its leading digital transformation strategy. The Company: (i) leads digital transformation strategy; (ii) was one of the early adopters of AI in the UAE; (iii) was the first Government entity to be entirely paperless; (iv) the first non-telecoms company in the UAE to receive a license for IoT; (v) has a clean track-record of zero cyber security breaches; (vi) has the first AI and big data-enabled cyber defence system; (vii) has achieved a 98.7% smart adoption rate by its customers, the highest among other Government entities in 2021; (viii) through it AI-driven alerts to users, the Company managed to achieve a ground-breaking number of three billion gallons in water saved; (x) has more than 40 global partnerships in the digital space through Digital Dewa.

The Company is at the core of digital innovation with technologically advanced digital systems and tools delivering robust end-to-end solutions. Such systems and tools consist of the following:

- Transmission automation: Transmission automation is achieved through the SCADA Program to monitor water and power networks around the clock and the high water usage alert program for customers. See "*—Information Technology—SCADA and SDMS*". The Group's transmission networks are supported by a large portfolio of digital systems, which includes, among others, substation control and monitoring systems for automated supervision and control, digital fault recorders and partial discharge monitoring systems for detecting partial discharges in high voltage connections,
- Satellite programme: In January 2021 the Company's space programme, Space-D, was launched as an initiative that aims to build the Group's capabilities and train Emirati professionals to use space technologies to help enhance its electricity and water networks. The programme will use advanced technologies that are embedded into the Group's systems to facilitate the exchange of information with the help of satellite communications and earth observation technologies. The project features the launch of a main satellite equipped with the latest imaging and satellite communication technologies. The programme also supports the National Space Strategy 2030, which aims to realise the leadership's vision by using space sciences, technologies, applications and services to enhance development. As part of the satellite programme, the DEWA-SAT 1 nanosatellite was launched by SpaceX Falcon 9 rocket from Cape Canaveral Space Launch Complex (SLC-40) in Florida, USA on 13 January 2022. The nanosatellite was designed and developed at the Group's research and development centre in MBR Solar Park to improve the operations, maintenance and planning of the Group's networks with the support of nanosatellite technology, IoT and remote sensing technologies.
- Efficient resource allocation: The Group has launched a number of initiatives that ensure the efficient allocation of resources through the use of technologies.

- MBR Solar Park: As part of the MBR Solar Park the Company has erected a four-story innovation centre with the latest clean and renewable energy technologies as well as a 4,400 square meter research and development centre.
- Digitalisation: As part of its digitalisation push, the Group launched Digital DEWA, its digital arm to reimagine the role of the utility and to become the world's first utility provider to use autonomous systems for renewable energy generation, energy storage, AI adoption and the provision of digital services. Furthermore, as part of the Green Airport initiative, the Group is exploring new paradigms to generate energy in airports through an innovative, integrated system that relies on energy from solar, kinetic, noise and wind sources resulting from the movement of aircraft and other activities. The Green Road initiative also aims at transforming Dubai's roads into energy generation sources by harnessing energy sources such as solar and mechanical energy utilising the latest disruptive technologies.
- Smart grid: The smart grid initiative aims to provide a smart network providing the best service to customers with high efficiency, via the use of AI and big data.
- Rammas AI assistant: The Rammas AI assistant is the Company's virtual assistant tool for customer, which use AI technology and can response to enquiries in English and Arabic 24 hours a day, seven days a week.
- Fibre optic: The Group owns and operate a large fibre Optic Network in the city of Dubai for power and water network with a total length of 11,076 km. The entire Grid communications and Protection systems are based on fibre optic technology that provides fast and reliable communications. Certain capacity of the fibre network is leased to Digital DEWA to utilise for commercial purposes.

Serving a diversified mix of customers with the aim to meet highest standards of service quality

The Group serves a wide range of customers across different lines. In the power sector, the Group had 1,061,476 customer accounts as at 31 December 2021, of which 78.3 % were residential, 20.2 % were commercial, 0.3% were industrial and 1.2% were categorised as "others". The consumption split among those accounts was 32.9% residential, 53.8% commercial, 5.3% industrial and 7.9% for others.

In the water sector, the Group has 960,032 customer accounts as at 31 December 2021, of which 84.7 % were residential, 14.8 % were commercial, 0.2% were industrial and 0.3% were for others. The consumption split among those accounts was 64.1% residential, 26.4% commercial, 2.5% industrial and 7.0% for others. The Company has consistently been recognised for its highest standards of service quality by receiving a number of awards and top rankings among its peers.

Unprecedented Green Growth Opportunities with a Clear Roadmap for the Future

The Company is well positioned to capitalise on visible growth levers

The growth of green infrastructure initiatives in the Emirate of Dubai will support the Company's future growth. Investment in renewables is expected to increase in support of the Dubai 2050 100% clean energy target and leading infrastructure developments are expected to see the light to implement the Dubai 2040 Urban Master Plan. The clear push for green infrastructure has been demonstrated by the establishment and ongoing development of the 5 GW MBR Solar Park and ongoing exploration of wind capacities within the Emirate of Dubai.

Power and water demand is expected to increase in light of the Emirate of Dubai's growth engine and the push for electrification within the Emirate. Being the sole provider of water and electricity in Dubai, the Company is well positioned to benefit from the increasing demand for the services it provides.

Growth is also expected in the fast growing district cooling market which is expected to witness certain consolidation opportunities. Empower also has significant potential to grow organically with its existing portfolio of well-diversified projects. With its leading position in the market, Empower is well positioned to benefit from growth due to its scale, access to capital and extensive know-how.

Growth is also expected to result from the various investments made by the Group in new technologies. The Company's expansion in green hydrogen, energy storage, EV charging and smart water projects places it among the leading utility providers in terms of digital adoption innovation and efficiency.

The Group's consistently stable tariffs and supportive regulatory framework will help support sustainable profitability. This stability and predictability are further supported by long-term supply agreements that the Groups has in place with relevant Government entities. Such stability is further reinforced by the alignment among key stakeholders from the Government to ensure a supportive regulatory framework going forward.

The Company is positioned for growth on multiple fronts of the energy transition

In the power and renewables space, the Company is expected to benefit from the sizeable growth in renewables in Dubai with the planned 5 GW of solar capacity at the MBR Solar Park by 2030 and the acquired expertise in solar CSP with 700 MW currently under construction as part of Phase 4 of the MBR Solar Park, which will assist in execution of future similar projects. Such growth will be further supported by the wind energy opportunities currently being explored in Dubai as well as the 250 MW of hydroelectric capacity under construction in Hatta.

In the water sector, growth is expected to be supported by the increasing desalinated water production capacity expected to reach 730 MIGD in 2030 and a number of initiatives such as the 100% desalinated water provided by clean energy and waste heat by 2030 and the HydroNet solution, an AI project in water to be launched by the Company in the near future to monitor and autonomously improve the efficiency of water networks.

Growth is also expected in the district cooling sector, where Empower (a 70%-owned subsidiary of the Company) is an award-winning company having recorded an 18% growth in demand for its district cooling services in 2021 (including the inorganic growth in demand derived from the acquisitions of the district cooling assets of Nakheel (i.e., Empower Snow LLC) for AED 674 million). Empower also acquired the district cooling systems of the Dubai International Airport for AED 1.1 billion. District cooling has also proven to be effective in substantially reducing emissions and combatting climate change, as compared to other conventional cooling systems.

The Company supports EV adoption and has already installed 325 charging stations across Dubai as of December 2021 and plans to install a total of 1,056 stations by 2025 as electric vehicle penetration rises in the country.

The Company also launched the first green hydrogen production facility in the MENA region in May 2021, which will allow the buffering of renewable energy production, both for fast response applications, as well as for long-term storage. The facility has been built to accommodate future applications and test platforms for the different uses of hydrogen, including potential mobility and industrial uses.

Shams Dubai is the Company's distributed renewable generation programme which supports the diversification of the energy mix by promoting the use of clean and renewable energy sources to build a sustainable future for the Emirate of Dubai. This initiative encourages household and building owners to install PV panels to generate electricity, and connect them to the Company's grid. The electricity is used on site and the surplus is exported to Company's network. As at December 2021, 399 MW was already connected to the network with another 225 MW of ongoing projects. Shams Dubai now has 6,924 sites as of 2021.

Robust Financial Profile with High Visibility over Cash Flow Generation and Shareholder Returns

The Group is in a unique position, being the sole electricity and water provider by law and the leading district cooling supplier in Dubai with best-in-class operational performance, strong leverage metrics, supportive government policies and resilient profitability and margins. Electricity sales during 2019, 2020 and 2021 amounted to 41.31 TWh, 40.63 TWh and to 44.74 TWh respectively, while water sales for the same financial years were 116 billion IG, 115 billion IG and 118 billion IG, respectively. Cooling supplied by Empower for the same periods was 1.7, 1.7 and 2.0 billion RTh.

Sustainable sales of utilities in Dubai were key drivers for the Group's top line. The Group's revenues for 2019, 2020 and 2021 were AED 22.9 billion), AED 22.5 billion) and AED 23.8 billion), respectively, for a CAGR of 2.0%.

The Group enjoys a cost reflective tariff framework which supports resilient profitability which was demonstrated by the Group's Adjusted EBITDA and net income figures and margins over the last three years. The Group's Adjusted EBITDA for 2019, 2020 and 2021 was AED 10.8 billion (for an Adjusted EBITDA margin of 47.4%%), AED 10.1 billion (for an Adjusted EBITDA margin of 45.1%) and AED 12.1 billion (for an Adjusted EBITDA margin of 50.7%) respectively. The Group's net income for 2019, 2020 and 2021 was AED 6.6 billion (for a net income margin of 29.0%), AED 5.3 billion (for a net income margin 23.6%) and AED 6.6 billion (for a net income margin of 27.5%) respectively.

The Group also enjoys a strong balance sheet with a net debt for 2019, 2020 and 2021 of AED 5.1 billion, AED 11.9 billion and AED 17.6 billion, respectively. The net debt to EBITDA ratio was at 0.5x, 1.2x and 1.5x for the years 2019, 2020 and 2021 respectively.

The Group expects its EBITDA margin to be between 53%-55% in the mid-term as a result of reducing fuel costs from IPPs and higher relative contribution of higher margin IPPs and Empower, in addition to margin gains resulting from the transition to clean energy and other green initiatives.

Supportive tariff framework which provide incentives for efficiency and outperformance

Tariff stability has served stakeholders well in the past, by providing good value and protection of consumer interest, while providing the Group with an appropriate return on investments and incentives to optimize investment and operations, with cost reflective tariffs allowing fuel-costs pass-through. The Group's tariff structure has been unchanged for 11 years, cost-reflective tariffs with fuel-costs pass-through. For more details about the tariff structure applicable to the Groups and process through which tariffs changes are proposed by the Dubai Supreme Council of Energy and approved by the Dubai Executive Council, see section " - *Regulation*".

Strategy

The Group's strategy is rooted in reinforcing its 'Triple Bottom Line' sustainability approach in all of its activities and operations. Sustainable growth is the Group's higher order goal that will allow the Group to mobilise its capabilities to contribute to the strong local and federal development plans whilst preserving and ensuring, the natural capital and long lasting economic prosperity of the Group. The Group aims to deliver on its strategy vision through:

- balancing economic, environmental and social impacts of our growth strategy;
- effective stakeholders happiness strategy;
- pioneering global position of our services and key results; and
- effective alignment with the UN SDGs.

Optimised Costs, Revenues and Diversified Global Investments: drive the financial performance of the Company as the Economic pillar of the Group's Sustainability Framework

The Group intends to leverage its unique position as the sole electricity and water and leading district cooling supplier in Dubai to drive the financial performance of the Company as the economic pillar of the Group's Sustainability Framework. Sustainable sales of utilities in Dubai were key drivers for the Company's top line.

The Group aims to continue this achievement by mobilising the DEWA 2021 Investment Strategy and by exploring and exploiting cost optimisation opportunities across each of its value chain, such as exploring the use of new and innovative storage technologies that will allow the Group to utilise renewable energy at all hours of the day at a lower cost and exploring international expansion for Empowers' services to the Kingdom of Saudi Arabia, Qatar and other markets that have broad adoption, or potential for adoption, of district cooling services.

As a global digital leader, the Company is at the core of digital innovation with technologically advanced digital systems and tools delivering robust end-to-end solutions and will continue developing and exploring new revenue streams through the use of digital innovation, such as i) SCADA, a sophisticated and centralised monitoring system that ensures a reliable supply of electricity and water to consumers by leveraging AI and big data, and ii) ASR, which is up to six times cheaper at enhancing strategic water storage compared to conventional concrete reservoir storage. The Company will continue to effectively manage its core subsidiaries to diversify its investment into digital technologies as a method of costs and revenue optimisation. For example, the Group expects Digital Dewa to continue as the technology arm of the Group while also expanding the opportunities to deliver revenues from third parties, converting a former cost centre of the Group into a revenue centre.

Pioneering Socially Responsible Practices: contribute to the sustainable development of Dubai as the Social pillar of the Group's Sustainability Framework

The Group is focused on developing its pioneering socially responsible practices by continuing its contribution to the sustainable development of Dubai as the social pillar of the Group's Sustainability Framework. Such contribution is to be achieved by fulfilling the Group's corporate social responsibility annual plan, which includes, among other things, the delivery of key social programs and initiatives that support national and international corporate social responsibility efforts. The Group will continue to focus on human capital development by implementing several policies and practices to encourage a culture of volunteering amongst its employees, supporting local suppliers, contractors and entrepreneurs, and by continuing to operate on the basis of an ESG centric business model that is aligned with the United Nations Sustainable Development Goals 2030.

Minimised Environmental Footprint: develop and run environmentally responsible asset portfolio as the Environmental pillar of the Group's Sustainability Framework

The Group plays a key role in Dubai's green energy transition process, with clean energy transition forming a central pillar of the Group's strategic direction. Part of the Group's vision is to align with Dubai's eight Principles and 50-Year Charter and to support the UAE's strategic direction into innovative energy solution. The Group aims to achieve this is by (i) minimising its environmental pollution and waste by developing and managing environmentally responsible asset portfolio that can ensure that greenhouse gas emissions are, at a minimum, in line with the national intended contribution level, (ii) minimising pollution and waste from the Group's operations, (iii) ensuring that EIA is completed for all projects, and (iv) by delivering on the Group's UNDP Sustainable Development Goals. The Group aligns its community investment and engagement strategies with issues that are important not only to the management of its assets, but also to the benefit of the surrounding communities. The Group aligns its community investment and engagement strategies with issues that are important not only to the management of its assets, but also to the benefit of the surrounding communities. Furthermore, the Group has consistently and will continue to adopt a responsible approach to asset management, supported by an Asset Management Framework in compliance with ISO 55001 and an Asset Management Policy.

Available, Reliable and High Quality Supply of Electricity and Water:

The Company has consistently been recognised for its highest standards of service quality by receiving a number of awards and top rankings among its peers. The Group plans to continue providing the highest quality standards for electricity generation, transmission and distribution and water production by exploring the use of new and innovative technologies such as the SDMS, which has enabled the Group to deliver uninterrupted supply of electricity and water to its customers. The Groups AMI i-Service initiative, which enables the Group's technicians to resolve unplanned outages, breakages and leakages, before receiving a customer complaint, is one of many innovations that the Group will continue to explore and utilise in order to maintain its efficiency in handling and resolving customer technical issues.

Engaged and Happy Stakeholders: dedicate adequate resources to foresee, analyse, deliver and exceed stakeholders' expectations and brand perception

The Group is committed to dedicating adequate resources to foresee, analyse, deliver and exceed stakeholders' expectations and brand perception. It aims to achieve this by developing and deploying a comprehensive Stakeholder Happiness Strategy by focusing on developing the Company's branding capabilities in order to accelerate and strengthen the Group's brand and reputation regionally and internationally. The Group will actively engage with stakeholder groups across each relevant communication channels in order to (i) understand and anticipate the needs and expectations of stakeholders, which includes government personnel, customers, partners, society and employees, and ii) deliver products and services that exceed shareholder expectations and needs.

In 2021, the Company ranked first in the Instant Happiness Meter by the Dubai Digital Authority with a score of 98%. In order to sustain the Group's leadership position in happiness among government entities, the continuously measure stakeholders' happiness level and respond appropriately.

Another key theme of the Group's strategy is '10X The Future' which focuses on the Group's ability to innovate in a fast-moving energy and water sector and prepares the Group and the Emirate of Dubai for the future. This theme focuses on finding enduring and more appropriate solutions to the current and future challenges facing the Group's business through research and development and innovation. It aims to disrupt and create a sustainable future by implementing (i) Digitisation, (ii) Diversification of energy sources, (iii) Demand Side Management and (iv) DEWA Space and IoT.

Disruptive Technologies: AI, Robotics, Space, and IoT

A key function of the Group's R&D is to enable the Group to embrace the future by aligning internal requirements and external trends with innovation and R&D activities, thus allowing the Group to i) demonstrate and evaluate cutting edge technologies related to energy and water, and ii) to develop effective solutions in smart grids, solar, water and energy efficiency using disruptive technologies, which includes energy storage, AI, robotics, Space-D, IoT, 3D printing and other advanced materials. The Group aims to leverage intellectual properties in order to create more value from research output. The Group will continue fostering stakeholder engagement in order to keep driving innovation.

Leading Through Digital DEWA

As a response to the Government of Dubai's 10X initiative, an initiative aimed at "positioning Dubai 10 years ahead of all other world cities" by placing a strategic focus on innovative technology and disruptive solutions, the Group developed Digital DEWA to be its digital arm which has enabled the Group to be the world's first utility provider to use autonomous systems for renewable energy generation, energy storage, AI adoption and the provision of digital service. Through Digital DEWA, the Group aims to make Dubai the first city to provide electricity and water services based on AI. The Groups aims to continue this digital transformation through the effective implementation of: i) the smart grid initiative, a smart network providing the best service to customers with high efficiency, via the use of AI and big data; ii) Shams Dubai, a distributed renewable generation programme to support the diversification of the clean energy sources to build a sustainable future for the Emirate of Dubai; and iii) the Dubai Green Mobility Strategy 2030, an initiative launched to encourage the use of electric vehicles. The Group also aims to expand into different fields, such as solar energy, energy storage, AI, and other digital services through Digital DEWA.

Sustainable Energy Mix and effective supply and demand side management

In 2011, the DSCE, in cooperation with the Company, launched the Demand Side Management Strategy 2030, which aims to deliver 30% power and water consumption savings by 2030 through a set of defined programmes. To meet this target, the Group aims to develop its asset portfolio and to continue integrating reliable and cost-effective renewal technologies.

Recent Developments

On 28 January 2022, the Company entered into a commercial terms agreement (the "**Commercial Terms Agreement**") between, amongst others, the Company as obligor, Emirates NBD Capital Limited ("**EMCAP**") as mandated lead arranger and bookrunner and coordinator, Dubai Green Fund Capital ("**DGF**") as lead arranger, Emirates NBD Bank PJSC ("**ENBD**") as investment agent and the financial institutions named therein as original participants. The Commercial Terms Agreement provided for the Company to act as purchaser under an AED 10 billion Murabaha facility agreement between the Company and ENBD as investment agent. The Company subsequently drew down the full amount under such facilities and on 31 January 2022 its Board of Directors approved a dividend payment of an amount of AED 10 billion to the Selling Shareholder.

In March 2022, the DoF set out a policy concerning the future allotment and granting of land in the Emirate of Dubai by the Dubai Land Department to the Company. This policy applies to future allotments of land and mandates that the Company shall pay a rental value of AED 1 per plot per annum for 30 years. Existing lands owned by the Company prior to this date are unaffected by this new policy.

On 23 March 2022, the Company entered into cornerstone investor agreements (the "**Cornerstone Investor Agreements**") with each of Emirates NBD AM SPC (on behalf and for the account of the UAE Strategic Investment Fund 1 SP), Emirates Investment Authority (through its investment vehicle, Gamma Emirates Investments LLC), Multiply Group (through its investment vehicle, Norm Commercial Investment SP LLC), Alpha Dhabi Holding (through its investment vehicle, Alpha Dhabi Partners Holding LLC), Investment Holding est and Abu Dhabi Developmental Holding Company PJSC (through its investment vehicle, Alpha Oryx Limited) (together, the "**Cornerstone Investors**") pursuant to which each of the Cornerstone Investors severally (and neither jointly nor jointly and severally) has committed to purchase Shares in the Global Offering, and the Company has agreed to sell, and procure the allotment and transfer of, Shares to the Cornerstone Investors from the Qualified Investor Offering at the Offer Price. The aggregate commitments of all the Cornerstone Investors pursuant to the Cornerstone Investor Agreements, based on the Offer Price, are approximately AED 5.14 billion The Cornerstone Investor Agreements are conditional upon Admission and certain other conditions being satisfied, and will terminate automatically if such customary conditions have not been fulfilled on or before 15 April 2022 (or such other date as may be agreed between the Company and the Cornerstone Investors). See "*—Subscription and* Sale*—Lock-up Arrangements*" for information on the Cornerstone Investor Agreements, lock-up or any applicable exceptions thereto.

Risk Factors

Risks Relating to the Group

- The Government, as a major shareholder, will maintain a controlling interest in the Group following completion of the Global Offering
- Electricity and water tariffs are approved by the Government and may not reflect the Group's cost of production
- The Group's revenue, profits and cash flows are concentrated in Dubai
- The Group's revenue is dependent on the demand for electricity and water
- The Group is dependent on DUSUP for its supply of natural gas
- The Group's generation and desalination stations, distribution network and/or its transmission network may experience equipment or other failures and may otherwise not operate as planned
- The Group may face risks related to the dependency of power generation from renewable energy sources on having suitable meteorological conditions
- The Group may not meet its ESG targets or strategy, or may incur additional costs in connection with such strategies
- The regulatory framework governing the Group is subject to change under the supervision of the Supreme Council of Energy
- The Group's IWPs face risk in the construction of new plants or facilities
- The Group's operations and other expansion projects are subject to a range of development and construction risks
- The Group's counterparties may default on their contractual obligations
- The Group's strategy requires it to make substantial long-term capital expenditure
- The Group and its IWPs have risks relating to existing and future leverage
- The Group's IWPs have risks relating to events of default under the financing arrangements
- The Group may be subject to restrictions under financing arrangements on the ability of IPP/IWP project companies to pay dividends (or equivalent distributions)
- The Group relies on its OT and its IT infrastructure, which may fail or be adversely affected by cyber crimes

- The Group's operations may be adversely affected by terrorist attacks, natural disasters, climate change, or other catastrophic events that are beyond the Group's control
- The Group cannot guarantee the accuracy of its forecasts for future demand for electricity and potable water in Dubai
- The Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business
- The Group may not be able to remain compliant with changing environmental laws
- The Group's business may be harmed if it fails to attract and retain qualified and experienced employees
- Certain of the Group's senior management have limited experience in managing a publicly listed company
- The Group may face occupational health and safety risks
- The Group, or parts of it, may face competition in the future
- The Group's investments into new businesses and innovation may not be successful or commercially viable

Risks Relating to the Group's Key Subsidiaries

- Empower may face increasing competition with future expansion
- Empower enters into long-term contracts with its customers and material changes to key terms in those contracts could adversely affect the Group
- Empower and certain other members of the Group have a significant customer concentration
- Empower's ability to enforce all of the provisions of its contracts may be limited in certain circumstances
- Unexpected equipment failures, or third party damage to Empower's distribution networks, may disrupt Empower's ability to operate its plants
- Empower's plants, pipelines and cooling infrastructure are purpose built
- The Group faces risks related to expanding its digital and technological services, solutions, products and capabilities in the face of rapidly-evolving technological developments and customer demand
- The Group faces risks related to the procurement of additional work from existing customers
- The Group's technology business faces risks related to customer retention
- The Group may face risks related to undetected errors or defects in products or solutions
- The Group's digital businesses face risks related to failure of information technology systems and data centres
- The Group may infringe third party intellectual property rights
- The Group relies on technology partners, suppliers, manufacturers, service providers and subcontractors

Risks Relating to Dubai, UAE and the MENA Region

- General economic, financial and political conditions, especially in Dubai and elsewhere in the UAE, where the Group conducts all of its operations, may materially adversely affect the Group's business, financial condition and results of operations
- The UAE's economy is significantly affected by volatility in international crude oil prices and its economy has in the past been, and is likely in the future to continue to be, materially adversely affected by lengthy periods of low crude oil prices
- Continued instability and unrest in the MENA region, or the escalation of armed conflict, may materially adversely affect the Group's business, financial condition and results of operations

- Dubai and the UAE may decide to introduce new laws and regulations, including the introduction of a corporate income tax, which, if so introduced, could adversely affect the way in which the Group is able to conduct its businesses and its results of operations and financial condition
- The UAE's Emiratisation initiative may increase the Group's costs and may reduce its ability to rationalise its workforce
- The Group's financial condition and results of operations may be materially adversely affected if the USD/AED exchange rate were to change

Risks Relating to the Global Offering and to the Shares

- After the Global Offering, the Selling Shareholder will continue to hold the majority of the Shares.
- Substantial sales of Shares by the Selling Shareholder or future issuances of Shares by the Group could depress the price of the Shares.
- In addition, the DFM is significantly smaller in size than other established securities markets, which may also affect liquidity in the Shares.
- The Company may not pay dividends on the Shares and consequently, investors may not receive any return on investment unless they sell their Shares for a price greater than that which was paid for them.
- It may be difficult for shareholders to enforce judgments against the Group in the UAE, or against the Group's directors and senior management.
- Holders of the Shares in certain jurisdictions outside of the UAE may not be able to exercise their pre-emptive rights if the Company increases its share capital.

THE GLOBAL OFFERING

Company	Dubai Electricity and Water Authority PJSC, a public joint stock company incorporated in the Emirate of Dubai, UAE, pursuant to Ruler of Dubai Law no. 27 of 2021, which approved among other things, the share capital of the Company, and Company's articles of association, with industrial licence number 1029366. Upon completion of the Global Offering, the Company will be subject to the provisions of Law No.27 of 2021 and the Company's approved articles of association in addition to the applicable provisions of the Commercial Companies Law as stated in the Company's articles of association.
Selling Shareholder	The Government of Dubai. Immediately following completion of the Global Offering, the Selling Shareholder will continue to own at least 82% of the Company's issued and outstanding share capital assuming that the Selling Shareholder sells all of the Shares being offered and that the size of the Global Offering is not increased.
Joint Global Coordinators and Joint Bookrunners	Citigroup Global Markets Limited, Emirates NBD Capital Limited and HSBC Bank Middle East Limited have been appointed as Joint Global Coordinators and Joint Bookrunners, and Credit Suisse International, EFG-Hermes UAE Limited, First Abu Dhabi Bank PJSC and Goldman Sachs International have been appointed as Joint Bookrunners.
Global Offering	9,000,000,000 ordinary shares are being offered in the Global Offering. All of the Shares are being sold by the Selling Shareholder. The Selling Shareholder reserves the right to increase the size of the Global Offering at any time prior to the end of the subscription period at its sole discretion. The Company will not receive any proceeds from the sale of Shares by the Selling Shareholder other than a compensation from the Selling Shareholder for any expenses relating to the Global Offering. The Global Offering comprises the Institutional Offering, the ADGM Exempt Offer, the DIFC Exempt Offer and the UAE Retail Offer. The Shares are being offered outside the United States in reliance on Regulation S. The Exempt Offer is being made in the DIFC pursuant to an exemption from registration under the Markets Rules of the DFSA and in the ADGM pursuant to an exemption from registration under the Markets Rules of the FSRA. Subject to the approval of the SCA, the Company reserves the right to alter the percentage of the Global Offering which is to be made available to either the UAE Retail Offer, which shall not exceed 10% of the total Shares offered in the Global Offering, or the Qualified Investor Offering, which shall not be reduced to less than 90% of the total Shares offered in the Global Offering.
Qualified Investor Offering	90.8% of the Shares being offered in the Global Offering are being offered to certain investors in the Qualified Investor Offering (i) outside the United States in reliance on Regulation S and (ii) pursuant to the Exempt Offer.
Exempt Offer	A number of Shares to be determined by the Joint Bookrunners, the Selling Shareholder and the Company are being offered in the Exempt Offer in the DIFC pursuant to an exemption from registration under the Markets Rules of the DFSA, and only an Exempt Offer as in the ADGM pursuant to an exemption from registration under the Markets Rules of the FSRA.
UAE Retail Offer	9.2% of the Shares are being offered pursuant to the UAE Prospectus, the publication of which was approved by the SCA, to (A) natural persons who hold a national investor number ("**NIN**") with the DFM and have a bank account and (B) other investors (including natural persons, companies and

	establishments) who do not participate in the Qualified Investor Offering that hold a NIN with the DFM.
Cornerstone Investors	On 23 March 2022, the Company entered into Cornerstone Investor Agreements with each of the Cornerstone Investors pursuant to which each of the Cornerstone Investors severally (and neither jointly nor jointly and severally) has committed to purchase Shares in the Global Offering, and the Company has agreed to sell, and procure the allotment and transfer of, Shares to the Cornerstone Investors from the Qualified Investor Offering at the Offer Price. The aggregate commitments of all the Cornerstone Investors pursuant to the Cornerstone Investor Agreements, based on the Offer Price, are approximately AED 5.14 billion. The Cornerstone Investor Agreements are conditional upon Admission and certain other customary conditions being satisfied, and will terminate automatically if such conditions have not been fulfilled on or before 15 April 2022 (or such other date as may be agreed between the Company and the Cornerstone Investor). For more information, see "*Subscription and Sale–Cornerstone Investor*".
Shares	The share capital consists of 50,000,000,000 ordinary shares, each with a nominal value of AED 0.01, which are fully paid, issued and outstanding. The Shares have the rights described under "*Description of Share Capital*".
Offer Price	The offer price is AED 2.48 per Share.
Commencement of the Global Offering	On or around 24 March 2022.
Expected Pricing Date	On or around 6 April 2022.
Expecting Closing Date	On or around 12 April 2022.
Payment and settlement	Payment for the Shares purchased in connection with the Qualified Investor Offering shall be made in AED (unless otherwise agreed between the investor and a Joint Bookrunner), as specified by each purchaser to the Joint Bookrunners during the bookbuilding process. Purchasers will be required to make full payment for the Shares to the Joint Bookrunners for receipt by the Joint Bookrunners on the business day prior to the Closing Date. In the event of a failure to make timely payment, purchasers of Shares may incur significant charges. Delivery of the Shares is expected to be made on the Closing Date to the accounts of purchasers through the book-entry facilities operated by the DFM. Trading of the Shares will take place through the trading system of the DFM. Shares will be held under NINs assigned by the DFM either to the holders directly or through custodian omnibus accounts and the ownership of the Shares will be evidenced by the holdings under each such NIN. Clearing and settlement of trades on the DFM by brokers or custodians may be performed only through members of the DFM that are authorised clearing members (the "**Clearing Members**"). Settlement of securities trading on the DFM is governed by the DFM's rules and regulations, which are available from its website, www.dfm.ae.
Restrictions on purchases and transfers of Shares	The Shares are subject to certain restrictions on their purchase, resale and transfer. For more information, see "*Subscription and Sale*" and "*Transfer Restrictions*".
Dividends	The Company's ability to pay dividends is dependent on a number of factors, including the availability of distributable reserves and our capital expenditure plans and other cash requirements in future periods, and there is no assurance

that we will pay dividends or, if a dividend is paid, what the amount of such dividend will be. See "*Risk Factors—Risks Relating to the Global Offering and to the Shares—The Company may not pay dividends on the Shares and consequently, investors may not receive any return on investment unless they sell their Shares for a price greater than that which was paid for them.*" Any level or payment of dividends will depend on, among other things, future profits and the business plan of the Company, at the discretion of the Board of Directors.

The Company intends to pay dividends twice each fiscal year after the Global Offering in April and October of each year. Subject to the foregoing, The Company expects to pay a minimum dividend amount of AED 6.2 billion per annum, over the next 5 years (October 2022- April 2027). For the avoidance of doubt, the Company expects to pay a first dividend payment of AED 3.1 billion after the Global Offering for the second half of 2022 by October 2022.

This dividend policy is designed to reflect the Company's expectation of strong cash flow and expected long-term earnings potential, while allowing the Company to retain sufficient capital to fund ongoing operating requirements and continued investment for long-term growth. This dividend policy is subject to consideration of the Board of Directors of the cash management requirements of the Group's business for operating expenses, interest expense and anticipated capital expenditures. In addition, the Group expects that the Board of Directors will also consider market conditions, the then current operating environment in the Group's markets, and the Board of Directors' outlook for the Group's business. See "*—Dividend Policy*".

Use of proceeds

The Company will not receive any proceeds from the Global Offering other than a compensation from the Selling Shareholder for any expenses relating to the Global Offering. All expenses of the Global Offering (including selling commissions and any discretionary fees) will ultimately be borne by the Selling Shareholder. The Global Offering is being conducted, among other reasons, to allow the Selling Shareholder to sell part of its shareholding, while providing increased trading liquidity in the Shares and raising the Group's profile within the investment community and supporting the Government's broader ambitions to further develop local capital markets and deploy capital into other segments of the local economy, as discussed under "*Use of Proceeds*".

Listing and trading

The Company has applied and been granted approval for the Shares to be listed on the DFM under the symbol "DEWA". Prior to the Global Offering, there has not been any public market for the Shares. There will be no conditional dealings in the Shares prior to Admission. It is expected that Admission will become effective and that dealings in the Shares will commence on the DFM on or about the Closing Date.

Lock-up

Pursuant to the terms of an underwriting agreement among the Company, the Selling Shareholder and the Joint Bookrunners (the "**Underwriting Agreement**"), the Company and the Selling Shareholder, which held 100% of the Shares immediately prior to the Global Offering, have contractually agreed, for a period of 180 days after the Closing Date, subject to certain exceptions, not to (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant, or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or otherwise transfer or dispose of, directly or indirectly, any Shares, or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, or file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing, (ii) enter into any swap, or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Shares, in each case, whether any such transaction is to be settled by delivery of Shares or other securities, in cash or otherwise, or (iii) publicly announce such an intention to effect any such transaction, in each case, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed subject to the principles of Sharia. See "—*Subscription and* Sale—*Lock-up Arrangements*" for information on the lock-up or any applicable exceptions thereto.

Pursuant to the Cornerstone Investor Agreements, the Cornerstone Investors have respectively agreed that, subject to certain customary exceptions, during a period of not less than 180 days from the date of Admission, such Cornerstone Investor will not offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares it has acquired under the Cornerstone Investor Agreements (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Taxation	For a discussion of certain tax considerations relevant to an investment in the Shares, see "—*Taxation*".
General Information	The security identification numbers of the Shares offered hereby are as follows: Shares ISIN: AED001801011 DFM Share Trading Symbol: DEWA
Risk Factors	You should read "*Risk Factors*" for a discussion of factors that you should consider carefully before deciding to invest in the Global Offering.

SUMMARY HISTORICAL FINANCIAL AND KEY INFORMATION

The selected financial information set forth below shows our historical financial information and other unaudited operating information as at and for the years ended 31 December 2019, 2020 and 2021.

The financial information set forth below under the captions "Statement of profit or loss data", "Statement of financial position data", "Statement of cash flows data" and "Statement of changes in equity data" has been derived from and should be read in conjunction with, the financial statements included elsewhere in this Offering Memorandum.

Statement of profit or loss data

	Year ended 31 December		
	2019[1]*	**2020**	**2021**
		(AED thousands)	
Revenue	22,886,986	22,461,895	23,823,968
Cost of sales	(14,119,335)	(14,201,213)	(15,539,787)
Gross profit	**8,767,651**	**8,260,682**	**8,284,181**
Administrative expenses	(2,696,870)	(3,012,311)	(2,916,445)
Credit impairment losses	(21,212)	(87,970)	(83,822)
Other income	331,890	378,018	921,993
Operating profit	**6,381,459**	**5,538,419**	**6,205,907**
Finance costs	(243,778)	(267,966)	(382,866)
Finance income	501,869	239,479	165,465
Finance income/(costs) – net	258,091	(28,487)	(217,401)
Provision for impairment of investment in a joint venture	-	-	(4,785)
Share of (loss)/profit from investments in joint ventures	(2,467)	(2,392)	502
Profit for the year before net movement in regulatory deferral account credit balance	**6,637,083**	**5,507,540**	**5,984,223**
Net movement in regulatory deferral account credit balance	-	(201,202)	569,224
Profit for the year and net movement in regulatory deferral account credit balance	**6,637,083**	**5,306,338**	**6,553,447**
Other comprehensive (loss)/income for the year	(1,780,506)	(2,123,720)	1,518,845
Total comprehensive income for the year	**4,856,577**	**3,182,618**	**8,072,292**
Earnings per share			
Basic and diluted earnings per share (AED)	0.13	0.10	0.12

Statement of financial position data

	As at 31 December		
	2019[2]*	**2020**	**2021**
		(AED thousands)	
Total non-current assets	129,418,183	142,534,643	151,719,453
Total current assets	20,904,557	17,390,323	17,727,981
Total assets	**150,322,740**	**159,924,966**	**169,447,434**
Total equity	87,874,349	90,021,579	93,591,708
Total non-current liabilities	41,727,470	52,021,973	58,105,641
Total current liabilities	19,973,875	16,933,166	17,371,061
Total liabilities	**61,701,345**	**68,955,139**	**75,476,702**
Total equity and liabilities	149,575,694	158,976,718	169,068,410
Regulatory deferral account credit balance	747,046	948,248	379,024

1 *There have been limited reclassifications and presentation changes in the financial statements for FY21 and FY20 as compared to FY19. However, the FY19 figures and presentation in this document have been kept in conformity with the audited financials for FY19.*

2 *There have been limited reclassifications and presentation changes in the financial statements for FY21 and FY20 as compared to FY19. However, the FY19 figures and presentation in this document have been kept in conformity with the audited financials for FY19.*

Total equity, liabilities and regulatory deferral account credit balance	**150,322,740**	**159,924,966**	**169,447,434**

Statement of cash flow data

	Year ended 31 December		
	2019[3]*	**2020**	**2021**
		(AED thousands)	
Cash flows from operating activities			
Profit for the year	6,637,083	5,306,338	6,553,447
Adjustment for:			
Depreciation	4,404,006	4,732,753	5,231,682
Amortisation – intangible assets	66,560	57,619	81,121
Provision for slow moving and obsolete inventories	7,869	19,508	28,621
Reversal of impairment of property, plant and equipment	(80,294)	(53,529)	(32,328)
Fair value adjustments of receivables	-	-	(48,832)
Reversal of fair value adjustment for trade receivables	75,690	31,399	7,204
Charge for impairment of trade receivables	21,212	87,969	83,822
Deferred income	(762,435)	(865,157)	(933,167)
Retirement benefit obligations - gratuity	124,267	124,973	124,204
Retirement benefit obligations - pensions	102,769	112,695	112,810
Provision for impairment from investment in joint venture	-	-	4,785
Share of loss from investment in joint ventures	2,467	2,392	(502)
Ineffective portion of gain on derivative financial instrument	3,801	20,306	(5,969)
Loss on sale of property, plant and equipment	513	1,428	(181)
Finance costs expense	243,778	267,966	382,866
Finance income	(501,869)	(239,479)	(165,465)
Operating cash flows before changes in operating assets and liabilities	10,345,417	9,607,181	11,424,118
Changes in operating assets and liabilities:			
Inventories	(45,260)	(147,991)	(64,368)
Other assets	(141,149)	240,841	285,367
Trade receivables before provision for impairment	(1,429,105)	(1,402,379)	(1,064,227)
Other financial assets	(344,730)	(1,107,391)	(661,766)
Trade and other payables	2,073,088	1,174,483	838,477
Regulatory deferral account credit balance	-	201,202	(569,225)
Net operating cash flows	10,458,261	8,565,946	10,188,376
Payment for retirement benefit obligations – gratuity	(30,811)	(36,581)	(51,883)
Payment for retirement benefit obligations – pensions	(104,209)	(111,784)	(116,499)
Net cash inflows generated from operating activities	**10,323,241**	**8,417,581**	**10,019,994**
Cash flows from investing activities			
Purchase of property, plant and equipment net of movements in trade payables and other long-term liabilities	(11,883,897)	(13,103,101)	(12,268,280)
Deposits with original maturity of greater than three months – placed during the year	(5,651,122)	(601,375)	(3,012,766)
Deposits with original maturity of greater than three months – matured during the year	6,205,314	8,272,067	325,000
Purchase of intangible assets	(18,794)	(32,543)	(381,752)
Interest received	443,992	256,675	138,225
Movement in other financial assets	(16,628)	96,156	(10,039)
Sale of / investment in a joint venture	-	-	797
Proceeds from disposal of property, plant and equipment	5,334	1,877	3,916
Net cash used in investing activities	**(10,915,801)**	**(5,110,244)**	**(15,204,899)**
Cash flows from financing activities			
Repayment of borrowings	(630,408)	(5,605,224)	(517,537)
Proceeds from borrowings	6,013,610	7,717,351	8,552,340
Interest paid	(1,108,101)	(1,024,347)	(1,076,336)
Payment of lease liabilities	(6,850)	(8,397)	(7,443)
Capital contribution by the non-controlling interest	-	2,000	-
Dividends paid to owner	(4,500,000)	(1,500,000)	(2,000,000)
Dividends paid to non-controlling interests in subsidiaries	(92,394)	(92,041)	(96,585)

3 *There have been limited reclassifications and presentation changes in the financial statements for FY21 and FY20 as compared to FY19. However, the FY19 figures and presentation in this document have been kept in conformity with the audited financials for FY19.*

Net cash (outflow)/inflow financing activities	**(324,143)**	**(510,658)**	**4,854,439**
Regulatory deferral account credit balance	219,426	-	-
Net (decrease)/increase in cash and cash equivalent	(697,277)	2,796,679	(330,466)
Cash and cash equivalents at the beginning of the year	3,203,112	2,505,835	5,302,514
Cash and cash equivalents at the end of the year	**2,505,835**	**5,302,514**	**4,972,048**

Statement of changes in equity data

	Government of Dubai account	**General reserve**	**Statutory reserve**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
				(AED thousands)				
At 1 January 2019	38,092,123	48,433,035	309,131	108,486	(2,012)	86,940,763	1,276,999	88,217,762
Total comprehensive income for the year								
Profit for the year	-	-	-	-	6,414,663	6,414,663	222,420	6,637,083
Other comprehensive income	-	-	-	(966,029)	83,133	(882,896)	(897,610)	(1,780,506)
Total comprehensive income for the year	-	-	-	(966,029)	6,497,796	5,531,767	(675,190)	4,856,577
Transfer to reserve	-	5,519,842	42,822	-	(5,562,664)	-	-	-
Transactions with the Owner								
Non-cash distribution	-	-	-	-	(933,120)	(933,120)	-	(933,120)
Capital contribution by non-controlling interests	-	-	-	-	-	-	6,710	6,710
Capital contribution by Government of Dubai – value of lands (net)	318,814	-	-	-	-	318,814	-	318,814
Dividend paid	-	(4,500,000)	-	-	-	(4,500,000)	(92,394)	(4,592,394)
At 31 December 2019	38,410,937	49,452,877	351,953	(857,543)	-	87,358,224	516,125	87,874,349

	Government of Dubai account	General reserve	Statutory reserve	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
				(AED thousands)				
At 1 January 2020	38,410,937	49,452,877	351,953	(857,543)	-	87,358,224	516,125	87,874,349
Total comprehensive income for the year								
Profit for the year....................	-	-	-	-	5,094,728	5,094,728	211,610	5,306,338
Other comprehensive income...............	-	-	-	(1,125,444)	19,696	(1,105,748)	(1,017,972)	(2,123,720)
Total comprehensive income for the year..................	-		-	(1,125,444)	5,114,424	3,988,980	(806,362)	3,182,618
Transfer to reserve	-	4,286,699	150		(4,286,849)	-	-	-
Transactions with the Owner								
Non-cash distribution	-	-	-	-	(827,575)	(827,575)	-	(827,575)
Reclassification of capital contribution by non-controlling interest to borrowings[4*]	-	-	-	-	-	-	(6,713)	(6,713)
Capital contribution by non-controlling interests	-	-	-	-	-	-	2,000	2,000
Capital contribution by Government of Dubai – value of lands (net)..........	1,418,941	-	-	-	-	1,418,941		1,418,941
Dividend paid	-	(1,500,000)	-	-	-	(1,500,000)	(122,041)	(1,622,041)
At 31 December 2020..................	39,829,878	52,239,576	352,103	(1,982,987)	-	90,438,570	(416,991)	90,021,579

4 *The amount of loan amounting to AED 6.7 million, treated as capital contribution by non-controlling interest in 2019 has been reclassified to borrowings during the year ended 31 December 2020.*

	Share capital	Government of Dubai Account	General reserve	Statutory reserve	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
					(AED thousands)				
At 1 January 2021	-	39,829,878	52,239,576	352,103	(1,982,987)	-	90,438,570	(416,991)	90,021,579
Transfer to share capital	500,000	(500,000)	-	-	-	-	-	-	-
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	6,123,112	6,123,112	430,335	6,553,447
Other comprehensive income	-	-	-	-	746,842	96,851	843,693	675,152	1,518,845
Total comprehensive income for the year	-	-	-	-	746,842	6,219,963	6,966,805	1,105,487	8,072,292
Transfer to reserve	-	-	3,103,859	3,364	-	(3,107,223)	-	-	-
Transactions with the owner									
Non-cash distribution	-	-	-	-	-	(3,112,740)	(3,112,740)	-	(3,112,740)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-
Capital contribution by Government of Dubai – value of lands (net)	-	707,162	-	-	-	-	707,162	-	707,162
Dividend paid	-	-	(2,000,000)	-	-	-	(2,000,000)	(96,585)	(2,096,585)
At 31 December 2021	500,000	40,037,040	53,343,435	355,467	(1,236,145)	-	92,999,797	591,911	93,591,708

RISK FACTORS

Investing in and holding the Shares involve financial risk. Prospective investors in the Shares should carefully review all of the information contained in this Offering Memorandum and should pay particular attention to the following risks associated with an investment in the Group and the Shares, which should be considered together with all other information contained in this Offering Memorandum. If one or more of the following risks were to arise, the Group's business, financial condition, results of operations, prospects or the price of the Shares could be materially and adversely affected, and investors could lose all or part of their investment. The risks set out below may not be exhaustive and do not necessarily include all of the risks associated with an investment in the Group and the Shares. Additional risks and uncertainties not currently known to the Group *or which* the Group *currently deem immaterial may arise or become material in the future and may have a material adverse effect on the Group's business, results of operations, financial condition, prospects or the price of the Shares.*

Risks Relating to the Group

The Government, as a major shareholder, will maintain a controlling interest in the Group following completion of the Global Offering

The Government will continue to be the major shareholder of the Group following completion of the Global Offering, holding approximately 93.5% of the Company's share capital (assuming that the Selling Shareholder sells all of the Shares being offered and that the size of the Global Offering is not increased), and will therefore continue to have a controlling stake in the Group, which includes the ability to appoint the number of the board of directors equivalent to its shareholding of the Company's share capital (the "**Board of Directors**" or "**Board**") and determine the outcome of votes at general meetings of shareholders of the Company (other than in any cases where the Selling Shareholder would need to abstain from such vote, such as not participating in the election of the remaining directors). Since the establishment of the Company as a public joint stock company, the Company is mandated to conduct its business on a commercial basis in accordance with the original decree of its establishment and the Dubai law no. 27 of 2021. While the support of the Government has historically helped to drive and encourage the Group's success, the interests of the majority of the Board of Directors, and those of the Group's major shareholder, may from time to time not be aligned with certain of the Group's strategic or commercial objectives, and in addition there can be no assurance that the Government's interests will coincide with the interests of the Group or all purchasers of the Shares.

Electricity and water tariffs are approved by the Government and may not reflect the Group's cost of production

The Group generates substantially all of its revenue from the sale of electricity and water to its customers in Dubai and therefore its revenue is dependent upon the tariffs charged to its customers for the consumption of electricity and water. In March 2008, a tiered billing system was introduced whereby tariffs increased incrementally based on consumption.

Any proposed increase in the Group's tariff levels is made pursuant to a recommendation from the Company's Board of Directors and needs to be approved by the Government through the Dubai Executive Council (the "**Executive Council**"). Before such approval, the Supreme Council of Energy (which includes the CEO of the Company, Mr. Al Tayer, as vice chairman) a governmental body established to regulate the water and energy sector in Dubai (see "*—Regulation— Supreme Council of Energy*" for more information), needs to review and assess any proposed tariff revisions and make recommendations to the Executive Council. The Executive Council will then consider for approval the recommendations made by the Board of Director, as per Dubai law no. 27 of 2021, taking into consideration the review and recommendations of the Supreme Council of Energy.

Although a tariff increase was last approved in 2011 (see "*Business —History and Development- Revision of tariffs, and establishment of the fuel surcharge*" for more information), there can be no assurance that the Government will agree to any adjustment to the Group's tariffs proposed to it by the Board of Directors in the future. If operating costs rise and the Group is unsuccessful in applying for an increase in tariffs (or is not able to adjust existing fuel surcharges to offset part or all of the rise in operating costs), there is a risk that the Group may realise a loss in its operating income if expenditure exceeds its revenue, which could result in a material adverse effect on the Group's business, financial condition and results of operations (see "*Business—Principal Operations—Electricity*" and "*Business—Principal Operations—Water*").

The Group's revenue, profits and cash flows are concentrated in Dubai

The Group relies, to a significant extent, on the revenue, profits and cash flows generated by its operations in Dubai to make payments on its financing, pay operating expenses, fund its capital expenditure and meet its other obligations that may arise from time to time. For example, in 2021, the Group's Dubai revenue accounted for almost 100% of its total revenue, and of this amount approximately 17% was from Government entities. The Group continued to remain profitable during the COVID-19 pandemic and the 2009 economic downturn in Dubai, however reflecting this concentration, both in respect of Dubai and certain customer risk, the Group's results of operations may be negatively affected by adverse economic or political developments in or affecting Dubai or the UAE which in turn affect the ability of the Group's customers in Dubai or the wider UAE to perform their respective obligations under their contracts or commitments with the Group. These factors could negatively impact the Group's revenue including by materially adversely impacting the customers of the Group, or the local Dubai or broader UAE economy.

In addition, with respect to the Group's planned expansion (whether with respect to I(W)PPs, or otherwise), the Group's continued growth depends in part on its ability to service new developments or population growth, and a significant economic slowdown in Dubai or the wider the UAE could reduce the number of new projects available to the Group.

The Group's revenue is dependent on the demand for electricity and water

Any reduction in the demand volume of electricity and water as a result of market factors, such as reduced demand resulting from COVID-19 lockdowns, or otherwise may negatively impact DEWA's revenues, profits, and cash flows generated by its operations which may impact its ability to make payments on its financing, pay operating expenses, fund its capital expenditure and meet its other obligations that may arise from time to time. For example, in 2020, as a result of the COVID-19 pandemic, demand for electricity declined from 46,704 GWh in 2019 to 45,712 GWh in 2020, while water demand decreased from 126.1 billion IG in 2019 to 125.7 billion IG in 2020. While the 2-component electricity and water tariffs (fixed component slab tariff and variable fuel surcharge), alongside other projects and initiatives undertaken by the Group, contributed to a net income of AED 5.3 billion, this was below the 2019 net income of AED 6.6 billion.

The Group is dependent on DUSUP for its supply of natural gas

The Group aims to rely on natural gas and clean energy sources to operate its plants, with a concerted effort to increase the percentage of energy obtained from clean energy sources. The Group is well aligned with the Dubai Clean Energy Strategy 2050 that aims to produce 100% of Dubai's total power capacity from clean energy sources by 2050 (and as at 31 December 2021, 11.4% of the Group's power generation capacity was from clean energy sources). Since early December 2021, natural gas is the energy source used by the Group for the ongoing operation of conventional plants. The Group's power and desalination plants that do not run on renewable energy operate using natural gas (and, in very limited circumstances, can operate, if required as backup or on emergency basis, on other liquid fuel oils and fuel sources). The Group seeks to maximise its usage of renewable energy sources and natural gas minimising and reducing its use of any fuel oils in its production activities as a matter of policy, for both environmental and cost reasons. The Group's ability to generate electricity and water in an efficient and cost effective manner is currently largely dependent on a steady and regular supply of natural gas (in addition to the Group's ability to generate energy from renewable sources). See – "*Risk Factors – Risk Relating to the Group - The Group may face risks related to the dependency of power generation from renewable energy sources on having suitable meteorological conditions*"

Dubai Supply Authority ("**DUSUP**") is a wholly-owned entity of the Government of Dubai, established to supply natural gas primarily to the Group, and the only authorised supplier of natural gas in Dubai to Government entities. The Group is required to purchase all of its natural gas and liquefied natural gas requirements from DUSUP, which is carried out pursuant to annual (including forward-looking rolling forecasts, typically between five to seven years) requests made to DUSUP, rather than by way of a formal supply contract between DUSUP and the Group. Additional ad-hoc requests may be made by the Group to DUSUP from time to time. DUSUP receives the natural gas requirements of its customers from the Supreme Council of Energy. Based on such requirements, DUSUP enters into long-term contracts with multiple natural gas suppliers and liquefied natural gas suppliers and allocates the substantial majority of the supply it receives to the Group accordingly (that has historically been at pre-fixed prices, which have been generally lower than the market price.). The Group's pre-fixed prices with DUSUP are renewed and reconfirmed on a yearly basis; however, these prices have not changed in the past 10 years. In addition, the introduction of fuel surcharge has allowed the Group to pass on increases in its variable cost of gas charged by DUSUP to the end consumers on a monthly basis.

The Group maintains an ongoing dialogue with DUSUP, including a committee focused on helping to ensure that sufficient natural gas supplies are available. DUSUP also maintains strategic natural gas storage facilities at Margham (the largest onshore oil and gas field in the UAE, situated in Dubai), which holds in excess of one year of the Group's gas demand. The Group also maintains high pressure and low pressure natural gas storage at each of its power stations to allow for successful fuel changeover to diesel fuel oil in the event of an interruption of natural gas supplies.

In addition to the above, arrangements are in place with the Abu Dhabi National Oil Company ("**ADNOC**") and others to help ensure continuity of supplies of natural gas to the Group in the event of an emergency; however, there can be no assurance that renewable energy and natural gas supplies will be sufficient to meet all of the Group's energy requirements in the future or that DUSUP will be able to meet all of the Group's forecasted natural gas demands, or that DUSUP will not increase the price it charges. As a result, the Group's cost of production may increase, or it may become necessary for the Group to use additional fuel oils from time to time, which would increase its production costs and may result in a material adverse effect on the Group's business, financial condition and results of operations.

The Group's generation and desalination stations, distribution network and/or its transmission network may experience equipment or other failures and may otherwise not operate as planned

While the Group has in place redundancies in its transmission and distribution network, such as the Multisite Transmission Control Centres and Distribution Control Centres, as well as reserve margins in respect of power and water, the operation of the Group's generation and desalination stations and transmission and distribution network may be subject to material operating risks such as IT failures, unplanned outages, equipment failure or facilities operating inefficiently or below capacity. The occurrence of an operating risk could affect the Group's ability to supply electricity and water at levels sufficient to meet demand. Although the Group maintains back-up facilities, additional water storage and is able to purchase electricity and water from third parties, there is no assurance that such alternative sources will be available when needed or that such resources will be able to provide adequate supplies of electricity and water to meet demand in the event of a shortfall in the Group's supplies and reserves. A significant network failure may result in increased costs and/or loss of revenue and may have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

The Group may face risks related to the dependency of power generation from renewable energy sources on having suitable meteorological conditions

The Group has invested in various renewable projects that utilise solar and/or renewable resources to generate electricity and may further invest in renewable energy. The Group's current renewable energy generation resources include CSP plants that have thermal storage capabilities to allow operation during the evening using the stored solar energy, and PV plants in operation, construction or advanced development in the UAE.

As of 31 December 2021, the Group's renewable energy plants represented approximately 11.4% of its total gross capacity in operation, and by 2050 the Group plans to generate its clean energy power from renewable resources in line with the Dubai Clean Energy Strategy 2050.

The Group undertakes research during the developmental phase to assess adequate sunlight and conditions. However, these conditions are nevertheless beyond the Group's control and can vary significantly from period to period, are subject to seasonal variations, or potential changes to the climate, and are difficult to predict. Such variability, as well as general weather conditions, climate and unusually severe weather, may result in volatility in solar energy production levels and profitability, which depend on, among other things, adequate sunlight. Solar energy projects are dependent on suitable solar conditions and associated weather conditions, and excessive temperatures may reduce solar energy production.

The Group's businesses forecast electricity production is based on normal weather representing a long-term historical average for the UAE. Solar resource estimates are based on historical experience when available and on resource studies and are not expected to reflect actual solar energy production in any given year. There can be no assurance that planning by the Group for possible variations in normal weather patterns and potential impacts on the Group's operations and the Group's businesses can prevent these impacts or accurately predict future weather conditions or climate changes.

Any of the abovementioned impacts on solar resources could have a material adverse impact on the expected results of operation of the Group's solar power generation.

The Group may not meet its ESG targets or strategy, or may incur additional costs in connection with such strategies

The Group is committed to environmental, social and governance ("**ESG**") principles, and ESG is at the centre of the Group's priorities and strategic initiatives. The Group regularly considers environmental and social factors, such as climate change, and governance responsibilities in its business and investment decisions and, accordingly, has set and disclosed ESG targets, including certain time-bound targets, in accordance with its ambition to support Dubai's transition to a 100% clean energy economy.

In the event that the Group may not meet these targets fully, partially or in a timely manner, it may affect the ease with which it can raise new capital from the increasing number of financiers and investors who consider it important to incorporate disclosure of and performance against ESG-related metrics into their investment criteria. Additionally, in the event of repeated unfulfillment of these targets, the Group may face the risk of higher cost of capital by such financiers or investors, which may lead to adverse impact on the Company's business and reputation.

The regulatory framework governing the Group is subject to change under the supervision of the Supreme Council of Energy

The Supreme Council of Energy was established in June 2009 to set the strategy for, and regulate, the energy sector in Dubai. The Supreme Council of Energy (together with the RSB with respect of private sector participants) has wide powers to regulate, *inter alia,* the generation and transmission of electricity, the production, storage and distribution of potable water and provide recommendations in respect of proposals to revise the relevant electricity and water tariffs (however the imposition and amounts of electricity and water tariffs is ultimately approved by the Executive Council and not the Supreme Council of Energy) (see "—*Regulation—Supreme Council of Energy*" for more information). Currently the Group's Managing Director and Chief Executive Officer serves as the Vice Chairman of the Supreme Council of Energy (and abstains from voting on matters relating to the Group), however there can be no assurance that future directions, recommendations or regulatory influence by the Supreme Council of Energy will not impose additional obligations on the Group, any of which may result in a material adverse effect on the Group's business, financial condition and results of operations.

The Group's IPP and IWPs face risk in the construction of new plants or facilities

When constructing a new plant or facility, an IPP/IWP project company faces a number of risks, including: (i) the requirement to make significant capital expenditures without receiving cash flow from the project concerned until future periods; (ii) possible shortage of cash flow to fund construction and capital improvements and the related possibility that financing for such construction and capital improvements may not be available to the project company on suitable terms, or at all; (iii) delays in obtaining, or a failure to obtain, all necessary governmental and regulatory permits, approvals and authorisations, including right of way permits (which, are typically integral to the installation of the water pipes used in district cooling or in other transmission or distribution lines); (iv) an inability to complete projects on schedule or within budget; and (v) fluctuations in demand for the capacity produced by the plant due to a number of factors, including market and economic conditions, delayed construction of the customer's site and competition from third parties, that may result in the Group's investment not generating the originally anticipated level of cash flows. There can be no assurance that the Group's current or future projects will be completed in the anticipated timeframe or at all, whether as a result of the factors specified above or for other reasons. Any of the aforementioned factors could materially delay the completion of a project or materially increase the costs associated with a project.

In addition, when constructing new plants or facilities through an IPP/IWP project company, such construction requires delivery and assembly of a range of technical equipment. No assurance can be provided that the relevant IWP project company will be able to purchase a sufficient quantity of technical equipment to satisfy its construction targets, or that certain suppliers will not give priority to other market participants, including competitors. Any significant delay by a project company's suppliers in the performance of its contractual commitments, or any inability by its suppliers to meet those commitments, unavailability of components and equipment, or failure of components and equipment to meet the project company's needs and expectations could result in delays to construction timetables and result in new revenue streams being delayed and the costs of construction increasing, both of which could ultimately negatively impact the Group's profitability and business.

The Group's operations and other expansion projects are subject to a range of development and construction risks

In connection with its long-term expansion strategy, the Group currently has adequate electricity generation and water production capacity to meet forecasted demand with a minimum reserve margin of 25% for electricity generation and 15% for water desalination (which the Group is expected to maintain until at least 2030). Although the Group's planned reserve margin is below the European average, it is nonetheless in line with those of US power systems and utilities and in line with the planned reserve margin of growing economies, which includes South Africa, Russia, China, India and Brazil. As at the date of this Offering Memorandum, the Group is in the process of expanding its transmission and distribution network which is in various stages of development, construction and commissioning (see "*—Description of the Business—Principal Operations—Expansion Projects*").

Moving forward, it is expected that the Group will expand its electricity generation and water production by way of IWPs, and in respect of district cooling, via the expansion of Empower's assets. The risk of supply interruption is considered extensively at the design stage of projects and is approached proactively, as opposed to reactively, with each system being designed to have dual redundancy.

Notwithstanding the above, the Group continues to have certain plants under construction and expects to build additional transmission, distribution and storage capacity. Every phase of the Group's projects, including the planning, design and construction phases, are typically outsourced to third party contractors through "turnkey" contracts. These projects often require substantial capital expenditure and may take months or years before they become operational, during which time the Group may be subject to a number of construction, operating, project and other risks beyond its control such as, but not limited to:

- an inability to find a suitable contractor or sub-contractor either at the commencement of a project or following a default by an appointed contractor or sub-contractor;
- default or failure by its contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget;
- failure to obtain financing or a default by a financing party;
- inability to employ and retain third parties such as architects, engineers or other service providers;
- shortages or escalating costs of construction materials and increased global commodity prices;
- shortages or increases in the costs of equipment;
- disputes with contractors or sub-contractors; or
- work stoppages or labour disputes.

The occurrence of one or more of these events may negatively affect the Group's ability to complete its current or future expansion projects on schedule or within budget, if at all. This may result in the Group's inability to supply electricity, water or district cooling in accordance with customer demand and may result in a material adverse effect on the Group's reputation, business, financial condition and results of operations.

The Group's counterparties may default on their contractual obligations

The Group enters into contracts with contractors, sub-contractors, architects, engineers, operators and other service providers and suppliers in connection with the development and construction of its energy generation and water desalination plants and transmission networks and accordingly, is subject to the risk that a counterparty will be unable or unwilling to honour its contractual obligations and that any guarantee or performance bond in respect of such obligations will not be honoured. Such counterparties may default on their obligations due to, *inter alia*, bankruptcy, lack of liquidity or operational failure. Such counterparty risk is more acute in difficult market conditions where there is an enhanced risk of default by counterparties. Failure by a material counterparty or, where relevant, its guarantor, to fulfil its contractual obligations could delay the completion of a project or impact the operations of a completed project. Even though the arrangements entered into by the Group with its contractors may allocate some of the risk of delays or failure to the contractors through the use of performance bonds, the Group may be unable to seek indemnification from its contractors with respect to any breach, failures or delays and accordingly, the Group may have to bear the additional costs required to complete a project.

As a result of the COVID-19 pandemic, the above risks may be further exacerbated. Since March 2020, the governments of various countries have imposed nationwide lockdowns, intermittently introducing and relaxing restrictions. While the Group has continued to deliver positive financial performance through the COVID-19 pandemic to date and has been able to avoid redundancy programmes with respect to its employees, the Group experienced decreased demand for electricity and water, mostly from its corporate clients, during the 2020 lockdown in Dubai due to increased remote working, social distancing measures and self-isolation or quarantine measures.

In the event of future lockdowns or other national restrictions, the Group cannot be certain of the speed of the construction and development of its projects, or of the availability of labour, components and materials for its projects. The Group may also lose key workers due to COVID-19 related illness and related issues. As was common with many such projects during the 2020 lockdowns, the Group received force majeure notices from at least two of its suppliers due to COVID-19, Hassyan Energy Phase 1 PSC and Noor Energy 1 PSC. Settlement agreements were entered into in respect of both force majeure claims, with no material additional cost to the Group.

The Group also provided one-off discounts across all of its customer categories for a period of three months beginning from the 12 March 2020 to 12 June 2020 during the COVID-19 pandemic, which were equal in total to AED 404 million worth of discounts. Although the discounts had impacted the Group's cash flow, the Group was still able to achieve and surpass its target surplus for 2020.

The occurrence of one or more of these events may negatively affect the Group's ability to complete its current or future expansion projects on schedule or within budget, if at all. This may result in the Group's inability to supply electricity, water or district cooling in accordance with customer demand and may result in a material adverse effect on the Group's reputation, business, financial condition and results of operations.

The Group's strategy requires it to make substantial long-term capital expenditures

In line with the Group's expansion strategy, the Group long-term capital expenditure is expected to be approximately AED 40 billion across the next five years, including those relating to investments in IWPs, as well as the construction of additional power transmission and distribution networks, water transmission and distribution pipelines and reservoirs and other installations and capital expenditures necessary for the operation of its business. The Group expects to fund all expected long-term capital expenditure through its operational cash flows. For the years ended 31 December 2020 and 2021, the Group's capital expenditure (including capital expenditures for intangibles) totalled AED 17.96 billion and AED 14.1 billion, respectively. The Group expects capital expenditures for 2022 and 2023 of approximately AED 15 billion and AED 10 billion, respectively, followed by a steady medium-term decline in capital expenditure of approximately AED 5-7 billion per annum as new IPPs become operational. In the years ended 31 December 2019, 2020 and 2021, the Group incurred capital expenditures of AED 14,206 million, AED 17,958 million and AED 14,125 million, respectively.

Moving forward, it is expected that the Group will expand its electricity generation and water production by way of IWPs (which are financed on a non-recourse, project financing basis), and in respect of district cooling, through Empower.

The Group expects to increase its transmission substations and circuits network which will require approximately AED 9.6 billion in capital expenditure between 2022 and 2025. See "*—Business—Strategy*". Although the Company and its subsidiaries are authorised to engage in any investment, borrowing, lending, or issuing guarantees or any other debt instruments pursuant to Ruler of Dubai law no. 27 of 2021, the Company intends to fund all long-term capital expenditure through its operational cash flows and there can be no assurance that the Group will have sufficient operational cash flow to fund its capital expenditures, which in turn may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group and its IPPs/IWPs have risks relating to existing and future leverage

The Company has provided undertakings, including to the Emirates NBD Bank, in respect of guaranteeing the financing obligations of its subsidiaries.

In addition, as is common for project finance transactions, the project companies in respect of IPPs/IWPs are highly leveraged and have project-level indebtedness outstanding on a non-recourse basis, meaning that the debt is repayable solely from the relevant project's revenues and the repayment of the loans (and interest thereon) is secured solely by the capital stock, physical assets, contracts, insurance policies and cash flow of that project company. Further, IPP/IWP project companies have hedging agreements in place in relation to interest rates on the IPP/IWP project companies' borrowings, providing almost full coverage. Project companies generally enter into financing arrangements effective from the financial close of each project. In addition, the project companies may raise additional debt in the future to the limited extent permitted under their financing and project arrangements, specifically only in the event of a permitted refinancing with the express intent of keeping shareholder returns whole. Subject to any restrictions contained in its existing financing agreements or the new financing agreement, the increased leverage and indebtedness of the Group or a particular project company could, amongst other things:

- impose restrictions pursuant to financing arrangements on the ability of such project company to make dividends to the Group; in case of additional indebtedness (see —"*The Group may be subject to restrictions under financing arrangements on the ability of IPP/IWP project companies to pay dividends (or equivalent distributions)*");
- particularly in the case of the financing for: (i) Hassyan Energy Phase 1, Noor Energy 1 IPP, and Shuaa Energy 3 PSC (also referred to as DEWA V PV) which are structured as soft mini-perm financings (i.e. financings which while having a long-dated contractual maturity have built in incentives to refinance with permanent financing shortly – typically three to five years –after the project is operational, the failure of which results in the margin on the financing to increase and most, if not all, of the project's available cash flow being used to pay down the principal amount of the financing) and (ii) for Shuaa Energy 1 structured with a repayment balloon at the end of the PPA contract term (which may also be the case for future financings). For these projects and others, there can be no assurance that the existing financing arrangements, and any future similar arrangements, will be able to be refinanced on similar terms or at all. Should the project company be unable to obtain financing in the future (on similar terms which are not more onerous to than the current arrangements), the financial performance of the Group may ultimately be impacted by requiring an increased portion of cash flow from operations of project companies to be dedicated to the payment of principal and commission on its indebtedness, thereby further reducing their ability to use cash flow to fund operations and capital expenditures and to make distributions of dividends, which could ultimately have a material adverse effect on the business, financial position and results of operations of the Group;
- limit their ability to obtain additional financing for working capital, capital expenditure, project development, debt service requirements and general corporate or other purposes; and
- increase the likelihood of failure to meet their respective financial and other obligations.

The existing leverage and any potential increase in the leverage of an IPP/IWP project company could ultimately reduce the cash flows to the Group or otherwise have a material adverse effect on the Group's revenues and business, financial position and results of operations.

The Group's IPP/IWP s have risks relating to events of default under the financing arrangements

Provisions governing events of default are typical in project finance structures and are prescribed in the financing documentation entered into between the Group or a project company and its lender(s). The occurrence of an event of default could restrict a project company or a Group subsidiary's ability to make distributions or pay dividends to its shareholders (including to the Group) (see —"*The Group may be subject to restrictions under financing arrangements on the ability of IPP/IWP project companies to pay dividends (or equivalent distributions*")).

In addition, certain of the Group's assets (including its ownership in various project companies) are secured in favour of the lender(s) who could enforce such security upon the occurrence of a significant and continuing event of default (see "*—Risks related to the repayment of the Group's debt, availability of financing or equity funding or the requirement to make additional equity investments*") for further details on such security. This could lead to shareholders losing all or part of their investment in the project which would have a material adverse effect on the business, financial position and results of operations of the Group and any affected project companies.

The obligations of the IPP/IWP project companies under the various financing are secured against, amongst other things, certain project accounts, plant and equipment, intellectual property, insurance proceeds and (in some cases) shares. Upon an event of default, the financiers are entitled to enforce their security. This may lead to the shareholders losing all or part of their investment in the project.

In addition, a material event of default occurring at the project company or another Group company level could result in a reclassification of the long-term liability to a current liability, which could have an adverse impact on balance sheet and financial condition at the Group level.

Furthermore, as is customary for project finance structures, most of the project finance arrangements entered into by the IPPs/IWPs contain financial indebtedness cross-default provisions, which would both apply to the relevant project company and to the Group as offtaker. Notwithstanding any arrangements to the contrary, these provisions allow lenders to invoke an event of default under the financing arrangements in the event the Group, as offtaker, or a relevant project company and/or another party that is material to the project (such as the shareholders or contractors) triggers an event of default (often in excess of an agreed monetary threshold) under other financing agreements. With respect to potential cross-default, such provisions would only apply in the event that the Group defaults as offtaker. The respective rights of the lenders under the financing agreements in respect of the IPP/IWP s could accelerate the loan repayment, which could ultimately materially and adversely affect the Group's business, financial position and results of operations.

In some instances, default provisions in the finance documentation, could apply if insolvency proceedings occur in relation to a counterparties of a project company, such as the EPC contractor for the project or the operation and maintenance contractor. If such counterparties suffer insolvency proceedings, including unrelated to the project, an event of default could occur under the finance documentation for the projects, even in the absence of any default by the project companies. If any of the above risks were to materialise, this could ultimately materially and adversely affect the Group's business, financial position and results of operations.

The Group may be subject to restrictions under financing arrangements on the ability of IPP/IWP project companies to pay dividends (or equivalent distributions)

The IPP/IWP project companies make payments through a cash waterfall mechanism in their financing documents, pursuant to which the costs of the project company such as operation and maintenance fees, taxes, debt payments, salaries and similar payments are paid before its shareholders receive distribution of cash flows such as dividends, payments on shareholder loans and other subordinated payments to the shareholders. In some instances, dividends (and all other amounts) payable may be assigned in favour of a lender. Additionally, most of the project companies are required to set aside an annual percentage of net profits to statutory reserves up to a set threshold, which applies to companies in the UAE.

The ability of the project companies to distribute cash flows to the shareholders of the project companies (shareholder loans repayments, shareholders interest payments, or dividends) depends on satisfying certain covenant tests and conditions under their financing arrangements, which could typically include: (i) completion of the relevant IPP/IWP project; (ii) the occurrence of the first repayment date and the payment of all amounts due and payable on such date with respect to the facilities utilised to finance the project; (iii) no actual or potential event of default has occurred under the finance documents and is then continuing or would result from the payment of such dividends; a reserve (or credit support) equal to not less than six or twelve months of debt service (i.e. loan repayment *plus* interest) is in place; and the debt service coverage ratio being in excess of the debt service cover ratio test level for dividend payments for the relevant calculation period. Certain IPP/IWP project companies' borrowing are on a floating rate basis, which will often be mitigated by entering into the hedging arrangements.

Individual IPP/IWP project companies must also satisfy certain other conditions, as set out in the project financial models, to be able to pay dividends and should any of the project companies be unable to pay dividends as a result of restrictions under their financing agreements it could have a material adverse effect on the business, financial position and results of operations of the Group.

Should any of the above risks materialise it could have a material adverse effect on the business, financial position and results of operations of the Group.

The Group relies on its OT and its IT infrastructure, which may fail or be adversely affected by cyber crimes

The Group is heavily reliant on an uninterrupted operation of its operational technology ("**OT**") as well as its information technology ("**IT**") infrastructure that includes, amongst others, complex and sophisticated computer, telecommunication, satellite, supervisory control centres, data processing, data acquisition, data centres, monitoring systems and electric vehicle ("**EV**") charging, and also sells certain IT services to third parties. If the Group's OT, or its IT infrastructure, including its control centres, data centres, back-up facilities and emergency recovery procedures, or any other IT used throughout its business including its automated facilities, were to fail or become subject to disruptions for any reason (including, without limitation, computer viruses, malicious and destructive code, phishing attacks, and denial of service attacks), such failure could lead to significant increased costs (including to repair the plant or other assets), reductions in available capacity and output and critical data, which could result in loss of personal data, financial losses and reputational damage to the Group, or loss of customers, particularly where the IT impacted is customer-facing. This risk may be further exacerbated where the Group's projects make up a critical part of the national infrastructure which may become the target of politically motivated actors, including by way of attacks on physical assets or cyber attacks which could disrupt the Group's OT or its IT infrastructure.

In addition, remote working during the COVID-19 pandemic lockdown has put and continues to put additional strain on the reliability of the Group's IT infrastructure. Moreover, there is a risk that the IT security systems set up by the Group to help prevent cyber attacks or leaks of sensitive information could be affected by cyber crimes. In addition to adversely impacting business operations, a failure in the Group's operations monitoring or satellite systems (which focus on plant availability, activity and efficiency, operational oversight, customer communication channels, maintenance and predictive maintenance, health and safety, and compliance with environmental laws and regulations) could lead to non-compliance with permit requirements and the imposition of fines or penalties, as well as potential system failures.

Further, with respect to customer-facing digital services, the Group's provision of cyber security services to its customers typically requires it to comply with certain security obligations. There can be no assurance that the Group will be able to continue to comply with all of those obligations, which may result in the Group no longer being able to provide such cyber security services to its customers and a customer no longer being able to work with the Group resulting in the termination particular contracts or liabilities arising to the Group or its customers. IT security breaches could lead to shutdowns or disruptions of the Group's systems and potential unauthorised disclosure of confidential information or data, including personal data. The Group may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. There can be no assurance that IT security breaches and other issues in the future will not have a material impact on the Group's business or that the Group's procedures will be sufficient to address future IT security breaches and other issues.

If any of these risks materialise, this could negatively impact the Group's revenues and could have a material adverse effect on its business, financial position and results of operations. For more information on the Group's IT infrastructure, see "*—Business—Information Technology*" and for more on the Group's digital services see *"—Business— Core Subsidiaries and Joint Ventures – Digital DEWA"* .

The Group's operations may be adversely affected by terrorist attacks, natural disasters, climate change, or other catastrophic events that are beyond the Group's control

The Group's business operations could be adversely affected or disrupted by terrorist attacks, impacts of climate change (such as rising sea levels), natural disasters (such as earthquakes or tsunamis, among others) or other potentially catastrophic events that are beyond the Group's control. There can be no assurance that its business operations will not be disrupted by damage by any of the foregoing. Further, the majority of the Group's conventional generation plants are concentrated in the Jebel Ali and Al-Awir areas, while its desalination plants are concentrated in the Jebel Ali area (with one outside of Jebel Ali under development in Al-Hassyan) and the Group's renewable energy activities are concentrated in Al-Qudra (The Mohammed bin Rashid Al Maktoum Solar Park (the "**MBR Solar Park**")), the Group also has transmission control centres in Warsan and Najma and distribution control centres in Warsan and Qusais. As a result, any catastrophic occurrence in the Jebel Ali, Al-Awir, Al-Qudra, Al-Warsan or Al-Ruwaiya areas or which affects water or electricity transmission or distribution from Jebel Ali, Al-Awir, Al-Qudra, Al-Warsan or Al-Ruwaiya could severely disrupt the Group's operations.

The Group is also subject to risks from climate change and of disasters, natural or otherwise, that may affect the seawater that is supplied to its desalination plants. Any major accidents, including oil spills or slicks or other material environmental contamination, may result in material damage to the water supplies or cause a disruption to the desalination process. Moreover, all of the supplies of natural gas received by DUSUP are transported to its gas control stations. Any major incident which affects or cuts off this gas supply line may affect the supply of fuel to the Group's power and desalination stations.

The Group's standby stations, which are located in the Al-Awir and Al-Qudra areas, that may be unable to supply sufficient electricity to meet demand. Further, the Group does not currently have any desalination stations located outside the Jebel Ali area (however, a station outside the Jebel Ali area is under development). The Group has access to additional electricity supplies from third parties through the Emirates National Grid, access to reserves of additional water from its reservoirs and wells to meet peak demand (as at 31 December 2021 the Group had one day of reserve water supplies stored at customer premises and two days of bulk storage within the Group's reserves), underground gas reservoirs to address limited supply shortages or disruptions of natural gas supply and is in the process of constructing an underground aquifer storage in the Al Maha Desert Conservation Reserve as part of its Aquifer Storage and Recovery project. However, despite these reserves, the Group may not be able to provide adequate supplies in the event of a disaster or other catastrophic event. The occurrence of any of these events may affect the Group's ability to supply electricity and water and have a material adverse effect on its reputation, business, financial condition and results of operations.

The Group cannot guarantee the accuracy of its forecasts for future demand for electricity and potable water in Dubai

The Group's business operations and corporate strategy are influenced by its modelling of anticipated future demand for electricity and water in Dubai. The Group uses the results of its modelling, which are based on statistics and population growth projections provided by the Government, to identify and execute strategic initiatives such as the expansion of its capacity for generation and desalination plants and transmission networks. However, despite maintaining the accuracy of its forecasts for almost the past 20 years, there can be no assurance that the Group's modelling will continue to accurately reflect the actual demand for electricity and water in the future. Although the Group's forecast inaccuracy has always been within the KPI target of "less than 5%" Absolute Percentage Error (APE), demonstrating the Groups ability to accurately deliver on its forecasts, a material divergence between the Group's anticipated demand models and actual demand may result in either excess or insufficient capacity to generate electricity and produce water. While the Group has certain interconnectivity with the Emirate of Abu Dhabi with respect to water, and the Emirates National Grid (comprising the Emirates of Dubai, Abu Dhabi, Sharjah and the Northern Emirates) to support electricity supplies in the event of temporary outages or deficiencies in supply, there can be no assurance that the Group would be able to meet the entire shortfall in the supply of electricity by purchasing from the UAE or other Gulf Cooperation Countries ("**GCC**") grids, or that its water storage capacity will be sufficient in the event of a shortfall in the supply of water. Similarly, there can be no guarantee that the Group would be able to sell any excess capacity to these grids, as this would be dependent on the demand across the GCC region. Any of the foregoing events may have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

The Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business

The Group's operations may be affected by a number of risks, including terrorist acts and war-related events, for which full insurance cover is either not available or is not available on commercially reasonable terms. Nonetheless the Group has purchased insurance to cover claims against any possible losses through acts of terrorism. In addition, severe or frequently occurring events, such as accidents and other mishaps, business interruptions or potential damage to its facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose the Group to liabilities in excess of its insurance coverage or significantly impair its reputation. The Group cannot assure investors that its insurance coverage will be sufficient to cover losses arising from any, or all such events, or that it will be able to renew existing insurance policies on commercially reasonable terms, if at all.

Should an incident occur in relation to which the Group has no insurance coverage or inadequate insurance coverage, the Group could lose the capital invested in, and anticipated future revenue relating to, any property that is damaged or destroyed and, in certain cases, the Group may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against the Group in excess of any related insurance coverage that it may maintain, its assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to remain compliant with changing environmental laws

The risks of environmental damage such as pollution, contamination and leakage are inherent in the utilities industry. The Group is subject to environmental regulations passed at UAE federal level as well as by the Government. The Group is compliant with ISO 14001.2015, see "—*Regulation—Environmental Regulations*", these regulations set various standards for regulating certain aspects of environmental quality and impose civil and criminal penalties for violations. In addition, compliance with specific legal and regulatory provisions may be required in environmentally sensitive areas of the Group's operation, such as waste discharge. While as at the date of this Offering Memorandum, the Group is not and has not been in violation of any environmental regulations, there can be no assurance that the Group will continue to maintain full compliance in the future. Any incidents of environmental damage may result in disruption to the Group's services, projects and operations, result in reputational harm to the Group and significant liability could be imposed on the Group for clean-up costs, damages to third parties or penalties for non-compliance with environmental laws and regulations. The occurrence of any of the events may have a material adverse effect on the Group's business, financial condition and results of operations.

Further, the Group cannot predict what prospective environmental legislation may be enacted, or how existing or future laws will be interpreted, administered or enforced. In addition to the aforementioned regulatory bodies, the Group is also subject to regulation by the Supreme Council of Energy. The Supreme Council of Energy has very wide powers which include the implementation and enforcement of environmental regulations. Although the Group does not expect the Supreme Council of Energy to impose more extensive or stringent environmental laws and regulations on the Group, compliance with any new environmental laws and regulations that may be implemented in future, or more vigorous enforcement policies and activities by any regulatory authority, could result in material additional costs to the Group, requiring additional expenditure, for example from the installation and operation of systems for remedial measures, or the payment of fines or penalties.

The Group's business may be harmed if it fails to attract and retain qualified and experienced employees

If the Group is unable to retain experienced, capable and reliable personnel, especially senior and middle management, engineers and information technology professionals, with appropriate professional qualifications, or fails to recruit skilled professional and technical staff, the Group's operations may be adversely affected. Experienced and capable personnel in the engineering and technical fields remain in high demand in Dubai, and there is significant competition for their talents. Consequently, when talented employees leave, the Group may have difficulty replacing them and may incur additional costs and expenses in securing such replacements.

The loss of any member of the Group's senior management team, in particular the Managing Director, or the loss of any of the Group's other key employees may result in a loss of organisational focus, poor execution of operations or an inability to identify and execute potential strategic initiatives such as expansion of capacity. The occurrence of any of these events may have a material adverse effect on the Group's business, financial condition and results of operations.

Certain of the Group's senior management have limited experience in managing a publicly listed company

Prior to its conversion, the Company has been operated as a Government Authority and, accordingly, some of the Group's senior management have limited experience in managing a publicly listed company complying with the specific laws and regulations pertaining to public companies listed in the UAE. While the Group has historically operated in accordance with robust internal policies and procedures, the regulatory oversight, compliance and reporting obligations imposed on public companies will require substantial attention from the senior management, including in order to rapidly invest time and financial resources in the appropriate governance and compliance infrastructure, as well as to attract, empower, and retain professionals able to ensure governance and compliance in a manner meeting or exceeding legal and regulatory requirements for a public company. There can be no assurance that such senior management will be successful in this transition, which could have a material adverse effect on the Group's business. Non-compliance in a timely manner with the regulations and disclosure requirements imposed on listed companies may expose the Group to regulatory sanctions and fines. The imposition of fines on the Company could adversely impact the Group's business, financial condition, results of operations and prospects.

The Group may face occupational health and safety risks

The Group's operations are subject to extensive laws and regulations relating to the maintenance of safe conditions in the workplace and protection of the work environment, and the Group also has in place extensive procedures in respect of such matters. Nonetheless, the businesses that the Group operates in, including water and power, involve a high degree of potential operational risks, including electrocutions, fires, explosions, mechanical failures, weather-related incidents, transportation or logistical incidents and damage to equipment. These hazards can cause serious injury, disability or death to the Group's employees, damage to or destruction of the Group's property and equipment, and other consequential damages, which could lead to claims, impact operations, or other liability. While the Group regularly reviews its health and safety procedures and efforts to help ensure a strong health and safety record, any such incidents in the future or any deterioration of the Group's health and safety record could adversely impact the Group's business, financial condition, results of operations and prospects.

The Group, or parts of it, may face competition in the future

The Group is currently the sole electricity and water utility in Dubai and the supplier of potable water in Dubai by virtue of an exclusive mandate granted to it by the Government (with the exception of certain entities such as Emirates Global Aluminium ("**EGA**") which is permitted to produce electricity and water for use in its own operations but not for distribution to the public) and, as such, the Group does not currently face any competition in the provisions of its services. The Group continues to be the sole off-taker, transmission operator and distributor after enactment of Law No. (6) of 2011 Regulating the Participation of the Private Sector in Electricity and Water Production in the Emirate of Dubai (see "*—Regulation—Participation of Private Sector*"), as well as pursuant to Dubai Law No. (27) of 2021. However, there can be no assurance that the Government will not unilaterally revoke the Group's exclusive mandate and open the market to competitors in the future, or, for any reason, appoint a different entity to implement aspects of the functions which have historically been allocated to the Group (such as unbundling the electricity and water industry in Dubai so that the generation of electricity, desalination of water and the distribution and sale of electricity and water will be separately carried out by different entities). Any such action by the Government could, among other things, limit the Group's mandate for current or future development projects, limit the amount of future land grants or any other capital contribution the Group receives from the Government or introduce competitors into the market.

In addition, the Shams Dubai programme (see "*Business – Principal Operation – Electricity – Power Generation* ") introduced the limited ability for customers to add distributed rooftop solar exclusively for their own consumption. The maximum allowed capacity is a fraction of a customer's connected load and is capped at 2MW per site. This initiative encourages household and building owners to install PV panels to generate electricity, and connect them to the Company's grid. While the impact of this distributed solar capacity is currently small, there can be no assurance that rooftop solar or other localised energy generation (outside of the Group) will not expand.

Furthermore, while electricity and water within each Emirate in the UAE is currently supplied by a separate utility provider serving that Emirate (with the exception of the Federal Electricity and Water Authority ("**FEWA**"), which serves the Northern Emirates of Ras Al-Khaimah, Umm Al Quwain and Fujairah), there is no assurance that the supply of electricity and water will continue to be managed at a local rather than a federal level, or that the Group will not face competition from one of the other electricity and water authorities within the UAE.

To date, activities relating to nuclear energy do not form part of the Group's 2050 strategy. The Supreme Council for Energy is responsible for reviewing any future activities relating to nuclear energy. Any implementation of nuclear energy generation by another body within or relating to Dubai or the UAE could materially adversely affect the Group's position in the energy production market.

Any of the above factors could result in a material adverse effect on the Group's business, financial condition and results of operations.

The Group's investments into new businesses and innovation may not be successful or commercially viable

The Group makes (directly by the Company or through its subsidiaries) investments into new businesses and innovation, including technologies that may be party untested or in very early stages, including as part of its growth strategies. These investments are related to the Group's core business or the business of established subsidiaries. There can be no assurances that these investments will be successful or commercially viable and the failure of any such investments may have an adverse effect on the Group's business, financial position and results of operations.

Risks Relating to the Group's Key Subsidiaries

Empower may face increasing competition with future expansion

Empower is a material subsidiary of the Group that contributed approximately 9.3% of the Group's revenue (pre-intercompany eliminations and adjustments), and 10% of the Group's Adjusted EBITDA, in 2021. Empower enjoyed nearly 79% market share in Dubai as of 31 December 2021 and is the world's largest district cooling provider by connected capacity. However, Empower operates in an increasingly competitive environment. Empower's competitors in these markets include government-owned entities and entities which are owned by major regional property developers. Some of Empower's competitors outside of Dubai may have substantially greater financial, personnel, technical, marketing and other resources. As Empower seeks to expand to markets outside of Dubai, the Group believes that certain of its competitors may be able to leverage their knowledge and contacts more efficiently than Empower or the Group. In addition, certain competitors may face less competition for customers because they principally or solely provide district cooling to their parent or sister companies. Empower's competitors may, from time to time, adopt more aggressive pricing policies, offer better products and services, develop and deploy more rapidly any new or improved technologies, expand and enhance their plants more rapidly, and undertake more extensive advertising and marketing than Empower.

In order for Empower to establish itself as the district cooling partner of choice in all the markets in which it operates, it will need to: (i) maintain its market leading positions in terms of connected capacity in the markets in which it operates; (ii) continue to provide high quality, reliable and cost-effective services to its customers; (iii) maintain strong relationships with its customers to maximise the chance of winning new business from them; (iv) bid competitively for new projects, both in terms of price and by demonstrating a flexible approach to ensure that each customer's needs are met to the fullest extent possible; and (v) continue to innovate, particularly in relation to sustainability and renewable energy. In addition, increased adoption and affordability of renewable energy may result in innovative renewable energy based cooling systems that are more efficient than district cooling solutions offered by Empower. Any failure by Empower to compete effectively, particularly if it is unable to maintain uninterrupted operations, it loses significant customer relationships, it fails to win new business in the face of competition or it is unable to identify and exploit new opportunities, could materially adversely affect Empower and the Group's future revenue, profitability, financial position and results of operations.

Empower enters into long-term contracts with its customers and material changes to key terms in those contracts could adversely affect the Group

Empower's contracts with its customers are typically for over 25 years and provide for four sources of revenue:

- Consumption charge revenue, being the charge applied per consumption hour as a product of the consumption charge rate and the number of consumption hours. The consumption charge rate is a pass-through mechanism that incorporates cost of water and power, as supplied by the Group in respect of Dubai, and treated sewage effluent water with an added margin. As such, increases in electricity and water costs are passed through to the customer such that Empower's margins are not directly impacted by such increases. Tariffs have remained the same since Empower's inception other than to reflect the changes to electricity and water input costs (which were done on a pass-through basis).

- Demand charge revenue, being the set rate for the provision of district cooling services per refrigeration tonne. The charge is a product of the set demand rate (AED per refrigeration tonne) and the demand load (in refrigeration tonnes). The current demand rate for organic demand load of AED 750 per refrigeration tonne has been in place for over five years.
- Connection charge revenue, which is a charge applied per new connection.
- Other revenues, which includes the sale of insulated pipes and items such as temperature surcharge for low Delta T (such that if customers return water at a lower temperature then indicated, they are charged a fee).

To date, Empower has generally been successful in applying these charges in line with contractual terms, including the pass-through provisions where utility costs have escalated, and has also continued to receive capacity payments in cases where not all capacity has been used. Nonetheless, there remains a risk that one or more customers may default on their contractual obligations, delay their payments or seek to renegotiate their contractual arrangements during the term of the contract or as a condition of renewing the contract and such customers may also seek to challenge certain provisions of the contractual terms which they have agreed to.

This risk may be exacerbated at certain times by poor economic performance, including as a result of the COVID-19 pandemic and low oil prices, or when a customer is experiencing significant financial difficulties or other material adverse changes in its business, which may become more likely in poor economic climates. Should any of the above risks relating to the performance of customer contracts materialise, the Group's revenue and cash flow would be negatively impacted and the Group may become involved in litigation or arbitration proceedings which may be costly and the outcome of which would be uncertain. These factors could also negatively affect the Group's profitability and reputation. In addition, there is a risk that Empower may be required to amend provisions in its contracts by a change of law or regulation and such required amendments may be adverse to the Group.

Empower and certain other members of the Group have a significant customer concentration

In each of 2020 and 2021, Empower's three biggest customers, Dubai Properties LLC, Nakheel PJSC and the Atlantis hotel, collectively accounted for 6%, 4% and 3%, respectively, of Empower's revenue.

Any factor, including but not limited to default, repudiation, termination, extended force majeure or expropriation, which affects Empower's ability to recover the full amount of the revenue due to it under one of its contracts with these customers or under its contracts generally could have a material adverse effect on Empower, and in turn the Group. In any such case, although Empower may be entitled to contractual remedies against the customer or customers concerned, the enforcement of contractual remedies can be a time-consuming and expensive process and there is no certainty that Empower would successfully recover any or all of the amounts owed to it.

Empower's ability to enforce all of the provisions of its contracts may be limited in certain circumstances

A significant proportion of the Empower's projects are developed by government entities or companies that are controlled directly or indirectly by governments. These government-related entities may be able to negotiate better contractual terms than some of the Group's other customers. Should any of the government-related entities that Empower contracts with dispute the contractual terms they have agreed, it may be difficult for Empower to enforce those terms as a result of sovereign immunity and other considerations. Should such a risk materialise, Empower's revenue and cash flow would be negatively impacted and its profitability and reputation could also be adversely affected, which would in turn adversely impact the Group.

Unexpected equipment failures, or third party damage to Empower's distribution networks, may disrupt Empower's ability to operate its plants

Interruptions in the production capabilities of one or more of Empower's district cooling plants could reduce Empower's revenue and profit for the affected period. Empower's plants are also subject to the risk of catastrophic loss due to unanticipated events.

Each of Empower's district cooling plants is dependent upon critical pieces of equipment, which could reduce the relevant plant's production capacity or incur downtime as a result of unanticipated defects or failures. Empower deployed SCADA technology, and each of Empower's plants across Dubai are connected to its centrally located Command Control Centre, which monitors the operations of all of its plants remotely and observes the entire network 24 hours a day, seven days a week using SCADA technology. Network failures and equipment defects are alerted immediately, allowing a dedicated team to address them. Notwithstanding the above, in the future, Empower could experience inoperability or reduced production capabilities in one or more of its plants due to equipment failure. In addition, damage to any of Empower's chilled water distribution networks by third parties that are undertaking construction and other activities adjacent to the networks could interrupt the operations of a district cooling plant.

Unexpected interruptions in production capabilities would adversely affect the relevant plant's business, productivity and financial condition. Moreover, any interruption in production capability may require significant capital expenditure to remedy the problem, which would reduce the amount of cash available for Empower's operations. The Group's, or Empower's, insurance may not cover such losses. In addition, a long-term disruption could harm Empower's, or the Group's, reputation and result in a loss of customers, which could materially adversely affect the Group.

Empower's plants, pipelines and cooling infrastructure are purpose built

Empower builds its plants, pipelines and cooling infrastructure to meet the demands of particular customers in specific locations. If a customer defaults on its contractual obligations or abandons the building, development or project for which the district cooling system has been built, it may be difficult or impossible to use the district cooling system for alternative customers or purposes, which may require Empower to write-off the assets involved. Alternative customers may not have a similar creditworthiness, proximity to the existing plant, capacity needs or high density demand for cooling. Even if alternative customers could be procured for a particular plant, there can be no guarantee that the contractual terms would be similar to the initial contractual terms or that the capacity charges would be as profitable or that the cost of additional capital expenditure to service the new customer could be fully recovered, which again may require Empower to make impairments against the relevant assets. These factors could materially adversely affect Empower's profitability in any period, and in turn the Group's profitability.

In addition, while Empower has put in place innovative techniques to manage such risks, there is a risk that when constructing a new district cooling plant that it may complete a plant and the construction of one or more buildings to which the plant was due to be connected are delayed or simply not completed, whether because the developer becomes insolvent or the construction becomes uneconomic or for other reasons. In such cases, the Group's ability to enforce contractual agreements may be limited, particularly if the end customer becomes insolvent or the construction ceases. As a result, Empower may not receive any revenue, or may receive less than the originally anticipated revenue, from the plant until completion is achieved by the customer and the customer begins to receive revenues from its building, development or project.

The Group faces risks related to expanding its digital and technological services, solutions, products and capabilities in the face of rapidly-evolving technological developments and customer demand

There can be no assurance that the Group will be able to continue to expand its products and capabilities to address the needs of its customers, or the needs of the Group, across different segments and verticals. As the IT services market in the UAE and wider region further develops and customers require more specialised IT solutions, the Group may be required to build capabilities focusing on other verticals, in order to expand its enterprise customer base.

Different customer segments and verticals have different service and product requirements and in order to appropriately service the needs of different customer segments, the Group will need to develop the relevant tools and capabilities and tailor its value proposition accordingly. If the Group is unable to effectively sell its services to a broader market, then its competitive position may be negatively impacted. Expanding the Group's products and services involves new risks and challenges, and may place strain on the Group's management and resources.

The market for IT services is characterised by rapid technological change, frequent new product introductions, technology enhancements, increasingly sophisticated customer requirements and evolving industry standards.

The Group's future success in digital services and technological solutions depends on its ability to continue to develop, market and implement services and solutions that are attractive, timely and cost-efficient for its existing and new customers. This requires the Group to anticipate and respond to rapid and continuing changes in technology, industry developments and IT service and solution offerings by new entrants in order to serve the evolving needs of the Group's customers. If the Group does not adapt, expand and develop its services and solutions in response to changes in technology or customer demand, the Group's ability to develop and maintain a competitive advantage and continue to grow could be negatively affected, which would have an adverse effect on the Group's business, results of operations, financial position, and future prospects.

Developments in the industries or verticals that the Group serves could shift demand to new services, software and solutions. If, as a result, the Group's customers demand new services, software or solutions, the Group may be less competitive in these new areas or need to make significant investments to meet that demand.

In addition, the Group operates in an environment in which there currently are, and the Group expects will continue to be, new entrants that may offer new services, software and solutions. New services, software and solutions offered by competitors or new entrants may make the Group's offerings less attractive or less competitive, when compared to other alternatives. The Group also may not be able to successfully anticipate or adapt to changes or customer requirements on a timely basis. If the Group fails to keep up with such changes or to convince customers of the value of its services, software and solutions in light of new technologies or new offerings by competitors, this would have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

The Group faces risks related to the procurement of additional work from existing customers

The Group contracts with customers to provide various digital services and technological solutions. The Group's contracts generally do not give the Group a right to be the exclusive supplier of services and solutions to its customers. In addition, these contracts are not long-term by nature.

Part of the Group's success depends on its ability to attract additional work from existing customers. If the Group's customers are not satisfied with the quality of the Group's work or with the types of services or solutions delivered or otherwise seek to renegotiate their contracts (for example, as part of their internal cost-cutting initiatives), the Group could incur additional costs to address the situation and the profitability of such work might be impaired. In order to maintain or increase margins, the Group must attract additional work from such renewing customers through cross-selling or up-selling its other services. Additionally, customers may also decline to extend contracts or may direct future business to the Group's competitors. Consequently, the Group's results of operations in subsequent periods could be materially lower than expected, which could have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

The Group's technology business faces risks related to customer retention

The Group's ability to retain its technology business customers depends on its ability to maintain high standards of service. Any failure by the Group to consistently meet a technology business customer's service requirements could disrupt the customer's business, and may cause it to lose the customer and affect the Group's ability to attract new customers to its technology business, which could have a negative impact on the Group's reputation.

If the parties contracting with the Group's technology businesses terminate any of their agreements with the Group, or refuse to renew them on terms acceptable to the Group or at all, this will result in the Group losing a portion of its revenues. When contracts are terminated or not renewed, the Group loses the anticipated revenue, which it may take significant time to replace. The initial phases of a relationship with a technology customer often require that the Group invests time and money understanding the customer's needs, as compared to established customer relationships where the Group's understanding of the customer's needs often allows the Group to deliver its products and services more efficiently. If long-term customers are replaced by new customers on terms that are less favourable to the Group, or new customers do not become long-term customers, customer churn could adversely impact the Group's business, results of operations, financial position, and future prospects.

The Group may face risks related to undetected errors or defects in products or solutions

The Group's products or solutions, including hardware, software and services provided by various suppliers, could contain errors or defects that the Group has not been able to detect and that could adversely affect the performance of the products or solutions and negatively impact the demand therefor. If errors or defects are discovered, the Group may have to incur significant capital expenditures to eliminate them and may not be able to successfully correct them in a timely manner or at all. Errors and failures in products or solutions could result in a loss of, or delay in, market acceptance of such products or solutions and could damage the Group's reputation. Any such errors or defects could result in adverse customer reactions and negative publicity, because many of the Group's customers and potential customers are highly sensitive to defects in the products or solutions they use. Furthermore, any errors in products or solutions could result in the need to provide concessions and corrective measures to existing customers in order to maintain their business. The Group also relies on software, hardware and applications from various third parties to deliver its services and solutions, in addition to its use of some open-source software. The Group has entered into a number of agreements with suppliers that include technology solutions. If any of these software, hardware or applications become unavailable due to extended outages or because they are no longer available on commercially reasonable terms or in the event that agreements with suppliers are terminated for any reason including the Group's violation of its contractual terms under those agreements, it could result in delays in the provisioning of the Group's services until equivalent technology is identified, obtained and integrated, which could increase the Group's expenses or otherwise harm its business. While the Group seeks to closely collaborate with its third party suppliers of software, hardware and applications with a view to streamlining the acquisition and integration of technology, there can be no assurance that the current relationships between the Group and its suppliers will continue in their current form. Changes in these supplier relationships may impact the ability of the Group to procure tailored services and technology from such suppliers, which may increase the Group's expenses, capabilities or otherwise harm its business.

In addition, any errors or defects in or failures of this third party software, hardware or applications could result in errors or defects in or failures of the Group's services and solutions, which could harm its business and could be costly to correct. Many of these suppliers attempt to impose limitations on their liability for such errors, defects or failures, and, if enforceable, the Group may have additional liability to its customers or third party providers that could harm the Group's reputation and increase its operating costs. If any of the above-mentioned risks materialise, it would have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

The Group's digital businesses face risks related to failure of information technology systems and data centres

The Group's digital businesses depend on the Group's information and technology systems in their daily business, and any failure or breakdown in these systems could interrupt normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Any prolonged failure or breakdown could impact the Group's ability to offer services to its customers, which would have an adverse effect on the Group's business, results of operations, financial position, and future prospects. There can be no assurance that any future new IT will not result in any business interruptions. Any significant delays or interruptions in providing services could negatively impact the Group's reputation.

In addition, the Group relies on third party vendors to supply and maintain much of its internal IT. The Group concludes annual contracts with various providers to maintain and support its internal IT and upgrade it to the latest versions. In the event that one or more of the third party vendors that the Group engages to provide support and upgrades with respect to components of the Group's IT ceased operations or became otherwise unable or unwilling to meet its needs, there is no assurance that the Group would be able to replace any such vendor promptly or on commercially reasonable terms, if at all. Delay or failure in finding a suitable replacement could adversely affect the Group's business, results of operations, financial position, and future prospects.

To serve its customers, the Group must maintain continuous data centre operations, including network, storage and server operations. In the event of any significant disruption in operations or any major system failure, or if the Group is not able to move its data centres to alternate locations if it is forced to do so for any reason, including the lack of a suitable alternate site, this could compromise the Group's ability to deliver services according to its contracts or to complete projects for its customers on a timely basis (which could trigger penalty and/or damages payments by the Group), result in the loss of customers or curtailed operations, any of which would have a material adverse effect on the Group's business, results of operations, financial position, and future prospects. Additionally, losses in customers due to performance issues, system interruptions or other failures could result in a loss of revenue, reputational harm, and additional operating expenses in order to remediate the failures, and exposure to other losses or other liabilities, including those incurred in resolving backlog issues once systems are restored, all of which could have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

The Group may infringe third party intellectual property rights

The Group's services, software and solutions could infringe on the intellectual property rights of third parties when the Group integrates services, software and solutions of third parties to the services that the Group offers to its customers as part of its digital services offering. Although the Group is not aware of any infringement claims, third parties may, in the future, assert claims against the Group or the Group's customers alleging infringement, misappropriation or violation of patent, copyright, trademark, or other intellectual property rights. Infringement claims could harm the Group's reputation, result in liability for the Group or prevent the Group from offering some services, software or solutions. Any claims that the Group's services, software or solutions infringe the intellectual property rights of third parties, regardless of the merit or resolution of such claims, may result in significant costs in defending and resolving such claims, and may divert the efforts and attention of the Group's management and technical personnel from the Group's business. In addition, as a result of such intellectual property infringement claims, the Group could be required or otherwise decide that it is appropriate to: (i) discontinue using, licensing, or offering particular services, software, solutions, technology or processes subject to infringement claims; (ii) develop other technology not subject to infringement claims, which could be costly or may not be possible; (iii) obtain rights to use such intellectual property; or (iv) enter into settlement discussions with the third party that is pursuing an infringement claim.

The occurrence of any of the foregoing could result in unexpected increased expenses. In addition, if the Group alters or discontinues offering a particular service, software or solution as a result of an infringement claim, the Group's revenue could be affected. If a claim of infringement were successful against the Group or the Group's customers, an injunction might be ordered against the Group's customers or the Group's own operations, causing further damages.

The Group currently licenses intellectual property from a variety of third parties and other registered software owners. It may be necessary in the future to renew licenses relating to various aspects of these licenses or to seek new licenses for existing or new platforms or other products or services. There can be no assurance that the necessary licenses would be available on commercially acceptable terms, if at all. Third parties may terminate their licenses with the Group for a variety of reasons, including actual or perceived failures or breaches of security or privacy, or reputational concerns, or they may choose not to renew their licenses with the Group. The loss of, or inability to obtain, certain third party licenses or other rights or to obtain such licenses or rights on favourable terms, or the need to engage in litigation regarding these matters, could result in product roll-backs, delays in product releases until equivalent technology can be identified, licensed or developed, if at all, and integrated into the Group's services or platforms, and may have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

In addition, licenses for the programs provided by suppliers regularly contain specific conditions with regard to the number of users per license and the license scope. Any infringement of such licenses by the Group or the Group's customers, for example by not obtaining the correct number of licenses or exceeding the scope of such licenses, could lead to substantial costs to the Group due to any fines or penalties imposed under the terms of those licenses, which would have an adverse effect on the Group's business, results of operations, financial position, and future prospects.

The Group relies on technology partners, suppliers, manufacturers, service providers and subcontractors

In order to operate and manage its business, the Group relies on products and services provided by third party suppliers and subcontractors. The Group also partners with global technology vendors and integrates them into the solutions that it offers to customers. The Group has entered into a number of agreements with suppliers that include technology solutions. The Group has also subcontracted a number of entities to implement specific projects for customers (for further details on agreements with suppliers and subcontracting see "—*Material Agreements*"). If the Group loses access to partner products, margins tighten on its partner products, or the Group's agreements with any of its suppliers expire and the Group is unable to renew or replace them with other agreements with other suppliers, at all or on favourable terms, this may adversely affect the Group's business. Any restriction by any third party suppliers and subcontractors upon which the Group relies in addition to the temporary and permanent discontinuation of their business or inability to provide their services at prices or conditions acceptable to the Group will adversely affect the Group. Accordingly, this will have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

Moreover, the Group is unable to directly guarantee the effectiveness and quality of subcontractors when executing contracts. The Group may be indirectly liable if these suppliers and subcontractors are not able to implement such contracts and deliver services within the specified time frame and to the agreed standards, given that the Group is the party contracting with customers and is responsible to customers for the implementation of contract obligations, regardless of subcontracting. The Group has entered into several agreements with subcontractors.

However, if the Group cannot pass on any losses (in whole or in part) as a result of defaults by a supplier or a subcontractor under the subcontracts for any reason, the Group will necessarily bear this loss. Accordingly, this will have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

Risks Relating to Dubai, UAE and the MENA Region

General economic, financial and political conditions, especially in Dubai and elsewhere in the UAE, where the Group conducts all of its operations, may materially adversely affect the Group's business, financial condition and results of operations

General economic, financial, and political conditions, especially in Dubai and elsewhere in the UAE where the Group conducts all of its operations, may have a material adverse effect the Group's business, results of operations, financial condition and prospects. An adverse change in the credit rating of the UAE, declines in consumer confidence and/or consumer spending, changes in unemployment, significant inflationary or deflationary changes or disruptive regulatory or geopolitical events could contribute to increased volatility and diminished expectations for the economy and markets, including the market for the Group's products and services, and lead to demand or cost pressures that could negatively and adversely impact the Group's business, results of operations, financial condition and prospects. The UAE's economy may be adversely affected by tightening global economic conditions and external shocks, including financial market volatility, trade disruptions and protectionist trade policies or threats thereof. In particular, a global shift in policies, including towards protectionism, with lower global growth due to reduced trade, migration and cross-border investment flows, could slow non-oil growth in the UAE and Dubai. These conditions could affect all of the Group's business segments. Examples of such conditions could include:

- a general or prolonged decline in, or shocks to, regional or broader macro-economies;
- regulatory changes that could impact the markets in which the Group operates; and
- deflationary economic pressures, which could hinder the Group's ability to operate profitably in view of the challenges inherent in making corresponding deflationary adjustments to its cost structure.

The nature of these types of risks make them unpredictable and difficult to plan for or otherwise mitigate, compounding their potential impact on the Group's business, financial condition and results of operations.

The UAE's economy is significantly affected by volatility in international crude oil prices and its economy has in the past been, and is likely in the future to continue to be, materially adversely affected by lengthy periods of low crude oil prices

The UAE's economy is significantly impacted by international crude oil prices and is highly dependent upon its hydrocarbon-related revenue. Crude oil prices have historically fluctuated in response to a variety of factors beyond the Group's control, including (without limitation):

- economic and political developments both in oil-producing regions, particularly in the MENA region, and globally (see "—General economic, financial and political conditions, especially in Dubai and elsewhere in the UAE, where the Group conducts all of its operations, may materially adversely affect the Group's business, financial condition and results of operations");
- global and regional supply and demand, and expectations regarding future supply and demand, for oil and gas products;
- the ability of the members of OPEC and OPEC+ to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions, and global weather and environmental conditions; and
- prices, availability and trends relating to the use of alternative fuels and technologies.

Many economic sectors within the UAE remain in part dependent, directly or indirectly, on crude oil prices, so extended periods of low crude oil prices may have a negative impact across the economic landscape of Dubai and other Emirates. For example, the Dubai, Abu Dhabi or other Emirati governments may decide to reduce government expenditures in light of the budgetary pressures caused by lower crude oil prices, which may, in turn, reduce fiscal spending on infrastructure and other projects that create revenue streams for both public and private entities. Local financial institutions may experience lower liquidity (if significant government and government-owned company deposits are withdrawn to fund deficits) or higher loan losses or impairments. Furthermore, businesses that are dependent on household consumption, including consumer products, education, healthcare and housing, may be adversely affected by lower levels of economic activity created by extended periods of low crude oil prices.

As lockdown measures and restrictions on international and domestic travel and transport are eased globally, oil-producing countries may further increase output to meet recovering demand, which may result in further volatility of crude oil prices, both in the UAE and globally.

Any of the factors described above, including further developments with respect to the COVID-19 pandemic (and the possibility of additional waves or resurgences thereof) and OPEC or OPEC+ agreements, could have a material adverse effect on the economic, political and fiscal position of Dubai (and the UAE generally), and may consequently have a material adverse effect on the Group's business, financial condition and results of operations.

Continued instability and unrest in the MENA region, or the escalation of armed conflict, may materially adversely affect the Group's business, financial condition and results of operations

Although Dubai and the wider UAE enjoy domestic political stability and generally healthy international relations, since 2011 there has been political unrest in a number of countries in the MENA region, including Bahrain, Egypt, Iran, Iraq, Libya, Syria, Tunisia and Yemen. The unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to a number of regime changes and increased political uncertainty across the region. It is not possible to predict the occurrence of events or circumstances such as civil unrest, war or other hostilities, or the impact that such events or occurrences might have on Dubai and the UAE. The MENA region currently is subject to a number of armed conflicts including those in Yemen, Syria (in which multiple state and non-state actors are involved, such as the USA, Russia, Turkey and Iran), Iraq and Palestine, as well as conflicts with militants associated with the Islamic State.

The economies of Dubai and the UAE, like those of many emerging markets, have been characterised by significant government involvement through direct ownership of enterprises and extensive regulation of market conditions, including foreign investment, foreign trade and financial services. Whilst Dubai and the UAE have enjoyed significant economic growth and relative political stability in recent years, there can be no assurance that such growth or stability will continue. Moreover, while the Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. A general downturn or instability in certain sectors of the UAE or the regional economy could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, Dubai and the other Emirates are, and will continue to be, affected by political developments in or affecting the UAE and the wider MENA region, and investors' reactions to developments in any country in the MENA region may affect securities of issuers in other markets, including the UAE. On 14 September 2019, the Abqaiq processing facility and the Khurais oil field in Saudi Arabia were significantly damaged in attacks by unmanned aerial vehicles and missiles, which caused an immediate significant reduction in the oil output of Saudi Aramco. In January 2020, direct confrontation occurred between the USA and Iran when a targeted drone strike killed a senior Iranian military commander in Iraq which was followed by an Iranian attack using ballistic missiles on a USA military base in Iraq. In the course of this confrontation, the government of Iran confirmed that it would no longer adhere to the terms of the Joint Comprehensive Action Plan in respect of Iran's nuclear power programme. On 11 April 2021, a major power failure occurred at the Natanz complex south of Tehran, Iran, as a result of an explosion which has been reported to be caused by an attack on the Natanz complex. On 18 January 2022, Abu Dhabi experienced a drone attack launched by Houthi rebels near the Abu Dhabi airport that killed at least three people. Although the UAE has otherwise generally not experienced terrorist attacks or armed conflict such as those experienced by a number of other countries in the MENA region, there can be no assurance that extremists or terrorist groups will not initiate terrorist or other violent activity in the UAE, or that the UAE will not be impacted by any escalation of regional armed conflict. Any terrorist incidents in or affecting Dubai or the UAE and increased regional geopolitical instability (whether or not directly involving Dubai or the UAE), or any heightened levels of military conflict in the region or globally, including the current Russia-Ukraine conflict, may have a material adverse effect on Dubai and the UAE's attractiveness for foreign investment and capital, their ability to engage in international trade, their tourist industry, and, consequently, their economic, external and fiscal positions, and therefore could adversely impact the Group's business, financial condition and results of operations.

Furthermore, the UAE is dependent on expatriate labour, including unskilled labourers as well as highly skilled professionals in a range of industry sectors, and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to the country. These steps make the UAE potentially more vulnerable should regional instability increase, foreign militants commence operations in the Emirate, or extremist or terrorist groups engage in activities in the country. In addition, as the government endeavours to further diversify the UAE's economy into other sectors, including tourism, the exposure to broader regional and global economic trends and geopolitical developments likely will increase.

Dubai and the UAE may decide to introduce new laws and regulations, including the introduction of a corporate income tax, which, if so introduced, could adversely affect the way in which the Group is able to conduct its businesses and its results of operations and financial condition

Emerging market economies generally and the UAE in particular are characterised by less comprehensive legal and regulatory environments than are found in more developed regions. However, as these economies mature, and in part due to the desire of certain countries in the MENA region, including in particular the UAE, to accede to the World Trade Organisation, the governments of these countries have begun, and the Group expects will continue, to implement new laws and regulations which could impact the way the Group conducts its business and have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Changes in investment policies or in the prevailing political climate in the UAE could result in the introduction of changes to government regulations with respect to:

- price controls;
- export and import controls;
- corporate income and other taxes;
- foreign ownership restrictions;

- foreign exchange and currency controls; and
- labour and welfare benefit policies.

The Group is not currently subject to corporate income tax in the UAE, and the UAE has historically not had any tax regime. However, on 31 January 2022 the Ministry of Finance announced that it will introduce a 9% federal corporate tax regime for the first time in the UAE to be applied on the adjusted accounting net profits of a business above AED 375,000, which is expected to come into effect on or after 1 June 2023. The UAE Federal Tax Authority will be responsible for administering, collecting, and enforcing corporate tax in line with rules and regulations to be issued by the Ministry of Finance. See "—*Taxation—UAE Taxation*". There can be no assurance that the introduction of a corporate income tax or any other changes to current laws or taxation would not increase the Group's costs or otherwise materially adversely affect its business, financial condition and results of operations.

The UAE's Emiratisation initiative may increase the Group's costs and may reduce its ability to rationalise its workforce

Emiratisation is an initiative by the UAE government to employ its citizens in a meaningful and efficient manner in the public and private sectors and to reduce its reliance on foreign workers. Under the initiative, companies are encouraged to employ Emiratis in management, administrative and technical positions. However, the cost of employing UAE nationals typically is significantly higher than the cost of employing foreign workers. In addition, meeting and maintaining the Group's Emiratisation targets reduces its flexibility to rationalise its workforce, which limits its ability to reduce costs in many areas of its operations and may be made difficult as a result of the COVID-19 pandemic (particularly if additional waves or resurgences thereof occur). As a result, there can be no assurance that meeting and maintaining the Group's Emiratisation targets will not have a material adverse effect on its business, financial condition and results of operations.

The Group's financial condition and results of operations may be materially adversely affected if the USD/AED exchange rate were to change

The Group maintains its accounts, and reports its results, in UAE dirhams. Although the UAE dirham has been pegged to the US dollar at a rate of AED 3.6725 to USD 1.00 since 1997, there can be no assurance that the UAE Central Bank will continue to maintain this fixed rate in the future, particularly if there continues to be increased demand for the US dollar as a result of the COVID-19 pandemic and any additional waves or resurgences thereof. Any de-pegging or change to the USD/AED exchange rate could increase the costs that the Group pays for its products or to service its indebtedness, or could cause its results of operations and financial condition to fluctuate due to currency translation effects, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks Relating to the Global Offering and to the Shares

After the Global Offering, the Selling Shareholder will continue to hold the majority of the Shares

The Selling Shareholder's significant Share ownership of approximately 93.5% of the Company's shares may: (i) delay or deter a change of control of the Company (including deterring a third party from making a takeover offer for the Company); (ii) deprive shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company; and (iii) affect the liquidity of the Shares, any of which could have a material adverse effect on the market price of the Shares.

Substantial sales of Shares by the Selling Shareholder or future issuances of Shares by the Group could depress the price of the Shares

Sales of a substantial number of Shares by the Selling Shareholder following the completion of the Global Offering or any future issuances of Shares by the Group may significantly reduce the share price. The Selling Shareholder has agreed in the Underwriting Agreement to certain restrictions on its ability to sell, transfer and otherwise deal in its Shares for a period of 180 calendar days from the Closing Date, except in certain limited circumstances, unless otherwise consented to by the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed). See "—*Subscription and* Sale—*Lock-up Arrangements*". Nevertheless, the Company is unable to predict whether substantial amounts of Shares (in addition to those which will be available in the Global Offering) will be sold in the open market following the completion of the Global Offering. Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares.

The Global Offering may not result in an active or liquid market for the Shares, and trading prices of the Shares may be volatile and may decline. In addition, the DFM is significantly smaller in size than other established securities markets, which may also affect liquidity in the Shares

Prior to the Global Offering, there has been no public trading market for the Shares. The Group cannot guarantee that an active trading market will develop or be sustained following the completion of the Global Offering, or that the market price of the Shares will not decline thereafter below the offer price. The trading price of the Shares may be subject to wide fluctuations in response to many factors, as well as stock market fluctuations and general economic conditions or changes in political sentiment that may adversely affect the market price of the Shares, regardless of the Group's actual performance or conditions in the UAE.

The Company has applied for the Shares to be listed on the DFM. The DFM is substantially smaller in size and trading volume than other established securities markets, such as those in the United States and the UK. As of 31 December 2021, there were 68 companies with securities traded on the DFM with a total market capitalisation of approximately AED 411 billion. The DFM had a total regular trading volume of AED 72.3 billion in 2021. Brokerage commissions and other transaction costs on the DFM are generally higher than those in Western European countries.

These factors could generally decrease the liquidity and increase the volatility of share prices on the DFM, which in turn could increase the price volatility of the Shares and impair the ability of a holder of Shares to sell any Shares on the DFM in the desired amount and at the price and time achievable in more liquid markets.

The Company may not pay dividends on the Shares and consequently, investors may not receive any return on investment unless they sell their Shares for a price greater than that which was paid for them

The distribution of dividends by the Company will be dependent upon a number of factors, including the future profit, financial position, capital requirements, statutory reserve requirements, the amount of distributable reserves, available credit of the Company and general economic conditions and other factors that the Board of Directors deem significant from time to time. Also, the Company's ability to declare and pay cash dividends on the Shares may be restricted by, among other things, covenants in any credit facilities that the Company may enter into in the future, the recovery of any incurred losses in the future and provisions of UAE law. While the Company has historically been able to pay regular dividends, and intends to pay dividends in respect of the Shares, there can be no assurance that any dividend will ever be paid, nor can there be an assurance as to the amount, if any, which will be paid in any given year.

Furthermore, as part of the Group's business is undertaken though IPP/IWP project companies, the Company is reliant on distributions from these companies in gathering cash flows from which to pay a dividend. A material decline in revenues generated by one or more of the IPP/IWP project companies or the occurrence of a material investment by the Company in relation to any project company could prevent the Company from making distributions to its shareholders. In addition, in the event of the insolvency, bankruptcy, liquidation, dissolution or winding-up of a project company, secured and unsecured creditors of the project company will have the right to be paid before any distributions are made to the Company. These factors could have a material adverse effect on the Company's ability to distribute dividends to the Shareholders.

In addition, any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and will depend on, among other things, applicable law and regulations, the Group's results of operations, financial condition, cash requirements, contractual restrictions, future projects and plans and other factors that Board of Directors may deem relevant. As a result, you may not receive any return on an investment in the Shares unless you sell your Shares for a price greater than that which you paid for them. See "—*Dividend Policy*".

It may be difficult for shareholders to enforce judgments against the Group in the UAE, or against the Group's directors and senior management

The Company is a public joint stock company incorporated in the UAE. All of its directors and all of its officers reside outside the UK and the EEA. In addition, the Group's material assets and the majority of the assets of its directors and senior management are located outside the UK and the EEA. As a result, it may not be possible for investors to effect service of process outside the UAE upon the Group or its directors and senior management or to enforce judgments obtained against them in courts outside the UAE, including judgments predicated upon the civil liability provisions of the securities laws of the UK or the EEA.

Holders of the Shares in certain jurisdictions outside of the UAE may not be able to exercise their pre-emptive rights if the Company increases its share capital

Under the Articles of Association to be adopted in connection with the Global Offering, holders of the Shares generally have the right to subscribe and pay for a sufficient number of ordinary shares to maintain their relative ownership percentages prior to the issuance of any new ordinary shares in exchange for cash consideration. Holders of the Shares outside of the UAE may not be able to exercise their pre-emptive rights unless certain registrations are effective with respect to such rights and the related ordinary shares or an exemption from their respective registration requirements. The Company currently does not intend to register the Shares under the Securities Act or the laws of any other jurisdiction, and no assurance can be given that an exemption from such registration requirements will be available to enable holders of the Shares outside of the UAE to exercise their pre-emptive rights or, if available, that the Company will utilise such exemption. Furthermore, provided that the Company obtains all the required approvals from the SCA and its General Assembly, the Company may increase its capital without applying the pre-emption rights of the existing Shareholders, such as (i) for the purpose of the entry of a strategic partner, (ii) for the purpose of capitalising the Company's debts, (iii) for the purpose of converting bonds or sukuk issued by the Company into shares, and/or (iv) acquiring an existing company and issuing new shares in the Company to the partners or Shareholders of that acquired company. To the extent that holders of the Shares outside of the UAE are not able to exercise their pre-emptive rights, the pre-emptive rights would lapse and the proportional interests of such holders outside of the UAE would be reduced.

USE OF PROCEEDS

The Company will not receive any proceeds from the Global Offering other than a compensation from the Selling Shareholder for any expenses relating to the Global Offering. All expenses of the Global Offering (including selling commissions and any discretionary fees) will ultimately be borne by the Selling Shareholder as a deduction of the proceeds from the Global Offering. The Global Offering is being conducted, among other reasons, to allow the Selling Shareholder to sell part of its shareholding, while providing increased trading liquidity in the Shares, raising the Group's profile with the investment community and supporting the Government's broader ambitions to further develop local capital markets and deploy capital into other segments of the local economy.

DIVIDEND POLICY

The Company's ability to pay dividends is dependent on a number of factors, including the availability of distributable reserves and its capital expenditure plans and other cash requirements in future periods, and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be. See "*Risk Factors—Risks Relating to the Global Offering and to the Shares—The Company may not pay dividends on the Shares*." Any level or payment of dividends will depend on, among other things, future profits and the business plan of the Company, at the discretion of the Board of Directors.

Subject to the foregoing, the Company intends to pay dividends twice each fiscal year after the Global Offering in April and October of each year. The Group expects to pay a minimum dividend amount of AED 6.2 billion per annum, over the next 5 years (October 2022- April 2027). For the avoidance of doubt, the Company expects to pay a first dividend payment of AED 3.1 billion after the Global Offering, for the second half of 2022, by October 2022. In addition, on 31 January 2022 the Board of Directors approved a dividend payment of AED 10 billion to the Selling Shareholder. This dividend policy is designed to reflect the Group's expectation of strong cash flow and expected long-term earnings potential, while allowing the Group to retain sufficient capital to fund ongoing operating requirements and continued investment for long-term growth. This dividend policy is subject to consideration of the Board of Directors of the cash management requirements of the Group's business for operating expenses, financing expense and anticipated capital expenditures. In addition, the Group expects that the Board of Directors will also consider market conditions, the then current operating environment in the Group's markets, and the Board of Directors' outlook for the Group's business.

CAPITALISATION

The tables should be read together with "*Presentation of Financial Information*", "*Selected Historical Financial and Key Operating Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements and the related notes thereto, appearing elsewhere in this Offering Memorandum.

The following table sets out the Group's Cash and bank balances, and total capitalisation as at 31 December 2021. Total capitalisation is calculated as the sum of the total equity, current and non-current borrowings.

	As at 31 December 2021
	(AED thousands)
Cash and bank balances:	9,205,028
Debt:	
Borrowings - Non-current	23,325,798
Borrowings - current	3,430,072
Total borrowing	**26,755,870**
Equity:	
Share Capital	500,000
Statutory Reserve	355,467
Hedging Reserve	(1,236, 145)
Non-controlling Interest	591,911
General Reserve	53,343,435
Government of Dubai Account	40,037,040
Total equity	**93,591,708**
Total capitalisation	**120,347,578**

The following table sets out the Group's Cash and bank balances, and total capitalisation as at 31 January 2022. Total capitalisation is calculated as the sum of the total equity, current and non-current borrowings.

	As at 31 January 2022
	(AED thousands)
Cash and bank balances:	9,472,649
Debt:	
Borrowings - Non-current	33,418,922
Borrowings - current	3,498,727
Total borrowing	**36,917,649**
Equity:	
Share Capital	500,000
Statutory Reserve	355,467
Hedging Reserve	(958,394)
Non-controlling Interest	854,843
General Reserve	43,685,367
Government of Dubai Account	40,056,290
Total equity	**84,493,573**
Total capitalisation	**121,411,222**

SELECTED HISTORICAL FINANCIAL AND KEY OPERATING INFORMATION

The selected financial information set forth below shows our historical financial information and other unaudited operating information as at and for the years ended 31 December 2019, 2020 and 2021.

The financial information set forth below under the captions "Statement of profit or loss data", "Statement of financial position data", "Statement of cash flows data" and "Statement of changes in equity data" has been derived from and should be read in conjunction with, the financial statements included elsewhere in this Offering Memorandum.

Statement of profit or loss data

	Year ended 31 December		
	2019[5]*	**2020**	**2021**
		(AED thousands)	
Revenue	22,886,986	22,461,895	23,823,968
Cost of sales	(14,119,335)	(14,201,213)	(15,539,787)
Gross profit	**8,767,651**	**8,260,682**	**8,284,181**
Administrative expenses	(2,696,870)	(3,012,311)	(2,916,445)
Credit impairment losses	(21,212)	(87,970)	(83,822)
Other income	331,890	378,018	921,993
Operating profit	**6,381,459**	**5,538,419**	**6,205,907**
Finance costs	(243,778)	(267,966)	(382,866)
Finance income	501,869	239,479	165,465
Finance income/(costs) – net	258,091	(28,487)	(217,401)
Provision for impairment of investment in a joint venture	-	-	(4,785)
Share of (loss)/profit from investments in joint ventures	(2,467)	(2,392)	502
Profit for the year before net movement in regulatory deferral account credit balance	**6,637,083**	**5,507,540**	**5,984,223**
Net movement in regulatory deferral account credit balance	-	(201,202)	569,224
Profit for the year and net movement in regulatory deferral account credit balance	**6,637,083**	**5,306,338**	**6,553,447**
Other comprehensive (loss)/income for the year	(1,780,506)	(2,123,720)	1,518,845
Total comprehensive income for the year	**4,856,577**	**3,182,618**	**8,072,292**
Earnings per share			
Basic and diluted earnings per share (AED)	0.13	0.10	0.12

Statement of financial position data

	As at 31 December		
	2019[6]*	**2020**	**2021**
		(AED thousands)	
Total non-current assets	129,418,183	142,534,643	151,719,453
Total current assets	20,904,557	17,390,323	17,727,981
Total assets	**150,322,740**	**159,924,966**	**169,447,434**
Total equity	87,874,349	90,021,579	93,591,708
Total non-current liabilities	41,727,470	52,021,973	58,105,641
Total current liabilities	19,973,875	16,933,166	17,371,061
Total liabilities	**61,701,345**	**68,955,139**	**75,476,702**
Total equity and liabilities	149,575,694	158,976,718	169,068,410
Regulatory deferral account credit balance	747,046	948,248	379,024

5 *There have been limited reclassifications and presentation changes in the financial statements for FY21 and FY20 as compared to FY19. However, the FY19 figures and presentation in this document have been kept in conformity with the audited financials for FY19.*

6 *There have been limited reclassifications and presentation changes in the financial statements for FY21 and FY20 as compared to FY19. However, the FY19 figures and presentation in this document have been kept in conformity with the audited financials for FY19.*

Total equity, liabilities and regulatory deferral account credit balance	**150,322,740**	**159,924,966**	**169,447,434**

Statement of cash flow data

	Year ended 31 December		
	2019[7]*	**2020**	**2021**
		(AED thousands)	
Cash flows from operating activities			
Profit for the year	6,637,083	5,306,338	6,553,447
Adjustment for:			
Depreciation	4,404,006	4,732,753	5,231,682
Amortisation – intangible assets	66,560	57,619	81,121
Provision for slow moving and obsolete inventories	7,869	19,508	28,621
Reversal of impairment of property, plant and equipment	(80,294)	(53,529)	(32,328)
Fair value adjustments of receivables	-	-	(48,832)
Reversal of fair value adjustment for trade receivables	75,690	31,399	7,204
Charge for impairment of trade receivables	21,212	87,969	83,822
Deferred income	(762,435)	(865,157)	(933,167)
Retirement benefit obligations - gratuity	124,267	124,973	124,204
Retirement benefit obligations - pensions	102,769	112,695	112,810
Provision for impairment from investment in joint venture	-	-	4,785
Share of loss from investment in joint ventures	2,467	2,392	(502)
Ineffective portion of gain on derivative financial instrument	3,801	20,306	(5,969)
Loss on sale of property, plant and equipment	513	1,428	(181)
Finance costs expense	243,778	267,966	382,866
Finance income	(501,869)	(239,479)	(165,465)
Operating cash flows before changes in operating assets and liabilities	10,345,417	9,607,181	11,424,118
Changes in operating assets and liabilities:			
Inventories	(45,260)	(147,991)	(64,368)
Other assets	(141,149)	240,841	285,367
Trade receivables before provision for impairment	(1,429,105)	(1,402,379)	(1,064,227)
Other financial assets	(344,730)	(1,107,391)	(661,766)
Trade and other payables	2,073,088	1,174,483	838,477
Regulatory deferral account credit balance	-	201,202	(569,225)
Net operating cash flows	10,458,261	8,565,946	10,188,376
Payment for retirement benefit obligations – gratuity	(30,811)	(36,581)	(51,883)
Payment for retirement benefit obligations – pensions	(104,209)	(111,784)	(116,499)
Net cash inflow generated from operating activities	**10,323,241**	**8,417,581**	**10,019,994**
Cash flows from investing activities			
Purchase of property, plant and equipment net of movements in trade payables and other long-term liabilities	(11,883,897)	(13,103,101)	(12,268,280)
Deposits with original maturity of greater than three months – placed during the year	(5,651,122)	(601,375)	(3,012,766)
Deposits with original maturity of greater than three months – matured during the year	6,205,314	8,272,067	325,000
Purchase of intangible assets	(18,794)	(32,543)	(381,752)
Interest received	443,992	256,675	138,225
Movement in other financial assets	(16,628)	96,156	(10,039)
Sale of / investment in a joint venture	-	-	797
Proceeds from disposal of property, plant and equipment	5,334	1,877	3,916
Net cash used in investing activities	**(10,915,801)**	**(5,110,244)**	**(15,204,899)**
Cash flows from financing activities			
Repayment of borrowings	(630,408)	(5,605,224)	(517,537)
Proceeds from borrowings	6,013,610	7,717,351	8,552,340
Interest paid	(1,108,101)	(1,024,347)	(1,076,336)
Payment of lease liabilities	(6,850)	(8,397)	(7,443)
Capital contribution by the non-controlling interest	-	2,000	-
Dividends paid to owner	(4,500,000)	(1,500,000)	(2,000,000)
Dividends paid to non-controlling interests in subsidiaries	(92,394)	(92,041)	(96,585)

[7] *There have been limited reclassifications and presentation changes in the financial statements for FY21 and FY20 as compared to FY19. However, the FY19 figures and presentation in this document have been kept in conformity with the audited financials for FY19.*

Net cash (outflow)/inflow financing activities......................................	**(324,143)**	**(510,658)**	**4,854,439**
Regulatory deferral account credit balance	219,426	-	-
Net (decrease)/increase in cash and cash equivalent	(697,277)	2,796,679	(330,466)
Cash and cash equivalents at the beginning of the year............................	3,203,112	2,505,835	5,302,514
Cash and cash equivalents at the end of the year	**2,505,835**	**5,302,514**	**4,972,048**

Statement of changes in equity data

	Government of Dubai account	**General reserve**	**Statutory reserve**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
				(AED thousands)				
At 1 January 2019................	38,092,123	48,433,035	309,131	108,486	(2,012)	86,940,763	1,276,999	88,217,762
Total comprehensive income for the year								
Profit for the year.................	-	-	-	-	6,414,663	6,414,663	222,420	6,637,083
Other comprehensive income............	-	-	-	(966,029)	83,133	(882,896)	(897,610)	(1,780,506)
Total comprehensive income for the year	-	-	-	(966,029)	6,497,796	5,531,767	(675,190)	4,856,577
Transfer to reserve	-	5,519,842	42,822	-	(5,562,664)	-	-	-
Transactions with the Owner								
Non-cash distribution	-	-	-	-	(933,120)	(933,120)	-	(933,120)
Capital contribution by non-controlling interests	-	-	-	-	-	-	6,710	6,710
Capital contribution by Government of Dubai – value of lands (net) ...	318,814	-	-	-	-	318,814	-	318,814
Dividend paid	-	(4,500,000)	-	-	-	(4,500,000)	(92,394)	(4,592,394)
At 31 December 2019................	38,410,937	49,452,877	351,953	(857,543)	-	87,358,224	516,125	87,874,349

	Government of Dubai account	General reserve	Statutory reserve	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
				(AED thousands)				
At 1 January 2020	38,410,937	49,452,877	351,953	(857,543)	-	87,358,224	516,125	87,874,349
Total comprehensive income for the year								
Profit for the year....................	-	-	-	-	5,094,728	5,094,728	211,610	5,306,338
Other comprehensive income...............	-	-	-	(1,125,444)	19,696	(1,105,748)	(1,017,972)	(2,123,720)
Total comprehensive income for the year	-		-	(1,125,444)	5,114,424	3,988,980	(806,362)	3,182,618
Transfer to reserve	-	4,286,699	150		(4,286,849)	-	-	-
Transactions with the Owner								
Non-cash distribution	-	-	-	-	(827,575)	(827,575)	-	(827,575)
Reclassification of capital contribution by non-controlling interest to borrowings[8*]	-	-	-	-	-	-	(6,713)	(6,713)
Capital contribution by non-controlling interests	-	-	-	-	-	-	2,000	2,000
Capital contribution by Government of Dubai – value of lands (net)..........	1,418,941	-	-	-	-	1,418,941		1,418,941
Dividend paid	-	(1,500,000)	-	-	-	(1,500,000)	(122,041)	(1,622,041)
At 31 December 2020..................	39,829,878	52,239,576	352,103	(1,982,987)	-	90,438,570	(416,991)	90,021,579

8 *The amount of loan amounting to AED 6.7 million, treated as capital contribution by non-controlling interest in 2019 has been reclassified to borrowings during the year ended 31 December 2020.*

	Share capital	Government of Dubai Account	General reserve	Statutory reserve	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
					(AED thousands)				
At 1 January 2021	-	39,829,878	52,239,576	352,103	(1,982,987)	-	90,438,570	(416,991)	90,021,579
Transfer to share capital	500,000	(500,000)	-	-	-	-	-	-	-
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	6,123,112	6,123,112	430,335	6,553,447
Other comprehensive income	-	-	-	-	746,842	96,851	843,693	675,152	1,518,845
Total comprehensive income for the year	-	-	-	-	746,842	6,219,963	6,966,805	1,105,487	8,072,292
Transfer to reserve	-	-	3,103,859	3,364	-	(3,107,223)	-	-	-
Transactions with the owner									
Non-cash distribution	-	-	-	-	-	(3,112,740)	(3,112,740)	-	(3,112,740)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-
Capital contribution by Government of Dubai – value of lands (net)	-	707,162	-	-	-	-	707,162	-	707,162
Dividend paid	-	-	(2,000,000)	-	-	-	(2,000,000)	(96,585)	(2,096,585)
At 31 December 2021	500,000	40,037,040	53,343,435	355,467	(1,236,145)	-	92,999,797	591,911	93,591,708

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Group's financial condition and results of operations as at and for the years ended 31 December 2019, 2020 and 2021 and should be read in conjunction with our audited and unaudited financial statements, in each case including the related notes, and the information relating to our business included elsewhere in this Offering Memorandum. Investors should read the whole of this Offering Memorandum and not just rely upon summarised information. The discussion includes forward-looking statements that reflect the current view of our management and involves risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for a discussion of important factors that could cause our actual results to differ materially from the forward-looking statements contained herein.

Introduction

The management's discussion and analysis of the Group's financial position and results of operations should be read in conjunction with the information included in "Selected financial information and operating data", the financial statements and the related notes thereto included elsewhere in this Offering Memorandum. This management's discussion is based upon the Group's financial statements, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

This management's discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Offering Memorandum, particularly under the headings *"*Information *Regarding Forward-Looking Statements"* and *"Risk Factors"*.

Directors' declaration on the Group's audited consolidated financial statements

To the best of the Directors' knowledge, the consolidated Financial Statements fairly represents in all material respects, the consolidated financial position, results of operation and cash flows for the Group.

Overview of Operating Segments

The Group has determined that the Board of Directors, are the chief operating decision-makers ("**CODM**") per the requirements of IFRS 8 *Operating Segments*. For the Board of Directors, the Group is currently organised into four major operating and reportable segments.

DEWA

The Company is the sole provider of electricity and water and related services in the Emirate of Dubai. The Company's core operations are to operate and maintain its power stations, desalination plants, aquifers, power and water transmission lines and power and water distribution networks in Dubai. The power generation and water desalination stations are fuelled by natural gas which the Company procures exclusively from Dubai Supply Authority.

Empower

Empower comprise of operations of Emirates Central Cooling Systems Corporation ("**Empower**") and its subsidiaries. Empower, a key subsidiary of the Company with 70% ownership interests, is the largest provider of district cooling services in Dubai. Activities of Empower and its subsidiaries include management, operation and maintenance of central cooling plants and related distribution networks and manufacturing and sale of insulated pipes.

IPP

IPP represents the Group's portfolio of majority-owned special purpose vehicles comprising of Jumeirah Energy International Holding LLC ("**JEIHL**"), which includes Shuaa Energy 2 P.S.C, Hassyan Energy Phase 1 P.S.C, Noor Energy 1 P.S.C, Shuaa Energy 3 P.S.C and Shuaa Energy 1 P.S.C, for investments by IPPs. The investments are primarily focused on the development and operation of photovoltaic solar plants, concentrated solar power plants (hybrid) and the incremental addition of gas plants for providing a full range of services for the generation of electricity under the independent power producer model. In addition, JEIHL includes Hassyan

Water Co 1 P.S.C which focuses on the development and operation of reverse osmosis plants under the IWP model.

Others

Others include entities such as Mai Dubai LLC, Al Etihad Energy Services Company LLC ("**ESCO**"), Digital DEWA LLC and Jumeirah Energy International Capital Holding LLC. The operations of these entities of the Group include purification and sale of bottled drinking water, providing services including IT and infrastructure, networking and computer system housing services, financial investments, investment and management of commercial, industrial, retail trade and energy enterprises and implement energy efficiency measures in buildings.

Factors affecting financial condition and results of operations

The most significant factors that have affected or are expected to affect the Group's financial condition and results of operations are covered below.

Revenue growth

A substantial part of the Group's revenue is derived from the sale of electricity, water and district cooling services to its customers in Dubai. Tariffs for electricity and water in Dubai are approved by the Dubai Executive Council see further *"Overview of Electricity and Water Tariff Framework"*.

Set forth below are the tables showing the volume of electricity and water sold* for the years presented, as well as the percentage change between these years:

	Year ended 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
				(%)	
Electricity (GWh/year)*...........	41,313	40,634	44,742	(1.6%)	10.1%
Water (MIG/year)*	115,629	114,605	118,411	(0.9%)	3.3%

**Units sold, excludes in-house consumption and line losses*

The Group expects demand for electricity, water and cooling to continue to increase, reflecting the expected growth in both commercial and residential demand as a result of the growth in infrastructure and population of Dubai including the floating population and visitors.

Further, the Group expects revenue growth in 2022 to be driven by the harmonisation of realised tariffs for all customers, growth of the Empower subsidiary and material capacity additions to the IPPs.

Cost and availability of fuel

The predominant source of fuel for the production of power and water is natural gas. DUSUP (wholly owned by the Government of Dubai) is the only authorised supplier of natural gas in Dubai to Government entities. The Company submits estimated demand of natural gas / Liquefied Natural Gas (LNG) to DUSUP on an annual basis. Based on the forecasts received from the government entities, DUSUP enters into long term fuel supply contracts with third party natural gas / LNG suppliers. Natural gas / LNG costs for the Company are in accordance with the Dubai gas pricing mechanism.

The trend in the quantity of natural gas consumed has been consistent with the growth in demand for power and water. Since 2017, a few solar energy IPP projects namely Shuaa Energy 1 P.S.C and Shuaa Energy 2 P.S.C have been introduced and commissioned, resulting in a gradual decline in natural gas-based production. This trend of decline in natural gas-based production is expected to continue in the future, as more solar IPP plants are expected to be commissioned and expand their installed capacities.

The Group's fuel costs decreased in the year ended 31 December 2020 by 5.4% or AED 367.5 million, from AED 6,821.7 million in 2019 to AED 6,454.2 million in 2020. This reduction was primarily driven by the reduced consumption across all sectors, as a result of the Covid-19 pandemic. Additionally, the shift towards renewable energy (solar-based production from IPPs) has contributed to the reduction in fuel costs.

For the year ended 31 December 2021, the Group's fuel costs increased by 0.7% or AED 45.9 million, from AED 6,454.2 million in 2020 to AED 6,500.1 million in 2021. This increase was primarily due to fuel being a variable element within the cost of sales for the Group. As consumption increased for the period, so did the fuel costs, however, this was partially offset by the power provided by the solar IPP plants, which do not require fuel.

Costs related to employment

The Group's costs related to employment increased for the year ended 31 December 2020 by 5.8% or AED 195.5 million, from AED 3,353.3 million in 2019 to AED 3,548.8 million. The increase was primarily driven by annual salary increments and promotions.

The Group's costs related to employment decreased by 1.0% or AED 34.8 million, from AED 3,548.8 million in 2020 to AED 3,514.0 million in 2021. This was primarily due to the Group's focus on increasing the adoption of digitization.

The table set forth below indicates the principal components of staff costs during the year ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousands)		(%)	
Salaries	2,332,545	2,588,505	2,457,931	11.0%	(5.0%)
Retirement benefit obligations	227,036	237,668	237,014	4.7%	(0.3%)
Bonus	215,979	230,948	240,923	6.9%	4.3%
Other benefits	577,691	491,709	578,139	(14.9%)	17.6%
Total	**3,353,251**	**3,548,830**	**3,514,007**	**5.8%**	**(1.0%)**
Number of employees as of year-end	13,647	13,674	13,733	0.2%	0.4%

Costs incurred in expanding production capacity and transmission and distribution networks

In 2019, 2020 and 2021 the Group has expanded its electricity transmission, water distribution and district cooling networks to meet end-user demand.

The Group contracts third parties to construct its production, transmission and distribution facilities. These contracts are generally awarded on a "turnkey" basis to both international and regional contractors, who are experienced and reputed in their fields. The costs associated with these projects are capitalised and depreciated as per the Group's accounting policies, with depreciation recognised from the moment that the plant becomes operational.

The Group intends to continue investing in transmission and distribution networks to meet the growing demand. Investment in desalination and generation plants will be made through I(W)PPs in order to support achievement of Dubai's clean energy objective.

Transfers of substations to the Group and amortisation of the related deferred revenue

To accelerate construction timelines, developers often construct substations for their properties aligned with the Group's specifications and then transfer ownership of the substations to the Group free-of-cost upon commissioning.

To account for this asset transfer, the substations are recognised as an asset (valued at the cost of construction to the developers) and a corresponding liability is created under "Deferred revenue" on the Group's statement of financial position.

These substations are depreciated from the date of the Group's takeover of these substations as per the Group's accounting policies and an equivalent amount of the "Deferred revenue" liability is amortised and included in Other income in the consolidated statement of profit or loss and other comprehensive income.

Seasonality

The Group's electricity sales are seasonal. Generally, demand for electricity in Dubai is up to nearly two times higher in the warmer months of July, August and September than in the cooler months of December, January and February due to an increase in the use of air conditioning. There is very little seasonality in demand for water. As a result of the seasonality of electricity sales, the Group's revenue and operating profit tend to be highest in the third quarter of the year.

Key performance indicators

The Management uses several key performance metrics internally to review the Group's financial and operational performance. These metrics are called Key Performance Indicators ("KPIs") and they are analysed below.

Non-IFRS financial measures

The non-IFRS financial measures have been assessed, including EBIT, EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, ROE, Free cash flow and Net debt to EBITDA ratio. These non-IFRS financial measures do not have a standardised definition and other companies may calculate them differently. Therefore, the non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies and should not be relied upon to the exclusion of IFRS financial measures.

The Management believes that the projected non-IFRS financial measures are useful as an additional tool to help the Management and investors make informed decisions.

The definition, method of calculation and rationale for the inclusion of such measures are summarised in the following table:

Non-IFRS financial measure	Definition and method of calculation	Rationale
Earnings before interest and taxes ("EBIT")	Calculated as revenue, less cost of sales, administrative expenses, credit impairment losses and impairment of assets plus other income	Performance measure
Earnings before interest, taxes, depreciation and amortisation ("EBITDA")	Calculated as EBIT, plus depreciation and amortisation	Performance measure
Adjusted earnings before interest, taxes, depreciation and amortisation ("Adjusted EBITDA")	Calculated as EBITDA, less net movement in regulatory deferral account credit balance, if included	Performance measure
EBITDA margin	Calculated by dividing EBITDA by revenue	Performance measure
Return on equity ("ROE")	Calculated by dividing net income by shareholders' equity	Performance measure
Free cash flow	Calculated as the net operating cash flows less capital expenditure	Liquidity measure
Net debt to EBITDA ratio	Calculated as interest-bearing liabilities less cash and cash equivalents and short-term deposits, divided by its EBITDA	Liquidity measure

The following table sets forth the Group's key non-IFRS measures for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
		(AED thousands)	
EBIT	6,378,992	5,536,027	6,201,624
EBITDA	10,849,558	10,326,399	11,514,427
Adjusted EBITDA	10,849,558	10,125,197	12,083,651
EBITDA margin	47.4%	46.0%	48.3%
ROE	7.6%	5.9%	7.0%
Free cash flow	(1,579,450)	(4,718,063)	(2,630,038)
Net debt to EBITDA ratio	0.5	1.2	1.5

EBIT, EBITDA and Adjusted EBITDA

The following table sets forth the Group's EBIT, EBITDA and Adjusted EBITDA for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
		(AED thousands)	
Revenue	22,886,986	22,461,895	23,823,968
Cost of sales	(14,119,335)	(14,201,213)	(15,539,787)
Administrative expenses	(2,696,870)	(3,012,311)	(2,916,445)
Credit impairment losses and impairment of assets	(21,212)	(87,970)	(83,822)
Other income	331,890	378,018	921,993
Provision for impairment in joint venture	--	--	(4,785)
Share of profit/(loss) from investments in joint venture	(2,467)	(2,392)	502
EBIT	**6,378,992**	**5,536,027**	**6,201,624**
Depreciation and amortization	4,470,566	4,790,372	5,312,803
EBITDA	**10,849,558**	**10,326,399**	**11,514,427**
Net movement in regulatory deferral account credit balance	-	(201,202)	569,224
Adjusted EBITDA	**10,849,558**	**10,125,197**	**12,083,651**

EBITDA margin

The following table sets forth the Group's EBITDA margin for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
		(AED thousands)	
Revenue	22,886,986	22,461,895	23,823,968
EBITDA	10,849,558	10,326,399	11,514,427
EBITDA margin	**47.4%**	**46.0%**	**48.3%**

Return on equity

The following table sets forth the Group's ROE for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
		(AED thousands)	
Profit for the year	6,637,083	5,306,338	6,553,447
Total equity	87,874,349	90,021,579	93,591,708
ROE	**7.6%**	**5.9%**	**7.0%**

Free cash flow

The following table sets forth the Group's Free cash flow for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
		(AED thousands)	
Net cash inflows generated from operating activities	10,323,241	8,417,581	10,019,994
Purchase of property, plant and equipment net of movements in trade payables and other long-term liabilities	(11,883,897)	(13,103,101)	(12,268,280)
Purchase of intangible assets	(18,794)	(32,543)	(381,752)
Free cash flow	**(1,579,450)**	**(4,718,063)**	**(2,630,038)**

Net debt to EBITDA ratio

The following table sets forth the Group's Net debt to EBITDA ratio for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
		(AED thousands)	
EBITDA	**10,849,558**	**10,326,399**	**11,514,427**
Total debt	16,911,675	18,799,382	26,755,870
Less: Short-term deposits	(8,948,567)	(3,309,927)	(4,798,864)
Less: Cash and cash equivalents	(2,829,641)	(3,573,091)	(4,406,164)
Net debt	**5,133,467**	**11,916,364**	**17,550,842**
Net debt to EBITDA ratio	**0.5**	**1.2**	**1.5**

Key operational performance indicators

The following tables sets forth the Group's key operational performance indicators for the years ended 31 December 2019, 2020 and 2021.

DEWA

The following table sets forth key non-IFRS measures for the Group's electricity operations for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
Electricity			
Installed capacity (MW)	10,700	12,300	13,400
Units sold*(GWh)	41,313	40,634	44,742
No. of customers	915,623	990,258	1,061,476
Transmission and distribution lines (km)	40,546	41,149	41,930
System average interruption frequency index	0.087	0.064	0.054
System average interruption duration index (customer minutes lost – CML)	1.86	1.66	1.32
Electricity line losses	3.2%	3.3%	3.3%
Transformer capacity (MVA)	77,476	82,821	87,563

The following table sets forth key non-IFRS measures for the Group's water operations for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021

Water			
Installed capacity (MIG)	470	470	490
Units sold* (MIG)	115,629	114,605	118,411
No. of customers	816,580	884,404	960,032
Transmission and distribution lines (km)	12,099	12,499	13,593
Unaccounted for water/line losses	6.6%	5.1%	5.3%

**Excludes in-house consumption and line losses*

Empower

The following table sets forth the Empower key non-IFRS measures for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	**2020**	**2021**
Cooling delivered (RTh)	1.73	1.73	2.02
Network length (km)	320	350	369

IPP

The following table sets forth the total installed capacity for all the IPP's for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
Installed capacity (MW)	**2019**	**2020**	**2021**
Shuaa Energy 1 P.S.C - electricity PV capacity	200	200	200
Shuaa Energy 2 P.S.C - electricity PV capacity	500	800	800
Shuaa Energy 3 P.S.C - electricity PV capacity	-	-	300
Noor Energy 1 P.S.C - electricity PV capacity	-	-	217
Hassyan Energy Phase 1 P.S.C - electricity plant capacity	-	600	1,200
Total	**700**	**1,600**	**2,717**

The following table sets forth the electricity generated from the IPPs for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
Electricity generation (GWh)	2019	2020	2021
Shuaa Energy 1 P.S.C	490	504	510
Shuaa Energy 2 P.S.C	959	2,323	2,451
Shuaa Energy 3 P.S.C	-	-	417
Noor Energy 1 P.S.C	-	-	17
Hassyan Energy Phase 1 P.S.C	-	769	3,512
Total	**1,449**	**3,596**	**6,907**

Results of operations – consolidated statement of profit or loss and other comprehensive income

The following table sets forth the Group's consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019*	2020	2021	2019*-2020	2020-2021
		(AED thousands)		(%)	
Revenue	22,886,986	22,461,895	23,823,968	(1.9%)	6.1%
Cost of sales	(14,119,335)	(14,201,213)	(15,539,787)	0.6%	9.4%
Gross profit	**8,767,651**	**8,260,682**	**8,284,181**	**(5.8%)**	**0.3%**
Administrative expenses	(2,696,870)	(3,012,311)	(2,916,445)	11.7%	(3.2%)
Credit impairment losses	(21,212)	(87,970)	(83,822)	314.7%	(4.7%)
Other income	331,890	378,018	921,993	13.9%	143.9%
Operating profit	**6,381,459**	**5,538,419**	**6,205,907**	**(13.2%)**	**12.1%**
Finance costs	(243,778)	(267,966)	(382,866)	9.9%	42.9%
Finance income	501,869	239,479	165,465	(52.3%)	(30.9%)
Finance income/(costs) – net	258,091	(28,487)	(217,401)	(111.0%)	663.2%
Provision for impairment of investment in joint ventures	-	-	(4,785)	-	-
Share of (loss)/profit from investments in joint ventures	(2,467)	(2,392)	502	(3.0%)	(121.0%)
Profit for the year before net movement in regulatory deferral account credit balance	**6,637,083**	**5,507,540**	**5,984,223**	**(17.0%)**	**8.7%**
Net movement in regulatory deferral account credit balance	-	(201,202)	569,224	-	(382.9%)
Profit for the year and net movement in regulatory deferral account credit balance	**6,637,083**	**5,306,338**	**6,553,447**	**(20.1%)**	**23.5%**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurements of retirement benefit obligations	83,133	19,696	96,851	(76.3%)	391.7%
Debt instrument at FVOCI – change in fair value	-	2,281	460	-	(79.8%)
Items that may be reclassified to profit or loss					
Hedging losses reclassified to profit or loss	19,384	210,323	388,164	985.0%	84.6%
Cash flow hedges	(1,883,023)	(2,356,020)	1,033,370	25.1%	(143.9%)
Other comprehensive (loss)/income for the year	(1,780,506)	(2,123,720)	1,518,845	19.3%	(171.5%)
Total comprehensive income for the year	**4,856,577**	**3,182,618**	**8,072,292**	**(34.5%)**	**153.6%**
Profit for the year attributable to					
-Government of Dubai	6,414,663	5,094,728	6,123,112	(20.6%)	20.2%
-Non-controlling interest	222,420	211,610	430,335	(4.9%)	103.4%
	6,637,083	**5,306,338**	**6,553,447**	**(20.1%)**	**23.5%**
Total comprehensive income for the year attributable to					
-Government of Dubai	5,531,767	3,988,980	6,966,805	(27.9%)	74.7%
-Non-controlling interest	(675,190)	(806,362)	1,105,487	19.4%	(237.1%)
	4,856,577	**3,182,618**	**8,072,292**	**(34.5%)**	**153.6%**
Earnings per share					
Basic and diluted earnings per share (AED)	0.13	0.10	0.12	(23.1%)	20.0%

**There have been limited reclassifications and presentation changes in the financial statements for FY21 and FY20 as compared to FY19. However, the FY19 figures and presentation in this document have been kept in conformity with the audited financials for FY19.*

Revenue

The Group's revenue primarily comprises of income earned from tariffs (including fuel surcharge) charged on the provision of electricity and water in Dubai together with district cooling. In addition, the Group's other revenue relates to handling fees, revenue from the distribution of bottled water, projects consultancy fees, energy services and digital business solutions services.

The fuel surcharge is a component within the tariff structure that varies based on cost of actual fuel consumed in the Group's generation plants. The trend in the revenue from fuel surcharge is similar to the change in fuel consumption, as explained within revenue.

The Group's consolidated revenue for the year ended 31 December 2020 decreased by 1.9% or AED 425.1 million from AED 22,887.0 million in 2019 to AED 22,461.9 million in 2020. The decrease was primarily driven by the impact of Covid-19. It was the main cause for the decline in the Group's revenue, which accounted for more than 85% of the Group's revenue. The decrease in the Group revenue was partially offset by the increase in revenue from Empower, Dubai Green Fund Investments LLC, Mai Dubai LLC and Digital DEWA LLC.

For the year ended 31 December 2021, the Group's consolidated revenue increased by 6.1% or AED 1,362.1 million, from AED 22,461.9 million in 2020 to AED 23,824.0 million in 2021. The increase was primarily due to the increase in consumption of electricity and water across all sectors, leading to higher revenues for the Group, Empower in addition to regular growth Mai Dubai LLC, Digital DEWA LLC and other subsidiaries.

The subsidy received by UAE nationals, on the services provided, will be reimbursed by the Dubai Government effective 1 January 2022, which will result in incremental revenues for DEWA, Government has indicated that electricity and water consumption bills as well as invoices for subsidy will be paid in cash within 90 days. Quantum of this subsidy in the short-to-medium term is expected to be over 14.0% of 2021 Adjusted EBITDA.

Revenue by segments

The following table presents the Group's segmental revenue for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Revenue					
DEWA	20,891,437	20,334,547	21,745,193	(2.7%)	6.9%
Empower	2,189,340	2,255,115	2,463,874	3.0%	9.3%
IPP	218,798	418,340	1,323,519	91.2%	216.4%
Others	710,086	704,794	987,816	(0.7%)	40.2%
IC revenue eliminations	(1,122,675)	(1,250,901)	(2,696,434)	11.4%	115.6%
Total Group's revenue	**22,886,986**	**22,461,895**	**23,823,968**	**(1.9%)**	**6.1%**

DEWA

The following table presents the breakdown of the Group's standalone revenue for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Sale of electricity	15,182,104	14,593,020	15,911,682	(3.9%)	9.0%
Sale of water	4,652,240	4,474,249	4,517,810	(3.8%)	1.0%
Other revenue	1,057,093	1,267,278	1,315,701	19.9%	3.8%
Total DEWA's revenue	**20,891,437**	**20,334,547**	**21,745,193**	**(2.7%)**	**6.9%**

The Group's standalone revenue includes the sale of electricity and water, including the fuel surcharge for each respective service and other revenue. The Group's revenue for the year ended 31 December 2020 decreased by 2.7% or AED 556.9 million, from AED 20,891.4 million in 2019 to AED 20,344.5 million in 2020. This decrease was primarily due to the decline in the sale of electricity and water on account of Covid-19 in 2020 which was partially offset by the increase in non-electricity and non-water revenues.

For the year ended 31 December 2021, the Group's revenue increased by 6.9% or AED 1,410.7 million, from AED 20,334.5 million in 2020 to AED 21,745.2 million in 2021. This increase in the total revenue was primarily due to the increase in consumption of electricity due to an increase in demand.

Revenue from the sale of electricity and water

The Group's revenue from the sale of electricity for the year ended 31 December 2020 decreased by 3.9% or AED 589.1 million from AED 15,182.1 million in 2019 to AED 14,593.0 million in 2020. The Group's revenue from the sale of water for the year ended 31 December 2020 decreased by 3.8% or AED 178.0 million from AED 4,652.2 million in 2019 to AED 4,474.2 million in 2020. This decrease in revenue from the sale of electricity and water was due in large part to the decreased consumption of electricity and water by the commercial, industrial and government consumer groups due to the Covid-19 lockdown, which was however, partially offset by the rise in the consumption within the residential consumer group. Additionally, in line with His Highness, Ruler of Dubai directives in promoting and supporting the economy of Dubai, the Group had provided a 10% discount amounting to AED 404 million on the electricity and water consumption bill for all consumer groups for three months, starting 12 March 2020.

For the year 31 December 2021, the Group's revenue from the sale of electricity increased by 9.0% or AED 1,318.7 million, from AED 14,593.0 million in 2020 to AED 15,911.7 million in 2021. Further, for the year ended 31 December 2021, the Group's revenue from the sale of water increased by 1.0% or AED 43.6 million, from AED 4,474.2 million in 2020 to AED 4,517.8 million in 2021. This increase in the sale of electricity from 40,633 GWh in 2020 to 44,742 GWh in 2021 and water from 114,605 MIG in 2020 to 118,411 MIG in 2021 is attributable to post-Covid-19 revival in demand across all the categories of consumers, especially residential and commercial.

Other revenue

Other revenue principally includes amortisation of deferred revenue, handling fees and development fees. Deferred revenue represents amounts transferred from advances for new connections upon completion of construction and installation of equipment. Deferred revenue is amortised and recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related equipment. Deferred revenue also includes the assets taken over by the Group free of cost.

The Group's other revenue for the year ended 31 December 2020 increased by 19.9% or AED 210.2 million from AED 1,057.1 million in 2019 to AED 1,267.3 million in 2020. This increase was primarily due to an increase in amortisation of deferred revenue by 13.5% on account of an increased deferred revenue balance in 2020; supported by the additional project management fees in 2020.

For the year ended 31 December 2021, the Group's other revenue increased by 3.8% or AED 48.4 million, from AED 1,267.3 million in 2020 to AED 1,315.7 million in 2021. The increase in 2021 was driven by the increase in amortisation of deferred income and development fees. The increase was partially offset by a decrease in project management fees.

Empower

The following table presents the breakdown of Empower's revenue for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
District cooling services........................	2,182,770	2,247,170	2,456,586	3.0%	9.3%
Sale of pre-insulated pipes....................	6,570	7,945	7,288	20.9%	(8.3%)
Total Empower's revenue	**2,189,340**	**2,255,115**	**2,463,874**	**3.0%**	**9.3%**

Empower's revenue includes revenue from district cooling services net of discounts provided during the period and sale of pre-insulated pipes. Empower's revenue for the year ended 31 December 2020 increased by 3.0% or AED 65.8 million, from AED 2,189.3 million in 2019 to AED 2,255.1 million in 2020. The increase was due to the resilience of the diversified portfolio of projects and sectors, enabling Empower to report a growth in revenue despite difficulties faced during Covid-19. This growth was partially offset by the provided discounts to Covid-19 quarantine centres and passed through discounts received on utility charges for a certain period, to various consumer groups.

For the year ended 31 December 2021, Empower's revenue further grew by 9.3% or AED 208.8 million from AED 2,255.1 million in 2020 to AED 2,463.9 million in 2021. The easing of Covid-19 restrictions positively impacted the demand across all the consumer groups and led to a rise in hospitality and commercial activities impacting the revenues generated by Empower.

District cooling services

Empower's district cooling services include the revenue from demand, consumption and network integration services provided to customers. The network integration services include connection fees, meter maintenance, temperature surcharge and disconnection fees. Empower's district cooling revenue for the year ended 31 December 2020 increased by 3.0% or AED 64.4 million from AED 2,182.8 million in 2019 to AED 2,247.2 million in 2020. This increase was primarily due to growth in demand by 6.5% on account of warmer days during 2020, which led to increased consumption of cooling services for all sectors during the period. This increase was partially offset by the discounts provided by Empower during the year amounting to AED 21.5 million. These discounts were mainly provided to Covid-19 quarantine centres and included passed through discounts received on utility charges from March 2020 to June 2020, to various consumer groups.

For the year ended 31 December 2021, Empower's district cooling revenue increased further by 9.3% or AED 209.4 million, from AED 2,247.2 million in 2020 to AED 2,456.6 million in 2021. This increase was primarily on account of demand coming back in the industrial and commercial activities due to the ease in Covid-19 restrictions and surge in tourists as a result thereof. As consumption and businesses had begun to resume back to normal capacity post Covid-19 lockdowns, Empower did not provide any discounts in 2021.

Sale of pre-insulated pipes

Sale of pre-insulated pipes is based on orders received by Empower Logstor LLC ("ELIPS"), a subsidiary of Empower. Empower's sale of pre-insulated pipes revenue for the year ended 31 December 2020 increased by 20.9% or AED 1.3 million from AED 6.6 million in 2019 to AED 7.9 million in 2020. This increase was primarily due to the projects secured during the period, which increased the revenue from pre-insulated pipes.

For the year ended 31 December 2021, Empower's sale of pre-insulated pipes revenue decreased by 8.3% or AED 0.60 million, from AED 7.9 million in 2020 to AED 7.3 million in 2021. This decrease was primarily on account of the decline in new projects occurring as a result of the Covid-19 impact. Due to the global pandemic new developments decreased during the period, which in turn reduced the pre-insulated pipes revenue.

IPP

IPP's revenue for the year ended 31 December 2020 increased by 91.2% or AED 199.5 million from AED 218.8 million in 2019 to AED 418.3 million in 2020. This increase was due in large part to the commissioning of the third phase of Shuaa Energy 2 P.S.C, which increased the capacity of production by 300 MW. As the Company is the off-taker, under the terms of the respective PPAs for photovoltaic solar IPP projects, it is required to purchase the entire output of these IPP plants as and when they are commissioned.

For the year ended 31 December 2021, IPP's revenue increased by 216.4% or AED 905.2 million from AED 418.3 million in 2020 to AED 1,323.5 million in 2021. The increase was mainly attributable to the additional output capacity of 1,117 MW commissioned in 2021 by the IPP plants. Out of the 1,117 MW commissioned in 2021, 600 MW was commissioned from the Hassyan Energy Phase 1 P.S.C.

Others

Others segments revenue of the Group for the year ended 31 December 2020 decreased by 0.7% or AED 5.3 million from AED 710.1 million in 2019 to AED 704.8 million in 2020. This decrease was due to the decrease in the revenue of ESCO because of the fewer projects in 2020 as compared to 2019, as a result from the Covid-19 pandemic. The decrease was partially offset by an increase in Mai Dubai LLC's operations and an increase in revenue from Data Hub Integrated Solutions LLC ("MORO") for the period.

For the year ended 31 December 2021, others' revenue increased by 40.2%, or AED 283.0 million from AED 704.8 million in 2020 to AED 987.8 million in 2021. The increase was in large part due to the increase in revenue from Mai Dubai LLC and as well as an increase in Digital DEWA LLC's revenue accounted from MORO as a result of an increase in cloud, co-location and managed services. The revenue from Digital DEWA LLC also increased in 2021 due to an increase in revenue from Infra X and Digital X.

Cost of sales

The Group's cost of sales is comprised of costs that have been incurred for the provision of electricity and water in Dubai together with district cooling services.

The Group's consolidated cost of sales increased by 0.6% or AED 81.9 million from AED 14,119.3 million in 2019 to AED 14,201.2 million in 2020 and increased by 9.4% or AED 1,338.6 million to AED 15,539.8 million in 2021. The increases in both years were driven by and commensurate to higher output of electricity and water, as well as increased provision of district cooling services.

Cost of sales by segments

The following table presents the Group's segmental cost of sales for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
DEWA	13,375,022	13,525,921	14,739,083	1.1%	9.0%
Empower	1,220,327	1,216,084	1,394,449	(0.3%)	14.7%
IPP	137,566	231,507	867,285	68.3%	274.6%
Others	499,513	454,823	567,905	(8.9%)	24.9%
IC cost of sales eliminations	(1,113,093)	(1,227,122)	(2,028,935)	10.2%	65.3%
Total cost of sales	**14,119,335**	**14,201,213**	**15,539,787**	**0.6%**	**9.4%**

DEWA

The following table presents the Group's cost of sales for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Generation and desalination expenditure	9,282,229	8,896,421	9,190,718	(4.2%)	3.3%
Transmission and distribution expenditure	3,820,359	4,110,149	4,418,456	7.6%	7.5%
Purchase of electricity	243,774	480,704	1,105,769	97.2%	130.0%
Purchase of water	28,660	38,647	24,140	34.8%	(37.5%)
DEWA's cost of sales	13,375,022	13,525,921	14,739,083	1.1%	9.0%

The Group's cost of sales includes generation and desalination expenditure, transmission and distribution expenditure, purchase of electricity and water.

The Group's cost of sales for the year ended 31 December 2020 increased by 1.1% or AED 150.9 million, from AED 13,375.0 million in 2019 to AED 13,525.9 million in 2020. This increase was due in large part to the increase in depreciation and staff costs during the period. This increase was partially offset by a decrease in fuel cost.

For the year ended 31 December 2021, the Group's cost of sales increased by 9.0% or AED 1,213.2 million from AED 13,525.9 million in 2020 to AED 14,739.1 million in 2021. This increase was due in large part to the increased consumption in 2021 which in turn increased electricity and water costs and repairs and maintenance expenses driving up the total cost of sales and was partially offset by a decrease in the employee benefit costs.

Generation and desalination expenditure

Generation and desalination expenditure of the Group comprise of primarily the fuel costs, allocated depreciation from generation desalination plant and other equipment, related repair and maintenance and employee costs.

The following table presents the Group's generation and desalination expenditure for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousands)		(%)	
Fuel costs	6,821,748	6,454,173	6,500,052	(5.4%)	0.7%
Depreciation	1,479,875	1,493,020	1,684,621	0.9%	12.8%
Repairs and maintenance	472,556	416,846	475,705	(11.8%)	14.1%
Employee benefit expenses	463,461	479,412	488,124	3.4%	1.8%
Others	44,589	52,970	42,216	18.8%	(20.3%)
	9,282,229	8,896,421	9,190,718	(4.2%)	3.3%

The Group's generation and desalination expenditure for the year ended 31 December 2020 decreased by 4.2% or AED 385.8 million from AED 9,282.2 million in 2019 to AED 8,896.4 million in 2020. This decrease was primarily due to the decline in the generation of power and water in line with the lower demands in 2020 due to Covid-19.

For the year ended 31 December 2021, the Group's generation and desalination expenditure increased by 3.3% or AED 294.3 million from AED 8,896.4 million in 2020 to AED 9,190.7 million in 2021. This increase was due in large part to the increase in consumption to meet the growing demand for power and water as the Covid-19 restrictions started to lift in 2021.

Transmission and distribution expenditure

Transmission and distribution expenditure of the Group comprise of primarily the allocated depreciation from the transmission and distribution networks and other assets, related repair and maintenance and employee costs.

The following table presents DEWA's transmission and distribution expenditure for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousands)		(%)	
Depreciation	2,269,244	2,466,794	2,682,658	8.7%	8.8%
Employee benefit expenses	1,358,172	1,437,882	1,461,095	5.9%	1.6%
Repairs and maintenance	138,483	151,433	230,780	9.4%	52.4%
Others	54,460	54,040	43,923	(0.8%)	(18.7%)
	3,820,359	4,110,149	4,418,456	7.6%	7.5%

The Group's transmission and distribution expenditure for the year ended 31 December 2020 increased by 7.6% or AED 289.8 million from AED 3,820.4 million in 2019 to AED 4,110.2 million in 2020. This increase was due in large part due to the increased depreciation for the transmission and distribution assets.

For the year ended 31 December 2021, the Group's transmission and distribution expenditure increased by 7.5% or AED 308.3 million from AED 4,110.2 million in 2020 to AED 4,418.5 million in 2021. This increase was due in large part to the additional depreciation and related repair and maintenance costs as the Group invested in infrastructure to strengthen the transmission and distribution network across Dubai to meet the growing demand.

Purchase of electricity

The Group's purchase of electricity for the year ended 31 December 2020 increased by 97.2% or AED 236.9 million from AED 243.8 million in 2019 to AED 480.7 million in 2020. This increase was due in large part due to the contracts in place with the IPP entities, as more capacity was commissioned during the period.

For the year ended 31 December 2021, the Group's purchase of electricity increased by 130.0% or AED 625.1 million, from AED 480.7 million in 2020 to AED 1,105.8 million in 2021. Hassyan Energy Phase 1 P.S.C's installed capacity was increased by 600 MW in 2021, increasing the costs by AED 560.3 million comprising 89.6% of the total increase in electricity costs in 2021.

Purchase of water

The Group's purchase of water for the year ended 31 December 2020 increased by 34.8% or AED 9.9 million from AED 28.7 million in 2019 to AED 38.6 million in 2020. This was due to higher offtake of water from Emirates Global Aluminium ("EGA") during the period under the water purchase agreement with them.

For the year ended 31 December 2021, the Group's purchase of water decreased by 37.5% or AED 14.5 million from AED 38.6 million in 2020 to AED 24.1 million in 2021 due to reduced offtake of water.

Empower

The following table presents Empower's cost of sales for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Utilities costs	886,007	846,609	983,520	(4.4%)	16.2%
Depreciation	252,086	283,631	303,646	12.5%	7.1%
Depreciation	*247,504*	*278,652*	*299,021*	*12.6%*	*7.3%*
Depreciation – right-of-use assets	*4,582*	*4,979*	*4,625*	*8.7%*	*(7.1%)*
Staff costs	35,450	38,355	37,970	8.2%	(1.0%)
Amortisation of financial asset	-	-	739	-	-
Amortisation of intangible asset	-	-	400	-	-
Material and other costs	46,784	47,489	68,174	1.5%	43.6%
Materials	*3,674*	*5,191*	*4,421*	*41.3%*	*(14.8%)*
Others	*43,110*	*42,298*	*63,753*	*(1.9%)*	*50.7%*
Empower**'s cost of sales**	**1,220,327**	**1,216,084**	**1,394,449**	**(0.3%)**	**14.7%**

Empower's cost of sales includes the utility costs, depreciation attributable to production, cost of material and staff costs.

Empower's cost of sales for the year ended 31 December 2020 decreased by 0.3% or AED 4.2 million, from AED 1,220.3 million in 2019 to AED 1,216.1 million in 2020. This decrease was primarily due to the reduction in utility costs due to growing operational efficiencies of plant rooms and received discounts amidst Covid-19. This decrease was partially offset by rising in operating and staff costs in 2020. Since the cost of sales is directly linked to consumption revenue, in 2020 when consumption dropped, the cost of sales also decreased due to restrictions within the economy as a result of Covid-19.

For the year ended 31 December 2021, Empower's cost of sales increased by 14.7% or AED 178.3 million, from AED 1,216.1 million in 2020 to AED 1,394.4 million in 2021. This increase was primarily due to the increase in utility costs in line with the increase in the consumption charge revenue due to growth in demand in 2021 along with a further increase in operating and staff costs in 2021. The increase was further due to the increase in consumption across all sectors as a result of the ease of Covid-19 restrictions. As consumption increased within 2021, the consumption-driven revenue increased and as a result, so did the cost of sales.

Utility costs

Empower's utility costs for the year ended 31 December 2020 decreased by 4.4% or AED 39.4 million, from AED 886.0 million in 2019 to AED 846.6 million in 2020. The decrease was primarily due to the economic downturn resulting from the Covid-19. As utility costs are directly linked to consumption revenues, the power charges and potable water charges in 2020 as compared to 2019 in line with the decrease in the consumption charge revenue and Empower's continuous focus on increasing operational efficiencies of plant rooms including demand flow optimisation, EM Smart initiative. Additionally, as an initiative from the Government, AED 12 million discount was given on electricity and water services as a relief to customers, which was also a driver in the reduced utility cost for the year.

For the year ended 31 December 2021, Empower's utility costs increased by 16.2% or AED 136.9 million, from AED 846.6 million in 2020 to AED 983.5 million in 2021. This increase was due in large part to the increase in the consumption charge revenue on account of the positive change in the economic environment and the increased operational efficiencies of plant rooms. The increase was further due to the improved economic environment compared to the previous year in line with the demand.

Material and other costs

Empower's material and other costs for the year ended 31 December 2020 increased by 1.5% or AED 0.7 million from AED 46.8 million in 2019 to AED 47.5 million in 2020. This increase was due in large part to growth in operations during the period. As Empower expanded and started serving additional buildings, there was an increase in the operating expenses as a direct result of growth. Additionally, the rising inflation was a key driver in the increase of operating expenses for the period.

For the year ended 31 December 2021 material and other costs increased by 43.6% or AED 20.7 million from AED 47.5 million in 2020 to AED 68.2 million in 2021. This increase was due in large part to the continuous growth and expansion Empower is focused on. As more connectivity and demand are driven within the economy, Empower is growing operations which in turn is directly increasing the operating expenses incurred. Additionally, inflation for the period had increased, resulting in higher operating expenses.

Staff costs attributable to Empower's cost of sales

Empower's staff costs for the year ended 31 December 2020 increased by 8.2% or AED 2.9 million, from AED 35.5 million in 2019 to AED 38.4 million in 2020. This increase was in line with the growth in operations resulting in the demand for more staff, which in turn resulted in higher staff costs for the period.

For the year ended 31 December 2021, Empower's staff costs further decreased by 1.0% or AED 0.4 million, from AED 38.4 million in 2020 to AED 38.0 million in 2021. This decrease was minor and in line with Empower's staffing requirements during the period.

Empower's standalone depreciation

Empower's standalone depreciation for the year ended 31 December 2020 increased by 12.5% or AED 31.5 million from AED 252.1 million in 2019 to AED 283.6 million in 2020. This increase was primarily due to capital expenditure of AED 988.9 million incurred during the year 2020 towards building its district cooling infrastructure (plants and networks).

For the year ended 31 December 2021, Empower's standalone depreciation increased by 7.1% or AED 20.0 million from AED 283.6 million in 2020 to AED 303.6 million in 2021. This increase was due to capital expenditure of AED 404.9 million incurred during the year 2021 and annual depreciation for capital expenditure incurred in 2020.

IPP

The following table presents IPP's cost of sales for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
	(AED thousands)			*(%)*	
Depreciation	98,136	162,928	187,553	66.0%	15.1%
Cost of sales other than depreciation	39,430	68,579	679,732	73.9%	891.2%
IPP's cost of sales	**137,566**	**231,507**	**867,285**	**68.3%**	**274.6%**

IPP's cost of sales for the year ended 31 December 2020 increased by 68.3% or AED 93.9 million, from AED 137.6 million in 2019 to AED 231.5 million in 2020. This increase was due in large part to the increase in the installed capacity at Shuaa Energy 2 P.S.C by 300 MW. As the capacity increased, the operational cost of sales and depreciation attributable to the commissioned plant in 2020, moved in line with the increased production.

For the year ended 31 December 2021 IPP's cost of sales increased by 274.6% or AED 635.8 million, from AED 231.5 million in 2020 to AED 867.3 million in 2021. This increase was due in large part to the increase in the installed capacity at Shuaa Energy 3 P.S.C, Noor Energy 1 P.S.C and Hassyan Energy Phase 1 P.S.C 300

MW, 217 MW and 600 MW respectively. Additionally, there was an increase in depreciation as installed capacity increased during the period, thus increased the cost of sales.

Others

The following table presents cost of sales of the Others segment of the Group for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Depreciation	24,660	30,876	30,514	25.2%	(1.2%)
Cost of sales other than depreciation	474,853	423,947	537,391	(10.9%)	26.8%
Others' cost of sales	**499,513**	**454,823**	**567,905**	**(8.9%)**	**24.9%**

Cost of sales from the Others segment of the Group for the year ended 31 December 2020, decreased by 8.9% or AED 44.7 million, from AED 499.5 million in 2019 to AED 454.8 million in 2020. This decrease was due in large part to the decrease in demand and revenue during the period. As the cost of goods is closely driven by consumption, the drop in consumption during the period was mainly due to the Covid-19 outbreak in 2020.

Others segment's standalone depreciation for the year ended 31 December 2020, increased by 25.2% or AED 6.2 million, from AED 24.7 million in 2019 to AED 30.9 million in 2020. This increase was due in large part to the increase in property, plant and equipment undertaken within the segment, particularly with the addition of a new production line at Mai Dubai LLC and increase in digital assets within Digital Dubai during the period.

For the year ended 31 December 2021, the Others segment's cost of sales increased by 24.9% or AED 113.1 million, from AED 454.8 million in 2020 to AED 567.9 million in 2021. This increase in the cost of sales was due in large part to the increased consumption for all of the Group's subsidiaries.

For the year ended 31 December 2021, the Others segment's standalone depreciation decreased by 1.2% or AED 0.4 million, from AED 30.9 million in 2020 to AED 30.5 million in 2021. This decrease in the standalone depreciation has been minimal and had remained in line with the depreciation from the previous year. This was due to the lack of significant additions or changes within the property, plant and equipment of the IPP segment.

Cost of sales by type

The following table presents the Group's cost of sales breakdown by type of expenditures for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Generation and desalination expenditures	9,716,755	9,437,934	9,780,699	(2.9%)	3.6%
Transmission and distribution expenditures	3,820,359	4,110,149	4,418,456	7.6%	7.5%
Purchase of power and water	46,744	102,074	97,936	118.4%	(4.1%)
Others	535,477	551,056	1,242,696	2.9%	125.5%
Total cost of sales	**14,119,335**	**14,201,213**	**15,539,787**	**0.6%**	**9.4%**

The Group's cost of sales includes generation and desalination expenditure, transmission and distribution expenditure, purchase of electricity and water.

The Group's cost of sales for the year ended 31 December 2020 increased by 0.6% or AED 81.9 million, from AED 14,119.3 million in 2019 to AED 14,201.2 million in 2020. This increase was due in large part to the significant increase in the purchase of power and water, and transmission and distribution expenditure during the period. This was slightly offset by the decrease in generation and desalination expenditure during the period.

For the year ended 31 December 2021, the Group's cost of sales increased by 9.4% or AED 1,338.6 million from AED 14,201.2 million in 2020 to AED 15,539.8 million in 2021. This increase was in large part due to the increase in generation, desalination, transmission and distribution expenditure during the period and was slightly offset by the decrease in the purchase of power and water.

Generation and desalination expenditure

The Group's generation and desalination expenditure comprise primarily of fuel costs, allocated depreciation from generation desalination plant, transmission & distribution network and other equipment, related repair and maintenance and employee costs.

The following table presents the Group's generation and desalination expenditure for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		*(%)*	
Fuel costs	6,821,748	6,454,173	6,500,052	(5.4%)	0.7%
Depreciation	1,860,815	1,977,645	2,213,432	6.3%	11.9%
Amortisation	-	-	400	-	-
Employee benefit expenses	517,047	536,299	548,894	3.7%	2.3%
Repairs and maintenance	472,556	416,846	475,705	(11.8%)	14.1%
Others	44,589	52,971	42,216	18.8%	(20.3%)
	9,716,755	**9,437,934**	**9,780,699**	**(2.9%)**	**3.6%**

Generation and desalination expenditure of the Group for the year ended 31 December 2020 decreased by 2.9% or AED 278.8 million, from AED 9,716.8 million in 2019 to AED 9,437.9 million in 2020. This decrease was primarily due to the lower fuel costs on account of decline in consumption due to Covid-19. This was partially offset by an increase in the depreciation attributable to generation and desalination plant and related assets due to the additions during the period. Further, the decrease in generation and desalination expenditure was directly commensurate with power and water produced in the plant in Jebel Ali.

Generation and desalination expenditure of the Group for the year ended 31 December 2021 increased by 3.6% or AED 342.8 million, from AED 9,437.9 million in 2020 to AED 9,780.7 million in 2021. This increase was primarily due to an increase in electricity and water production as a result of increased consumption.

Transmission and distribution expenditure

The following table presents the Group's transmission and distribution expenditure for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Depreciation	2,269,244	2,466,794	2,682,658	8.7%	8.8%
Employee benefit expenses	1,358,172	1,437,882	1,461,095	5.9%	1.6%
Repairs and maintenance	138,483	151,433	230,780	9.4%	52.4%
Others	54,460	54,040	43,923	(0.8%)	(18.7%)
	3,820,359	**4,110,149**	**4,418,456**	**7.6%**	**7.5%**

The Group's transmission and distribution expenditure primarily comprise of the allocated depreciation from the transmission and distribution network and other assets, related repair and maintenance and employee costs.

Transmission and distribution expenditure of the Group for the year ended 31 December 2020, increased by 7.6% or AED 289.7 million, from AED 3,820.4 million in 2019 to AED 4,110.1 million in 2020. This increase was primarily due to the higher depreciation charged in 2020 on transmission and distribution network and related assets due to expansion & strengthening of the system by the Group, higher operation and maintenance costs of the network and higher staff costs further contributed to the increase.

For the year ended 31 December 2021, the Group's transmission and distribution expenditure increased by 7.5%, or AED 308.4 million, from AED 4,110.1 million in 2020 to AED 4,418.5 million in 2021. This increase was primarily due to an increase in the depreciation as a result of the increased capital expenditure in transmission and distribution lines. Another key driver was an increase in the staff costs and the repairs and maintenance costs during the period, as a result of the increased consumption.

Purchase of power and water

Purchase of power and water expenditure of the Group for the year ended 31 December 2020, increased by 118.4% or AED 55.4 million, from AED 46.7 million in 2019 to AED 102.1 million in 2020. This increase was primarily due to the power import from Shams Dubai projects.

For the year ended 31 December 2021, the Group's purchase of water and power expenditure, decrease of 4.1%, or AED 4.2 million, from AED 102.1 million in 2020 to AED 97.9 million in 2021. This decrease was primarily due to a reduced purchase of water from EGA.

Administrative expenses

The following table presents the Group's administrative expenses breakdown by type of expenditures for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
	(AED thousands)			(%)	
Employee benefit expenses	1,478,032	1,574,649	1,504,018	6.5%	(4.5%)
Repairs and maintenance	403,260	399,005	240,762	(1.1%)	(39.7%)
Depreciation	267,327	288,314	335,592	7.9%	16.4%
Amortisation	66,560	57,619	80,721	(13.4%)	40.1%
Insurance	44,419	61,531	65,618	38.5%	6.6%
Provision for slow moving and obsolete inventory	7,869	-	-	-	-
Others	429,403	631,193	689,734	47.0%	9.3%
Administrative expenses	**2,696,870**	**3,012,311**	**2,916,445**	**11.7%**	**(3.2%)**

Administrative expenses of the Group principally include employee benefit expenses, repairs and maintenance of administrative assets such as office buildings and other equipment, insurance and depreciation and amortisation of administrative assets.

The Group's administrative expenses for the year ended 31 December 2020, increased by 11.7% or AED 315.4 million, from AED 2,696.9 million in 2019 to AED 3,012.3 million in 2020. This increase in employee costs is on account of the annual increments and promotions of the existing staff and additions to manpower in MORO for implementing their new data cloud services. Repair and maintenance expenditure and depreciation attributable to assets used for administrative purposes continued to remain stable. Apart from the above, administrative expenses have been in line with expectations as output and consumption increased.

For the year ended 31 December 2021, the Group's administrative expenses decreased by 3.2% or AED 95.9 million, from AED 3,012.3 million in 2020 to AED 2,916.4 million, in 2021. This decrease was largely due to the reclassification of incurred costs through services taken by Digital DEWA LLC and the reduction in employee benefits expenses, due to the cloud service provider engaged to outsource a level of capacity.

Credit impairment losses

The Group's credit impairment losses in the year ended 31 December 2020 had increased by 314.7% or AED 66.8 million from AED 21.2 million in 2019 to AED 88.0 million in 2020. This increase was due in large part to the Covid-19 resulting in financial crises for residential and commercial sectors to pay the dues in time. the Group was flexible with customers during the period, allowing connections to stay active even when bills had not been paid in time, which was mainly observed in the residential sector.

For the year ended 31 December 2021, the credit impairment losses decreased 4.8% or AED 4.2 million from AED 88.0 million in 2020 to AED 83.8 million in 2021. This decrease was primarily due to the financial recovery post the Covid-19 lockdowns leading to a decline in credit risks across all sectors.

Other income

Other income principally includes income from penalties and liquidated damages, income from damage claims, the value of free-of-cost materials received, sale of scrap, foreign currency translation gains or losses, insurance claims and income from new connections for electricity and water.

For the year ended 31 December 2020, the Group's other income increased by 13.9% or AED 46.1 million from AED 331.9 million in 2019 to AED 378.0 million in 2020. The increase in other income was largely due to the income from penalties on delayed contracts, insurance claims and materials received free of cost from contractors in the period.

Other income for the year ended 31 December 2021 was higher by 143.9% or AED 544.0 million from AED 378.0 million in 2020 to AED 922.0 million in 2021. The increase was primarily due to penalties levied on contractors for delays and a write-back of provision against deferred receivables in the year.

Operating profit

Operating profit for the year ended 31 December 2020 decreased by 13.2% or AED 843.1 million, from AED 6,381.5 million in 2019 to AED 5,538.4 million in 2020. Operating profit is heavily driven by revenue, which was significantly impacted during the period as a result of Covid-19. As the infrastructure and operational costs were partially fixed, lower revenues impacted operating margins.

Operating profit for the year ended 31 December 2021 increased by 12.1% or AED 667.5 million from AED 5,538.4 million in 2020 to AED 6,205.9 million in 2021. This increase was primarily due to the increase in electricity consumption, which in turn increased the overall revenues for the Group. As consumption across all sectors increased post-Covid-19 lockdowns, the Group's operating profit increased as a direct result of increased revenues.

Net finance costs

The table below has the net finance costs that occurred by the Group for the years as of 31 December 2019, 2020, 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)			(%)
Finance costs					
Interest on bank and other borrowings	(813,403)	(739,291)	(1,030,630)	(9.1%)	39.4%
Discounting of Cheque	-	-	(1,963)	-	-
Interest on lease liabilities	(1,213)	(1,146)	(718)	(5.5%)	(37.3%)
Amortisation on borrowing costs	(5,582)	(3,224)	-	(42.2%)	(100%)
	(820,198)	**(743,661)**	**(1,033,311)**	**(9.3%)**	**38.9%**
Amounts capitalised	576,420	475,695	650,445	(17.5%)	36.7%
	(243,778)	**(267,966)**	**(382,866)**	**9.9%**	**42.9%**
Finance income					
Amortisation of financial liabilities	8,464	(28,283)	-	(434.2%)	(100%)
Interest income on short-term bank deposits	430,773	209,335	135,413	(51.4%)	(35.3%)
Interest earned on financial assets	-	-	610	-	-
Reversal of fair value adjustment for trade receivables	62,632	58,427	29,442	(6.7%)	(49.6%)
	501,869	**239,479**	**165,465**	**(52.3%)**	**(30.9%)**
Net finance income/(cost)	**258,091**	**(28,487)**	**(217,401)**	**(111.0%)**	**663.2%**

Net finance costs comprise of finance costs including interest expense on the bank and other borrowings, interest on lease liabilities, amortisation of borrowing costs; and finance income comprising of interest income recognised on the settlement of interest rate swap contracts, interest income on short term bank deposits and the impact of discounting of financial liabilities.

Net finance income for the year ended 31 December 2020 decreased by 111.0% or AED 286.6 million from net finance income of AED 258.1 million in 2019 to report the net finance costs of AED 28.5 million in 2020. The decrease in net finance income was in large part due to the decrease in the finance income from short-term deposits with the banks and the additional financing undertaken within the IPP segment; however, this loan had a limited impact on the 2020 finance costs.

Net finance costs for the year ended 31 December 2021 increased by 663.2% or AED 188.9 million from AED 28.5 million in 2020 to AED 217.4 million in 2021. The increase in net finance costs was largely due to the drop in interest income from short term deposits, and higher interest costs incurred by IPPs as they draw down their loans. Additionally, the Group's standalone cash balance during the period was reduced, which resulted in a lower finance income, impacting the Group's overall net finance costs for the year.

Share of (loss)/profit from investments in joint ventures

Share of loss from investments in joint ventures for the year ended 31 December 2020 decreased by 4.0% or AED 0.1 million, from AED 2.5 million in 2019 to AED 2.4 million in 2020. This was primarily due to investment restructuring and losses from Ducab HV Cable Systems P.S.C and Etihad Energy Solutions.

For the year ended 31 December 2021, the share of loss from investments in joint ventures declined and the Group reported profit from investments in joint ventures of AED 0.5 million in 2021. This was primarily due to disinvestment in the joint venture with Ducab HV Cable Systems P.S.C.

Taxation

There is currently no corporate tax applicable to corporate entities operating in Dubai. Accordingly, during the years under review, the Group was not required to recognize any taxation expense, whether deferred or actual.

Remeasurements of retirement benefit obligations

Remeasurements of retirement benefit obligations represent the gain and losses arising from the change in the present value of the obligation relating to the end of service benefits ascertained by the actuary using the projected unit credit method. The re-measurement gains and losses are recognised in the period in which they occur, directly in other comprehensive income.

Cash flow hedges

The Group is exposed to interest rate movements on various borrowings maturing between 2017 and 2042. Certain Group's subsidiaries have entered into a series of interest rate swaps for the duration of the borrowings to mitigate the risk of variation in future interest rates. These interest rate swaps were designated as cash flow hedges and were assessed to be highly effective. Net unrealised losses relating to these hedging instruments are included in other comprehensive income in the period in which they occur. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

Consolidated statement of financial position

The following table presents the Group's consolidated financial position as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019*	2020	2021	2019*-2020	2020-2021
		(AED thousands)		(%)	
Assets					
Non-current assets					
Property, plant and equipment	127,811,304	140,999,406	149,472,061	10.3%	6.0%
Intangible assets	132,591	161,862	529,577	22.1%	227.2%
Investments accounted for using the equity method	5,083	5,720	640	12.5%	(88.8%)
Derivative financial instruments	88,770	4,655	10,645	(94.8%)	128.7%
Financial assets at fair value through other comprehensive income	-	57,653	58,113	-	0.8%
Other assets	537,293	606,888	456,773	13.0%	(24.7%)
Trade receivables	843,142	698,459	-	(17.2%)	(100.0%)
Other financial assets	-	-	1,191,644	-	-
Total non-current assets	**129,418,183**	**142,534,643**	**151,719,453**	**10.1%**	**6.4%**
Current assets					
Inventories	1,286,920	1,415,403	1,451,149	10.0%	2.5%
Other assets	1,447,413	1,136,976	1,001,724	(21.4%)	(11.9%)
Trade receivables	4,586,932	5,245,480	3,888,627	14.4%	(25.9%)
Other financial assets	1,805,084	2,709,446	2,181,453	50.1%	(19.5%)
Short-term deposits	8,948,567	3,309,927	4,798,864	(63.0%)	45.0%
Cash and cash equivalents	2,829,641	3,573,091	4,406,164	26.3%	23.3%
Total current assets	**20,904,557**	**17,390,323**	**17,727,981**	**(16.8%)**	**1.9%**
Total assets	**150,322,740**	**159,924,966**	**169,447,434**	**6.4%**	**6.0%**
Equity and liabilities					
Equity					
Share capital	-	-	500,000	-	-
Government of Dubai account	38,410,937	39,829,878	40,037,040	3.7%	0.5%
General reserve	49,452,877	52,239,576	53,343,435	5.6%	2.1%
Statutory reserve	351,953	352,103	355,467	0.0%	1.0%
Hedging reserve	(857,543)	(1,982,987)	(1,236,145)	131.2%	(37.7%)
	87,358,224	90,438,570	92,999,797	3.5%	2.8%
Non-controlling interests	516,125	(416,991)	591,911	(180.8%)	(241.9%)
Total equity	**87,874,349**	**90,021,579**	**93,591,708**	**2.4%**	**4.0%**
Liabilities					
Non-current liabilities					
Borrowings	10,655,686	16,534,142	23,325,798	55.2%	41.1%
Retirement benefits obligations	967,117	1,036,398	1,008,904	7.2%	(2.7%)
Derivative financial instruments	1,723,128	3,825,387	2,259,830	122.0%	(40.9%)
Lease liabilities	19,860	14,887	11,939	(25.0%)	(19.8%)
Other long-term liabilities	28,361,679	30,611,159	31,499,170	7.9%	2.9%
Total non-current liabilities	**41,727,470**	**52,021,973**	**58,105,641**	**24.7%**	**11.7%**
Current liabilities					
Trade and other payables	13,678,108	14,649,234	13,781,679	7.1%	(5.9%)
Borrowings	6,255,989	2,265,240	3,430,072	(63.8%)	51.4%
Derivative financial instruments	32,626	12,254	156,297	(62.4%)	1175.5%
Lease liabilities	7,152	6,438	3,013	(10.0%)	(53.2%)
Total current liabilities	**19,973,875**	**16,933,166**	**17,371,061**	**(15.2%)**	**2.6%**
Total liabilities	**61,701,345**	**68,955,139**	**75,476,702**	**11.8%**	**9.5%**
Total equity and liabilities	**149,575,694**	**158,976,718**	**169,068,410**	**6.3%**	**6.3%**
Regulatory deferral account credit balance	747,046	948,248	379,024	26.9%	(60.0%)
Total equity, liabilities and regulatory deferral account credit balance	**150,322,740**	**159,924,966**	**169,447,434**	**6.4%**	**6.0%**

* *There have been limited reclassifications and presentation changes in the financial statements for FY21 and FY20 as compared to FY19. However, the FY19 figures and presentation in this document have been kept in conformity with the audited financials for FY19.*

Non-current assets

Property, plant and equipment

The following table sets forth the gross book value, accumulated depreciation and carrying amount of the Group's property, plant and equipment assets as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
			(AED thousands)	(%)	
Land and buildings	38,960,267	40,968,153	42,990,632	5.2%	4.9%
Right-of-use assets	30,988	33,698	54,838	8.7%	62.7%
Generation and desalination plants	41,884,523	47,596,689	53,927,448	13.6%	13.3%
Transmission and distribution networks	63,527,693	68,535,991	73,573,789	7.9%	7.4%
Other equipment and assets	2,559,574	2,976,753	3,272,869	16.3%	9.9%
Capital work in progress	23,704,844	28,027,895	27,544,444	18.2%	(1.7%)
Gross book value	**170,667,889**	**188,139,179**	**201,364,020**	**10.2%**	**7.0%**
Land and buildings	(3,253,542)	(3,558,002)	(3,902,515)	9.4%	9.7%
Right-of-use assets	(6,620)	(14,594)	(30,982)	120.5%	112.3%
Generation and desalination plants	(17,403,916)	(18,843,193)	(20,490,175)	8.3%	8.7%
Transmission and distribution networks	(20,297,398)	(22,563,408)	(24,999,621)	11.2%	10.8%
Other equipment and assets	(1,895,109)	(2,160,576)	(2,468,666)	14.0%	14.3%
Accumulated depreciation	**(42,856,585)**	**(47,139,773)**	**(51,891,959)**	**10.0%**	**10.1%**
Land and buildings	35,706,725	37,410,151	39,088,117	4.8%	4.5%
Right-of-use assets	24,368	19,104	23,856	(21.6%)	24.9%
Generation and desalination plants	24,480,607	28,753,496	33,437,273	17.5%	16.3%
Transmission and distribution networks	43,230,295	45,972,583	48,574,168	6.3%	5.7%
Other equipment and assets	664,465	816,177	804,203	22.8%	(1.5%)
Capital work in progress	23,704,844	28,027,895	27,544,444	18.2%	(1.7%)
Total net book amount	**127,811,304**	**140,999,406**	**149,472,061**	**10.3%**	**6.0%**

Property, plant and equipment of the Group includes land and buildings, right-of-use assets, generation and desalination plants, transmission and distribution networks, other equipment and assets and capital work in progress. Net book value of the property, plant and equipment of the Group as at 31 December 2020 increased by 10.3% or AED 13,188.1 million from AED 127,811.3 million in 2019 to AED 140,999.4 million in 2020. This increase was primarily due to capital expenditure across all major classes of property, plant and equipment except right-of-use of assets as described below.

(i) Net book value of land and buildings of the Group as at 31 December 2020 increased by 4.8% or AED 1,703.5 million from AED 35,706.7 million in 2019 to AED 37,410.2 million in 2020. This increase was primarily due to the transfer and capitalization of land amounting to AED 1,419.0 million by the Government of Dubai based on the valuations obtained from the Land Department.

(ii) Net book value of right-of-use assets of the Group decreased by 21.6% or AED 5.3 million from AED 24.4 million in 2019 to AED 19.1 million in 2020. This decrease was primarily due to the depreciation charged during the year on the right-of-use assets.

(iii) Generation and desalination plants' net book value of the Group as at 31 December 2020 increased by 17.5% or AED 4,272.9 million from AED 24,480.6 million in 2019 to AED 28,753.5 million in 2020. This increase was primarily due to increase in the installed capacity at Shuaa Energy 2 P.S.C and Hassyan Energy Phase 1 P.S.C

(iv) Net book value of transmission and distribution networks of the Group as at 31 December 2020 increased by 6.3% or AED 2,742.3 million from AED 43,230.3 million in 2019 to AED 45,972.6 million in 2020. This increase was primarily due to the installation of power transformers and capital expenditure on water distribution networks and pipeline installation in different locations of Dubai.

(v) Other equipment's net book of the Group as at 31 December 2020 increased by 22.8% or AED 151.7 million from AED 664.5 million in 2019 to AED 816.2 million in 2020. This increase was primarily due to additions to the fire-fighting trucks, diesel generators, trucks and trailers, computer equipment and other different equipment.

(vi) Capital work in progress of the Group as at 31 December 2020 increased by 18.2% or AED 4,323.1 million from AED 23,704.8 million in 2019 to AED 28,027.9 million in 2020. This increase was primarily due to the construction of additional electricity generation, water desalination facilities and distribution networks through the internal team as well as through external contractors.

(vii) Reversal of impairment of property, plant and equipment corresponding to upcoming buildings in the Jumeriah Village project which was recognised earlier in 2017 amounted AED 53.3 million in the year ended 2020 and AED 80.3 million in the year ended 2019, and further strengthened the growth in the net book value of property, plant and equipment in 2020.

Net book value of property, plant and equipment of the Group as at 31 December 2021 increased by 6.0% or AED 8,472.7 million from AED 140,999.4 million in 2020 to AED 149,472.1 million in 2021. This increase was majorly due to additions across all major classes of property, plant and equipment excluding right-of-use of assets as detailed below.

(i) Net book value of land and buildings of the Group as at 31 December 2021 increased by 4.5% or AED 1,677.9 million from AED 37,410.2 million in 2020 to AED 39,088.1 million in 2021. This increase was primarily due to land received from the Government of Dubai and capitalization of staff accommodation and innovation centre.

(ii) Net book value of right-of-use assets of the Group in 31 December 2021 increased by 24.9% or AED 4.8 million from AED 19.1 million in 2020 to AED 23.9 million in 2021. This increase was primarily due to the transfer of assets from the generation and desalination plant partially offset by depreciation charge during the period.

(iii) The Group's generation and desalination plants' net book value as at 31 December 2021 increased by 16.3% or AED 4,683.8 million from AED 28,753.5 million in 2020 to AED 33,437.3 million in 2021. This increase was primarily due to additions in the Shuaa Energy 3, Hassyan Energy Phase 1 P.S.C and Noor Energy 1 P.S.C and the assets taken over by Empower from Nakheel.

(iv) The Group's transmission and distribution networks' net book value as at 31 December 2021 increased by 5.7 % or AED 2,601.6 million from AED 45,972.6 million in 2020 to AED 48,574.2 million in 2021 primarily due to the capitalisation of various substations and other networks.

(v) Other equipment and assets' net book value of the Group as at 31 December 2021 decreased by 1.5% or AED 12.0 million from AED 816.2 million in 2020 to AED 804.2 million in 2021 primarily due to additions to IT related assets and vehicles.

(vi) Capital work in progress' net book value of the Group as at 31 December 2021 decreased by 1.7% or AED 483.5 million from AED 28,027.9 million in 2020 to AED 27,544.4 million in 2021 primarily due to capitalisation of assets under land and buildings, generation and desalination plants, transmission and distribution networks and other equipment on account of completion of construction projects. This decrease was partially offset by the capitalised costs of various construction projects undertaken by the Group during the year.

(vii) Reversal of impairment of property, plant and equipment amounted to AED 32.3 million in the year ended 2021 supported the growth in the net book value of property, plant and equipment in 2021.

Intangible assets

The following table presents a summary of the Group's intangible assets as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Computer software	352,061	438,951	523,091	24.7%	19.2%
Others	-	-	364,696	-	-
Gross book value	**352,061**	**438,951**	**887,787**	**24.7%**	**102.3%**
Computer software	(219,470)	(277,089)	(357,810)	26.3%	29.1%
Others	-	-	(400)	-	-
Accumulated depreciation	**(219,470)**	**(277,089)**	**(358,210)**	**26.3%**	**29.3%**
Computer software	132,591	161,862	165,281	22.1%	2.1%
Others	-	-	364,296	-	-
Total net book amount	**132,591**	**161,862**	**529,577**	**22.1%**	**227.2%**

The Group's intangible assets comprise of computer software and others. Intangible assets as at 31 December 2020 increased by 22.1% or AED 29.3 million from AED 132.6 million in 2019 to AED 161.9 million in 2020. This increase was primarily due to the capitalization of software and licenses including DEL EMC data protection suit, 2900 perpetual licenses, SAP ETD license, Cloudera, Infoblox solution for internal DNS and BMC Digital Workplace for 70 licenses.

As at 31 December 2021, the Group's intangible assets increased by 227.2% or AED 367.7 million from AED 161.9 million in 2020 to AED 529.6 million in 2021. This increase was primarily due to capitalization of software and licenses including Mesh Headend System, 150 & 151 TB, Rammas virtual agent (Chatbot), SITC HES software, BMC TrueSight – new licenses, Zonos smart meter license, RHEL VDC, NMS phase II, Red hat enterprise suite and Neptuner licenses. Further, Empower paid AED 364.7 million to obtain the right to use the district cooling assets from Nakheel for a period of 30 years being recognized as intangible assets.

Investments accounted for using the equity method

The following table presents a summary of the Group's Investments accounted for using the equity method as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Utility Management LLC	489	489	490	0.0%	0.2%
Etihad Energy International Company LLC	-	1,450	-	-	(100.0%)
Etihad Smart Energy Solutions LLC	-	-	150	-	-
Dubai Carbon Centre of Excellence	1,132	-	-	(100.0%)	-
Ducab HV Cable Systems PJSC	3,462	3,781	-	9.2%	(100.0%)
	5,083	**5,720**	**640**	**12.5%**	**(88.8%)**

The Group's investments accounted for using the equity method comprise various investments in joint ventures.

Investments accounted for using the equity method as at 31 December 2020 increased by 12.5% or AED 0.6 million from AED 5.1 million in 2019 to AED 5.7 million in 2020. This increase in 2020 was primarily due to the transfer of associates from investment in subsidiaries in ESCO which was partially offset by the sale of 25% shareholding in Dubai Carbon Centre of Excellence.

The Group's investments accounted for using the equity method as at 31 December 2021 decreased by 88.8% or AED 5.1 million from AED 5.7 million in 2020 to AED 0.6 million in 2021. In 2021, the decrease was largely due to the exit from the joint ventures, particularly Etihad Energy International Company LLC and Ducab HV Cable Systems PJSC.

Derivative financial instruments (assets)

The following table presents a summary of the Group's derivative financial assets as at 31 December 2019, 2020 and 2021.

	As at 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Derivatives measured at fair value	88,770	4,655	10,645	(94.8%)	128.7%

The Group's derivative financial instruments comprise of series of interest rate swaps, entered by the Group, to hedge interest rate risks on floating-rate loans. These derivative financial instruments are thus identified as hedging instruments and are accounted for as cash flow hedges.

Derivative financial assets as at 31 December 2020 decreased by 94.8% or AED 84.1 million from AED 88.8 million in 2019 to AED 4.7 million in 2020. This decrease was primarily due to a reduction in London Inter-bank Offered Rate (LIBOR) and thus the floating rates in 2020, resulting in the reduction of fair values of the hedging instruments and an unfavourable position for the Group.

The Group's derivative financial assets as at 31 December 2021 increased by 128.7% or AED 5.9 million, from AED 4.7 million in 2020 to AED 10.6 million in 2021. The increase was primarily due to an increase in LIBOR and thus the floating rates in 2021, resulting in the higher fair values of the hedging instruments for the Group.

Financial assets measured at fair value through other comprehensive income

The following table presents a summary of the Group's financial assets measured at fair value through other comprehensive income as at 31 December 2019, 2020 and 2021.

	As at 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
At the beginning of the period/year	-	-	57,653	-	-
Additions during the period/year	-	55,372	-	-	-
Fair value adjustment during the period/year...	-	2,281	460	-	(79.8)
At the end of the period/year	**-**	**57,653**	**58,113**	**-**	**0.8%**

Financial assets measured at fair value through other comprehensive income of the Group comprise of an investment in Tier 1 Capital Certificates ("the Bonds") issued at their par value.

The Group reported financial assets measured at fair value through other comprehensive income at AED 57.7 million as at 31 December 2020 due to investments in the Bonds. As a result of the fair value gains during 2021, reported carrying amount in 2021 increased by 0.8% or AED 0.5 million from AED 57.7 million in 2020 to AED 58.1 million in 2021.

Other assets

The following table presents a summary of the Group's Other assets as at 31 December 2019, 2020 and 2021.

	As at 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Advances to suppliers	1,936,478	1,616,444	1,346,191	(16.5%)	(16.7%)
Prepayments...	48,228	127,420	112,306	164.2%	(11.9%)
Total	**1,984,706**	**1,743,864**	**1,458,497**	**(12.1%)**	**(16.4%)**
Less: current portion	(1,447,413)	(1,136,976)	(1,001,724)	(21.4%)	(11.9%)
Non-current portion	537,293	606,888	456,773	13.0%	(24.7%)

Other assets of the Group include advances given to the supplier and prepayments. Other assets as at 31 December 2020 decreased by 12.1% or AED 240.8 million from AED 1,984.7 million in 2019 to AED 1,743.9 million in 2020. This decrease was primarily due to the lower advances given to contractors in line with the quantum, nature and value of the infrastructure projects including power stations and transmission infrastructure undertaken in 2020. This decrease was slightly offset by rise in prepayments for various executory contracts that the Group entered in 2020.

Other assets of the Group as at 31 December 2021 decreased by 16.4% or AED 285.4 million from AED 1,743.9 million in 2020 to AED 1,458.5 million in 2021. This decrease was due to the lower advances paid to contractors on infrastructure projects as in line with the quantum, nature and value of the projects handled in 2021.

Trade receivables (non-current portion)

The following table presents a summary of the Group's Trade receivables as at 31 December 2019, 2020 and 2021.

	As at 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
	(AED thousands)			(%)	
Trade receivables.......................................	4,872,054	5,482,717	3,271,063	12.5%	(40.3%)
Accrued Revenue	814,724	805,896	1,040,108	(1.1%)	29.1%
Less: provision for impairment of receivables..	(256,704)	(344,674)	(422,544)	34.3%	22.6%
Trade receivables and accrued revenue – net	**5,430,074**	**5,943,939**	**3,888,627**	**9.5%**	**(34.6%)**
Less: current portion..................................	(4,586,932)	(5,245,480)	(3,888,627)	14.4%	(25.9%)
Non-current portion................................	**843,142**	**698,459**	**-**	**(17.2%)**	**(100%)-**

The Group's trade receivables (non-current portion) primarily comprise of receivables due from the Government entities.

Non-current portion of trade receivables as at 31 December 2020 decreased by 17.2% or AED 144.6 million from AED 843.1 million in 2019 to AED 698.5 million in 2020. This decrease was primarily due to a drop in demand by the government sector as a result of the Covid-19 outbreak in 2020.

For the year ended 31 December 2021, the non-current portion of trade receivables decreased by 100.0% or AED 698.5 million from AED 698.5 million in 2020 to nil in 2021 upon settlement of the full amount by the Government of Dubai during the year.

Other financial assets

The following table presents a summary of the Group's non-current portion of Other financial assets as at 31 December 2019, 2020 and 2021.

	As at 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
	(AED thousands)			(%)	
National bonds...	483,217	387,061	397,099	(19.9%)	2.6%
Other receivables.......................................	1,369,780	2,370,298	3,023,911	73.0%	27.6%
Less: provision for impairment of other receivables..	(47,913)	(47,913)	(47,913)	0.0%	0.0%
Total..	**1,805,084**	**2,709,446**	**3,373,097**	**50.1%**	**24.5%**
Less: current portion..................................	(1,805,084)	(2,709,446)	(1,191,644)	50.1%	(56.0%)
Non-current portion...................................	-	-	2,181,453	-	-

Other financial assets of the Group include investments in UAE National bonds which are unrated and Other receivables including housing and sewerage fee receivable on behalf of a related party and interest receivable on bank deposits.

Other financial assets as at 31 December 2020 increased by 50.1% or AED 904.3million from AED 1,805.1 million in 2019 to AED 2,709.4 million in 2020. The increase is mainly due to the additional investments made by DGF in various financial instruments.

Other financial assets as at 31 December 2021 increased by 24.5% or AED 663.7 million from AED 2,709.4 million in 2020 to AED 3,373.1 million in 2021. This increase was primarily due to the increase in liquidated damages receivables from the EPC contractor working on the Hassyan Energy Phase 1 P.S.C project during the period. There was a slight increase in the Dubai Green Fund Investments LLC's other receivables, thus led to the increase in Other financial assets during the period.

Current assets

Inventories

The following table presents a summary of the Group's Inventories as at 31 December 2019, 2020 and 2021.

	As at 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Consumable and others	407,655	563,629	642,947	38.3%	14.1%
Less: provision for slow moving and obsolete inventories	(157,524)	(177,032)	(205,653)	12.4%	16.2%
	250,131	**386,597**	437,294	54.6%	13.1%
Fuel	1,036,789	1,028,806	1,013,855	(0.8%)	(1.5%)
Total	**1,286,920**	**1,415,403**	**1,451,149**	**10.0%**	**2.5%**

The Group's inventories comprise of consumables and repair spares and operating stock of fuel. Inventories as at 31 December 2020 increased by 10.0% or AED 128.5 million from AED 1,286.9 million in 2019 to AED 1,415.4 million in 2020. This increase was primarily due to the drop in consumption due to Covid-19 in 2020. As a result of reduced consumption during the year, the Group was impacted leading to the accumulation of inventories, whereas Empower continued to keep the inventories level lower due to a diversified portfolio of products responsible for keeping the demand stable in 2020.

The Group's inventories as at 31 December 2021 increased by 2.5% or AED 35.7 million from AED 1,415.4 million in 2020 to AED 1,451.1 million in 2021. This increase was primarily due to increase in the stock of non-natural gas fuel in Hassyan Energy Phase 1 P.S.C. Additionally, Empower has maximized its production capacity, creating the need to maintain higher levels of inventory.

Other assets

Both current and non-current portions of other assets are covered and analysed in Section 10.1 Non-current assets, Non-current portion of Other assets to maintain unity of the topic.

Trade receivables

The following table presents a summary of the Group's current trade receivables as at 31 December 2019, 2020 and 2021.

	As at 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Trade receivables	4,872,054	5,482,717	3,271,063	12.5%	(40.3%)
Accrued revenue	814,724	805,896	1,040,108	(1.1%)	29.1%
Less: provision for impairment of receivables	(256,704)	(344,674)	(422,544)	34.3%	22.6%
Trade receivables and accrued revenue – net	**5,430,074**	**5,943,939**	**3,888,627**	**9.5%**	**(34.6%)**
Less: non-current portion	(843,142)	(698,459)	-	(17.2%)	(100%)
Current portion	**4,586,932**	**5,245,480**	**3,888,627**	**14.4%**	**(25.9%)**

The Group's trade receivables (current portion) primarily comprise receivables due from the non-Government entities, the current portion of dues from the Government entities and accrued revenue net of provision for impairment. Trade receivables (current portion) as at 31 December 2020, increased by 14.4% or AED 658.6 million from AED 4,586.9 million in 2019 to AED 5,245.5 million in 2020. As the residential and commercial customers were unable to make payments on time due to Covid-19, the Group was lenient in the collection process which in turn increased the trade receivables in 2020.

The Group's current portion of trade receivables as at 31 December 2021 decreased by 25.9% or AED 1,356.9 million from AED 5,245.5 million in 2020 to AED 3,888.6 million in 2021. This decrease was primarily due to

Department of Finance ("DoF") settlement as well as the improvement in the economic state leading to higher collections in line with the regular policy and lower receivables.

Other financial assets

Both current and non-current portions of other financial assets are covered and analysed in Section 10.1 Non-current assets, Other financial assets to maintain unity of the topic.

Cash and cash equivalents

The following table presents a summary of the Group's cash and bank balances as at 31 December 2019, 2020 and 2021.

	As at 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Current and call accounts with banks and other institutions	2,827,654	3,569,781	4,403,945	26.2%	23.4%
Cash on hand	1,987	3,310	2,219	66.6%	(33.0%)
Total cash and cash equivalents	**2,829,641**	**3,573,091**	**4,406,164**	**26.3%**	**23.3%**

Cash and cash equivalents of the Group comprise of current and call accounts with banks and other institutions, and cash on hand. Cash and cash equivalents as at 31 December 2020 increased by 26.3% or AED 743.5 million from AED 2,829.6 million in 2019 to AED 3,573.1 million in 2020. This increase was primarily due to proceeds of matured short-term deposits, cash inflow on account of more borrowings by the IPPs and payment of lower dividends in 2020 as compared to 2019 (see further *"— Consolidated Statement of Cash Flows*").

The Group's cash and cash equivalents as at 31 December 2021 increased by 23.3% or AED 833.1 million from AED 3,573.1 million in 2020 to AED 4,406.2 million in 2021. This increase was primarily due to increased cash flow from operating activities. This increase was partially offset by payment of higher dividends in 2021 as compared to 2020 (see further *"— Consolidated Statement of Cash Flows*").

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following:

	As at 31 December *(AED thousands)*			**Increase/(Decrease)** (%)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
Cash and cash equivalents	**2,829,641**	**3,573,091**	**4,406,164**	26.3%	23.3%
Add: term deposits (maturity less than 3 months)	175,000	2,207,052	1,008,223	1161.2%	(54.3%)
Bank overdrafts (See further *"Borrowings"*)	(498,806)	(477,629)	(442,339)	(4.2%)	(7.4%)
Cash and cash equivalents for the purpose of cash flow	**2,505,835**	**5,302,514**	**4,972,048**	**111.6%**	**(6.2%)**

Short term deposits

The following table presents a summary of the Group's short-term deposits with original maturity greater than three months as at 31 December 2019, 2020 and 2021.

	As at 31 December *(AED thousands)*			**Increase/(Decrease)** (%)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
Term deposits with banks	8,948,567	3,309,927	4,798,864	(63.0%)	45.0%

Short term deposits as at 31 December 2020 decreased by 63.0% or AED 5,638.7 million from AED 8,948.6 million in 2019 to AED 3,309.9 million in 2020 primarily due to maturity of certain short-term deposits and lower investments during the year.

The Group's short-term deposits as at 31 December 2021 increased by 45.0% or AED 1,488.9 million from AED 3,309.9 million in 2020 to AED 4,798.9 million in 2021 due to additional investments to utilize surplus cash during the period.

Equity

Share Capital

An amount of AED 500.0 million has been transferred to share capital account from the Government of Dubai account. Subsequent to the year end, the Board of Directors of (the Company) have authorised the breakup of the share capital into 50 billion shares of AED 0.01 each. The Company has updated its Articles of Association to reflect this share capital and its breakup thereof. All the shares of the Company shall rank equally with one another in all aspects.

Government of Dubai account

The Government of Dubai account represents cash and non-cash contributions made by the Government of Dubai as the owner of the Group since the incorporation of the group.

The Group's Government of Dubai account as at 31 December 2020 increased by 3.7% or AED 1,419 million from AED 38,410.9 million in 2019 to AED 39,829.9 million in 2020. This was primarily due to the transfer of land by the Government of Dubai which was capitalised based on valuations obtained by the Land Department of the Government of Dubai and was treated as capital contribution.

The Group's Government of Dubai account as at 31 December 2021 increased by 0.5% or AED 207.1 million from AED 39,829.9 million in 2020 to AED 40,037.0 million in 2021. This increase was primarily due to the land transfer from the Government of Dubai which was treated as capital contributions and was partially offset by the transfer to share capital account.

General reserve

General reserve represents surplus distributable profits earned by the Group. The Group's general reserve as at 31 December 2020 increased by 5.6% or AED 2,786.7 million from AED 49,452.9 million in 2019 to AED 52,239.6 million in 2020. As at 31 December 2021, general reserve further increased by 2.1% or AED 1,103.8 million to AED 53,343.4 million in 2021. This was primarily due to the transfer of profits earned during the years from retained earnings and partially offset by the dividends paid to the Government of Dubai.

Statutory reserve

As required by applicable law and articles of association of certain subsidiaries, 10% of the net profit for each period in those subsidiaries is transferred to a statutory reserve. Such transfers to reserves may cease when this reserve equals 50% of the issued share capital. The reserve is not available for distribution except as stipulated by the law.

The Group's statutory reserves as at 31 December 2020 increased by 0.04% or AED 0.1 million from AED 352.0 million in 2019 to AED 352.1 million in 2020. As at 31 December 2021, the statutory reserves further increased by 1% or AED 3.4 million from AED 352.1 million in 2020 to AED 355.5 million in 2021, in line with the applicable provisions.

Hedging reserve

The hedging reserve represents the fair value of derivatives which are part of effective cash flow hedging relationships at year-end. As the derivatives are held for hedging purposes as defined by IFRS 9, their fair value movements are retained in other comprehensive income instead of being charged to the income statement during the year. The fair value movements will be charged to the consolidated statement of profit or loss in the same period as the corresponding hedged transactions.

The Group's accumulated losses as hedging reserves as at 31 December 2020 increased by 131.2% or AED 1,125.5 million from AED 857.5 million in 2019 to AED 1,983.0 million in 2020 and decreased in 2021 by 37.7% or AED 746.9 million to AED 1,236.1 million. This movement in the accumulated losses under hedging reserves was due to the recognition of unrealised losses and gains relating to the hedging instruments on account of unfavourable and favourable movement in LIBOR in 2020 and 2021 respectively.

Non-current liabilities

Borrowings

The following table presents a summary of the Group's non-current borrowings as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Others	10,655,686	16,534,142	23,325,798	55.2%	41.1%

The Group's non-current portion of borrowings comprise of various loan facilities taken by IPPs, Empower and other Group companies. Non-current borrowings as at 31 December 2020 increased by 55.2% or AED 5,878.4 million from AED 10,655.7 million in 2019 to AED 16,534.1 million in 2020. This increase was primarily due to the expansion of IPP projects primarily from Noor Energy 1 P.S.C, Hassyan Energy Phase 1 P.S.C, Shuaa Energy 2 P.S.C and Shuaa Energy 3 P.S.C, aggregating to AED 5.3 billion. In addition, Empower had taken a loan worth AED 970 million, during the period, for funding the capital expenditure.

Non-current borrowings as at 31 December 2021 increased by 41.1% or AED 6,791.7 million from AED 16,534.1 million in 2020 to AED 23,325.8 million in 2021. This increase was primarily due to the additional loans taken by IPPs including Noor Energy 1 P.S.C, Shuaa Energy 3 P.S.C and Hassyan Energy Phase 1 P.S.C to meet their capital expenditure obligations.

Retirement benefits obligations

The following table presents a summary of the Group's non-current retirement benefits obligations as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Provision for employees' end of service benefits	892,679	962,091	937,561	7.8%	(2.5%)
Provision for pension	85,795	86,706	83,017	1.1%	(4.3%)
Total	**978,474**	**1,048,797**	**1,020,578**	7.2%	(2.7%)
Less: non-current portion	(967,117)	(1,036,398)	(1,008,904)	7.2%	(2.7%)
Current portion	11,357	12,399	11,674	9.2%	(5.8%)

Retirement benefits obligations of the Group relate to provision for gratuity or end of service benefits and pension made by the Group.

Retirement benefits obligations as at 31 December 2020 increased by 7.2% or AED 70.3 million from AED 978.5 million in 2019 to AED 1,048.8 million in 2020. This increase was primarily on account of the incremental period for which gratuity has been accrued and the provision made for the period ended 2020. This increase in provision was partially offset by the pay-out.

The Group's retirement benefits obligations as at 31 December 2021 decreased by 2.7% or AED 28.2 million from AED 1,048.8 million in 2020 to AED 1,020.6 million in 2021 primarily due to the gains recognised based on actuarial valuations.

Derivative financial instruments (liabilities)

The following table presents a summary of the Group's outstanding derivative financial instruments as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Derivative financial instruments (liabilities)	1,755,754	3,837,641	2,416,127	118.6%	(37.0%)
Less: non-current portion	1,723,128	3,825,387	2,259,830	122.0%	(40.9%)
Current portion	32,626	12,254	156,297	(62.4%)	1175.5%

Derivative financial instruments of the Group comprise of series of interest rate swaps, entered by the Group, to hedge interest rate risks on floating-rate loans. These derivative financial instruments are thus identified as hedging instruments and are accounted for as cash flow hedges.

Derivative financial liabilities as at 31 December 2020 increased by 118.6% or AED 2,081.8 million from AED 1,755.8 million in 2019 to AED 3,837.6 million in 2020. This increase was primarily due to the reduction in London Inter-bank Offered Rate ("LIBOR") and thus the floating rates in 2020, resulting in the reduction of fair values of the hedging instruments and an unfavourable position for the Group.

As at 31 December 2021, derivative financial liabilities decreased by 37.0% or AED 1,421.5 million, from AED 3,837.6 million in 2020 to AED 2,416.1 million in 2021. This decrease was primarily due to the increase in LIBOR and thus the floating rates in 2021, resulting in the higher fair values of the hedging instruments for the Group.

Lease liabilities

The following table presents a summary of the Group's lease liabilities as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
At 1 January	32,057	27,012	21,325	(15.7%)	(21.1%)
Additions during the year	1,805	2,710	1,070	50.1%	(60.5%)
Payments during the year	(6,850)	(8,397)	(7,443)	22.6%	(11.4%)
At 31 December	27,012	21,325	14,952	(21.1%)	(29.9%)
Less: current portion................................	(7,152)	(6,438)	(3,013)	(10.0%)	(53.2%)
Non-current portion.................................	19,860	14,887	11,939	(25.0%)	(19.8%)

The Group's lease liabilities as at 31 December 2020 decreased by 21.1% or AED 5.7 million from AED 27.0 million in 2019 to AED 21.3 million in 2020 and further decreased by 29.9% or AED 6.3 million to AED 15.0 million in 2021. This decrease was primarily due to the lease payments made by Mai Dubai LLC and Empower under respective lease arrangements in 2020 and 2021.

Other long-term liabilities

The following table presents a summary of the Group's other long-term liabilities as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
		(AED thousands)		(%)	
Deferred revenue (non-current portion).......................	19,500,563	21,851,900	23,585,317	12.1%	7.9%
Advances for new connections (non-current portion)	8,182,753	8,094,457	7,037,619	(1.1%)	(13.1%)
Retentions payable (non-current portion)....................	678,363	664,802	876,234	(2.0%)	31.8%
Total..	**28,361,679**	**30,611,159**	**31,499,170**	**7.9%**	2.9%

The Group's other long-term liabilities comprise of non-current portions of deferred revenue, advances for new connections, and retentions payable. Other long-term liabilities as at 31 December 2020 increased by 7.9% or AED 2,249.5 million from AED 28,361.7 million in 2019 to AED 30,611.2 million in 2020. This increase was primarily due to increase in the non-current portion of deferred revenue on account of growth in transmission and distribution networks in 2020 and transfer from the advance for new connections (non-current portion) upon completion of inhouse projects. This increase was partially offset by a decline in retention payable (non-current portion) primarily in line with the quantum, nature and value of the infrastructure projects undertaken in 2020 and any delays in completion.

The Group's other long-term liabilities as at 31 December 2021 increased by 2.9% or AED 888.0 million from AED 30,611.2 million in 2020 to AED 31,499.2 million in 2021. This increase was primarily due to growth in the non-current portion of deferred revenue due to growth in transmission and distribution networks and transfer from the advance for new connections upon completion of inhouse projects in 2021. This was further supported by an increase in retention payable in line with the quantum, nature and value of the infrastructure projects undertaken in 2021 and any delays in completion.

Current liabilities

Trade and other payables

The following table presents a summary of the Group's trade and other payables as at 31 December 2019, 2020 and 2021.

	As at 31 December			**Increase/(Decrease)**	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
	(AED thousands)			(%)	
Consumers' security deposits	3,267,084	3,437,285	3,797,877	5.2%	10.5%
Capital projects payables	3,019,769	3,218,986	2,120,104	6.6%	(34.1%)
Trade payables	2,035,913	2,309,294	1,599,340	13.4%	(30.7%)
Retentions payable (current portion)	1,297,659	1,696,034	1,569,971	30.7%	(7.4%)
Deferred revenue (current portion)	986,983	855,240	1,040,856	(13.3%)	21.7%
Advances for new connections (current portion)	909,194	899,384	781,958	(1.1%)	(13.1%)
Accrual for staff benefits	138,207	260,044	269,969	88.2%	3.8%
Retirement benefit obligations (current portion)	11,357	12,399	11,674	9.2%	(5.8%)
Other payables	2,011,942	1,960,568	2,589,930	(2.6%)	32.1%
Total	**13,678,108**	**14,649,234**	**13,781,679**	7.1%	**(5.9%)**

The Group's trade and other payables comprise security deposits from consumers, capital projects payables, trade payables, accrual for staff benefits, other payables along with the current portion of retentions payable, deferred revenue, advances for new connections and retirement benefits obligations.

Trade and other payables as at 31 December 2020 increased by 7.1% or AED 971.1 million from AED 13,678.1 million in 2019 to AED 14,649.2 million in 2020. This increase was primarily due to additional deposits from the customers, an increase in payables for the capital projects and outstanding trade payables mainly for DEWA and Empower. Further, the current portion of retentions payable increased commensurate with the infrastructure projects undertaken in 2020. This overall increase was partially offset by a decrease in Other payables due in large part to the settlement of the other outstanding balances in 2020 and the current portion of deferred revenue.

The Group's trade and other payables as at 31 December 2021 decreased by 5.9% or AED 867.5 million from AED 14,649.2 million in 2020 to AED 13,781.7 million in 2021. This decrease was primarily due to the decline in the payables for capital projects, trade payables and current portion of retention payables and was partially offset by increase in the consumer's security deposits and current portion of deferred revenue.

Borrowings

The following table presents a summary of the Group's current borrowings as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
	(AED thousands)			(%)	
Bank overdrafts	498,806	477,629	442,339	(4.2%)	(7.4%)
GMTN Loan	5,506,276	-	-	(100.0%)	-
Others	250,907	1,787,611	2,987,733	612.5%	67.1%
Total	**6,255,989**	**2,265,240**	**3,430,072**	**(63.8%)**	**51.4%**

The Group's current portion of borrowings comprise of bank overdrafts, Global Medium-term Note ("**GMTN**") loan, and other borrowings. Current portion of borrowings as at 31 December 2020 decreased by 63.8% or AED 3,990.8 million from AED 6,256.0 million in 2019 to AED 2,265.2 million in 2020. This decrease was primarily due to the repayment the outstanding balance of GMTN loan in October 2020.

As at 31 December 2021, the current portion of borrowings increased by 51.4% or AED 1,164.9 million from AED 2,265.2 million in 2020 to AED 3,430.1 million in 2021. This increase was primarily due to additional short-term borrowings by Dubai Green Fund Investments LLC and Empower along with the current portion of additional commercial borrowings by IPPs including Noor Energy 1 P.S.C and the Hassyan Energy Phase 1 P.S.C.

Derivative financial instruments (liabilities)

Both current and non-current portions of derivative financial instruments (liabilities) are covered and analysed in Section 10.4 Non-current liabilities, Derivative financial instruments (liabilities) to maintain unity of the topic.

Lease liabilities

Both current and non-current portions of lease liabilities are covered and analysed in Section 10.4 Non-current liabilities, Lease liabilities to maintain unity of the topic.

Regulatory deferral account credit balances

The following table presents a summary of the Group's regulatory deferral account credit balances as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	**2020**	**2021**	**2019-2020**	**2020-2021**
	(AED thousands)			(%)	
At 1 January	527,620	747,046	948,248	41.6%	26.9%
Excess/(short) collection during the year	219,426	201,202	(569,224)	(8.3%)	(382.9%)
At 31 December	**747,046**	**948,248**	**379,024**	**26.9%**	**(60.0%)**

Regulatory deferral account credit balances represent the additional amount that the Group had collected from the customers since 2010 to recover the additional costs incurred by the Group due to the escalations in fuel prices. Regulatory deferral account credit balances as at 31 December 2020 increased by 26.9% or AED 201.2 million from AED 747.0 million in 2019 to AED 948.2 million in 2020 representing an excess collection in line with prior years.

As at 31 December 2021, the Group's regulatory deferral account credit balances decreased by 60.0% or AED 569.2 million from AED 948.2 million in 2020 to AED 379.0 million in 2021 due to the Group's decision to give the customers a credit by reducing fuel surcharge for electricity and water.

Consolidated statement of cash flows

The following table sets forth certain information about the Group's cash flows for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019*	**2020**	**2021**
	(AED thousands)		
Net cash inflows from operating activities	10,323,241	8,417,581	10,019,994
Net cash outflow from investing activities	(10,915,801)	(5,110,244)	(15,204,899)
Net cash (outflow)/inflow from financing activities	(324,143)	(510,658)	4,854,439
Movement in regulatory deferral account credit balance	219,426	-	-
Net (decrease)/increase in cash and cash equivalent	(697,277)	2,796,679	(330,466)
Cash and cash equivalents at the beginning of the year	3,203,112	2,505,835	5,302,514
Cash and cash equivalents at the end of the year	**2,505,835**	**5,302,514**	**4,972,048**

**There have been limited reclassifications and presentation changes in the financial statements for FY21 and FY20 as compared to FY19. However, the FY19 figures and presentation in this document have been kept in conformity with the audited financials for FY19.*

Net cash used in operating activities

The following table sets forth the Group's net cash used in operating activities for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousands)		(%)	
Profit for the year	6,637,083	5,306,338	6,553,447	(20.1%)	23.5%
Adjustment for:					
Depreciation	4,404,006	4,732,753	5,231,682	7.5%	10.5%
Amortisation – intangible assets	66,560	57,619	81,121	(13.4%)	40.8%
Provision for slow moving and obsolete inventories	7,869	19,508	28,621	147.9%	46.7%
Reversal of impairment of property, plant and equipment	(80,294)	(53,529)	(32,328)	(33.3%)	(39.6%)
Fair value adjustments of receivables	-	-	(48,832)	-	-
Reversal of fair value adjustment for trade receivables	75,690	31,399	7,204	(58.5%)	(77.1%)
Charge for impairment of trade receivables	21,212	87,969	83,822	314.7%	(4.7%)
Deferred income	(762,435)	(865,157)	(933,167)	13.5%	7.9%
Retirement benefit obligations – gratuity	124,267	124,973	124,204	0.6%	(0.6%)
Retirement benefit obligations – pensions	102,769	112,695	112,810	9.7%	0.1%
Provision for impairment from investment in joint venture	-	-	4,785	-	-
Share of loss from investment in joint ventures	2,467	2,392	(502)	(3.0%)	(121.0%)
Ineffective portion of gain on derivative financial instrument	3,801	20,306	(5,969)	434.2%	(129.4%)
Loss on sale of property, plant and equipment	513	1,428	(181)	178.4%	(112.7%)
Finance cost expenses	243,778	267,966	382,866	9.9%	42.9%
Finance income	(501,869)	(239,479)	(165,465)	(52.3%)	(30.9%)
Operating cash flows before changes in operating assets and liabilities	**10,345,417**	**9,607,181**	**11,424,118**	**(7.1%)**	**18.9%**
Changes in operating assets and liabilities:					
Inventories before movements in provision for slow moving and obsolete inventories	(45,260)	(147,991)	(64,368)	227.0%	(56.5%)
Other assets	(141,149)	240,841	285,367	(270.6%)	18.5%
Trade receivables before provision for impairment	(1,429,105)	(1,402,379)	(1,064,227)	(1.9%)	(24.1%)
Other financial assets	(344,730)	(1,107,391)	(661,766)	221.2%	(40.2%)
Trade and other payables	2,073,088	1,174,483	838,477	(43.3%)	(28.6%)
Regulatory deferral account credit balance	-	201,202	(569,225)	-	(382.9%)
Net operating cash flows	10,458,261	8,565,946	10,188,376	(18.1%)	18.9%
Payment for retirement benefit obligations – gratuity	(30,811)	(36,581)	(51,883)	18.7%	41.8%
Payment for retirement benefit obligations – pensions	(104,209)	(111,784)	(116,499)	7.3%	4.2%
Net cash inflows from operating activities	**10,323,241**	**8,417,581**	**10,019,994**	**(18.5%)**	**19.0%**

The Group's net cash generated from operating activities for the year ended 31 December 2020 decreased by 18.5% or AED 1,905.6 million from AED 10,323.2 million in 2019 to AED 8,417.6 million in 2020. This decrease was primarily due to lower operating income on account of the Covid-19 pandemic, exclusion of higher deferred income, cash outflows due to higher levels of inventory and other financial assets carried at amortised. This decrease was partially offset by higher depreciation and a positive working capital impact of other assets.

For the year ended 31 December 2021, the Group's net cash generated from operating activities increased by 19.0% or AED 1,602.4 million from AED 8,417.6 million in 2020 to AED 10,020.0 million in 2021. This increase was primarily due to growth in reported profits on account of the operational recovery from the Covid-19. This was further supported by higher depreciation and a positive working capital impact of trade receivables, other financial assets, inventories and trade and other payables. This increase was partially offset by exclusion of higher deferred income from operating cash flows.

Net cash used in investing activities

The following table sets forth the Group's net cash used in investing activities for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousands)		(%)	
Purchase of property, plant and equipment net of movements in trade payables and other long-term liabilities	(11,883,897)	(13,103,101)	(12,268,280)	10.3%	(6.4%)
Deposits with original maturity of greater than three months – placed during the year	(5,651,122)	(601,375)	(3,012,766)	(89.4%)	401.0%
Deposits with original maturity of greater than three months – matured during the year	6,205,314	8,272,067	325,000	33.3%	(96.1%)
Purchase of intangible assets	(18,794)	(32,543)	(381,752)	73.2%	1073.1%
Interest received	443,992	256,675	138,225	(42.2%)	(46.1%)
Sale of / investment in a joint venture	-	-	797	-	-
Movement in other financial assets	(16,628)	96,156	(10,039)	(678.3%)	(110.4%)
Proceeds from disposal of property, plant and equipment	5,334	1,877	3,916	(64.8%)	108.6%
Net cash used in investing activities	**(10,915,801)**	**(5,110,244)**	**(15,204,899)**	**(53.2%)**	**197.5%**

The Group's net cash used in investing activities for the year ended 31 December 2020, decreased by 53.2% or AED 5,805.8 million from AED 10,915.8 million in 2019 to AED 5,110.2 million in 2020. This decrease in the cash used in investing activities was primarily due to the movement in short-term deposits which was partially offset by an increase in capital expenditure in the IPP segment and transmission and distribution assets.

For the year ended 31 December 2021, the Group's net cash used in investing activities increased by 197.5% or AED 10,094.7 million from AED 5,110.2 million in 2020 to AED 15,204.9 million in 2021. This increase was primarily due to higher investment in short term deposits and intangible assets and was partially offset by a lower capital expenditure in 2021 as compared to 2020.

Net cash (outflow)/inflow financing activities

The following table sets forth the Group's net cash flows from financing activities for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousands)		(%)	
Repayment of borrowings	(630,408)	(5,605,224)	(517,537)	789.1%	(90.8%)
Proceeds from borrowings	6,013,610	7,717,351	8,552,340	28.3%	10.8%
Interest paid	(1,108,101)	(1,024,347)	(1,076,336)	(7.6%)	5.1%
Payment of lease liabilities	(6,850)	(8,397)	(7,443)	22.6%	(11.4%)
Capital contribution by the non-controlling interest	-	2,000	-	-	(100%)
Dividends paid to owner	(4,500,000)	(1,500,000)	(2,000,000)	(66.7%)	33.3%
Dividends paid to non-controlling interests in subsidiaries	(92,394)	(92,041)	(96,585)	(0.4%)	4.9%
Net cash (outflow)/inflow financing activities	**(324,143)**	**(510,658)**	**4,854,439**	**57.5%**	**(1050.6%)**

The Group's net cash used in financing activities for the year ended 31 December 2020, increased by 57.5% or AED 186.6 million from AED 324.1 million in 2019 to AED 510.7 million in 2020. This increase in cash outflow from financing activities was primarily due to the repayment of the GMTN loan which was partially offset by an increase in the borrowing by IPPs to support the construction of plants and payment of lower dividends in comparison to 2019.

For the year ended 31 December 2021, the Group's reported net cash inflow from financing activities increased by 1050.6% or AED 5,365.1 million from AED 510.7 million net cash outflow from financing activities in 2020 to AED 4,854.4 million net cash inflows from financing activities in 2021. This was primarily due to lower repayment of debts being partially offset by payment of higher dividends during the year as compared to 2020.

Related party transactions and balances

The Group transacts with its owner, joint ventures and entities controlled, jointly controlled, or significantly influenced by the owner within the scope of its ordinary business activities. Since the Group is wholly owned by the Government of Dubai, these entities are jointly referred to as 'government-related entities'.

The Group applies the exemption relating to government-related entities under IAS 24 'Related Parties' and only discloses transactions and balances with government-related entities which are individually or collectively significant. The management believes that all such contracts and transactions have been entered into on an arm's length basis. Key management personnel and entities controlled by them are also related to the Group. Key management personnel of the Group comprise the directors and executive vice presidents (EVPs) of the Group and directors of the subsidiaries.

The following table sets forth the Group's related party transactions for the years ended 31 December 2019, 2020 and 2021.

		Year ended 31 December		
		2019	**2020**	**2021**
			(AED thousands)	
Transactions with related parties	**Relationship**			
Revenue from sales				
Handling charges	*Government related entities*	52,819	53,087	51,618
Purchase of goods and services				
Fuel	*Entities owned by Govt. of Dubai*	6,821,748	6,454,173	6,500,052
Water	*Entity under common control*	28,660	38,647	24,140
Services for the promotion of clean energy and water conservation	*Group managed operation*	35,000	35,000	30,000
Compensation to key management personnel	-	**74,080**	**71,743**	**77,291**

The Group transacts with various banks and financial institutions which are wholly or partially controlled by the Government of Dubai. All of the Group's transactions with such banks are on normal commercial terms. A portion of the cash and cash equivalents are on deposit with such banks.

The following table sets forth the Group's related party balances for the years ended 31 December 2019, 2020 and 2021.

	As at 31 December		
	2019	**2020**	**2021**
Related party balances	*(AED thousands)*		
Joint ventures			
Due from Joint ventures	542	592	-

Subsidiaries and joint ventures

The following table provides an overview of each of the Group's subsidiary and joint ventures as of 31 December 2021.

Name	Location	Principal business activity	Group effective ownership 2021	Investment type
Al Etihad Energy Services Company LLC	UAE	Implement energy efficiency measures in Buildings	100%	Subsidiary
Jumeriah Energy International Holdings LLC	UAE	Holding Company	100%	Subsidiary
Jumeirah Energy International LLC (JEIH)	UAE	Holding Company	100%	Subsidiary
Mai Dubai LLC	UAE	Purification and sale of potable water	100%	Subsidiary
Hassyan Energy 1 Holdings LLC	UAE	Holding Company	100%	Subsidiary
Shuaa Energy 2 Holdings LLC	UAE	Holding Company	100%	Subsidiary
Shuaa Energy 3 Holdings LLC	UAE	Holding Company	100%	Subsidiary
Jumeirah Energy International Capital Holding LLC	UAE	Holding Company	100%	Subsidiary
Jumeirah Energy International Silicon Valley LLC	UAE	Holding Company	100%	Subsidiary
Noor Energy I Holdings LLC	UAE	Holding Company	100%	Subsidiary
Data Hub Integrated Solutions LLC (MORO)	UAE	Established to provide services including IT, infrastructure, networking and computer system housing services	100%	Subsidiary
Digital DEWA LLC	UAE	Investment in commercial, industrial, retail trade and energy enterprises and management	100%	Subsidiary
Infra X	UAE	To provide services including IT and computer housing services	100%	Subsidiary
Dubai Green Fund Investments LLC	UAE	To invest and manage commercial, industrial, retail trade and energy enterprise	100%	Subsidiary
Utilities Management Company LLC	UAE	Holding Company	85%	Subsidiary
Emirates Central Cooling Systems Corporation (Empower)	UAE	Provision of district cooling services, management, maintenance of central cooling plants and related distribution networks	70%	Subsidiary
Palm Utilities LLC	UAE	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services	70%	Subsidiary
Palm District Cooling LLC (PDC)	UAE	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services	70%	Subsidiary
Empower Logstor LLC	UAE	Manufacturing of pre-insulated pipes, mainly for district cooling	67.9%	Subsidiary
Shuaa Energy 2 P.S.C	UAE	Establish and provide the full range of services for generation of electricity	60%	Subsidiary
Innogy International Middle East LLC	UAE	Energy projects consultancy, desalination and sewage treatment plants operations and maintenance	51%	Subsidiary
Shuaa Energy 1 P.S.C	UAE	Establish and provide a full range of services for generation of electricity	51%	Subsidiary

Hassyan Energy Phase 1 P.S.C	UAE	Establish and provide a full range of services for generation of electricity	51%	Subsidiary
Noor Energy 1 P.S.C	UAE	Establish and provide a full range of services for generation of electricity	51%	Subsidiary
Digital X LLC	UAE	Establish and provide a full range of services for information technology, data entry, network consultancies	100%	Subsidiary
Smart Energy X LLC	UAE	Establish and provide a full range of services for parking management electronic systems installation and management	100%	Subsidiary
Hassyan by Products	UAE	Establish for sale of cement products trading, fly ash trading, cement and gypsum trading, repackaging and refilling services	100%	Subsidiary
Shuaa Energy 3 P.S.C	UAE	Establish and provide a full range of services for generation of electricity	60%	Subsidiary
Forward Investments Limited	UAE	Holding Company	100%	Subsidiary
Dubai Carbon Centre of Excellence	UAE	Energy projects engineering consultancy and carbon control systems trading	100%	Subsidiary
Hassyan Water Company 1 P.S.C*	UAE	Water desalination including collecting of water, sterilizing and transporting it in lines and linking it to a water distribution network and operating and maintaining water production projects	60%	Subsidiary
SecureX**	UAE	Computer systems housing services, communication equipment, software design, data classification & analysis services, IT infrastructure, data centre colocation services and information technology network services	100%	Subsidiary
Space D**	UAE	Managing & operating satellites & provision satellite services, wired & wireless communication systems installation and space situational tracking, monitoring & awareness services	100%	Subsidiary
Empower Snow LLC***	UAE	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services	100%	Subsidiary

**During the previous year, the Group has incorporated Hassyan Water Company 1 Holding LLC, a 100% owned subsidiary. Hassyan Water Company 1 Holding LLC holds 60% interest in share capital in Hassyan Water Company 1 P.S.C. The principal business activities of Hassyan Water Company 1 P.S.C are to construct stations and refineries to desalinate water by reverse osmosis and produce irrigational water to be commercially and industrially used including the collecting of water, sterilizing and transporting it in lines and linking it to a water distribution network.*

***During the previous year, SecureX LLC and Space D LLC have been incorporated by Digital DEWA LLC which is a single owner Company owned by Dubai Electricity and Water Authority. Digital DEWA LLC owns 100% interest in both new incorporated Companies.*

**** During the year 2021, Empower acquired a 100% interest in Snow LLC (subsequently renamed Empower Snow LLC), a company providing District Cooling services for various projects developed and owned by Master Developer M/s. Nakheel PJSC for a purchase price of AED 674 million.*

Summarised statement of profit or loss and other comprehensive income of the Group's material subsidiaries for the years ended 31 December 2019, 2020 and 2021

	JEIHL (IPP)			***Empower***		
	Year ended 31 December			**Year ended 31 December**		
	2019	**2020**	**2021**	**2019**	**2020**	**2021**
	(AED thousands)			*(AED thousands)*		
Revenue	192,216	418,340	1,323,519	2,189,340	2,255,115	2,463,874
Profit for the year	17,364	(106,625)	319,805	871,135	901,262	935,982
Total comprehensive income	**(1,654,427)**	**(2,252,322)**	**1,741,339**	**871,135**	**903,543**	**936,442**
Total comprehensive (loss)/ income allocated to noncontrolling interests	(795,399)	(1,067,563)	831,074	257,216	266,784	276,658
Dividends paid to noncontrolling interests	**2,394**	**2,041**	**6,285**	**90,000**	**120,000**	**90,300**

Summarised statement of financial position of the Group's material subsidiaries as at 31 December 2019, 2020 and 2021

	JEIHL (IPP)			***Empower***		
	As at 31 December			**As at 31 December**		
	2019	**2020**	**2021**	**2019**	**2020**	**2021**
	(AED thousands)			*(AED thousands)*		
Non-current						
Assets	12,878,301	18,577,904	25,372,513	6,223,776	6,772,244	7,774,283
Liabilities	(14,391,328)	(22,939,144)	(28,596,536)	(786,023)	(1,588,575)	(1,420,198)
	(1,513,027)	**(4,361,240)**	**(3,224,023)**	**5,437,753**	**5,183,669**	**6,354,085**
Current						
Assets	937,191	1,377,435	2,299,814	646,595	1,442,849	1,769,434
Liabilities	(1,022,198)	(952,264)	(1,267,706)	(1,810,641)	(1,849,268)	(2,692,628)
	(85,007)	**425,171**	**1,032,108**	**(1,164,046)**	**(406,419)**	**(923,194)**
Net liabilities / assets (100%)	(1,598,034)	(3,936,069)	(2,191,915)	4,273,707	4,777,250	5,430,891
Net assets attributable to NCI	**(806,068)**	**(1,873,673)**	**(1,048,884)**	**1,321,221**	**1,468,691**	**1,655,049**

Summarised statement of cash flows of the Group's material subsidiaries for the years ended 31 December 2019, 2020 and 2021

	JEIHL (IPP)			***Empower***		
	Year Ended 31 December			**Year Ended 31 December**		
	2019	**2020**	**2021**	**2019**	**2020**	**2021**
	(AED thousands)			*(AED thousands)*		
Net cash generated from operations	232,084	(100,100)	(126,663)	1,014,613	1,029,634	1,371,812
Net cash used in investing activities	(5,856,210)	(6,044,433)	(6,862,547)	(669,435)	(843,727)	(1,431,730)

Net cash used in financing activities	6,243,392	6,424,632	7,455,756	(67,879)	552,042	236,310
Net increase in cash and cash equivalents	**619,266**	**280,099**	**466,546**	**277,299**	**737,949**	**176,392**
Cash and cash equivalents as at 1 January	153,176	772,441	1,052,540	53,948	331,247	1,069,196
Cash and cash equivalents as at 31 December	**772,442**	**1,052,540**	**1,519,086**	**331,247**	**1,069,196**	**1,245,588**

Liquidity and capital resources

The Group's primary source of financing is from equity with limited support from debt from a syndicate of banks. During the years under review, the Group has funded its working capital needs and capital expenditure requirements from cash from operations and borrowings. As at 31 December 2021, the Group had AED 26,755.9 million of outstanding indebtedness.

Material indebtedness

The following is a description of the Group's outstanding material indebtedness as at 31 December 2019, 2020 and 2021.

	As at 31 December		
	2019	**2020**	**2021**
		(AED thousands)	
Non-current			
Others	10,655,686	16,534,142	23,325,798
Current			
Bank overdrafts	498,806	477,629	442,339
GMTN loan	5,506,276	-	-
Others	250,907	1,787,611	2,987,733
Total borrowings	**16,911,675**	**18,799,382**	**26,755,870**

The following is a description of the Group's borrowings, classified by currency, as at 31 December 2019, 2020 and 2021.

	As at 31 December		
	2019	**2020**	**2021**
		(AED thousands)	
US Dollars	16,220,995	16,700,950	24,626,044
UAE Dirham	690,680	2,098,432	2,129,826
Total borrowings	**16,911,675**	**18,799,382**	**26,755,870**

For further information on the Group's material indebtedness, see "*Material Agreements—Certain financing arrangements of the Group*".

	As at 31 December		
	2019	**2020**	**2021**
		(AED thousands)	
Secured	8,265,966	16,406,995	23,980,793
Unsecured	8,645,709	2,392,387	2,775,077
Total borrowings	**16,911,675**	**18,799,382**	**26,755,870**

Off-balance sheet arrangements

The Group's off-balance sheet arrangements as 31 December 2019, 2020 and 2021 primarily comprised of contractual commitments.

The following table provides a breakdown of the off-balance-sheet commitments of the Group by segments for the three years ended 31 December 2019, 2020 and 2021.

	As at 31 December		
	2019	2020	2021
	(AED thousands)		
DEWA	**15,685,059**	**12,397,906**	**10,677,176**
Empower	**716,238**	**821,729**	**610,685**
IPP	**14,288,684**	**10,923,711**	**5,439,334**
Hassyan Energy Phase 1 P.S.C	4,265,712	2,951,127	1,844,692
Shuaa Energy 2 P.S.C	37,416	-	-
Shuaa Energy 3 P.S.C	-	1,511,676	838,322
Noor Energy 1 P.S.C	9,985,556	6,460,908	2,756,320
Others	**33,540**	**61,466**	**75,385**
Mai Dubai LLC	23,915	45,238	18,734
Data Hub Integrated Solutions LLC (MORO)	9,625	16,228	56,651
Total	**30,723,521**	**24,204,812**	**16,802,580**

Capital expenditure

The Group is continuously investing in diverse new opportunities in the areas of clean energy, digital transformation, water with strategic alliance partners to contribute to a greener planet. In the years ended 31 December 2019, 2020 and 2021, the Group incurred capital expenditures (including capital expenditures for intangibles) of AED 14,206 million, AED 17,958 million and AED 14,125 million, respectively.

The following table provides a breakdown of the additional capital expenditure of the Group by segments for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
	(AED thousands)			%	
DEWA	8,606,134	11,137,754	6,452,461	29.6%	(42.1%)
Empower	706,853	728,085	611,616	1.6%	(16.0%)
IPP	4,750,780	5,922,909	6,508,077	24.6%	9.9%
Others	122,940	136,230	170,674	9.3%	25.3%
Total	**14,186,707**	**17,924,978**	**13,742,828**	**26.4%**	**(23.3%)**

For further information on the Group's capital expenditure, see "*Property, plant and equipment*".

Financial risk management

Financial risk factors

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Board of the Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. 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 products offered. The Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Board of Directors review and agree policies for managing each of these risks which are summarised below.

The Group has exposure to the following risks arising from financial instruments: (i) credit risk, (ii) liquidity risk and (iii) market risk

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, other financial assets and investments in debt securities.

The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2019	2020	2021
		(AED thousands)	
Impairment loss on trade receivables	21,212	87,970	77,870

(viii) Trade receivables

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of provision for impairment of receivables.

The Group has a wide customer base in the Emirate of Dubai and services commercial, industrial and governmental organisations as well as residential customers including UAE nationals and expatriates. In 2019, 2020 and 2021, the total trade receivables and accrued revenue were AED 5,687 million, AED 6,289 million and AED 4,311 million respectively. Out of the total trade receivables and accrued revenue, AED 2,377 million, AED 3,332 million and AED 3,261 million is due from customers other than government entities and is considered subject to credit risk in the years 2019, 2020 and 2021. Carrying amount of trade receivables best represent the maximum exposure to credit risk at the end of each reporting period presented.

The Group taking into consideration the exposure to the customer, when appropriate, manages credit risk by requesting additional deposits, disconnection of services and implementing payment plans for customers in arrears.

Due to large and diversified customer base, concentration of credit risk on few customers is limited.

Expected credit loss assessment for customers

The Group uses an allowance matrix to measure the ECLs of fee receivables from customers. Loss rates are calculated using "roll rate" method based on the profitability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately to exposures in different segments based on common credit risks characteristics.

The Group considers the credit risk on the outstanding balances from government customers to be low at the reporting date, as these financial assets have low risk of default, the counterparties have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil its contractual cash flow obligations.

To measure the expected credit losses, trade receivables and accrued revenue have been grouped together based on its shared credit risk characteristics and the days past due. Accrued revenue has substantially the same risk characteristics as the trade receivables and therefore concluded that the expected loss rates for trade receivables and accrued revenue are a reasonable approximation of the loss rates for the contract assets.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers for 2019, 2020 and 2021.

As at 31 December 2019	Expected loss rate	Gross carrying amount	Loss allowance	Credit Impaired
Current	2.71%	1,741,260	47,188	No
More than 30 days past due	3.77%	217,424	8,197	No
More than 60 days past due	14.08%	117,003	16,474	No
More than 120 days past due	38.19%	114,852	43,862	No
More than 360 days past due	75.74%	186,142	140,983	No
		2,376,681	256,704	

As at 31 December 2020	Expected loss rate	Gross carrying amount	Loss allowance	Credit Impaired
Current	0.47%	1,953,932	9,192	No
More than 30 days past due	2.10%	376,905	7,930	No
More than 60 days past due	12.01%	246,377	29,578	No
More than 120 days past due	22.75%	333,445	75,865	No
More than 360 days past due	52.73%	421,243	222,109	Yes
		3,331,902	344,674	

As at 31 December 2021	Expected loss rate	Gross carrying amount	Loss allowance	Credit Impaired
Current	0.87%	1,751,059	15,304	No
More than 30 days past due	4.12%	428,758	17,656	No
More than 60 days past due	11.71%	253,707	29,705	No
More than 120 days past due	31.78%	277,650	88,249	No
More than 360 days past due	49.43%	549,475	271,360	Yes
		3,260,649	422,544	

The receivables as at 31 December 2019, 2020 and 2021 include receivables from the government amounting to AED 3,310 million, AED 2,957 million and AED 1,050 million respectively.

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other financial assets and due from related parties, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group limits its credit risks with regard to bank deposits by dealing only with reputable banks.

Other financial assets include investments in UAE National bonds which are unrated and other receivables are held with reputed counter parties which management do not expect any loss from their non-performance. Where non-performance is identified or expected a provision is made.

Balances due from related parties are held with reputed counter parties and management do not expect any loss from their non-performance. Where non-performance is identified or expected a provision is made.

Cash and cash equivalents

As at 31 December 2019, 2020 and 2021, the Group held cash and cash equivalents of AED 2,830 million, AED 3,573 million and AED 4,406 million respectively. The cash and cash equivalents are held with bank and financial institution counterparties and other government agencies having credit rating as detailed below:

As determined by Moody's

	2019	2020	2021
		(AED thousands)	
A	2,250,885	3,035,602	4,150,066
B	550,269	434,696	255,661
Unrated (including cash in hand)	28,487	102,793	437
	2,829,641	**3,573,091**	**4,406,164**

Derivatives The derivatives are entered into with bank and financial institution counter parties, which are related to AA- to AA+ based on Fitch ratings.

All other financial assets are unrated.

Liquidity risk

(i) Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

(ii) The Group's approach to managing liquidity is to ensure, as far as possible, 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 reputation.

(iii) In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group monitors its risk of shortage of funds using cash flow budgeting in which it considers both the cash outflows as well as their sources of funding.

(iv) The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements:

	Less than 1 year	1 to 2 years	Over 2 years	Total	Carrying amount
			(AED thousands)		
Non-derivative financial liabilities					
31 December 2019					
Secured borrowings	461,496	384,030	12,969,851	13,815,377	8,265,966
Unsecured borrowings	6,593,032	195,775	3,234,560	10,023,367	8,645,709
Trade and other payables*	11,770,574	-	-	11,770,574	11,770,574
Other long-term liabilities*	-	286,500	440,084	726,584	678,363
Lease liabilities	7,152	11,521	8,339	27,012	27,012
	18,832,254	**877,826**	**16,652,834**	**36,362,914**	**29,387,624**

	Less than 1 year	1 to 2 years	Over 2 years	Total	Carrying amount
			(AED thousands)		
Non-derivative financial liabilities					
31 December 2020					
Secured borrowings	2,020,962	493,875	20,759,719	23,274,556	16,406,995
Unsecured borrowings	706,072	421,579	1,373,391	2,501,042	2,392,387
Trade and other payables*	12,882,211	-	-	12,882,211	12,882,211
Other long-term liabilities*	-	271,699	413,086	684,785	664,802
Lease liabilities	6,438	6,864	8,023	21,325	21,325
	15,615,683	**1,194,017**	**22,554,219**	**39,363,919**	**32,367,720**

	Less than 1 year	1 to 2 years	Over 2 years	Total	Carrying amount
			(AED thousands)		
Non-derivative financial liabilities					
31 December 2021					
Secured borrowings	2,571,142	1,130,338	27,363,348	31,064,828	23,980,793
Unsecured borrowings	1,465,147	224,660	1,145,352	2,835,159	2,775,077
Trade and other payables*	11,947,191	-	-	11,947,191	11,947,191
Other long-term liabilities*	-	443,803	452,290	896,093	876,234
Lease liabilities	3,013	1,645	10,294	14,952	14,952
	15,986,493	**1,800,446**	**28,971,284**	**46,758,223**	**39,594,247**

*These do not include advances for new connections, deferred revenue and retirement benefits obligations as these are non-financial liabilities.

Market risk

Market risk is the risk that changes in market prices – e.g. 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.

Foreign exchange risk

Currency risk arises on recognised assets or liabilities that are primarily denominated in a currency that is not the Group's functional currency. The Group has no significant exposure to this risk as the majority of its transactions are denominated is AED, or in currencies AED is pegged with. The Group has certain transactions in foreign currencies, mainly in Euros. However, the foreign currency exposure arising out of foreign currency denominated balances as at 31 December 2021 and 2020 are not material.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuers or factors affecting all the instruments traded in the market. Hence, the Group has no exposure to price risk as there is no price sensitive financial instruments.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. The Group is exposed to cash flow interest rate risk on its variable rate borrowings. The Group is not exposed to the fair value interest rate risk as fixed rate borrowings of the Group are carried at amortised cost in these consolidated financial statements.

The variable rate borrowings of the Group are based on LIBOR and EIBOR. The Group has entered into interest rate swaps to mitigate the risk of variable rate borrowings. The table below shows the exposure of Group's variable and fixed rate borrowings:

	2019	**2020**	**2021**
		(AED thousands)	
Variable rate borrowings	10,224,633	16,281,477	23,643,410
Fixed rate borrowings	6,687,042	2,517,905	3,112,460
	16,911,675	**18,799,382**	**26,755,870**

Cashflow sensitivity analysis for variable-rate borrowings

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) consolidated equity and consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cashflow sensitivity analysis for variable-rate borrowings

	Profit or loss		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
		(AED thousands)		
31 December 2019				
Variable rate borrowings	102,246	(102,246)	-	-
Interest rate swaps	-	-	16,670	(16,670)
Cash flow sensitivity (net)	**102,246**	**(102,246)**	**16,670**	**(16,670)**
31 December 2020				
Variable rate borrowings	162,815	(162,815)	-	-
Interest rate swaps	-	-	38,330	(38,330)
Cash flow sensitivity (net)	**162,815**	**(162,815)**	**38,330**	**(38,330)**
31 December 2021				
Variable rate borrowings	236,434	(236,434)	-	-
Interest rate swaps	-	-	24,055	(24,055)
Cash flow sensitivity (net)	**236,434**	**(236,434)**	**24,055**	**(24,055)**

Fair value sensitivity analysis for fixed-rate borrowings

The Group does not account for any fixed-rate financial assets or financial liabilities, at FVTPL and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased equity by AED 16.7 million, AED 38.3 million and AED 24.1 million in 2019, 2020 and 2021 respectively. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Capital risk management

The Group monitors and responds pragmatically to market conditions and business developments both locally and internationally and ensures adequate funds are available to meet the needs of its businesses and support sound value enhancement objectives. The Group's strategic focus is the active management of the business portfolio in order to deal with its debt service obligations and to enhance the value of the Owner's equity.

Fair value estimation

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

All financial assets and liabilities are initially measured at transaction price, i.e. the fair value of the consideration given or received. These financial assets and liabilities are subsequently measured at amortised cost except the financial assets at fair value through other comprehensive income and derivative financial instruments.

The carrying value of financial assets and financial liabilities approximates their fair value except derivatives, which are the only financial instruments which are carried at fair value and fall into level 2 of the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

INDUSTRY OVERVIEW

Unless the source is otherwise stated, the market, economic and industry data in this Offering Memorandum constitute the Group's estimates, using underlying data from independent third parties. Statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets in this Offering Memorandum are based on published and publicly available data obtained from multiple independent third-party sources.

In particular, unless otherwise specifically stated, the information in ("Industry Overview") is based on the report which has been prepared by FTI Consulting Gulf Limited (the "**Industry Consultant**"), for the benefit of the Company in relation to the markets in which the Company operates (the "Industry Report"). Reliance by any other party on the contents of the Industry Report shall be at the party's own risk. The Industry Consultant makes no representation or warranty, expressed or implied, to any party with respect to the accuracy or completeness of the information contained in the Industry Report. The Industry Consultant assumes no liabilities with respect to any other party's use or damages, resulting from such use of any information, conclusions or recommendations disclosed in the Industry Report. The Industry Report was prepared on 27 January 2022 and as such addresses statements matters stated therein at that time or at the times otherwise specified therein and does not take account of any changes or developments which may have occurred since. The Industry Consultant's conclusions, or any information or summary extracted from the Industry Report and contained or referred to herein are subject to the assumptions and qualifications set forth in the Industry Report and should be read in conjunction with the full text of the Industry Report.

As at the date of this Offering Memorandum, the Industry Consultant has given and not withdrawn its written consent for the use of its name, logo, statements, and market research and data supplied by it to the Company in the manner and format set out in this Offering Memorandum. The Industry Consultant relied on information provided by the Company as well as publicly sourced information for this report. Estimates and projections set out in this section are prepared based on the analysis performed by the Industry Consultant. They include research estimates founded in published official sources such as Dubai RSB, Dubai Government, Dubai Statistics Centre, public reports from private utilities, Dubai Department of Economy and Tourism.

The report contains information obtained or derived from a variety of public sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Taking into consideration the "Forecasts and Forward-Looking Statements" section, whilst the members of the Board of Directors believe that the information and data on the market study in this Offering Memorandum obtained from third party sources, including the information obtained from the market study advisor, are information and data that may be relied upon, this information has not been independently verified by the Company, nor the Board of Directors, advisors, or its shareholders. Therefore none of the aforementioned parties shall bear any responsibility for the accuracy or completeness of any of this information.

Market overview

Macroeconomic overview

Introduction to Dubai and its economy

Dubai, an emirate of the United Arab Emirates, is located on the eastern coast of the Arabian Peninsula. It is the second wealthiest emirate (after Abu Dhabi) in terms of nominal GDP. Dubai is considered an important hub for trade and tourism and operates as a centre of trade flows in the Middle East. The emirate has established a diversified economy ranging from key sectors such as retail and wholesale activities, transport, financial services, insurance, manufacturing, and real estate all of which contribute substantial income streams towards Dubai's GDP USD 105.89 billion at the end of 2020.

Dubai demographic indicators

The following table sets out a breakdown of Dubai's demographic indicators:

Indicators	unit	2015	2016	2017	2018	2019	2020
Resident Population	*million persons*	2.4	2.7	3.0	3.2	3.4	3.4
Of which expatriates	*million persons*	2.2	2.5	2.7	2.9	3.1	3.1
YoY population growth.........	*%*	5.1%	10.3%	10.3%	7.3%	5.1%	1.6%
Daytime population..............	*million persons*	3.5	3.8	4.2	4.4	4.6	4.4
International visitors.............	*m persons*	14.2	14.9	15.8	15.9	16.7	5.5

Source: Dubai Statistics Centre

Note: Daytime population includes a total of population permanently residing in Dubai and workers residing outside the Emirate of Dubai, as well as temporary residents (Tourists, sailors and other visitors)

The following table sets out a breakdown of certain macro-economic indicators of Dubai (limited selection):

Indicators	unit	2015	2016	2017	2018	2019	2020
Nominal GDP.......................	*current USD billion*	107	106	113	116	119	106
GDP per capita.....................	*current USD/capita*	43,583	39,324	37,932	36,202	35,429	31,085
Nominal GDP.......................	*m AED*	391	390	414	424	436	389
Real GDP growth.................	*%*	4.0%	3.1%	3.1%	2.1%	2.7%	-10.9%
Inflation rate.........................	*%*	3.7%	2.9%	2.1%	1.5%	-3.0%	-3.0%
FDI per year (n)	*USD billion*	6.4	4.9	2.7	5.2	2.5	n.a
Unemployment Rate.............	*%*	0.4%	0.4%	0.5%	0.5%	0.5%	n.a

Source: Dubai Statistics Centre

The following table sets out a breakdown of Dubai's top five sectors for economic output:

Indicators	unit	2015	2016	2017	2018	2019
Manufacturing..............................	*%*	15.6	14.8	15.9	15.4	15.6
Wholesale & retail trade; repair of vehicles..................................	*%*	20.0	20.5	19.9	19.2	19.1
Transportation & warehousing ...	*%*	16.5	17.1	17.0	17.1	16.7
Construction..................................	*%*	8.8	9.0	9.2	10.0	9.4
Financial & insurance activities .	*%*	7.4	7.3	6.9	6.9	6.9

Source: Dubai Statistics Centre

Dubai's economic initiatives — supporting continued growth

In the mid-1990s with a decline in oil production, Dubai sought to diversify its economy and is now recognised as a hub for real-estate, tourism, trade and often seen as the financial capital of the UAE. Some of the key initiatives launched to support growth, innovation and sustainability include:

1. **Dubai Clean Energy Strategy 2050** (2015): an initiative pledged by Dubai to increase its use of clean energy sources to 100% by 2050 and to reach net-zero emissions by 2050.

2. **Dubai 10X** (2017): an initiative aimed at "positioning Dubai 10 years ahead of all other world cities" places strategic focus on innovative technology and disruptive solutions.

3. **Smart Dubai Office** (2017): an initiative aimed at creating a model-smart city with over 1,000 smart services across government departments deliver efficient services to residents while also reducing costs through paperless transactions.

4. **Dubai Plan 2021** (2014): an initiative focused on holistic and complementary services with people and society at the epicentre.

5. **Dubai Future District** (2019): an initiative with a dedicated fund of USD 272 million to support the development of the future economy to support innovative technology companies that will contribute to Dubai's growth.

6. **Expo 2020** (2013): the long-term investment in connection with the Expo is expected to boost the economy by USD 33.4 billion (or 1.5% towards the UAE's GDP and support over 900,000 jobs between 2013 and 2031).

7. **Area 2071** (2017): an initiative to make the UAE "the world's leading nation" by establishing an ecosystem aimed to nurture global talent to start and grow their businesses through start-up accelerators and incubators in the UAE.

8. **Dubai 2040 Urban Master plan** (2021): a comprehensive plan to develop Dubai's sustainable urban development.

9. **Dubai Green Mobility Strategy 2030** (2016): an initiative launched by the DSCE to encourage use of electric vehicles and reduce carbon emissions by 16% by 2021, recently surpassed.

Dubai's COVID-19 response

The COVID-19 outbreak affected economies and livelihoods globally in unprecedented ways, requiring governments to act swiftly and effectively. The UAE have sought to curtail the spread of COVID-19 with the establishment of numerous testing facilities, implementing safety standards for tourism and retail establishments including the roll-out of a strong vaccination programme. The UAE also swiftly digitised personal COVID-19 vaccination and testing related information through mobile applications to facilitate safety of the community. The UAE currently ranks in the top quartile globally in vaccines administered with almost 90% of the population described as fully vaccinated. Further, as per Bloomberg's COVID-19 Resilience Ranking, the UAE ranks at the third position out of 53 economies where the virus is being handled most effectively with the least social and economic upheaval. The UAE also ranks in the top 10 countries globally with the fastest booster rollout campaigns where approximately 30.4% of the total population has received the booster shot as of December 2021.

As part of their 'Post COVID-19 recovery plans and initiatives', the UAE government has launched various initiatives and programmes to boost the economic growth at a federal level.

Tourism, trade and real estate — favourable growth sectors

<u>Tourism</u>

Dubai has seen continuous growth from tourism historically which over the last decade has risen from 6.9 million visitors in 2007 to 16.7 million in 2019.

Despite the challenges associated with COVID-19, with the closure of Dubai's airport main terminal for 15 months, Dubai demonstrated the resilience of its tourism industry by sustaining a growing market share of global travel, from 1.12% in 2018 to 1.44% in 2020. Despite a decrease in the number of passengers due to the pandemic, Dubai's airport remained the busiest airport in the world for international passengers in 2020, as was the case in 2019.

Policy targets and development plans aim to increase tourism further in the future. In November 2021, Dubai's Crown Prince announced that the Emirate was expecting a growth in the number of tourists to reach 25 million in 2025. Looking ahead, the city's tourism infrastructure is expected to be transformed over the next two decades with the Dubai 2040 Urban Master Plan, targeting an increase of total space dedicated to tourism activities by 134% and increasing the length of public beaches by 400%.

Historically, the number of hotel rooms has risen from 51,000 in 2010 to 91,000 by 2018. Despite the growth in rooms, hotel occupancy rates have also increased from 70% in 2010 to 76% by 2018. Tourism also plays a significant role towards Dubai's GDP, accounting for 5.1% of GDP in 2018.

<u>Trade</u>

While Dubai has always been a trading city, the discovery of oil in the mid-1960s promoted a development boom in the building of ports, roads, and other major infrastructure. However, oil production peaked at 410,000 barrels per day in 1991 and has declined thereafter.

This decline accelerated Dubai's move to diversify its economy away from oil alone with trade identified as one of the key income streams to help achieve this diversification. From 2006 until 2018, Dubai's total trade in goods (direct trade and free zones) grew at an average rate of 8% per annum, almost twice the rate of nominal GDP growth. This growth slowed due to the pandemic in 2020 which caused total foreign trade to drop to USD

321 billion, a decrease of some 14% from 2019 which stood at USD 370 billion. However, Dubai has since recovered and reported that non-oil external trade increased to USD 197 billion in the first half of 2021 compared to USD 150 billion in the first half of 2020 (+31%). Dubai is currently on track to reach its pre-pandemic non-oil external trade levels.

The following table sets out a breakdown of Dubai's top five trade partners in 2020:

USD billion	**China**	**India**	**USA**	**KSA**	**Iraq**
Total trade value	38.66	24.23	16.61	14.7	11.16

Source: Dubai Customs, 2020

In January 2021 the Dubai Government launched an economic stimulus package worth USD 85.7 million, raising the value of business incentives introduced by the Emirate's government to USD 1.9 billion. The package had a noticeable effect on trade. The Business Registration & Licensing ("**BRL**") sector of Dubai reported that 15,475 new licenses had been issued during the first quarter of 2021, a growth of 19% compared to Q1 2020.

<u>Real Estate</u>

The real estate sector has been one of the key contributors to Dubai's GDP with some years witnessing growth exceeding 14%. Despite the out-break of COVID-19 in early 2020, the sector's contribution reached 8.2% in the first half of 2020 (2019: 7.4%).

As an indication of a post COVID-19 rebound, the Dubai Land Department (DLD) reported a total of 25,455 real estate transactions worth USD 25 billion registered within the first four months of 2021. This is an increase of 51% in terms of volume and 72% in terms of value compared to the same period in 2020. Further, in April 2021 there were record-breaking sales transactions worth USD 3 billion which was the highest since March 2017.

Key major drivers for this upward trend appear to be reforms in residency laws and the simplicity of ownership.

Electricity Industry

Global and regional electricity sector overview

<u>General introduction</u>

Electricity systems are structured into the activities of production (generation), the bulk movement of power (transmission), and local distribution networks supplying final user customers (distribution and supply). The Group's operations mirror these key activities for both power and water.

Currently, the Group can be described as a vertically integrated company who own all assets under their control. Recently, the electricity sector has attracted private investment in generation so full government ownership is no longer the only model. This is particularly the case for the Hassyan Power Plant and utility-scale renewable energy installations in the form of PV arrays and CSP generation located at the Mohammed bin Rashid (MBR) Solar Park which are examples of project finance developments that have attracted private investment.

<u>Global capacities and renewables growth</u>

Renewable energy (RE) technologies are dominating the global market for new power generation capacity and according to the International Energy Agency (IEA), RE generation will globally provide more than half of all additional power generation by 2040. This is underpinned by policy support in nearly 170 countries and the improving competitiveness of the technologies. Globally, the IEA estimates an additional installed capacity of 3,000 GW by the end of 2030, and almost 2,900 GW for the following decade. Over 80% of this additional capacity will be made up by renewable generation, which will produce half of the world's power in 10 years' time.

The Gulf Cooperation Council (GCC) countries of Bahrain, the Kingdom of Saudi Arabia (KSA), Kuwait, Oman, Qatar and the UAE have considerable potential for solar PV, CSP and (to a lesser extent) wind generation. Renewable energy capacity is likely to increase significantly in these countries, supported by policy targets and all GCC countries are signatories to the Paris Agreement. In addition, the UAE will host the COP28 gathering in 2023.

Key electricity sector competitor in the UAE

The UAE power sector is dominated by the Emirates of Abu Dhabi and Dubai in terms of generation capacity, demand and network maturity and the key competitors are listed below.

The following table sets out a breakdown of activities of key electricity industry competitors within the UAE:

Key Competitors	Field of activity					
	Generation	Generation (Renewable)	Transmission	Distribution	Regulator	Policy Making
DEWA	Dubai	Dubai	Dubai	Dubai	RSB[9]	DSCE
TAQA[10]	Abu Dhabi Fujairah	Abu Dhabi			DoE	EC[11] & DoE
TRANSCO			Abu Dhabi, NE		DoE	DoE
ADDC				Abu Dhabi	DoE	DoE
AADC				Abu Dhabi	DoE	DoE
ENEC	Abu Dhabi				DoE and FANR[12]	Federal Govt
Masdar	Abu Dhabi			DoE	DoE	DoE
EWEC	Buys all generation capacity in Abu Dhabi and Fujairah				DoE	EC & DoE
SEWA	Sharjah		Sharjah	Sharjah	None	Govt – Sharjah
EWE	NE		NE	NE	MoEI	MoEI

Source: FTI Analysis, Notes; NE – Northern Emirates of Ajman, UAQ, Fujairah, RAK

Foreign companies are active in power generation in the UAE, such as the Saudi Arabian publicly listed company ACWA Power, the French publicly listed companies EDF via its branch EDF Middle East and ENGIE, the French publicly listed company Engie and the Japanese, publicly listed corporation Marubeni. These companies and others own minority stakes in existing IWPs. The model in Abu Dhabi is generally ownership of 40% of the equity allocated to a minor partner with a 60% retention by a government holding company the Group have maintained a majority share in their current independent power producers (IPPs) at either 60% or 51%.

Dubai's electricity sector

Dubai's general power sector policy framework

In 2017 the UAE launched its 2050 Energy Strategy, which was considered the first unified energy strategy in the country based on supply and demand. The strategy's main goal is to increase the contribution of clean energy generation from 25% to 50% and reduce the carbon footprint of power generation by 70% by 2050.

At COP26 in Glasgow, the UAE also announced their "Net Zero by 2050" pledge, making the Emirates the first Middle East and North Africa (MENA) nation to do so. Sheikh Mohammed bin Rashid Al Maktoum declared that the country had adopted a goal to reach net-zero by 2050. He tweeted: "*Our development model will take into account this goal and all institutions will work as one team to achieve it*."

The Group will host the first ever Middle East and North Africa Regional Climate Week along with the Ministry of Climate Change and Environment and the World Green Energy Organisation. The MENA Climate Week provides a platform for governments, cities, private sector leaders, financial institutions and civil society to discuss opportunities to build forward from the pandemic by identifying opportunities to enhance climate action.

The Dubai Clean Energy Strategy aims for Dubai to produce 100% of its energy requirements from clean sources by 2050. An in-depth study conducted by the Dubai Future Council of Energy produced a strategy and roadmap for Dubai to reach 100% clean energy by 2050.

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9 The Dubai Regulation and Supervision Bureau who provide a degree of oversight on certain activities in the power and water sector for Dubai

10 TAQA – The Abu Dhabi National Energy Company (TAQA) owns a majority shareholding in most of the generation and desalination plants in the Emirates of Abu Dhabi and Fujairah and wholly owns TRANSCO, AADC and ADDC.

11 EC – Executive Council of the Emirate of Abu Dhabi, DoE – Department of Energy, Abu Dhabi

12 FANR is the regulatory body for the nuclear sector in the UAE in accordance with Federal Law - Decree No 6 of 2009.

The main legal instruments that have shaped the Dubai power sector are:

- **Decree No.1 of 1992** Establishing Dubai Electricity and Water Authority (DEWA)
- **Law No. (19) of 2009** Establishing the Dubai Supreme Council of Energy (DSCE)
- **Executive Council Resolution No.2 of 2010** on the Establishment of a Regulatory and Supervisory Office (Dubai RSB) for Electricity and Water Sector in Dubai
- **Law No. 6 of 2011** relating to the organisation of Private Sector Participation in the Production of Electricity and Water in the Emirate of Dubai.
- **Law No. 22 2015** on the Organization of Public-Private-Partnership (PPP) in the Emirate of Dubai
- **Law No. 27 2021** which established DEWA Inc. as a publicly traded company

Recently the Group has employed an IPP model for several of their projects such as Phases 2 - 5 of the Mohammed bin Rashid Al Maktoum Solar Park and the Hassyan power plant.

Dubai power sector regulatory environment

The Ministry of Energy and Infrastructure (MoEI) is a UAE Federal body whose mission is to enhance competitiveness in energy, mining, water resources, land and sea transportation, roads, utilities, housing as well as sustainability in investment. However, the provision of utility services including power is a matter for each emirate and the DSCE established in 2009, fulfils this obligation for the Emirate of Dubai. The DCSE also proposes initiatives regarding the energy sector.

The Dubai Regulation and Supervision Bureau (RSB) was established in 2010 and is subject to the DSCE's supervision. It is mainly responsible for regulating, licensing and supervising service providers, facilities and assets that generate electricity. It also determines standards and proposed legislation governing the electricity sector in Dubai.

The Dubai Electricity and Water Authority (DEWA), established in 1992, is the vertically integrated entity exclusively authorised to establish, manage, operate and maintain, power production facilities, power transmission and transport and distribution networks in Dubai. However, independent power producers licensed by the RSB are playing an increasing role in Dubai's power sector following the 2011 framework for PPPs in the electricity sector. Their participation is subject to meeting technical standards contained in the IWP Code and, where applicable, the Renewables Standards, additionally to their licensing.

The electricity tariff in Dubai comprises electricity consumption charges, fuel surcharges and meter charges. The fuel surcharge component reflects changes in gas supply charges to the Group or generation project companies and is passed on to final users as a variable component listed in their water and electricity bills. The fuel surcharge allows the Group to maintain consistent margins regardless of fuel price fluctuations. With effect from 1 January 2018, value added tax (VAT) at the rate of 5% was implemented in the UAE on consumers' electricity and water consumption.

Since 2015, with the issue of Law No 22 of 2015, the Company is authorised to establish project companies either on its own or in collaboration with others. Several projects already exist where the Company owns a minimum 51% of a project company while private entities own the remaining 49%. As sole buyer of electricity in Dubai, independent power producers are only permitted to sell electricity to the Group.

Dubai's electricity sector infrastructure

In the UAE, the Emirates National Grid (ENG) project interconnects the four authorities (DEWA, DoE (Abu Dhabi), SEWA and EWEC) that are responsible for supplying power throughout the seven emirates. Consequently, the Group's network is interconnected with the utility networks of the other Emirates. The interconnected network is operated and monitored from a control centre at the Al Aweer power station in Dubai.

The interconnection of the UAE's power utilities is an important element of the wider GCC's regional grid which connects the six member countries. These countries are connected via a GCC Interconnector, consisting of a 400 kV OHL double-circuit line between the Emirate of Abu Dhabi and Kuwait. Tee connections supply the individual countries of Bahrain, KSA and Qatar. The Interconnector is owned and operated by the GCC Interconnection Authority (GCCIA), whose offices are based in Dammam, KSA.

In Dubai, the distribution and transmission electricity networks are wholly owned by the Company. For the generation of electricity, most of the generation is owned by the Company with several IPPs recently established where the Company holds a majority equity stake as illustrated below.

The following table sets our recent IPPs in Dubai partly owned by the Group:

Project	Technology	Capacity MW	DEWA's equity share	Commissioning date
Mohammed bin Rashid Al Maktoum Solar Park – Phase II	Solar PV	200	51%	2017
Mohammed bin Rashid Al Maktoum Solar Park – Phase III	Solar PV	800	60%	2020
Hassyan Power Plant	Conversion to gas	2,400	51%	2023
Noor Energy 1 (currently under construction)	Solar CSP & PV hybrid	950 700 MW CSP 250 MW PV	51%	n.a.
Shuaa Energy 3 (currently under construction)	Solar PV	900	60%	n.a.

Source: DEWA 2021f, ACWA Power, 2022.
Note: The Hassyan Power Plant has 600MW in operation and will reach full capacity by 2023.

The following table sets out a breakdown of electricity units consumed per sector in Dubai, in 2021

Sector	Electricity Consumption *GWh*	Sector shares
Residential	14,853	33%
Commercial	24,205	54%
Industrial	2,387	5%
Others (Government and electric vehicles)	3,548	8%
Total	**44,993**	**100%**

Sources: DEWA 2021
Note: Others refers to Non-Commercial consumption (Mosques, Police Stations, Government Hospitals, Government Schools, DEWA Offices, Staff Premises, etc.). Figures include 229 MWh of free units which were assigned to the sectors on a weighted average basis.

The following table sets out a breakdown of Dubai's electricity generation capacity in 2021 by plant type:

Technology	Installed capacity *MW*	Technology shares
Gas fired*	11,890	89%
Solar (PV plant)	1,527	11%
Total	**13,417**	**100%**

Sources: DEWA, 2021f; DEWA, 2021g; BESIX, 2021, FTI analysis.
Note: Gas fired includes Al Hassyan power plant which has the ability to utilise alternative back-up fuel.

Renewable energy potential in Dubai

As a solar belt country, the UAE has significant potential to utilise solar power generation. Over any given year, the country receives more than 10 hours of daily sunlight on average, with roughly 350 sunny days per year, which corresponds to 6.5 kWh/m²/day on average, in terms of total solar energy received. For comparison, solar potentials in European countries vary from ~3 to 5 kWh/m²/day. Moreover, the world record low PV tariffs achieved by the Group in multiple procurements shed light on Dubai's significant solar potential and the auction for the fifth phase of the Mohammed bin Rashid Al Maktoum Solar Park cleared at a bid USD 16.9 per MWh in 2019. Additional renewables developments include the 250 MW pumped storage hydro power plant being developed in Hatta, with a storage capacity of 1,500MWh and the continued expansion of the Mohammed Bin Rashid Al Maktoum Solar Park.

In addition, Dubai has recently announced a strategy and a roadmap to achieve 100% clean energy by 2050, in line with the UAE government's UAE Net Zero by 2050 strategic initiative. The UAE is the first MENA nation to do so.

Primary energy

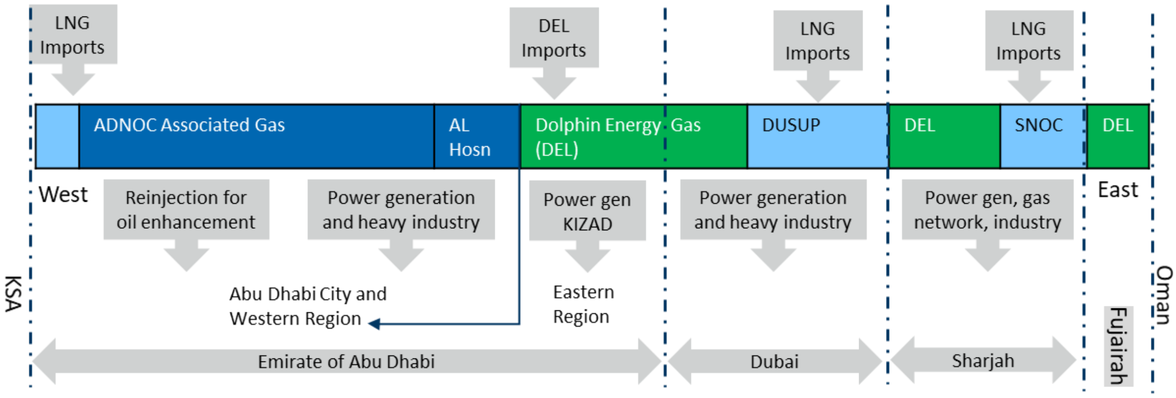
Gas Sector in the UAE

The UAE's gas sector is dominated by the Emirate of Abu Dhabi and two principal companies. The Abu Dhabi National Oil Company (ADNOC) provides significant qualities of associated[13] or sour gas from the West of the Emirate and Dolphin Energy (DEL) imports natural gas from Qatar via a single pipeline to the Northeast of the Abu Dhabi Emirate.

The illustration below seeks to explain, in relational terms, the utilisation of gas throughout the three largest Emirates of Abu Dhabi, Dubai and Sharjah. Both Dubai and Sharjah are dependent upon gas imports either via the DEL network or via Liquefied Natural Gas (LNG) cargos. The diagram also ignores small qualities of exported LNG to Japan from ADNOC under a long-term agreement.

The diagram should be viewed as a connected pipeline (which it is although subject to certain transmission constraints) and the import points are injections into the pipeline. For example the ADNOC associated gas source or the Al Hosn one are in-country sources of gas and DUSUP utilises a portion of this gas for consumption or storage but supplements with LNG imports in the same way as SNOC.

The following table sets out a breakdown of gas utilisation throughout the UAE – Major Competitors:



Source: ADNOC, DEL, DUSUP, SNOC

Key competitors and their activities include:

- ADNOC produce up to 8,000 mscf/d of gas but a proportion of this is reinjected under an enhanced oil recovery programme.
- Al Hosn Gas is a 60-40 joint venture between ADNOC and Occidental Petroleum. It is one of the world's largest sour gas producers with an output of some 1,000 mscf/d.
- Dolphin Energy (DEL) is a joint venture between Mubadala Investment Company (51%), and TotalEnergies and Occidental Petroleum each with a 24.5% share. The Company owns pipelines from Qatar to Abu Dhabi and across the North of the UAE to Fujairah. DEL's gas is supplied through existing gas connections to Dubai and Sharjah. DEL's imports to the UAE are more than 2,000 mscf/day.
- DUSUP is the authority charged with the provision of securing natural gas and LNG supplies to the Emirate of Dubai.
- SNOC the Sharjah National Oil Company carries out a similar role to that of DUSUP for the Emirate of Sharjah.

[13] Associated gas is gas produced as a by-product from the production of crude oil.

Dubai specific supply and purchase arrangements

DUSUP was formed under Dubai Emiri Decree in 1992 with responsibilities for the production, collection, storage and distribution of natural gas in the Emirate. Their remit is to meet all reasonable and foreseen gas demand for the industrial sector as well as for power and water production. Key customers include the Group, Dubal, Dugas, ENOC and Dubai Petroleum.

Currently, DUSUP receive a contracted quantity of gas per day from DEL under a swap arrangement with ADNOC at a set price. In addition, DUSUP buys directly from DEL where capacity is available, and peaks in gas demand necessitate this action.

Given various network constraints in DEL's network and a shortage of surplus gas from Abu Dhabi in 2010, DUSUP completed the construction of an LNG Import Terminal in Jebel Ali port. This allows the import of LNG via a Floating Storage Regasification Unit (FSRU). The FSRU is an LNG tanker specially converted into an FSRU for this purpose and it is permanently moored at the Terminal.

DUSUP buys LNG both based on a long-term agreement for supply and by purchasing LNG spot cargos to support changes in demand. DUSUP has sourced the gas from all the major LNG exporting countries from as far away as Trinidad and Australia and as close as Qatar.

Storage

The Margham Gas Plant and Field located in Dubai contains three gas-bearing geological formations located more than 10,000 feet below the surface. The Field has been developed with production and injection gas wells that are connected through a gathering system to the Margham Plant. This in turn then supplies the DUSUP gas pipeline grid. A major storage facility constitutes a significant strategic benefit by providing gas supply resilience to the Group in the event of pipeline gas shortages from Abu Dhabi. Further benefits include provision for seasonality demand swings and hedging where necessary.

Water Industry

Global and regional water sector overview

General Introduction

The Middle East region has one of the highest levels of water-scarcity in the world with over 85% of the population experiencing water scarcity. Given low rain fall, the region is largely dependent upon unsustainable groundwater abstractions. The average annual rainfall ranges from 70 to 130 mm, except in the mountain ranges of southwestern KSA and southern Oman, where rainfall may reach more than 500 mm.

To mitigate water scarcity, GCC countries rely heavily on desalination, especially for human usage, whether for drinking or general household purposes. Desalination plants which are mostly installed along coasts require substantial investment with the need to build additional transmission and distribution networks. Current water pricing schemes for certain citizens of the UAE are subsidised, which makes per-capita consumption targets challenging.

Key water sector competitors in the UAE

The Federal Ministry of Energy and Infrastructure (MoEI), in the same way as for the UAE power sector, provides oversight of the water sector together with various emirate environmental agencies. As with electricity, water provision is the responsibility of each individual emirate.

Further, there is an existing extensive water transfer system between Fujairah and Abu Dhabi, to which the Emirate of Dubai has been recently connected through a strategic emergency water interconnection. Sharjah is not connected. EWE (Etihad Water and Electricity) – the combined power and water distribution company of the four Northern Emirates – connects the Four Northern Emirates to the above mentioned system tying Abu Dhabi, Fujairah, and Dubai at this moment in time.

The following table sets out a breakdown a summary of key water industry competitors within the UAE and their fields of activity:

Key Competitors	Field and geography of activity					
	Production	Transmission	Distribution	Supply	Regulator	Policy making
DEWA	Dubai	Dubai	Dubai	Dubai	RSB[14]	DSCE
TAQA	Abu Dhabi Fujairah				DoE	EC & DoE
TRANSCO		Abu Dhabi, NE	.		DoE	DoE
ADDC			Abu Dhabi	Abu Dhabi		DoE
AADC			Al Ain	Al Ain		DoE
EWEC	Single buyer of all produced water in Abu Dhabi and Fujairah					EC & DoE
SEWA	Sharjah	Sharjah	Sharjah	Sharjah		Govt. of Sharjah
EWE		NE	NE	NE	MoEI	MoEI

Source: ADDC, 2021; TAQA, 2021; RSB, 2021; Afridi & Angell, 2021; SEWGA, 2021; EWE, 2021; TRANSCO, 2021; DOE, 2021
Abbreviations: MoEI - Federal Ministry of Energy and Infrastructure; DoE Department of Energy; EWEC Emirates Water and Electricity Company; TRANSCO Abu Dhabi Transmission & Despatch Company; ADDC Abu Dhabi Distribution Company; AADC Al Ain Distribution Company; TAQA Abu Dhabi National Energy Company; SEWA Sharjah Electricity, Water Authority; EWE Etihad Water & Electricity; SE Council Dubai Supreme Council of Energy; EC Abu Dhabi Executive Council, NE – Northern Emirates of Ajman, UAQ, RAK, Fujairah

Dubai's water sector

Dubai's general water sector policy framework

At a federal level, the MoEI unveiled the UAE Water Security Strategy 2036 in 2017. The overall objectives of this strategy are to reduce total demand for water resources by 21%, increase the water productivity index[15] to USD 110 per cubic meter, reduce the water scarcity index by three degrees, increase the reuse of treated water to 95% and increase national water storage capacity up to two days.

In this context, Dubai aims to undertake its transition towards a green economy through two parallel courses of action. The first is to reduce energy and water demand by 30% by 2030, by promoting efficiency and conservation programmes. The second by improving supply side efficiency through diversifying the energy mix, especially clean energy, increasing efficiency and reducing power and water network losses.

The main authorities regulating the water sector in Dubai are:

- **The Dubai Supreme Council of Energy** (DSCE) established pursuant to Dubai Law No. 19/2009 "On Establishing the Supreme Committee for Energy" sets Emirate policy and strategies and provides a supervisory role over the water sector.
- **The Dubai Regulation and Supervision Bureau** (RSB) responsible for regulating, licensing and supervising IWPs. It also determines standards and proposed legislation governing the electricity sector in Dubai. The Group is not regulated by the Dubai RSB.

Dubai's water sector infrastructure

As is the case with the Dubai electricity sector, the Company's rights in the water sector allows it to exclusively establish, manage, operate and maintain, within the Emirate of Dubai, water desalinisation plants, water reservoirs as well as water transmission and distribution networks.

Further, the Company is authorised to establish project companies either on its own or in collaboration with others. "On the Organization of PPPs in the Emirate of Dubai" sets out the regulatory framework with respect to these arrangements and is designed to encourage PPP structures. Some projects already exist in Dubai where DEWA owns 51% of the PPP entity while private entities own the remaining 49%.

[14] The Dubai Regulation and Supervision Bureau who provide a degree of oversight on certain activities in the power and water sector for Dubai

[15] Water productivity, according to Molden et al. (2010), measures what can be produced from a unit of water (generally measured in m3). It can be measured with the Water Productivity Index (WPI), which is the ratio between a unit of output (in physical or monetary terms) and a unit of input of water (in volumetric terms) – for example kg/m3 of water or EUR/m3 of water.

The Company exclusively owns all water desalinisation plants, water reservoirs, transmission pipelines and distribution networks. However, with the building and commissioning of the new plant and the Hassyan SWRO IWP 120 MIGD plant, the Company's exclusive ownership of water production will change, although they will retain a majority shareholding in the new plant.

The following table sets out a breakdown of key figures for the Dubai water sector:

Water sector key indicators	***Unit***	**2018**	**2019**	**2020**	**2021**
Water production					
Total installed capacity for water desalination	*MIGD*	470	470	470	490
Total water requirement	*MIG*	124,556	126,121	125,685	128,606
Water consumption					
Number of end-users		750,596	816,580	884,404	960,032
Water consumption	*MIG*	113,994	115,386	115,097	117,823
Residential sector	*MIG*	71,165	72,125	75,883	75,636
Commercial sector	*MIG*	30,525	31,254	28,027	30,999
Industrial sector	*MIG*	3,972	3,701	2,955	2,974
Other[16]	*MIG*	8,332	8,306	8,232	8,213
Peak water demand	*MIGD*	368	379	378	380

Source: DEWA,

District cooling industry

Global and regional district cooling sector overview

General Introduction

District cooling means the centralised production and distribution of cooling energy. Chilled water is delivered via an underground insulated pipeline to office, industrial and residential buildings to cool the indoor air of the buildings within a district. Specially designed units in each building then use this water to lower the temperature of air passing through the building's air conditioning system.

The output of one cooling plant is enough to meet the cooling-energy demand of dozens of buildings. District cooling can be run on electricity or natural gas and can use potable water, seawater or treated sewage effluent (TSE). Along with electricity and water, DC constitutes a new form of energy service.

District cooling systems can replace most types of air conditioning systems, but primarily compete with conventional air-cooled reciprocating chiller systems serving large buildings.

District cooling value to customers and society

District cooling requires higher initial capital costs compared to alternative cooling technologies but provides several advantages to users and governments that offset those initial higher costs.

- District cooling reduces customers' lifecycle cooling costs and real estate developers and building managers generally prefer to outsource the provision of cooling energy rather than operating their own equipment.
- DC increases the value of buildings, improving the appeal for real estate developers and building managers to outsource the provision of cooling energy.
- DC providers earn a margin on their services by increasing the overall efficiency in the provision of cooling. They apply professional, utility-scale business procedures focused on increasing reliability and reducing costs.
- Finally, DC also provides value to society, by achieving higher energy and water usage efficiencies.

Dubai's general district cooling sector policy framework

Dubai has targeted the promotion of DC as a key measure to improve energy efficiency applying a current energy strategy to increase the share of DC to 40% by 2030.

16 Other comprised of Government and Port accounts

In September 2018, the Dubai Supreme Council of Energy appointed the Dubai RSB to undertake the regulation of the DC Sector and in October 2020, formed the Association of District Cooling Operators Dubai. The association is chaired by the Chief Executive Officer of Empower.

In 2021, the Dubai Executive Council issued Resolution No. (6) of 2021 to regulate the DC sector. Currently this Resolution is not applicable to Empower, the largest DC company in Dubai and thought to be the largest in the world. The Resolution provides the first regulatory framework for DC in the Emirate. It is understood that the Dubai RSB will also provide guidelines on maximum DC charges.

Dubai district cooling regulatory environment

The Dubai RSB estimates that Dubai's DC industry contracted capacity is over two million refrigeration-tons and met 23% of demand for cooling in 2020.

Association Membership shows the profile of the companies engaged in DC in Dubai as listed below:

- Empower, a joint venture between the Company (70%) and TECOM (30%)
- Privately and publicly owned regional DC service providers, such as Emicool and Tabreed
- Energy affiliates of real estate developers: Emaar District Cooling (80% owned by Tabreed) Nakheel South Energy and Meydan

Dubai's district cooling sector infrastructure

Globally, the DC sector can develop under different ownership and contracting structures. These structures differ on risk allocation, the term and content of contracts and the pricing structure.

In Dubai, we understand most DC systems are developed under BOO structures in the form of concession agreements with real estate developers, whereby a DC company owns and manages the whole process. The concession agreements grant a DC operator 'sole and exclusive rights' to provide cooling services to a building or development over a given period. Charges for the provision of DC services is directly between each tenant and the DC company for tenants' consumption and building owners/operators are responsible only for the consumption in common areas. Additionally, tenants are not allowed to contract or install any other alternative form of cooling. This is a sensible precaution as otherwise a building's electricity demand could easily exceed the maximum demand rating of the supplying cables.

District cooling charges normally consist of two main components[17]:

- A fixed capacity charge (demand charge) for cooling capacity
- A variable consumption charge based on metered usage

Future trends

Power sector

Power sector drivers, challenges

The Gulf countries have the highest energy and water consumption rates per capita in the world. In recent years, energy subsidies have gradually been reduced and energy efficiency programmes and targets have been established. Dubai has the boldest targets: its Clean Energy Strategy 2050 commits the power and water sector to a thirty per cent reduction in electricity and water consumption by 2030. In addition, Dubai has launched several initiatives to help achieve this, such as green building regulations, a programme to replace street lighting with LED lamps and schemes to support private sector investment in solar energy. Energy efficiency service companies (ESCOs) are being encouraged to establish themselves in the Dubai region, as the demand for energy audits and energy saving projects is set to grow strongly in the coming years.

Considering the above, FTI has identified some of the major variables that could affect the evolution of power demand for the 2021-2026 period. The more relevant trends are the following: (i) Sustained economic growth;

[17] There are other, smaller charges, such as connection charges.

(ii) Demographic growth; (iii) Demand Side Management (DSM) strategy; (iv) Strong environmental goals that promote the electrification of the economy;(v) District Cooling industry expansion.

Driver 1: Sustained economic growth. Over the next five years, Dubai's economy is expected to experience sustained economic growth driven largely by industry, trade, logistics and transport, tourism, financial services, and construction. This will drive power demand, together with an increased electrification of the economy.

As announced by the Department of Economic Development (DED) in September 2021, Dubai has quickly recovered from the economic downturn and its GDP is again growing at a rate of 3.1% for 2021, driven mainly by the continued recovery of the activities most affected by the pandemic, such as tourism and international transport. This is higher than the GDP growth in many neighbouring countries, such as Iran (2.5% growth), Kuwait (0.9%) and higher than the UAE's overall GDP growth of 2.1%. Dubai's GDP growth is expected to accelerate in 2022 to a growth rate of 3.4%, benefiting from Expo 2020 activities in the first months of 2022. For the rest of the decade, sustained positive economic growth is likely, as the Dubai Urban Master Plan 2040 projects an average GDP growth of 3%, which could lead to an increase in energy demand (ceteris paribus) over time.

The following table sets out a breakdown of GDP growth future trend in Dubai between 2022 and 2026:

	2022	**2023**	**2024**	**2025**	**2026**
GDP growth (%)...	3.4%	4.2%	3.2%	2.8%	2.9%

Source: GDP growth rates for 2022-2026 are DET figures and were provided by DEWA.

Driver 2: Demographic growth. Currently, Dubai has around 3.5 million inhabitants and is expected to grow by an average of 3.1% per annum for the 2022-2026 period according to forecasts developed by the DSC provided by the Company.

Population is inextricably linked to residential and commercial power consumption, which jointly account for around 75% of total energy requirements in Dubai. Thus, the more population, the more energy is required (air conditioning devices, dehumidifiers, city malls, airports, etc.). Population growth will be mainly driven by an increase in non-Emirati residents (which currently compose around 92% of the total resident population in Dubai) that live and work in the Emirate. However, Emirati residents (which account for the remaining 8%) are expected to grow at an ever-faster rate, with birth rates of 2.5% (Dubai 2040 Urban Master Plan) over the 2021-2030 decade.

The following table sets out a breakdown of population Growth future trend between 2022-2026:

	2022	**2023**	**2024**	**2025**	**2026**
Population growth (%)	3.1%	3.1%	3.1%	3.1%	3.1%

Source: Dubai Statistic Centre. Projections as of the end of 2021.

Hence, the expected population increase will increase power demand in the following years.

Driver 3: Demand Side Management (DSM) strategy. As part of its efforts to make Dubai a leading example of energy efficiency regionally and globally, the DSCE, in cooperation with the Company, launched in 2011 the Demand Side Management Strategy (DSM) 2030 that aims to deliver 30% power consumption savings by 2030 through a set of defined programmes. The updated DSM Strategy, issued in 2020, consists of 11 Programmes with a total combined power target savings of 19.2 TWh by 2030.

Driver 4: Strong environmental goals that promote electrification. The DSCE is working to promote the shift towards a sustainable green economy as well as to meet the Dubai Clean Energy Strategy 2050 to produce 100% of Dubai's total power output from clean energy by 2050 and make Dubai the city with the lowest carbon footprint in the world. Two following emerging markets are crucial in working towards greater electrification namely Transport Electrification and Renewable Energy.

Driver 5: District Cooling industry expansion. In the Middle East region, 70%[18] of generated power is used for building cooling. District cooling is an attractive option for the future, as according to Empower it saves up to 50% of electricity compared to conventional cooling systems. To contribute to the sustainable development

[18] Source - Empower.

of Dubai, the DSCE is working towards the implementation of their DSM strategy, which features nine programmes including a planned increase of 40% in DC capacity by 2030.

<u>Power sector challenges</u>

The primary challenges regarding power demand over the next five years are as follows:

- **Dubai's economy is internationally open**. Dubai's economic growth rate is heavily influenced by its exposure to economic conditions within its immediate and surrounding geographic region. Recent examples include oil price volatility and COVID 19.
- **DSM programme.** The Dubai Integrated Energy Strategy (DIES) 2030 DSM strategy prepared by DSCE aims to reduce consumption by 30% compared with business as usual (2013) by 2030.
- **Considerations regarding projections.** Certain power demand drivers' forecasts, such as GDP and population may be impacted by events beyond the control of Dubai as recently demonstrated by COVID-19. However, while such events could impact demand in the short-term Dubai has shown an ability to bounce back quickly from such events.

Power Demand Forecast for 2022 – 2026

The main objective of this section is to forecast Power Demand in Dubai for the 2022 -2026 period. The Power Demand forecasting model should meet the following requirements:

- Capture trends that drive power demand and the variables that capture these trends. Economic theory and data suggest that GDP and population are the main explanatory variables that could be driving power demand.
- Internalise current and future policies and programmes that affect power demand. In 2010, Dubai introduced their DSM programme that aims to reduce 30% electricity consumption by 2030 (with respect to a scenario in which the DSM strategy is not implemented).
- To have the right trade-offs between complexity and robustness. In terms of econometrics, the more explanatory variables a model contains, the better the fit performance. However, the projection might be less robust and less precise as more variables are projected to make the forecast.

In this context, FTI considers a Sector-Based Model based on separately forecasting and adding up the different elements that compose total power demand, such as: residential consumption; non-residential consumption (including commercial, industrial, government and others); networks energy losses; power station and desalination plant's auxiliaries; and reverse osmosis (RO) desalination consumption.

Additionally, FTI has performed a forecast analysis considering total power demand as the dependent variable, which yield results consistent with the sector-based model detailed below.

The Model choice is based on the satisfaction of two fundamental econometric requirements: a) the model presents significant coefficients[19], and b) the estimation model applied to past data has a high fit performance (does not surpass a maximum 5% error with respect to actual data, which goes into accord with best international practices). FTI has tested several model specifications with objective of finding a robust model that captures underlying trends and has a high fit performance, using available data on GDP, Population, annual average Temperature.

Previously to the application of regression models, the BAU Residential and Non-Residential scenarios are constructed adding respectively the actual Residential and Non-Residential DSM power savings during the 2011-2021 period.

[19] In econometric terms, a regression coefficient is more significant (is estimated more precisely), the higher its corresponding t-statistic. At certain thresholds, the t-statistic is considered to show the coefficient is significant at 10% 5% or 1% levels. The higher the statistic, the higher the confidence level (1% level is better than 10% level).

The prediction model for the Residential Sector considers as a dependent variable BAU Residential power demand per capita GDP per Capita[20] Temperature[21] and the first two Lags of Residential power demand per capita as explanatory variables for the 2001-2021 period. Residential demand is recovered by multiplying demand per capita by population. The model's coefficients positive and significant and displays a good quality performance fit, with errors below 5% for the whole sample apart from 2020.

The following table sets out a breakdown of future evolution of explanatory variables between 2022 and 2026:

	2022	2023	2024	2025	2026
Population growth (%)	3.1%	3.1%	3.1%	3.1%	3.1%
GDP growth (%)....................................	3.4%	4.2%	3.2%	2.8%	2.9%
Temperature	30.24	30.32	30.40	30.48	30.56

Source: Population growth rates were obtained from Dubai Statistic Centre. GDP growth rates for 2022 2026 are DET figures and were provided by DEWA. Temperature projections have been calculated by FTI using a Time Trend model based on Dubai monthly temperature data from 2001 to 2020 obtained from Weather Online. Dubai Statistic Centre.

To obtain BAU Residential power demand forecast, projected values of GDP per capita, temperature and population are used, and finally Residential forecasted power demand is computed by subtracting the forecasted Residential DSM savings from the BAU projection.

The following table sets out a breakdown of DSM's Forecasted Residential Power DSM savings (GWh):

	2022	2023	2024	2025	2026
The Company's forecasted Residential power DSM savings........	2,661	2,916	3,213	3,421	3,595

Source: DEWA

The prediction model for the Non-Residential Sector uses Non-Residential BAU power demand in differences as the dependent variable and GDP in differences as the explanatory variable for the 2010-2021 period. The model's coefficients are positive significant at the 1% level and its fit performance on past values does not exceed a 5% error. To obtain Non-Residential BAU forecasts, this estimated model is taken forward in time using projected values of GDP. Lastly, Non-Residential forecasted power demand is computed by subtracting the forecasted Non-Residential DSM power savings from the Non-Residential BAU power projection.

The following table sets out a breakdown of DSM's Forecasted Non-Residential Power DSM savings (GWh)

	2022	2023	2024	2025	2026
The Company's forecasted Non-Residential power DSM savings	2,822	3,158	3,495	3,851	4,221

Source: DEWA

Forecasted Network Energy Losses and forecasted Power Station and Desalination Plant's auxiliaries' consumption are added to Residential and Non-Residential forecasts. Forecasted auxiliary consumption and network losses are projected as 8%[22] and 2.94%[23] of system energy requirements, respectively. In other words, we assume the forecasted sector-based consumption computed before accounts to 89.06% of total system requirements, whereas network losses and auxiliary plants consumption is the missing 10.94%. Additionally, RO forecast is provided by the Company and for the period 2022-2026 amounts to 2,013 GWh.

The following Table shows the forecasts of FTI´s Sector Based Power Demand Model reaching over 278 TWh for the 2022-2026 period, with a CAGR of 3.3%.

20 The explanatory variable "GDP per capita" is the result of the ratio of GDP by population, which is connected to personal income. A higher personal income could drive up residential power demand per capita. GDP and Population data has been provided by DEWA for the 2000-2021 period.

21 The explanatory variable "temperature" is constructed using Dubai monthly Temperature data (Celsius) since 2001 to 2021 obtained from Weather Online. Temperature projections are calculated by FTI using an econometric model in which historical Dubai temperature is regressed against a time trend. This model has a high fit performance, considering that coefficients are significant at the 1% level and shows an R2 of 75%

22 This figure was provided by DEWA.

23 This figure was provided by DEWA.

The following table sets out a breakdown of FTI's Sector Based Power Demand Model Forecasts (GWh):

Year	FTI's Residential Power Forecast	FTI's Non-Residential Power Forecast	FTI's other power forecasts (Network losses, Aux plants, RO)	FTI Sector Based Power Forecast
2022	15,020	31,201	5,866	52,087
2023	15,244	32,462	6,157	53,863
2024	15,543	33,572	6,625	55,740
2025	16,066	34,610	6,816	57,493
2026	16,715	35,666	7,026	59,407
Total	78,588	167,512	32,490	278,590

Source: FTI

Generation capacity outlook

The Group's total generation capacity in 2021 amounted to 13,417 MW. Combined cycle gas turbines provided the highest share of this capacity at 62% of the total. Renewable energy capacity made up 11% of the overall capacity, with the remaining 27% provided by gas fired steam turbine plants and open cycle plants. The Group aims to increase the clean capacity share to 25% by 2030, and DEWA is well-aligned to the Dubai Clean Energy Strategy 2050 which aims to produce100% of Dubai's total power capacity from clean energy sources by 2050.

In the short-term the Group plans to expand its installed generation capacity to 18,219 MW by 2026, this will be completed through a number of projects with the addition of both conventional generation and renewables. One of the projects adding in capacity is the Hatta Pumped Storage Hydroelectric Power Plant, which will make use of the stored water in the existing Hatta Dam with a total capacity of 250MW.

Further additions include an expansion of the Mohammed Bin Rashid Solar Park capacity, which is currently the largest single-site solar plant in the Middle East and is planned to expand the site's total capacity to 5,060 MW by 2030 of which 3,460 MW will be commissioned by 2026, creating the largest single-site plant in the world. Other than Hatta and the Mohammed Bin Rashid Solar Park the main electricity capacity additions up to 2026 include 1,200MW to the Hassyan Power Plant (600 MW in 2022 and a further 600 MW in 2023).

The below table highlights the installed generation capacity for the Group from 2021-2026 excluding distributed rooftop solar (399 MWp at the end of 2021) which is not considered part of the Group's generation capacity.

The following table sets out a breakdown of Dubai's demand and the Group's generation capacity outlook:

	Unit	2021	2022	2023	2024	2025	2026
Generation Capacity	*MW*	13,417	15,446	17,136	17,619	17,919	18,219
Peak Demand	*MW*	9,240	9,444	9,755	9,978	10,238	10,547
Renewable Capacity	*MW*	1,527	2,127	2,627	3,110	3,410	3,710
Renewable Capacity share	*%*	11%	14%	15%	18%	19%	20%
Solar (PV+CSP) Capacity	*MW*	1,527	2,127	2,627	2,860	3,160	3,460
Hydroelectric Capacity	*MW*	-	-	-	250	250	250
Conventional Generation Capacity	*MW*	11,890	13,319	14,509	14,509	14,509	14,509

Source: FTI analysis based on Data provided by DEWA

Water Industry

Water sector drivers and challenges

As with the power sector, water consumption per capita in the Region ranks as amongst the highest rates in the world. FTI has identified some of the major variables that could affect the evolution of water demand for the 2021-2026 period. The more relevant trends are the following: (i) Sustained economic growth and Demographic growth; (ii) Demand Side Management (DSM) strategy; (iii) Rising Temperatures.

<u>Water sector drivers</u>

- **Driver 1: Sustained economic and demographic growth.** Residential demand represents around 66% of total water system requirements in Dubai and is mainly driven by an increased population, which is expected to keep growing at a rate of 3.1% as shown in the power section (see – "*Power sector drivers*, challenges") and improvements in personal income.

- **Driver 2: Strong Water Demand Side Management Programme.** DSM strategy, managed by the Dubai Supreme Energy Council also aims to reduce water demand 30% by 2030 (with respect to a scenario in which no DSM initiatives are present). The updated DSM strategy 2030, issued in 2020, contains 11 programmes with a target water savings of 46.3 BIG by 2030.
- **Driver 3: Rising Temperatures.** As displayed in the figure shown in (5.1.2) temperatures in Dubai are steadily rising, and could increase hydration needs, field irrigation needs, among others.

<u>Water sector challenges</u>

- **Challenge 1: Dubai's economy is internationally open.** Dubai is a major agent of trade and tourism in the area and thus its GDP is interlinked to global and regional economic conditions. As occurred with the COVID-19 pandemic, new economic turmoil could lead to lower GDP trends, which in turn would drive population down as well, given Dubai's demographic dynamics. However, Dubai is characterised by its capability to rapidly adjust and find new growth routes, minimizing the costs of such global trends. An increase in demand from 2020 to 2021 of some 3% appears to support this view.
- **Challenge 2: DSM programme.** The DSM water programme is an initiative in which, the Company, the DSCE and several other agents work together to achieve a 30% efficiency gain by 2030. Given the short time to achieve this target and the number of partners involved in different programmes, several DSM outcomes are possible.

Water demand forecast 2022 – 2026

Similar to the Power Forecast Section, FTI considered a sector-based model in order to forecast water demand taking in to account the following sectors:

Residential Sector consumption, Non-Residential Sector consumption which includes Commercial, Industrial, Governments and Others, and other variables were considered, such as Unaccounted-for-Water (UFW) and Domestic Plant in-house Consumption

In addition, Other Variables are considered, such as Unaccounted-for-Water (UFW) and Domestic Plant in-house Consumption. Additionally, as in the Power Demand Forecast section, FTI has also performed models that uses total water demand as the dependent variable which yield forecast consistent with the Sector Based Model.

Previously to the application of regression models on the data, the BAU Residential and Non-Residential scenarios are constructed adding respectively the actual Residential and Non-Residential water DSM savings to Residential and Non-Residential water demand[24], respectively, during the 2011-2021 period.

FTI has tested several model specifications with the objective of finding a robust model that captures underlying trends and has a high fit performance.

The prediction model for the Water Residential Sector considers a logarithmic model in which dependent variable is the BAU Residential water demand and the explanatory variables are Population and the first Lag of the dependent variable for the 2010-2021 period. The model's coefficients are significant at the 5% level and displays a high-quality performance fit, with errors around 5%.

To obtain BAU Residential water demand forecast, projected values of GDP per capita are used and finally Residential forecasted water demand is computed by deducting the forecasted Residential DSM savings from the Residential BAU prediction.

The following table sets out a breakdown of DSM's Forecasted Residential Water DSM savings (MIG):

	2022	2023	2024	2025	2026

[24] Residential and Non-Residential power and water demand were provided by DEWA for the 2000-2021 period.

Company's forecasted Residential water DSM savings..	7,163	7,573	7,975	8,385	8,690

Source: DEWA

The prediction model for the Non-Residential Sector uses Non-Residential BAU water demand as dependent variable and GDP in differences as the explanatory variable for the 2010-2020 period. The GDP coefficient is positive and significant at the 1% level and the model's fit performance on past values does not exceed a 5% error. To obtain Non-Residential BAU water forecasts, this model is forecasted using projected values of GDP and lastly Non-Residential forecasted water demand is computed by subtracting the forecasted Non-Residential DSM savings from the Non-Residential BAU projection Non-residential water demand.

The following table sets out a breakdown of DSM's Forecasted Non-Residential Water DSM savings (MIG):

	2022	**2023**	**2024**	**2025**	**2026**
Company's forecasted Non-Residential water DSM savings	3,082	3,170	3,264	3,359	3,466

Source: DEWA

Forecasted UFW and forecasted Domestic Plant in House Consumption (DPC) are added to residential and non-residential forecasts. UFW and DPC are projected as 5.1%[25]and 3%[26] of system water requirements, respectively. In other words, FTI assumes the forecasted sector-based consumption computed before accounts to around 92% of total system requirements, whereas UFC and DPC is the missing 8%.

The following table shows the forecasts of FTI´s Sector Based Water Demand Model reaching over 700 BIG for the 2022-2026 period, with a CAGR of 2.7%.

Year	**FTI's Residential Water Forecast**	**FTI's Non-Residential Water Forecast**	**FTI's Other Variables forecast (UFW, DPC)**	**FTI Sector Based Water Forecast**
2022	78,641	43,526	10,768	132,934
2023	80,112	45,130	11,039	136,281
2024	82,225	46,433	11,340	139,998
2025	84,418	47,636	11,639	143,693
2026	86,677	48,887	11,948	147,512
Total	412,073	231,612	56,734	700,419

Source: FTI Consulting

Production capacity outlook

The Group's total installed water desalination capacity as of the end of 2021 amounted to 490 MIGD, of which 427 MIGD utilised MSF desalination technology and 63 MIGD utilised RO technology.

In line with the Group's strategy to gradually decouple power and water production and utilise RO, the Group plans to add an additional 240 MIGD of capacity between 2023 and 2030, 120 MIGD of which will be commissioned during the next 5 years.

25 This figure was provided by DEWA.
26 This figure was provided by DEWA.

The following table sets out a breakdown of The Group's water production capacity outlook:

	Unit	2021	2022	2023	2024	2025	2026
Total Desalination Capacity	*MIGD*	490	490	550	610	610	610
MSF	*MIGD*	427	427	427	427	427	427
SWRO	*MIGD*	63	63	123	183	183	183

Source: FTI analysis based on DEWA data

Future trends district cooling industry

District cooling industry challenges

General DC risks and challenges are listed below and are included as a global commentary on the DC Sector. In many cases such risks and challenges will not apply to the Dubai DC Sector especially those relating to competition and counter party risks as previously explained.

- **Counter-party risks**. Some DC systems are funded by long-term contracts that leave DC operators exposed to counter-party risk at times of poor economic performance or if there were a breakthrough in cooling technologies. Long-term customers may delay payments, default on their contractual obligations, or seek to renegotiate contractual agreements during the contract term.
- **Regulatory and compliance.** DC Regulations have recently been issued in Abu Dhabi and Dubai by their respective regulatory bodies. Overall, the Regulations were issued in consultation with existing DC Sector incumbents thereby ensuring minimal impact to their operations while seeking to create a level playing field for all DC operators. DC is also subject to building, environmental, health and safety and technical regulations, or their interpretation and application, that may vary from time to time. Changes to these regulations may require additional capital expenditures. Those liabilities might include revocation of, or limits to, existing permits.
- **Technological obsolesce.** District cooling involves carrying out significant investment in long-lived assets. In those cases where those investments are not locked into contracts with a similar maturity, DC operators bear the risks of technological progress. Relevant improvements in cooling technologies may expose some DC systems to competition from more economic or environmental compliant technologies.
- **Stranded assets.** DC networks are developed to serve specific buildings and areas. Such systems are highly efficient in densely populated conurbations including shopping malls and tower blocks. However, where these are subject to changes of use or structural changes then DC owner/operators may not be able to fully recover their initial investments if demand fails to materialise as expected.
- **Changes in competition.** Generally, DC operates in a competitive market not subject to regional franchises or exclusive licensing although once contracted for a development, customers are locked into the designated DC supplier. New regulations could restrict competition among DC operators.

DC market outlook

Dubai's industry has grown steadily over time. The Dubai RSB estimates that Dubai's DC industry contracted capacity reached over two million refrigeration-tons in 2019, growing around 8% every year since 2014. Dubai aims at increasing the DC penetration to 40% by 2030, from current 23%. Public policy will be one of the driving forces behind the DC market growth in future years.

We expect DC contracted load to grow over time consistently with the 40% DC share target. Assuming overall demand for cooling grows in line with expected GDP and population increases, and the 2030 40% DC penetration target is reached, we expect DC contracted capacity to grow 9% every year until 2026. DC contracted capacity could grow at 7% per year even if overall demand for cooling in the Emirate experiences slight growth. Short term growth will continue to be impacted by the COVID-19 pandemic but is likely to recover from 2024 onward thanks to its existing projects pipeline. Most of this growth is expected to come from new real estate developments, with some contributions from connections to existing buildings' cooling systems to DC networks.

DC operators typically install a fraction of their contracted capacity to meet simultaneous peak cooling demand. Actual DC capacity required depends on the cooling load density and utilisation ratios of the new demand. Development of villas instead of high-rise building and deployment of VRF cooling technologies may detract some DC demand growth.

Benchmarking

Country benchmarking

Peer countries, territories and cities

The benchmarking exercise sought to compare Dubai with their in-region peers of Abu Dhabi, the Kingdom of Saudi Arabia, Oman and Qatar. A further four cities or city-states were also employed in this exercise namely, Singapore, Hong Kong, Sydney and London.

Of note is that Dubai's GDP growth from 2018 to 2019 was the highest compared with the peer group at 2.7% as was population growth of 5.1% for 2019.

Dubai's electricity sector against its peers

The following table sets out a breakdown of electricity sector data comparison. Selected data is given below as taken from the Industry Report. Sydney has been removed as data availability was limited.

Electricity sector 2019	**Annual consumption**	**Consumption growth rate 2018 to 2019**	**Consumption [27] per person**	**Peak demand**	**Total installed capacity**	**Getting Electricity WB score 2020**
	TWh	*% YoY*	*kWh per capita*	*MW*	*MW*	
Dubai	45	1.8%	11,069	8,516	11,400	100
Abu Dhabi	63	3.1%	20,386	11,179	10,578	not scored
Qatar	47	2.2%	16,600	8,475	16,572	83.6
KSA	289	-3.5%	8,434	62,081	85,000	91.8
Oman	34	0.7%	6,793	7,134	11,200	87.1
Singapore	52	2.5%	9,500	7,404	12,021	91.8
Hong Kong	45	1.4%	6,300	9,601	12,225	99.3
London	37	-2.0%	4,150	n.a	n.a.	96.9

Source: World Bank, IEA, reports from regulators and national companies, Census and Statistics Department of Hong Kong Special Administrative Region, Department for Business, Energy & Industrial Strategy (UK). Source for Capacity: FTI analysis based on DEWA data, company and regulatory reports, The Abu Dhabi DoE.
Note: For Dubai, by the end of 2021, The Group has increased capacity to 11,890MW (conventional), 1,527MW (RE). For Abu Dhabi, gross installed figures are given for gas fired plants. In Abu Dhabi, the first nuclear power plant is in operation and three more are in construction by ENEC. Oman data is from 2018. For Abu Dhabi, annual consumption figure (reported in the Annual Energy and Water statistics report from SCAD) includes internal electrical consumption by power stations & technical losses through the network.
The metric "Getting Electricity" from the Doing Business World Bank report, the maximum and best score is 100. Getting Electricity, WB scores for London are UK scores.

[27] The metric "Consumption per person" is calculated using total resident population (incl. Expats). Annual consumption and peak demand for Abu Dhabi exclude exports to Sharjah and the Northern Emirates and their associated peaks. For Dubai the electricity consumption per capita figure was provided by DEWA and was calculated using the total population which consists of resident population plus equivalent non-resident population

The following table sets out a breakdown of installed capacity per technology:

Electricity sector 2019	Total installed capacity	Conventional fossil fuels	Nuclear Power	Renewables
	MW	*MW*	*MW*	*MW*
Dubai	11,400	10,690	—	710
Abu Dhabi	16,572	15,527	1,390	1,045
Qatar	10,578	10,578	—	—
KSA	85,000	84,600	—	400
Oman	11,200	11,200	—	n.a.
Singapore	12,021	n.a.	—	n.a.
Hong Kong	12,225	n.a.	—	n.a.
Sydney	n.a.	n.a.	n.a.	n.a.
London	n.a.	n.a.	n.a.	n.a.

Source: FTI analysis based on The Group data, company and regulatory reports, The Abu Dhabi Department of Energy (Abu Dhabi Data)

Note: For Dubai, by the end of 2021, the Group has increased capacity to 11,890MW (conventional), 1,527MW (RE). For Abu Dhabi, gross installed figures are given for gas fired plants. In Abu Dhabi, the first nuclear power plant is in operation and three more are in construction by ENEC. Oman data is from 2018, Renewables' output is given in AC not DC. Most generation entities providing power for Sydney and London are based outside of these cities; thus, those indicators are not applicable for them.

The following table sets out a breakdown of electricity yearly tariffs applicable in 2021:

Region	Residential - Expats (15 MWh/Y)	Commercial (100 MWh/Y)	Industrial (1,000 MWh/Y)
	USD/Y	*USD/Y*	*USD/Y*
Dubai	**939**	**8,321**	**98,570**
Abu Dhabi	1,246	5,446	77,876
Qatar	453	4,527	35,714
KSA	720	6,080	48,000
Oman	1,170	6,502	65,020
Hong Kong	2,746	18,989	195,116
London	4,404	21,088	206,550
Sharjah	1,225	10,271	119,809

Source: FTI analysis based on the 2021 tariff sheets of: DEWA, ADDC, SEWA, KAHRAMAA, SEC, HK Electric (The Hongkong Electric Company), Department for Business, Energy & Industrial Strategy (UK)

Note: The figures in the parentheses in the header indicate average consumption across each customer segment for Dubai with some rounding. The tariffs include varying levels of subsidies across the countries. For Oman, non-residential consumption above 100MWh per annum (i.e. the "industrial" figures reported above) has a cost reflective individual (personalised) tariff, however the publicly available standard non-residential tariff (for consumption below 100 MWh) was applied in the table. Hong Kong figures are based on HK Electric Company tariffs. London figures calculated using average non-residential UK tariffs published by the Department for Business, Energy & Industrial Strategy and include a Climate Change Levy

Dubai's water sector against its peers

Water sector data comparison

Selected data is given below as taken from the Industry Report which also includes Sydney.

Water sector 2019	Annual consumption	Consumption per person	Peak water demand	Total installed capacity	Peak demand growth rate
	MIG	*IG / capita / year*	*m IG/day*	*MIG/day*	*% YoY*
Dubai	115,386	31,748	379	470	3.0%
Abu Dhabi	185,896	67,568	731	910	-2.1%
Qatar	138,335	49,416	410	476	6.5%
KSA	768,352	22,422	n.a.	1,708	n.a.
Oman	66,028	13,272	247	354	0.8%
Hong Kong	222,200	29,627	n.a.	0	n.a.
London	208,751	23,241	n.a.	33	n.a.
Sydney	133,814	25,191	n.a.	55	n.a.

Source: FTI analysis based on DSC (Dubai) data, KAHRAMAA 2019 Annual Report, Diam 2019 Annual Report (Oman), OPWP (Oman) 7 Year Statement 2019-2025, Water Statistics 2019 (SCAD/Department of Energy - Abu Dhabi) data, General Authority for Statistics (KSA) data, Sydney Desalination Plant figures, Census and Statistics Department (Hong Kong), Water Supplies Department (Hong Kong), Greater London Authority figures.

Notes: The metric "Consumption per person" is calculated using different base cases as described in the Industry Report. *For Dubai water consumption per capita figure was provided by the Group and was calculated using the total population which consists of resident population plus equivalent non-resident population. Peak water demand growth figures for Abu Dhabi are approximated using a statistical bar graph published within the annual technical report by the Department of Energy.*

The following table sets out a breakdown of water yearly tariffs applicable in 2021:

Country	Residential – Expats (75,000 IG/Y) USD/Y	Commercial (215,000 IG/Y) USD/Y	Industrial (2,000,000 IG/Y) USD/Y)
Dubai	719	2,178	24,496
Abu Dhabi	790	2,087	19,410
Qatar	543	1,881	13,488
KSA	9.1	31	10,428
Oman	410	1,957	18,206
Hong Kong	277	576	8,316
London	648	n.a.	n.a.
Sharjah	617	2,178	24,496
Sydney	649	n.a.	n.a.

Source: FTI analysis based on the 2021 tariff sheets of: DEWA, ADDC, SEWA (via Kapsarc), KAHRAMAA, SEC, NWC, OWWSC, Hong Kong Water Supplies Department, Sydney Water and Thames Water
Note: The figures in the parentheses in the header indicate average consumption across each customer segment for Dubai with some rounding. Hong Kong commercial tariff is calculated using the rate for "trade" activities, the industrial tariff is calculated on the basis of rates applied for "construction". The tariffs include varying levels of subsidies across the countries.

Company Benchmarking

Peer companies

In total, 21 regional and global peer companies for the Group were analysed. Selection criteria were similar activities in the electricity and water sector, data availability and (for the regional peers) significant operations in GCC states.

The following table sets out a breakdown of summary of peer companies and their fields of activity – combined power and water entities:

Key Competitors	Electricity sector				Water sector			
	G	**T**	**D**	**Supply**	**P**	**T**	**D**	**Supply**
DEWA	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**
AADC/ADDC, Abu Dhabi			X	X			X	X
KAHRAMAA, Qatar		X	X	X		X	X	X
SEC, KSA	X		X					
SSE, UK	X	X	X					
TRANSCO, Abu Dhabi		X				X		
REE, Spain		X						
EDF, France	X	X	X	X				
QEWC, Qatar	X				X			

The following table sets out a breakdown of summary of peer companies and their fields of activity – separate power and water entities:

Key competitors	Electricity sector				Water Sector			
	G	**T**	**D**	**Supply**	**P**	**T**	**D**	**Supply**
NWC, KSA							X	X
Elia, Belgium		X						
SWCC, KSA					X			
Terna, Italy		X						
RWE, Germany	X							
ENEL, Italy	X							
National Grid SA, KSA		X						
National Grid, UK		X						
RTE, France		X						
United Utilities, UK					X		X	X
Severn Trent, UK					X		X	X
Pennon Water Services, UK					X		X	X

Sources for both tables: FTI analysis based on company reports
Abbreviations G - Generation: T - Transmission; D - Distribution; P – Production (Water); TRANSCO - Abu Dhabi Transmission & Despatch Company; ADDC - Abu Dhabi Distribution Company; AADC - Al Ain Distribution Company; QEWC - Qatar Electricity and Water Company, SEC - Saudi Electricity Company; SWCC - Saline Water Conversion Corporation; SSE - Scottish and Southern Energy; RTE - Réseau de Transport d'Électricité; REEB - Red Eléctrica; NWC - National Water Company.

Electricity sector benchmarking

Generation

The following table sets out a breakdown of the Group's electricity generation capacities and Co2 emissions for 2019:

Generation Capacities 2019	Fossil generation capacities	Of which gas	Total fossil generation	Annual CO2 emissions	Specific CO2 emissions from fossil generation	Renewable generation capacities
	MWel	*MWel*	*GWh*	*kt*	*g/kWh*	*MWel*
DEWA	**10,690**	**10,690**	**45,228**	**22,580**	**482**	**710**
EDF (global)	19,793	12,066	57,138	33,390	530	32,315
RWE (global)	28,185	13,953	113,200	88,100	569	9,200
ENEL (global)	38,897	27,202	129,700	97,900	296	42,134
SSE	17,725	15,384	17,761	12,490	288	—
Saudi Electricity Company	55,300	n.a.	208,190	124,870	590	—
QEWC	6,264	6,264	n.a.	n.a.	n.a.	—

Source: FTI analysis based on DEWA data and companies' reports

Note: For QEWC, plants owned partially are included in the total capacity figures on a proportionate allocation basis. For EDF, RWE and ENEL, share of national fossil generation capacities is not an applicable metric as these companies operate in various countries. SEC share of national generation capacities is the share of total (not only fossil) generation capacities. Given the small number of entities utilising nuclear production this has not been added to the table. SWCC was not included in the above table due to lack of data.

Transmission

The following table sets out a breakdown of the Group's electricity transmission characteristics for 2019:

Electricity Transmission 2019	Total transmission line length	Energy transported annually	Number of outages per km of transmission grid
	km	*GWh*	*#/km*
DEWA	**3,736**	**46,704**	**0.00**
RTE (EDF)	106,125	n.a.	n.a.
Terna	74,668	319,622	0.0010
REE	44,453	264,247	0.0003
TRANSCO	9,534	79,500	n.a.
National Grid SA	84,677	158,971	n.a.
KAHRAMAA	27,193	46,435	n.a.
Elia	8,781	30,500	0.0046

Source: FTI analysis based on DEWA data and companies' reports

Notes: KAHRAMAA figures include both transmission and distribution. Number of outages per km of transmission grid includes planned or unplanned outages lasting over 5 minutes, where an outage was experienced by end users

The following table sets out a breakdown of the Group's electricity distribution characteristics for 2019:

Electricity Distribution 2019	Electricity customer connected	Total distribution line length	Energy distributed annually	km of distribution grid per end-user
	#	*km*	*GWh*	*km/#*
DEWA	**915,623**	**34,556**	**45,910**	**0.04**
Enedis (EDF)	36,900,000	1,374,995	370,900	0.04
e-distribuzione (Enel)	31,470,000	1,145,730	227,700	0.04
SSE	3,800,000	130,000	38,000	n.a.
ADDC (TAQA)	388,543	43,416	51,540	0.11
AADC (TAQA)	155,407	28,224	11,142	0.18
Saudi Electricity Company	9,758,748	671,339	279,678	0.07
KAHRAMAA	410,661	27,193	46,435	0.07
Endesa	11,714,285	316,320	116,611	0.03
Iberdrola	10,100,000	270,258	93,509	0.03

Source: FTI analysis based on DEWA data and companies' reports,
Note: ADDC and AADC annual energy distribution figures are approximated by annual energy demand in respective regions (published by EWEC).
SEC annual distributed energy is approximated by the energy sales figure in the ECRA 2019 Statistical Booklet.
KAHRAMAA figures include both transmission and distribution

The following table sets out a breakdown of electricity distribution benchmarking KPIs for 2019:

Electricity Distribution 2019	SAIDI	SAIFI
	Min / customer / year	*Interruptions /customer /year*
DEWA	**1.86[1]** **11.96[2]**	**0.07**
Enedis (EDF)	64.0	0.63
e-distribuzione (Enel)	49.1	3.82
SSE	46.0	0.47
ADDC (TAQA)	121.7	1.25
AADC (TAQA)	86.2	0.98
SEC	223.3	4.40
KAHRAMAA	15.7	0.19
Endesa	59.0	1.40
Iberdrola	48.1	0.94

Source: FTI analysis based on DEWA data, AADC 5 Year Electricity Planning Statement 2020-2025, ADDC data, Department of Energy Annual Technical Reports (Abu Dhabi), ECRA annual statistical booklet 2019.
Abbreviations: SAIDI - System Average Interruption Duration Index, SAIFI - System Average Interruption Frequency Index. Notes: For ENDESA, SAIDI is approximated by TIEPI (Installed Capacity Equivalent Interrupt Time) and SAIFI is approximated by NIEPI (Installed Capacity Equivalent Interruption Number).

Water sector benchmarking. 1) SAIDI Forced 2) SAIDI Planed

The following table sets out a breakdown of water production characteristics for 2019:

Water production 2019	Total desalination capacity	Total water production
	m IG per day	***m IG per year***
DEWA	**470**	**123,599**
SWCC	955	369,380
QEWC	356	105,265

Source: FTI analysis based on DEWA data and companies' reports
Note: For QEWC, plants owned partially are included in the total capacity figures on a proportionate allocation basis

The following table sets out a breakdown of water supply and distribution characteristics for 2019:

Water supply and distribution 2019	Water supplied	Water customers connected	NRW losses as a share of water supplied
	MIG per day	#	%
DEWA (Values)	**339**	**816,580**	**6.6%**
ADDC (TAQA)	462	313,779	(10-12%)
AADC (TAQA)	172	94,117	(10-12%)
KAHRAMAA	392	363,338	4.0%
United Utilities	396	3,200,000	25%
Severn Trent	440	4,600,000	21%
Pennon Water Services	88	1,160,000	28%

Source: FTI analysis based on DEWA data and companies' reports. NRW – non-revenue water
Note: ADDC and AADC figures (in brackets) are targets set by the regulator over the four-year price control price period (RC1 18-21) taken from their respective licenses (Schedule 2). No information for NWC or QEWC.

ESG practices in the power and utility sector

A tectonic shift in focus on Environmental, Social and Governance (ESG) and Sustainability strategy has occurred across global corporations, law firms and capital markets particularly in the last few years. Organisations are proactively advancing, assessing, and reporting on ESG risk, compliance and investment given this is critical for engaging all stakeholders: clients, shareholders, regulators and government, rating agencies, employees and the communities where they operate.

Leading power and utility (P&U) companies, both globally and in the GCC region, are publicly sharing materiality assessments and sustainability reporting, their net zero strategies, supply chain audits and ESG-related internal investigations.

Sustainability in the UAE: expected impact

The UAE has publicly committed its support to the Paris Agreement to combat climate change and submitted its first Nationally Determined Contribution (NDC) in 2015. Under this NDC declaration the UAE agreed to increase clean energy contributions to the total energy mix from 0.2% in 2014 to 24% by 2021, bring about improvements in energy intensive industries and the oil and gas sector, and increase energy and water efficiency.

Since then, the UAE has taken a decision to set long-term goals to address the climate change agenda and by 2020 it had invested more than USD 40 billion in clean power projects locally. Further, the UAE became the first country in the Arab world to commit to net zero carbon emissions by 2050.

As part of the UAE's second NDC, the government is seeking to:

- **Reduce GHG emissions** by 23.5% by 2030 with respect to a BAU scenario.
- **Increase clean energy** power capacity (solar and nuclear) to 14GW by 2030 from just above 100MW in 2015 and 2.4GW in 2020.
- **Plant 30 million mangrove** seedlings by 2030 to increase in-country carbon sinks and natural barriers against rising sea levels.
- **Strengthen climate resilience** of priority sectors including energy, infrastructure, health and environment informed by a scientific assessment of climate risks.

The UAE Green Agenda was approved by the Cabinet in January 2015 as an implementation framework of the UAE Green Growth Strategy. The Strategy aims to put forward the country's ambition to become a global hub and a successful model for a low-carbon green economy. The six focus areas presented in this strategy are: (i) Green Energy; (ii) Green Investment; (iii) Green City; (iv) Climate Change; (v) Green Life; and (vi) Green Technologies.

The Group's strong commitment to sustainability

Sustainability is at the very core of the Group's strategy and is deeply rooted in their business and operations model. Since 2013, the Group has consistently published their annual Sustainability Report to share with stakeholders the significant efforts and initiatives carried out by the Group under an ESG umbrella.

Notable DEWA/DSCE initiatives are referred to in UAE's second NDC, either directly or indirectly, which include: the MBR Solar Park (indirectly), Shams Dubai (directly), Hassyan Seawater RO Plant (directly), the Hatta Hydropower Plant (directly), the Solar R&D Centre (directly), the Carbon Ambassadors Programme (directly), the Climate Impact Assessment model (directly), the Dubai Green Mobility Strategy 2030 (directly), the Dubai Green Fund (directly), the Dubai Building Retrofit Programme (indirectly) and EGA's lower than global industry average smelting carbon intensity and PFC emissions.

The Group has specifically disclosed the following information across their Sustainability Report 2020 and news bulletin:

- **CO2 Emission Reduction Programme (2012):** the Group's Emission reduction programme sets a roadmap for short, medium and long-term emission reduction actions up to 2030. The Group's efforts have led to a significant reduction in carbon emissions for the emirate of Dubai, reducing emissions by 22% in 2019 and 33% in 2020, compared to BAU for the respective years, exceeding the target of 16% by 2021 set by the Dubai Carbon Abatement Strategy 2021. Moreover, the Group was the first in the region to develop a comprehensive Monitoring, Reporting and Verification (MRV) framework of its GHG emissions since 2012, establishing that year as the baseline for reporting on emissions.
- **Minimisation of Air emissions**: the Group's annual average emissions remained below the UAE Federal requirement and has witnessed an improvement of 70% reduction in NOx emissions in 2020 compared with 2007. The Group has also launched several initiatives such as one to reduce the leakage of sulphur hexafluoride (SF_6), from electrical plants and equipment.
- **Renewable Energy Certification**: the Group has been the first entity in the Middle East and North Africa in 2017 to register International Renewable Energy Credits (i-RECs). As of 2021, the Group has successfully contracted 1,011,000 i-RECs (as per conversation with the Group) from the Mohammed bin Rashid Solar Park 10 MW PV Plant, 200 MW and 800 MW PV Plants.
- **Contribution to UN SDGs 2030:** the Group prioritises the SDGs that are aligned with its core business, such as Goals 6,7,8,9,12 and 13, as well as contributing to goals 5,11,14,16 and 17. The Group reports its progress towards SDGs through the Sustainability report.
- **Conservation programmes:** the Group's initiatives spanning 2011 to 2020 has resulted in cumulative savings of 2.44TWh of electricity and 6.7 billion gallons of water which is equivalent to savings of USD 0.37 billion and a reduction of 1.220 m tonnes of carbon emissions.
- **Sustainable and Energy Efficient buildings (2018)**: successfully implemented, certified, and maintained an Energy Management System for its Head Office building to ISO 50001:2011 standard. Additionally, the Group is working with the Dubai Municipality to ensure all of its buildings follow green building specifications. Some key achievements include:

The following table sets out a breakdown of the Group's certified buildings:

Year	**Building**	**Certification**	**Annual Energy savings**	**Annual Water savings**
2012	DEWA Sustainable Building	LEED Platinum	66.08%	48.82%
2014	DEWA Green Garage	LEED Gold	34%	48.22%
2017	MORO Hub	LEED Platinum	37.76%	46%
2018	DEWA R&D	LEED Platinum	25.5%	50.84%
2019	DEWA Sustainable Building	Parksmart	-	-
2020	Innovation Centre	LEED Platinum	-	-

Source: DEWA Sustainability Report, 2020

- **Waste Management:** the Group has identified opportunities for waste prevention and adopts circularity measures to re-use material. In 2020, the scrap revenue of the Group was USD 15.6 million. Also, the Group recycles waste oils from lubricants, transformers, and hydraulic oils when used.

Social reporting includes the following:

- **Health and Safety:** the Group operates in compliance with relevant Federal and local conventions and laws regarding occupational health and safety (H&S). They evaluate the success and outcomes of H&S using the Results, Approaches, Deploy and Assess & Define (RADAR) approach. In 2020, the Group reported 28 major employee-related injuries and has seen a reduction in the accident ratio by 60.67% from 2016 to 2020 with 1.29 Loss Time Injury Frequency Rate (LTIFR) in 2020 compared to a 3.28 LTIFR in 2016.

- **Human Rights:** the Group's strategy is aligned with the UN Global Compact relating to human rights, labour, environment, and anti-corruption. The Group has a 'Code of Conduct and Ethics' mandate for suppliers, contractors, associates and employees and intends to publicly disclose a Code of Business Ethics. The Group has also promoted the issue of a law regarding Contracts and Warehouse Management to ensure transparency and unbiased decision making in the procurement process. Furthermore, the Company introduced a clause in tendering documents requesting contractors to submit a self-assessment regarding their disassociation with any form of human rights abuse. Additionally, the Group has launched its whistle-blower service and has set up a 24/7 whistleblowing hotline.

- **Diversity and Inclusion:** the Group employs a workforce across various age groups, regions and gender and have also included People of Determination within their workforce and have grown this segment from 19 in 2017 to 35 in 2021. The Group also additionally prioritises empowering women and have launched the 'For Her programme' in collaboration with Cambridge Institute for Sustainability to prepare female leaders in all its areas and specialisations.

- **Innovation:** the Group has a dedicated R&D facility with 42 researchers in 2020 focusing on four key pillars (solar power, water, smart grid integration, energy efficiency) through robotics, AI, IoT, 3D printing and advanced materials to support research. Key highlights:

Solar Research in the Outdoor Testing Facilities: benchmarking the long-term reliability and performance of different photovoltaic technologies. This data was beneficial in conducting the first analysis of bifacial PV modules aging characteristics under desert conditions by the solar team.

Water Research: developing advanced models for predicting desalination membrane fouling in collaboration with Khalifa University.

Energy System Analysis: integration of renewable energy by testing and validating the performance of energy storage solutions and the aggregation of controllable loads, renewable energy, and storage in the form of a Virtual Power Plant (VPP).

Energy Efficiency (EE) Research: developing and testing the next generation of energy-saving technologies across the utility value chain, with emphasis on demand-side waste reduction and advanced cooling technologies. The EE team is instrumental in developing proposed standards for Zero Energy Buildings in Dubai and for supporting regulatory acceptance of Building Integrated Photovoltaics (BIPV).

Smart Distribution Management System (SDMS): by using real-time and remote monitoring and control features, the SDMS project is expected to decrease the response and isolation time of broken pipelines from hours to just a few minutes. Further, this will also include improved fault location as well as isolation and service restoration capabilities, which also result in shorter outage spans, happier customers, and lower outage costs.

The Company promotes a culture of innovation and has dedicated funds to support the development and implementation of ideas. This has resulted in 7,053 proposed ideas in 2020 (8,798 in 2019) resulting in 2,112 (790 in 2019) ideas being implemented.

The Group's Governance model:

- **Stakeholder Engagement:** The Group regularly engages with stakeholders through road shows, virtual engagement and satisfaction surveys to assess their company's performance.

- **Board of Directors' ESG oversight:** The Company's Board has recently (16 December 2021) approved the re-naming of the existing Board Nomination & Remuneration committee to Board ESG, Nomination & Remuneration committee as it now has oversight of ESG activities and will assist the Board with supporting the Group in fulfilling the Company's ambition to deliver on these activities.

BUSINESS

Investors should read this section of this Offering Memorandum in conjunction with the more detailed information contained in this Offering Memorandum, including the financial and other information appearing in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the Financial Statements, including the related notes, included elsewhere in this Offering Memorandum.

Overview

The Dubai Electricity and Water Authority was created in 1992 as a result of the merger of the Dubai Electricity Company ("**DEC**") and the Dubai Water Department ("**DWD**"), which were each established in 1959 by H.H. Sheikh Rashid bin Saeed Al Maktoum, the then Ruler of Dubai. Prior to the establishment of DEC and DWD, there were no specific authorities responsible for power generation and the supply of potable water in Dubai.

The merger of the two entities brought the provision of these essential public utilities within one commercial organisation under the control of the Government as its sole owner. Since then, the Group has been the exclusive provider of electricity and potable water in Dubai and its business has grown along with Dubai's expanding economy, population and infrastructure. Dubai's fast pace of development has resulted in a rapid increase in the demand for electricity and water, a demand that, to date, the Group has been able to meet. The Group believes that it is therefore both integral to, and has itself benefited, and continues to benefit, from, Dubai's past and current economic growth.

On 30 December 2021 pursuant to Dubai Law No. (27) of 2021 (which repealed Ruler of Dubai Law No.(1) of 1992), the Company was established in its current form, as a public joint stock company, to succeed to the Dubai Water and Electricity Authority. The Government's shareholding in the Company is currently held by Department of Finance on behalf of the Government.

Vision and mission

The Company's vision is to be a globally leading sustainable, innovative corporation with a mission committed and aligned with Dubai's eight Principles and 50-Year Charter, supporting the UAE's strategic directions through the delivery of global leading services and innovative energy solution enriching lives while ensuring happiness and well-being of its stakeholders in a sustainable manner.

Provider of Electricity and Water in Dubai and World's Largest District Cooling Services Operator

The Group is the exclusive electricity and water utility provider in Dubai. The Group generates, transmits and distributes electricity throughout Dubai, and the Group produces potable water principally through a desalination process, and distributes it to end users throughout Dubai. As at 31 December 2021, the Group's installed electricity capacity was approximately 13.4 GW and its installed water desalination capacity was approximately 490 MIGD. As at the date of this Offering Memorandum, the Group believes that it has adequate electricity generation and water desalination capacity, which includes existing as well as under construction and planned projects, to meet the forecasted demand until 2030.

The Group is currently party to five IPP projects, with a total capacity of approximately 2.7 GW as at 31 December 2021, including photovoltaic solar power projects, as well as natural gas in respect of the Hassyan power plant. The capacity of the Group's IPP projects is expected to increase up to 7.4 GW by 2030 with the delivery of additional renewable energy projects, including concentrated solar power. In addition, the Group has one IWP project, the Hassyan sea-water reverse osmosis (**"SWRO"**) desalination plant, which has an initial planned capacity of 120 MIGD. The Group's target is to have a SWRO capacity of 240 MIGD by 2030. The Group's IPPs and IWP are clean and renewable projects with less focus on conventional projects.

As part of the Group's strategic focus on ESG and sustainability, the Group established the Dubai Green Fund, the first specialised green impact investment fund in the MENA region, focused on making investments in ventures focused on environmentally friendly projects, and projects focused on sustainability and renewable energy. The Group's ambition is to promote investment in such projects to eventually reach AED 100 billion. The Dubai Green Fund's investments include investments in certain of the Group's IPP/IWP projects as well as a range of other investments. The Group also established Forward Investment Limited, which is the Group's corporate venture capital unit, with a mandate for venture capital investments globally in renewable energy, distributed generation, energy storage, utility digitisation, smart technology and security, cleantech, and other diversification opportunities relevant to the Group's strategy.

Empower, which is currently the world's largest district cooling services provider by connected capacity, is 70% owned by the Company, and it owns, manages, operates and maintains district cooling plants and affiliated distribution networks across Dubai.

The Group also comprises a number of other key businesses including Mai Dubai, a manufacturer and distributor of bottled water, Digital DEWA, a digital business solutions company, and Etihad ESCO, a company focused on the development and implementation of energy efficient solutions.

The Group currently operates on the basis of an ESG centric business model aligned with the United Nations' sustainable development goals (SDGs) (See "*—Sustainable Business Model with Strong ESG Management Aligned with UN SDGs–The Group's ESG initiatives*").

As at 31 December 2021, the Group had revenues of approximately AED 23.8 billion (comprised over 95% of regulated or contracted revenues), adjusted EBITDA of approximately AED 12.1 billion and net income of approximately AED 6.6 billion, with a net debt to Adjusted EBITDA ratio of 1.5x. Of the Group's 2021 revenues (and EBITDA), 9.3% of revenues (pre-intercompany eliminations and adjustments) (and 10% of Adjusted EBITDA) was from Empower, and 5.0% of revenues (pre-intercompany eliminations and adjustments) (and 7.0% of Adjusted EBITDA) were from the Group's IPPs. The Group's total investment in gross property, plant and equipment, as at 31 December 2021 was around AED 201.4 billion.

Large Scale Integrated Corporation with Critical Infrastructure and a Focus on Best-in-class Efficiency

As at 31 December 2021, the Group's installed electricity capacity was 13.4 GW and its installed water desalination capacity was 490 MIGD with 45.0 TWh of electricity and approximately 117.8 billion IG of water units sold during 2021.

The Group has consistently achieved 100% transmission system availability over last decade and is benchmarked as "Best in Class Performance" as per the McKinsey Benchmarking Report. In 2021 the Group continued making significant improvements to its network and infrastructure, resulting in approximately 3.3% in electricity line losses, a 25% improvement since 2006, and 5.3% water line losses, with 9.24 GW of peak power and 380 MIGD of peak water demand and 4,115 km of power transmission network length and 2,453 km of water transmission pipelines, respectively.

The Group is committed to making investments into smart grid initiatives and is continuously seeking to innovate and develop further. The Group is investing AED 7 billion in Smart Grid initiatives over the course of 2014-2035.

In 2021, the Group supplied 1,061,476 electricity customers and 960,032 water customers, and enjoyed 100% of demand met in power and water. With respect to smart adoption, the Group enjoys a 98.7% smart adoption rate (which is the highest of any Government entity in Dubai). The Group's power distribution grid to its customers extends to approximately 37,815 km and the Group's water distribution grid to its customers is approximately 11,140 km.

Empower is currently the world's largest district cooling company and a dominant player in the district cooling market in Dubai with a market share of approximately 79% and more than 110,000 customers (excluding the recent acquisitions of Nakheel and Dubai Airports district cooling assets). As of 31 December 2021, Empower had a connected capacity of approximately 1.4 million refrigeration tonnes, contracted capacity of 1.6 million refrigeration tonnes and over 2,000 million refrigeration tonnes per hour delivered over its network of 369 km length.

At the Heart of Dubai's Green Energy Transition

The Group plays a key role in Dubai's green energy transition process, with clean energy transition forming a central pillar of the Group's strategic direction. The Group already generates the highest proportion of energy from renewable sources in the region (as compared to other regional utility companies). The Dubai Clean Energy Strategy, as updated, has a target of generating 100% of power in Dubai from clean energy sources by the year 2050. Similarly, the Dubai Net Zero Emissions Strategy 2050 targets 100% clean energy by 2050. The

Group currently generates approximately 11% of its power through renewable energy sources, as of 2021, having started renewable energy generation approximately nine years ago.

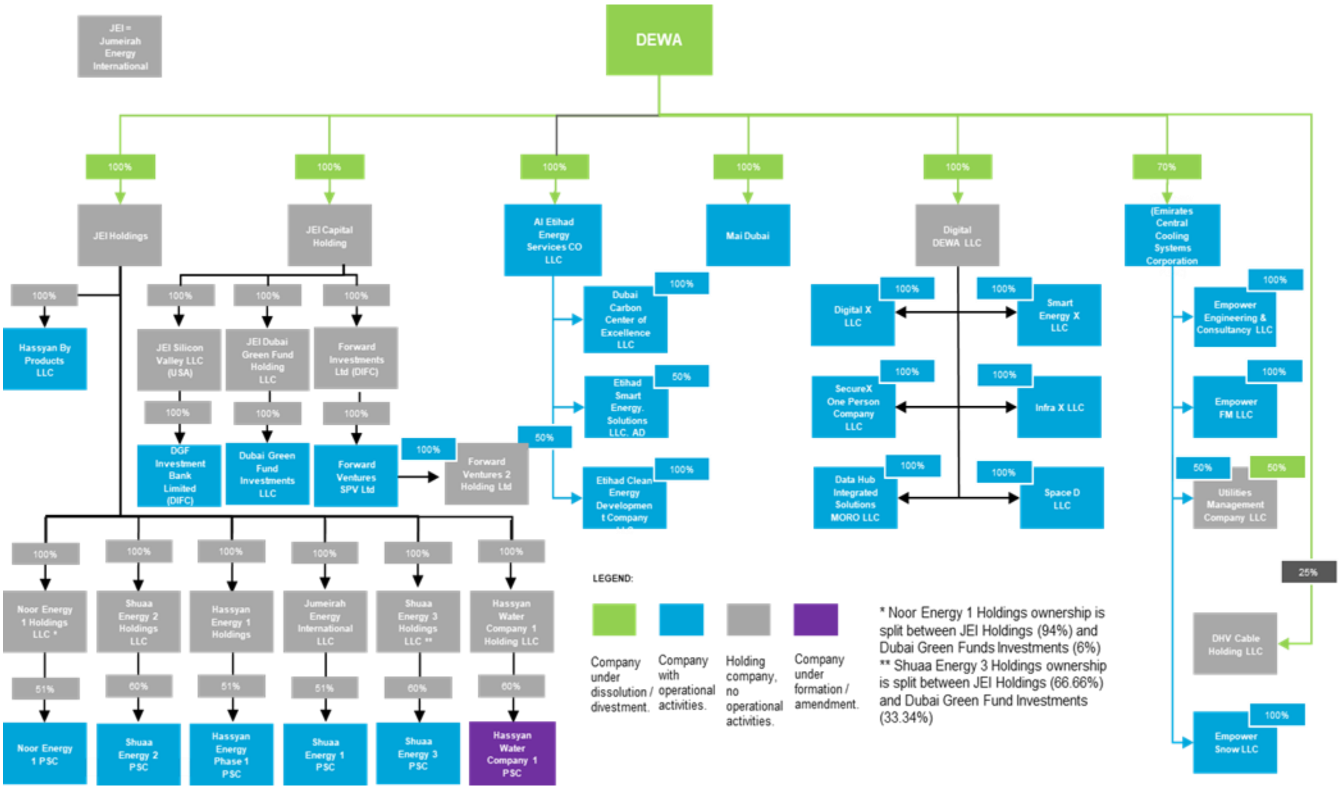
The Mohammed bin Rashid Al Maktoum Solar Park ("**MBR Solar Park**") is currently the world's largest single-site solar park, with a current capacity of approximately 1.5 GW (using solar PV), with an additional 300MW expected to be added per year from 2025 to 2030. The Park's 700 MW CSP plant currently under construction has the world's largest single-site thermal storage capacity. The planned maximum capacity of the solar park by 2030 is targeted at 5 GW. The CSP tower at the solar park is currently the tallest in the world at 262 meters high.

The Group expects to supply 100% of desalinated water by 2030 using clean energy and waste heat. The Hassyan complex is targeted to have 240 MIGD of water desalination capacity using SWRO by 2030 and through its first phase it has already achieved the world's lowest levelised tariff of USD 0.277 per cubic metre.

Some of the Group's other green achievements include: (i) a 37.6% improvement in production efficiency from 2006 to 2021 (ii) the first pumped storage hydro plant (250 MW) in the GCC region under construction; (iii) once completed, a 750 MW second energy storage project at the MBR Solar Park; (iv) the MENA region's first operational Green Hydrogen facility; (v) 325 EV green charger stations installed across Dubai with a target of 1,056 green chargers installed by 2025; and (vi) the integration of new technologies to improve efficiency including the internet of things ("**IoT**"), artificial intelligence "**AI**" and big data.

Corporate Structure

Set out below is the Group's corporate structure.



Notes:
** Noor Energy 1 Holdings ownership is split between JEI Holdings (94%) and Dubai Green Funds Investments (6%)*
*** Shuaa Energy 3 Holdings ownership is split between JEI Holdings (66.66%) and Dubai Green Fund Investments (33.34%)*

History and Development

An overview of the principal events in connection with the history and growth of the Group's business is set out below.

Dubai Electricity Company

DEC began supplying electricity to consumers in Dubai in 1961. Electricity was initially produced by diesel generators in small power stations. However, as the demand for electricity grew and the fuel oils used to power the generators became more expensive, it became necessary for DEC to build larger, more efficient power stations that utilised both gas and steam turbines. DEC built the Satwa Gas Turbine Power Station ("**Station C**") in 1974 (which has since been decommissioned) and the first phase of the Jebel Ali Power and Desalination Station ("**Station D**") in 1979. DEC took over the Hatta Power System in the same year. Each of these stations is described in more detail in "*—Principal Operations—Electricity—Generation*".

Dubai Water Department

DWD was the principal supplier of potable water in Dubai. Water was initially sourced from underground water reserves, or aquifers, within Dubai. DWD opened aquifers at Al Aweer in 1961, followed by Wahoush in 1972 and Habab in 1977. The water was transported via pipelines to Dubai and was then distributed to consumers through a distribution network. The aquifers at Wahoush and Habab are still in use as at the date of this Offering Memorandum.

As Dubai's population grew, it became evident that the aquifers may run dry in the future if water extraction continued at the same rate and an alternative feasible source of drinking water was therefore needed. The desalination of seawater became the most viable alternative, and accordingly DEC installed desalination units at Station D, which began producing potable water for sale in June 1979.

DEC and DWD Merge to Form the Group

In 1992, DEC and DWD were merged by Rules of Dubai law no. (1) of the year 1992 Concerning the Formation of Dubai Electricity and Water Authority ("**Decree No. 1**") of H.H. Sheikh Rashid bin Saeed Al Maktoum to form the Group. The purpose of the merger was to bring the supply of electricity and water under the responsibility and management of a single commercial enterprise and reflected the fact that, since the development of Station D in 1972, electricity generation and water desalination processes had been combined within a single site, so that steam extracted or exhausted from the electricity generation process could be used in the desalination process; this made one process integral to the other.

The Group implemented an expansion plan following the merger which involved the development of several additional power generation and water desalination plants. Between 1992 and 2007, the Group repowered or enhanced the capacity of Station D Phase II by converting it into a combined cycle plant, which improves electricity generation efficiency through the use of gas and steam turbines, and also added five new power generation and desalination stations to its network, namely: Jebel Ali Gas Power & Desalination Station E ("**Station E**"); Jebel Ali Gas Power & Desalination Station G **(**"**Station G**"); Jebel Ali Power & Desalination Station K ("**Station K**"); Jebel Ali Power Desalination Station L ("**Station L**"); Jebel Ali Power & Desalination Station M ("**Station M**"; and together with Station D, Station E, Station G, Station K and Station L, the "**Jebel Ali Power and Desalination Complex**") and the Al Aweer Power Station ("**Al Aweer Power Station**" or "**Station H**"). See "*—Principal Operations—Electricity—Generation*".

Revision of tariffs, and establishment of the fuel surcharge

In January 2011, the Government approved an increase in the tariff for electricity and water which resulted in the base tariff increasing by 15%. In addition to the increase in the basic tariff, a fuel surcharge was introduced to enable the Group to recover any fuel cost in excess of a fixed base cost. The fuel surcharge has allowed the Group to pass on increases in its variable cost of gas charged to the end consumers on a monthly basis.

As of January 2022, the Group revised and formalised its relationship with all its stakeholders and accordingly all future transactions will now be conducted on an arm's length basis. As results of these revision, the Government will now fund any concessions in utilities bills so as to ensure that the Group is able to realise the full costs as applicable to certain customer groups. By formally adopting such approach, the Group is expecting an uplift of additional annual cash payments of AED 1.6 billion to 1.8 billion in 2022 as a result of the harmonisation of realised tariffs.

Strategic shift toward IWPs.

Since 2013, the Group has entered into arrangements in respect of six IWPs (five of which are IPPs and one of which is an IWP), in line with the Group's current strategy. It is expected that the trend for future generation and desalination activities of the Group will continue to be carried out through IWPs (or, in respect of district cooling investments, through Empower).

Mohammed bin Rashid Al Maktoum Solar Park (MBR Solar Park)

The MBR Solar Park was launched in 2013 and is currently the largest single-site solar park in the world using the IPP model. The total capacity of the solar park's projects has reached 1,527 MW using photovoltaic solar panels. The Group has projects with a capacity of 1,333 MW underway using photovoltaic solar panels and CSP. Solar energy generation capacity of 5,000 MW is targeted by 2030. The MBR Solar Park contributes to 1.5% of the Group's revenue (pre-intercompany eliminations and adjustments) and approximately to 2.7% of Adjusted EBITDA.

The MBR Solar Park also hosts the Group's Innovation Centre, a global platform for renewable and clean energy, and includes the Group's research and development centre.

Digital DEWA

In 2018, the Group formed Digital DEWA as a response to the Emirate of Dubai's innovative 10X initiative, a mandate set out by the Ruler of Dubai to encourage Government entities to disrupt themselves and encourage innovative thinking to advance Dubai 10 years into the future. Digital DEWA contributes approximately to 2.2% of the Group's revenue (pre-intercompany eliminations and adjustments) and 0.5% of its Adjusted EBITDA.

Digital DEWA aims to group several subsidiaries that deliver digital business solutions, B2B communications infrastructure, renewable energy services, distributed energy storage, AI and other digital services. The four core pillars of Digital DEWA are: solar energy; energy storage; AI; and digital services.

Space-D Programme

Part of Digital DEWA, the Group's Space-D programme, a collaboration between the Group and Nanoavionics that began in 2021, seeks to enhance operational efficiency and effectiveness and promote preventive maintenance of electricity and water networks including planning, production, transmission and distribution through the use of satellites and advanced monitoring and communications. The programme also contributes to enhancing flexibility and agility in monitoring and managing electricity and water networks, as well as the accurate and rapid assessment of the impact of weather and climate change on energy supplies and energy infrastructure, including water desalination. It will also provide a backup support system for the network through satellite communications. The performance and efficiency of solar photovoltaic panels at the MBR Solar Park will be monitored by cameras through the main satellite to study the effect of climatic conditions on the energy infrastructure and supply. The Space-D project also includes satellites that support the main satellite, created at the Group's research and development centre. The first satellite of the Space-D Programme, DEWA-SAT 1, was launched on 13 January 2022. The system features a ground station at the MBR Solar Park as well as IoT and AI technologies to support ground communication transmission stations in electricity and water networks.

Green Hydrogen

The Group launched the Green Hydrogen project in May 2021, which is a first of its kind in the MENA region that produces hydrogen using solar power at the MBR Solar Park. The project was designed and built to accommodate future applications and testing facilities for the different uses of hydrogen including transportation and industrial uses.

Empower – District Cooling Joint Venture

In 2003, the Group entered into a joint venture with TECOM to form Empower, to develop a leading district cooling services provider in Dubai. Empower comprises 9.3% of the Group's revenue (pre-intercompany eliminations and adjustments) and approximately 10% of its Adjusted EBITDA. Further information on

Empower is provided in "*Competitive Strengths—Large Scale fully Integrated Infrastructure Supporting the Emirate of Dubai—Empower: world's largest district cooling services provider*".

Dubai Green Fund

The Dubai Green Fund was established in 2017 and is the first specialised green impact investment fund in the MENA region. To date, the fund has made investments into landmark transactions, including the Noor Energy 1 and the Shuaa Energy 3 IPPs projects in relation to solar PV and CSP projects in MBR Solar Park, and the retrofitting of Dubai International Airport's buildings and runways to make them more energy efficient. The fund was recognised as the Best Sustainable Asset Management in the Middle East by MEA Finance Magazine Awards 2021.

Mai Dubai

The Group established Mai Dubai in December 2012, with construction on the manufacturing facility commencing in 2013 and market launch taking place in 2014. Mai Dubai's main production facility is located in Dubai, and through strategically located distribution hubs it supplies all seven Emirates with a range of products, from small cups, to luxurious glass bottles, to large 5-gallon bottles. Mai Dubai has exported to over 10 countries and is recipient of many quality and food safety awards. The company plans to continue with it expansion in the UAE market and abroad in the coming years. Mai Dubai is currently the number two ranked water-bottling company in the UAE in respect of both distribution and sales. Mai Dubai comprises 1.3% of the Group's revenue (pre-intercompany eliminations and adjustments) and 0.8% of its Adjusted EBITDA.

Competitive Strengths

UAE and Dubai: Positive Tailwinds and Market Fundamentals to Support Future Growth

Dubai has a track record of delivering long-term stable growth with its vibrant economy and agile management methods. Dubai has achieved a unique fast-tracked development over a span of 50 years with approximately 3.5 million Dubai residents and over 4.7 million active daytime population as of 31 December 2021. Dubai is home to one of the world's largest shopping malls, largest district cooling services provider, largest international airline, tallest building and world's busiest airport by international passengers welcoming approximately 16.7 million visitors as of 2019 and it is expected to receive 25 million visitors by 2025. Dubai has a diversified economy with limited reliance on commodities (approximately 1% of GDP) with its visionary leaders setting strong goals "*to become a city with the zero emissions by 2050*" (H.H. Sheikh Mohammed). Dubai's handling of the COVID-19 pandemic was particularly successful with a world-class COVID-19 recovery, a vaccination rate above 90% of the population, limited restrictions on travel and adequate financial measures put in place to mitigate the economic crisis during the COVID-19 pandemic.

According to InterNations, Dubai has consistently been one of the best places in the world to travel to, live and do business in and in 2011 it was ranked as the 5th best city worldwide, as well as the 3rd best city for expats to live and work in with the country's currency, the AED, pegged to the US Dollar since 1997. The UAE ranked number one worldwide scoring 100% in all Getting Electricity indicators in the Word Bank's Doing Business report in 2018, 2019 and 2020. The UAE also recently allowed up to 100% foreign ownership of certain companies, facilitating foreign direct investment. Further, Dubai in 2000 was the first Emirate to open up its property market to foreign ownership. With a solid underlying credit profile, high credit ratings and a competitive tax environment, the UAE is rated Aa2 stable by Moody's and AA- stable by Fitch. Dubai's population growth is mainly driven by job growth, given that 92% of its residents are non-UAE nationals.

Dubai launched a number of initiatives to accelerate its clean energy transition and deliver its carbon neutrality ambitions. The Government supported a dynamic and 100% green vision for Dubai with the Dubai 2040 Urban Master Plan launched in March 2021 to promote the sustainable development of Dubai. The plan aims to make Dubai the best city to live in the future by developing five of its major urban areas, while preserving up to 60% of Dubai's land area as natural reserves. The Dubai 2040 Urban Master Plan projects an increase in land areas for hotels and tourism by 134% as well as an increase in residents and daytime population to 5.8 million and 7.8 million respectively by 2040 and aims to facilitate non-automotive means of transportation.

In January 2015, the UAE cabinet issued a decision to approve and to implement the UAE Green Agenda 2015-2030 as an overarching framework of actions to transform the UAE into a more green and sustainable economy.

This was subsequently followed by the launch of the Dubai Clean Energy Strategy 2050 by H.H. Sheikh Mohammed bin Rashid Al Maktoum in November 2015, which will aim to ensure that Dubai produces 100 per cent of its energy requirements from clean sources by 2050. The Dubai Clean Energy Strategy 2050 also aims to make Dubai a global centre of clean energy and the green economy. More recently, in 2021 the UAE launched its nationwide initiative to transform the UAE into a 100% clean energy economy by 2050, which includes an updated Nationally Determined Contribution ("**NDC**") with an emissions reduction target of 23.5% below business as usual by 2030. Similarly, Dubai also announced its own commitment to 100% clean energy through the Dubai Net Zero Emissions Strategy 2050. These initiatives make the UAE the first country in MENA to commit to 100% clean energy with the Group remaining at the forefront of this clean energy transformation.

Dubai is also at the forefront of global efforts on climate change and sustainability and is currently hosting or plans to host a number of major regional and international events. These include Expo 2020, a mega international event connecting 192 countries, the MENA Climate Week Dubai, which is part of the umbrella of UN regional Climate Weeks, to be the first ever MENA Climate Week, the WETEX & Dubai Solar show 2022 which aims to achieve integration across sectors of the energy industry and COP 28, which is the 28th session of the Conference of the Parties (COP 28) to the UN Framework Convention on Climate Change.

Large Scale Fully Integrated Infrastructure Supporting the Emirate of Dubai

A number of large scale, critical infrastructure projects ensure the provision of potable water to 100% of Dubai and are responsible for all of Dubai's electricity value chain. In the power sector, the Group's current aggregate generation capacity amounts 13.4 GW, of which 89% is gas-fired and 11% solar for the year 2021. In addition, the planned hydroelectric power station of 250 MW generation capacity expected to be commissioned in 2024, coupled with the 5GW target capacity of the MBR Solar Park by 2030 will enable the Emirate of Dubai to reach its 100% clean energy target by 2050.

In the water sector, the Group's current daily water desalination capacity amounts to 490 MIGD, with a target of 100% of desalinated water to be provided through clean energy and waste heat by 2030. This is enabled by the decoupling of power and water production. The Group's daily water production capacity breakdown for the year 2021 was 87% (427 MIGD) through multi stage flash ("**MSF**") and 13% (63 MIGD) through reverse osmosis. The Group is also planning additional water reservoirs at Al Nakhli and Al Lusaily sites to increase storage capacity to 1,002 MIG from 822 MIG currently.

The Group's networks currently serve over one million customers in electricity and potable water. The water network pipelines have witnessed a major expansion over the years with the length of the water transmission and distribution network pipelines having quadrupled from 3,349 km in 1992 to 13,593 km currently. 94% of the Group's electricity transmissions and distribution lines consist of underground cables while the remaining 6% consist of overhead lines. Furthermore, in 2021 the Group inaugurated 16 new transmission substations (which resulted in AED 2,597 million in capital expenditures) and built 1,406 new distribution substations, while in 2020 it built 25 new transmission substations (which resulted in AED 3,119 million in capital expenditures).

Empower, which is 70% owned by the Company, held 79% of the Dubai district cooling market share in 2021, with the district cooling sectors' market penetration set to grow from 23% in 2021 to 40% by 2030, as per the Dubai Integrated Energy Strategy 2030. Empower uses a centralised metering data management system with a state of the art command control centre to monitor and operate its plants and network efficiently. As at 31 December 2021, Empower served more than 1,413 buildings through its 76 plant rooms and a 369 km-long network across Dubai.

Empower: world's largest district cooling services provider

Empower is a growth engine for the Company, and is supported by both M&A activities and organic expansion plans. As at 31 December 2021, Empower had a connected capacity of approximately 1.4 million refrigerated tonnes with 76 plant rooms and a market share of over 79% in Dubai. District cooling systems used by Empower are particularly important in the Middle East region where around 50% of generated electricity is used for cooling, as they consume up to 50% less electricity than conventional cooling systems. Empower represents environmentally friendly investment propositions and is at the forefront of innovation as it uses an efficient centralised metering data management system and also uses treated sewage effluent ("**TSE**") instead of freshwater, which is 60% to 70% more cost effective than using freshwater once you factor in treatment costs.

In 2021 the use of TSE represented 9% of Empower's total water use. Its use of thermal energy storage can also help in optimizing the operation of the power system.

Empower is an award winning district cooling provider with strong financial results year over year. Empower's revenues for the year ended 31 December 2021 amounted to AED 2,464 million (with a CAGR of 6.1% for the period from 2019 to 2021) while its net income for the same year was AED 936 million (US$255 million) (with a CAGR of 3.7% for the period from 2019 to 2021). Empower has been awarded a number of awards in a range of categories by the International District Energy Association for Innovation, including for the number of buildings and area committed, among others. It was also awarded Company of the Year (2020) and Executive Achievement of the Year (2020) awards at the Golden Bridge Awards. Furthermore, Empower is a partner of the United Nations Environment Program ("**UNEP**") and special advisor for its "District Energy in Cities" global initiative. Empower has also launched, in collaboration with the American Society of Heating, Refrigerating and Air-Conditioning Engineers ("**ASHRAE**"), the "Owner's Guide for buildings served by District Cooling" and the updated edition of the "District Cooling Guide" in 2019, for designers and building owners.

Mohammed Bin Rashid Al Maktoum Solar Park: largest single–site solar park in the world

With a total targeted capacity of 5GW by 2030, the MBR Solar Park is the largest single-site solar park in the world. The project currently has five phases of completion. The first three phases with a total connected capacity of 1,010 MW were completed in 2013, 2017 and 2020 and all consists of PVs. The fourth phase consisting of CSPs and PVs, with a total capacity of 950 MW, is targeted for completion by 2024, of which 217 MW of PVs has already been commissioned with construction works having started. The fifth phase consisting of PVs with a total capacity of 900 MW is targeted for completion by 2023, of which 300 MW of PVs has already been commissioned with construction works progressing for the remaining 600 MW. The remaining 2.2 GW of solar capacity is planned to be rolled out between 2025 and 2030, at an estimated cost of between AED 8.9 billion and AED 9.0 billion, of which between 75% and 85% will be funded by non-recourse debt. By 2030, through the use of renewable energy generated at the MBR Solar Park, carbon emissions are expected to be reduced by 6.5 million tonnes per year, the equivalent of planting over 32 million trees per year.

DEWA's main infrastructure highlights: world class infrastructure achievements lead to production efficiency improvements

- The Group is renowned for its large scale infrastructure which are fully integrated into Dubai, some of which includes the:

  1. MBR Solar Park (including the world's tallest CSP tower) which is expected to reach to an installed solar capacity of 5 GW by 2030;
  2. Jebel Ali Stations, which currently host 65% of all electricity generation capacity, with a gross power generation capacity of 8.7 GW and a gross water desalination capacity of 490 MIGD;
  3. Al Aweer Station, which is set to have a total capacity of 2.825 GW by 2022;
  4. Hassyan Project: 240 MIGD desalinated water by 2030 with 2.4 GW (natural gas) total capacity by 2023; and
  5. Hatta Pumped Storage Hydro Power Plant, which is expected to produce 250 MW and 1500 MWh energy storage, due to be completed by 2024.

- Improvement in efficiency

  The Group has driven significant operational improvements since 2006, which has increased production efficiency by 37.6%, resulting in cost savings of AED 21 billion. Efficiency is gained from the combination of power plant design, innovative upgrades turbines, optimised outage plan, power augmentation and optimised operations. The Group expects a continuous improvement in production efficiency of 78.9% by 2030 (compared to 2006). These operational efficiency improvements are expected to improve the fuel heat utilisation of the Group's five plants to up to 90%. The Group has already made significant progress as its M-extension outperformed the world best benchmark of 80% to 90% fuel heat utilisation for cogeneration by achieving 91% fuel heat utilisation.

The following table sets out a breakdown of the Group's increased production efficiency between 2006 and 2020

Technical and Business Model Innovation

Parameter	2006	2020	Improvement (x)
Annual Availability Factor (x)	87.05	92.28	6.01%
Summer Availability Factor (x)	97.73	99.73	2.05%
Annual Reliability Factor (x)	99.70	99.95	0.25%
Summer Reliability Factor (x)	99.83	99.96	0.13%

	Outage Reduction Working Days		
Parameter	2006	2020	Improvement (x)
V94, 3A GT Major Inspection	58	11	81%
V94, 2 GT Major Inspection	47	34	28%
HRSG Annual Inspection	23	7	70%
Desal Annual Inspection	21	10	52%

Parameter	2006	2020	Improvement (x)	Parameter	2006	2020	Improvement (x)	Parameter	2006	2020	Improvement (x)
NOx (PPM)	77.43	18.91	73.89%	SO_2 (PPM)	72.70	0.55	99.24%	CO_2 (Kg/MWH)	586	404	**31.06%**

- Efficiency improvement is achieved through the following initiatives, in addition to the highest availability of cogeneration, reduced number of trips and optimised operations, which involves economic unit commitment/de-commitment to meet the required power and water demand with minimum fuel consumption while maintaining system security and reliability: optimum design, reengineering and O&M;
- increase current daily water desalination capacity amounts of 490 MIGD to 730 MIGD by 2030;
- increase its installed solar capacity from 1.5 GW to 5 GW by 2030;
- decoupling of power generation and water production by 5,000 MW solar penetration and 280 MIGD SWRO; and
- 37 Generation Division initiatives for efficiency improvements.

The cumulative impact of these production efficiency improvement initiatives by 2030 are as follow:

- total cost savings of AED 55 billion;
- total carbon dioxide emission reduction of 185 million tonnes;
- total NOx emission reduction of 111,533 tonnes; and
- total SO2 emission reduction of 6,107 tonnes.

Sustainable Business Model with Strong ESG Management Aligned with UN SDGs

Leader in the region - driving the transition to a low carbon, climate resilient economy

The Group's strong ESG practices and targets have evolved and matured throughout the years. The Group targets a reduction of Scope 1 GHG emissions of 35% by 2030 against BAU. In 2012 the Company launched its Carbon Dioxide Emission Reduction programme, followed by the launch of the national innovation strategy in 2014. The Group has a strong track record with regards to Scope 1 emission intensity and energy efficiency. In 2020 the Group achieved a Scope 1 emission intensity of 0.4744 tCO2e/MWH for combined electricity and water and improved its cumulative energy efficiency by 37.63% between 2006 and 2021. In 2015 Phase II of the MBR Solar Park achieved the world record for the lowest levelised cost of electricity at 5.62c/kWh. This was a start of the Group's track record of beating world records on achieving world record electricity prices, with the latest being1.69c/kWh in 2019 for Phase V (Shuaa Energy 3). In 2021 the Group's generation capacity culminated at 13.4 GW while having one of the lowest electricity line loss rates in the world at 3.3%. In that same year the Group achieved another world record with the world's lowest Customer Minutes Lost ("CML") of 1.43 min/year. In addition, the Group is at the heart of the Emirate of Dubai's target of 25% clean energy generation capacity by 2030 and Dubai's recently set target of 100% of clean energy sources by 2050.

Investment and excellence in technologies enabling decarbonisation

The Group has been a precursor in investing in advanced technologies enabling decarbonisation. From 2006 to 2021, the Group improved cumulative energy efficiency by 37.63%, which is equivalent to a reduction of 72.7 million tons of CO2 emitted, driven by fuel savings achieved because of efficiency improvements by the decoupling Power Generation & Water Production, efficiency initiatives, and optimum design, reengineering, and O&M. In the solar sector, the Group had, as at 31 December 2021, 11% of its power generation capacity from solar energy. The Group also decided to expand the renewable energy capacity of the MBR Solar Park to 5 GW by 2030. The Group was also able to consistently achieve record-breaking low levelised cost of electricity with its IPP projects, starting at 5.62c/kWh in 2015 (Phase II of MBR Solar Park) and most recently 1.69c/kWh in 2020 (Phase V of MBR Solar Park). The Group also launched its pilot green hydrogen project to produce hydrogen using solar power and set its targets to produce 100% of desalinated water using clean energy and waste heat by 2030. The Group has been at the forefront of digitisation reaching a rate of 98.7% smart adoption of the Company's digital services in 2021 and with more than two million smart electricity and water meters installed and 325 EV green charger stations installed across Dubai. The Group is starting a number of pilot projects to include storage capacity with solar power.

Sustainable Business Model with Strong ESG management practices

The Group enjoys a robust environmental management system which consists of a comprehensive emissions reduction programme. Audited carbon footprint reporting is done on Scope 1 and 2 GHG emissions. The programme forecasts a Scope 1 emissions reduction of 35% by 2030 against BAU. The Group's environment management system also entails: (i) a number of initiatives to reduce NOx and SO2 emission; (ii) a circular economy roadmap; (iii) water efficiency and re-use programmes to support the Emirate of Dubai's target of reducing water use by 30% by 2030; (iv) ISO certifications for nearly 100% of its sites with ISO 14001 for Environment Management System, ISO 9001 for Quality Management System and ISO 45001 for Health and Safety Management System with the exception of MBR Solar Park and DEWA Academy which are undergoing certification. The Group also has a number of policies in place relating to, among others, Integrated Management System, Energy Management, Electricity and Water Supply.

The Group's corporate and social responsibility is at the core of its business model and priorities. The Group consistently focuses on human capital development and was able to achieve a low employee turnover rate of 2.23% in 2021, an employee happiness rate of 92% for the year 2020 and a lost time injury frequency rate ("**LTIFR**") of 0.71 during 2021 compared to 3.28 in 2016. Since 2016, the Group has consistently been able to achieve a declining LTIFR trend. The Company is committed to creating an inclusive and empowering environment for its employees. The Group has put in place an inclusive parental leave which applies to male and female employees, which includes, among others, maternity leave, paternity leave, child care leave and nursing break. The Group has the largest number of childcare centres compared to other Dubai Government Departments. Female employees make up 8.3% and 34.2% of the Group's leadership and management team, respectively. The Group's Emiratisation policy focuses on training and career development of Emirati nationals. For the year ended 31 December 2021, UAE nationals made up approximately 88.33% of the Group's leadership, each receiving an average of 83.78 hours of training and career development per UAE employee. The Group prides itself on the DEWA youth council which has launched a number of initiatives to recognize and honour young employees. Other community impacts of the Group include (i) the access to basic programmes, which provides among other things, support to low income individual for new house connection, and utility bill discounts, ii) 22 humanitarian initiatives and iii) 15,998 volunteering hours.

The Company has a strong governance framework in place based on four main pillars: (i) trust; (ii) accountability; (iii) transparency; and (iv) fair practices. It has established a Board-level ESG Committee for oversight of ESG matters, and has an operational level Climate Change & Sustainability Committee.

The Company's approach towards aligning its strategies and operations with the UN SDGs

The Company's approach is to align its sustainability strategies, operations and sustainable development goals with the United Nations' sustainable development goals ("**UN SDGs**") which are grouped into the following three categories:

- Tier 1 Goals, which are business-critical to the Company's reputation, its ability to grow, to manage risks and create business opportunities;
- Tier 2 Goal, which are key to the Company's leadership commitments as a leading sustainable innovative global corporation; and
- Tier 3 Goals, which are important to the Company as a stakeholder in the Emirate of Dubai.

The Company also won the European Foundation for Quality Management UN SDGs Challenge in 2021. For more information on the Group's UN SDGs, see "—*The Group's ESG initiatives*".

Highly Innovative World Class Integrated Corporation with a Renowned Management Team

Consistent trajectory of operational excellence

The Company operates with high standards of efficiency, reliability, availability and sustainability. It enjoys a leading safety and efficiency track record enabled by its use of technology and innovation. The Group outperforms a number of international benchmarks in various categories. For instance, in 2021 it recorded 3.3% of electricity line losses compared to 6.5% for its European and North American peers, 5.3% of unaccounted for water compared to 15% for its European and North American peers. The Group's System Average Interruption Frequency Index ("**SAIFI**") Forced was 0.05 for 2021 compared to 0.10 in 2017 and its System Average Interruption Duration Index - Customer Minutes Lost ("**SAIDI – CML**") was 1.43 for 2021 compared to 15.0 for its European and North American peers.

During the period from 2006 to 2030 the Group expects cumulative savings, driven by its efficiency improvements (current and planned), to be as follows, driven by fuel savings achieved because of efficiency improvements by the decoupling Power Generation & Water Production, efficiency initiatives, and optimum design, reengineering and O&M:

- Total CO2 reductions: 185 million tonnes
- Total savings: AED 55 billion
- Fuel heat utilisation: up to 90% across five plants

The Company has a long track record of more than 332 local, regional and international awards, including the following:

- USA Green Building Council:
  1. Regional Leadership Award (2021)
  2. LEED Gold for its Green Garage (2020)
  3. LEED Platinum for its Innovation Centre (2020)
- World Bank Group: 1st Globally for "Getting Electricity" indicators (2018-2020), which is a sub-metric of the annual World Bank relating to the "ease of getting electricity".
- International Organisation for Standardisation ("**ISO**"):
  1. Innovation Management System (Certified 2019 and recertified 2021)
  2. Knowledge Management (Certified 2019 and recertified 2021)
- European Foundation for Quality Management: Global Excellence Award (2017, 2021)

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  4. International Organisation for Standardisation ("**ISO**"):
  5. Innovation Management System (Certified 2019 and recertified 2021)

Knowledge Management (Certified 2019 and recertified 2021)

- European Foundation for Quality Management: Global Excellence Award (2017, 2021)

Technological innovation at the centre of the Company's strategy

The Company has proven itself as a global digital leader through its leading digital transformation strategy. The Company: (i) leads digital transformation strategy; (ii) was one of the early adopters of AI in the UAE; (iii) was the first Government entity to be entirely paperless; (iv) the first non-telecoms company in the UAE to receive a license for IoT; (v) has a clean track-record of zero cyber security breaches; (vi) has the first AI and big data-enabled cyber defence system; (vii) has achieved a 98.7% smart adoption rate by its customers, the highest among other Government entities in 2021; (viii) through it AI-driven alerts to users, the Company managed to achieve a ground-breaking number of three billion gallons in water saved; (x) has more than 40 global partnerships in the digital space through Digital Dewa.

The Company is at the core of digital innovation with technologically advanced digital systems and tools delivering robust end-to-end solutions. Such systems and tools consist of the following:

- Transmission automation: Transmission automation is achieved through the SCADA Program to monitor water and power networks around the clock and the high water usage alert program for customers. See "*—Information Technology—SCADA and SDMS*".
- Satellite programme: In January 2021 the Company's space programme, Space-D, was launched as an initiative that aims to build the Group's capabilities and train Emirati professionals to use space technologies to help enhance its electricity and water networks. The programme will use advanced technologies that are embedded into the Group's systems to facilitate the exchange of information with the help of satellite communications and earth observation technologies. The project features the launch of a main satellite equipped with the latest imaging and satellite communication technologies. The programme also supports the National Space Strategy 2030, which aims to realise the leadership's vision by using space sciences, technologies, applications and services to enhance development. As part of the satellite programme, the DEWA-SAT 1 nanosatellite was launched by SpaceX Falcon 9 rocket from Cape Canaveral Space Launch Complex (SLC-40) in Florida, USA on 13 January 2022. The nanosatellite was designed and developed at the Group's research and development centre in MBR Solar Park to improve the operations, maintenance and planning of the Group's networks with the support of nanosatellite technology, IoT and remote sensing technologies.
- Efficient resource allocation: The Group has launched a number of initiatives that ensure the efficient allocation of resources through the use of technologies such as:
  (i) smart response – via an embedded AI self-diagnosis tool, auto-dispatch and GIS tracking, systems connected hand-held devices and tracking through SMS and digital channels;
  (ii) smart living – via smart grid, IoT, smart meters, AI, smart phone delivery, service process redesign and system integration and automated call, visit and job scheduling system;
  (iii) high water usage alert – alerting customers by SMS, email and smart app, of any unusual water consumption, as against an analytical model of smart water meter data;

(iv) mobile work force – using auto-dispatch and GIS tracking systems, connected hand-held devices and tracking through SMS and other digital channels across more than 150 internal processes; and

(v) Unmanned Vehicles and robotics – including drone management systems, anti-drone systems, guided surveillance and asset health status checking tools.

- MBR Solar Park: As part of the MBR Solar Park the Company has erected a landmark innovation centre with the latest clean and renewable energy technologies as well as a 4,400 square meter research and development centre.
- Digitalisation: As part of its digitalisation push, the Group launched Digital DEWA, its digital arm to reimagine the role of the utility and to become the world's first utility provider to use autonomous systems for renewable energy generation, energy storage, AI adoption and the provision of digital services. Furthermore, as part of the Green Airport initiative, the Group is exploring new paradigms to generate energy in airports through an innovative, integrated system that relies on energy from solar, kinetic, noise and wind sources resulting from the movement of aircraft and other activities. The Green Road initiative also aims at transforming Dubai's roads into energy generation sources by harnessing energy sources such as solar and mechanical energy utilising the latest disruptive technologies.
- Smart grid: The smart grid initiative aims to provide a smart network providing the best service to customers with high efficiency, via the use of AI and big data.
- Rammas AI assistant: the Rammas AI assistant is the Company's virtual assistant tool for customer, which use AI technology and can response to enquiries in English and Arabic 24 hours a day, seven days a week.

  Fibre optic: The Group owns and operate a large fibre Optic Network in the city of Dubai for power and water network with a total length of 11,076 km. The entire Grid communications and Protection systems are based on fibre optic technology that provides fast and reliable communications. Certain capacity of the fibre network is leased to Digital DEWA to utilise for commercial purposes.

Serving a diversified mix of customers with the aim to meet highest standards of service quality

The Group serves a wide range of customers across different lines. In the power sector, the Group had 1,061,476 customer accounts as at 31 December 2021, of which 78.3% were residential, 20.2% were commercial, 0.3% were industrial and 1.2% were categorised as "others". The consumption split among those accounts was 32.9% residential, 53.8% commercial, 5.3% industrial and 7.9% for others.

In the water sector, the Group has 960,032 customer accounts as at 31 December 2021, of which 84.7% were residential, 14.8% were commercial, 0.2% were industrial and 0.3% were for others. The consumption split among those accounts was 64.1% residential, 26.4% commercial, 2.5% industrial and 7.0% for others. The Company has consistently been recognised for its highest standards of service quality by receiving a number of awards and top rankings among its peers, including:

- Ranked first in the Instant Happiness Meter by the Dubai Digital Authority in 2021, with a score of 98% based on 665,000 votes;
- Highest Smart Adoption (98.7%) by the Dubai Digital Authority 2021;
- Achieved 90.15% in Customers' Happiness Index (2021 DGEP)
- World Highest score of 99.7% in International Standard for Service Excellence certification (ICXS 2019 and ICXS 2020);
- Awarded a distinguished score (99.2%) in the Dubai Government Mystery Shopper Index 2021;
- Awarded a distinguished score (100%) in Website Accessibility by the Dubai Digital Authority 2021;
- Awarded a distinguished score (10/10) in Smart App Accessibility by the Dubai Digital Authority 2021;
- ICXA 2019 International Customer Experience Award for the DEWA Services Hackathon; and
- The DXA 2021 International Digital Experience Award for RAMMAS.

Unprecedented Green Growth Opportunities with a Clear Roadmap for the Future

The Company is well positioned to capitalise on visible growth levers

The growth of green infrastructure initiatives in the Emirate of Dubai will support the Company's future growth. Investment in renewables is expected to increase in support of the Dubai 2050 100% clean energy target and leading infrastructure developments are expected to see the light to implement the Dubai 2040 Urban Master Plan. The clear push for green infrastructure has been demonstrated by the establishment and ongoing development of the 5 GW MBR Solar Park and ongoing exploration of wind capacities within the Emirate of Dubai.

Power and water demand is expected to increase in light of the Emirate of Dubai's growth engine and the push for electrification within the Emirate. Being the sole provider of water and electricity in Dubai, the Company is well positioned to benefit from the increasing demand for the services it provides.

Growth is also expected in the fast growing district cooling market which is expected to witness certain consolidation opportunities. Empower also has significant potential to grow organically with its existing portfolio of well-diversified projects. With its leading position in the market, Empower is well positioned to benefit from growth due to its scale, access to capital and extensive know-how.

Growth is also expected to result from the various investments made by the Group in new technologies. The Company's expansion in green hydrogen, energy storage, EV charging and smart water projects places it among the leading utility providers in terms of digital adoption, innovation and efficiency.

The Group's consistently stable tariffs and supportive regulatory framework will help support sustainable profitability. This stability and predictability are further supported by long-term supply agreements that the Groups has in place with relevant Government entities. Such stability is further reinforced by the alignment among key stakeholders from the Government to ensure a supportive regulatory framework going forward.

The Company is positioned for growth on multiple fronts of the energy transition

In the power and renewables space, the Company is expected to benefit from the sizeable growth in renewables in Dubai with the planned 5 GW of solar capacity at the MBR Solar Park by 2030 and the acquired expertise in solar CSP with 700 MW currently under construction as part of Phase 4 of the MBR Solar Park, which will assist in execution of future similar projects. Such growth will be further supported by the wind energy opportunities currently being explored in Dubai as well as the 250 MW of hydroelectric capacity under construction in Hatta.

In the water sector, growth is expected to be supported by the increasing desalinated water production capacity expected to reach 730 MIGD in 2030 and a number of initiatives such as the 100% desalinated water provided by clean energy and waste heat by 2030 and the HydroNet solution, an AI project in water to be launched by the Company in the near future to monitor and autonomously improve the efficiency of water networks.

Growth is also expected in the district cooling sector, where Empower (a 70%-owned subsidiary of the Company) is an award-winning company having recorded an 18% growth in demand for its district cooling services in 2021 (including the inorganic growth in demand derived from the acquisitions of the district cooling assets of Nakheel (i.e., Empower Snow LLC) for AED 674 million). Empower also acquired the district cooling systems of the Dubai International Airport for AED 1.1 billion. District cooling has also proven to be effective in substantially reducing emissions and combatting climate change, as compared to other conventional cooling systems.

The Company supports EV adoption and has already installed 325 charging stations across Dubai as of December 2021 and plans to install a total of 1,056 stations by 2025 as electric vehicle penetration rises in the country.

The Company also launched the first green hydrogen production facility in the MENA region in May 2021, which will allow the buffering of renewable energy production, both for fast response applications, as well as for long-term storage. The facility has been built to accommodate future applications and test platforms for the different uses of hydrogen, including potential mobility and industrial uses.

Shams Dubai is the Company's distributed renewable generation programme which supports the diversification of the energy mix by promoting the use of clean and renewable energy sources to build a sustainable future for the Emirate of Dubai. This initiative encourages household and building owners to install PV panels to generate electricity, and connect them to the Company's grid. The electricity is used on site and the surplus is exported to Company's network. As at December 2021, 399 MW was already connected to the network with another 225 MW of ongoing projects. Shams Dubai now has 6,924 sites as of 2021.

Robust Financial Profile with High Visibility over Cash Flow Generation and Shareholder Returns

The Group is in a unique position, being the sole electricity and water provider by law and the leading district cooling supplier in Dubai with best-in-class operational performance, strong leverage metrics, supportive government policies and resilient profitability and margins. Electricity sales during 2019, 2020 and 2021 amounted to 41.31 TWh, 40.63 TWh and to 44.74 TWh respectively, while water sales for the same financial years were 116 billion IG, 115 billion IG and 118 billion IG, respectively. Cooling supplied by Empower for the same periods was 1.7, 1.7 and 2.0 billion RTh.

Sustainable sales of utilities in Dubai were key drivers for the Group's top line. The Group's revenues for 2019, 2020 and 2021 were AED 22.9 billion), AED 22.5 billion) and AED 23.8 billion), respectively, for a CAGR of 2.0%.

The Group enjoys a cost reflective tariff framework which supports resilient profitability which was demonstrated by the Group's Adjusted EBITDA and net income figures and margins over the last three years. The Group's Adjusted EBITDA for 2019, 2020 and 2021 was AED 10.8 billion (for an Adjusted EBITDA margin of 47.4%), AED 10.1 billion (for an Adjusted EBITDA margin of 45.1%) and AED 12.1 billion (for an Adjusted EBITDA margin of 50.7%) respectively. The Group's net income for 2019, 2020 and 2021 was AED 6.6 billion (for a net income margin of 29.0%), AED 5.3 billion (for a net income margin 23.6%) and AED 6.6 billion (for a net income margin of 27.5%) respectively.

The Group expects its EBITDA margin to be between 53%-55% in the mid-term as a result of reducing fuel costs from IPPs and higher relative contribution of higher margin IPPs and Empower, in addition to margin gains resulting from the transition to clean energy and other green initiatives.

The Group also enjoys a strong balance sheet with a net debt for 2019, 2020 and 2021 of AED 5.1 billion, AED 11.9 billion and AED 17.6 billion, respectively. The net debt to EBITDA ratio was at 0.5x, 1.2x and 1.5x for the years 2019, 2020 and 2021 respectively.

Supportive tariff framework which provide incentives for efficiency and outperformance

Tariff stability has served stakeholders well in the past, by providing good value and protection of consumer interest, while providing the Group with an appropriate return on investments and incentives to optimize investment and operations, with cost reflective tariffs allowing fuel-costs pass-through. The Group's tariff structure has been unchanged for 11 years, cost-reflective tariffs with fuel-costs pass-through. For more details about the tariff structure applicable to the Groups and process through which tariffs changes are proposed by the Dubai Supreme Council of Energy and approved by the Dubai Executive Council, see " - *Regulation*".

Strategy

The Group's strategy is rooted in reinforcing its 'Triple Bottom Line' sustainability approach in all of its activities and operations. Sustainable growth is the Group's higher order goal that will allow the Group to mobilise its capabilities to contribute to the strong local and federal development plans whilst preserving and ensuring, the Group's natural capital and long lasting economic prosperity of the Group. The Group aims to deliver on its strategy vision through:

- balancing economic, environmental and social impacts of our growth strategy;
- effective stakeholders happiness strategy;
- pioneering global position of our services and key results; and
- effective alignment with the UN SDGs

Optimised Costs, Revenues and Diversified Global Investments: drive the financial performance of the Company as the Economic pillar of the Group's Sustainability Framework

The Group intends to leverage its unique position as the sole electricity and water and leading district cooling supplier in Dubai to drive the financial performance of the Company as the economic pillar of the Group's Sustainability Framework. Sustainable sales of utilities in Dubai were key drivers for the Company's top line.

The Group aims to continue this achievement by mobilising the DEWA 2021 Investment Strategy and by exploring and exploiting cost optimisation opportunities across each of its value chain, such as exploring the use of new and innovative storage technologies that will allow the Group to utilise renewable energy at all hours of the day at a lower cost and exploring international expansion for Empowers' services to the Kingdom of Saudi Arabia, Qatar and other markets that have broad adoption, or potential for adoption, of district cooling services.

As a global digital leader, the Company is at the core of digital innovation with technologically advanced digital systems and tools delivering robust end-to-end solutions and will continue developing and exploring new revenue streams through the use of digital innovation, such as SCADA, a sophisticated and centralised monitoring system which ensures a reliable supply of electricity and water is consumers by leveraging AI and big data, and ASR, which is up to six times cheaper at enhancing the strategic water storage compared to conventional concrete reservoir storage. The Company will continue to effectively manage its core subsidiaries to diversify its investment into digital technologies as a method of costs and revenue optimisation. For example, the Group expects Digital Dewa to continue as the technology arm of the Group while also expanding the opportunities to deliver revenues from third parties, converting a former cost centre of the Group into a revenue centre.

Pioneering Socially Responsible Practices: contribute to the sustainable development of Dubai as the Social pillar of the Group's Sustainability Framework

The Group is focused on developing its pioneering socially responsible practices by continuing its contribution to the sustainable development of Dubai as the social pillar of the Group's Sustainability Framework. Such contribution is to be achieved by fulfilling the Group's corporate social responsibility annual plan, which includes, among other things, the delivery of key social programs and initiatives that support national and international corporate social responsibility efforts. The Group will continue to focus on human capital development by implementing several policies and practices to encourage a culture of volunteering amongst its employees, supporting local suppliers, contractors and entrepreneurs, and by continuing to operate on the basis of an ESG centric business model that is aligned with the United Nations Sustainable Development Goals 2030.

Minimised Environmental Footprint: develop and run environmentally responsible asset portfolio as the Environmental pillar of the Group's Sustainability Framework

The Group plays a key role in Dubai's green energy transition process, with clean energy transition forming a central pillar of the Group's strategic direction. Part of the Group's vision is to align with Dubai's eight Principles and 50-Year Charter and to support the UAE's strategic direction into innovative energy solution. The Group aims to achieve this is by i) minimising its environmental pollution and waste by developing and managing environmentally responsible asset portfolio that can ensure that greenhouse gas emissions are, at a minimum, in line with the national intended contribution level, ii) minimising pollution and waste from the Group's operations, iii) ensuring that EIA is completed for all projects and iv) by delivering on the Group's UNDP Sustainable Development Goals. The Group aligns its community investment and engagement strategies with issues that are important not only to the management of its assets, but also to the benefit of the surrounding communities. Furthermore, the Group has consistently and will continue to adopt a responsible approach to asset management, supported by an Asset Management Framework in compliance with ISO 55001 and an Asset Management Policy.

Available, Reliable and High Quality Supply of Electricity and Water:

The Company has consistently been recognised for its highest standards of service quality by receiving a number of awards and top rankings among its peers. The Group plans to continue providing the highest quality standards for electricity generation, transmission and distribution and water production and distribution by exploring the use of new and innovative technologies such as the SDMS, which has enabled the Group to deliver uninterrupted supply of electricity and water to its customers. The Groups AMI i-Service initiative, which enables the Group's technicians to resolve unplanned outages, breakages and leakages, before receiving a customer complaint, is one of many innovations that the Group will continue to explore and utilise in order to maintain its efficiency in handling and resolving customer technical issues.

Engaged and Happy Stakeholders: dedicate adequate resources to foresee, analyse, deliver and exceed stakeholders' expectations and brand perception

The Group is committed to dedicating adequate resources to foresee, analyse, deliver and exceed stakeholders' expectations and brand perception. It aims to achieve this by developing and deploying a comprehensive Stakeholder Happiness Strategy by focusing on developing the Company's branding capabilities in order to accelerate and strengthen the Group's brand and reputation regionally and internationally. The Group will actively engage with stakeholder groups across each relevant communication channels in order to, i) understand and anticipate the needs and expectations of stakeholders which includes government personnel, customers, partners, society and employees, and ii) deliver products and services that exceed shareholder expectations and needs.

In 2021, the Company ranked first in the Instant Happiness Meter by the Dubai Digital Authority with a score of 98%. In order to sustain the Group's leadership position in happiness among government entities, the continuously measure stakeholders' happiness level and respond appropriately.

Another key theme of the Group's strategy is '10X The Future' which focuses on the Group's ability to innovate in a fast-moving energy and water sector and prepares the Group and the Emirate of Dubai for the future. This theme focuses on finding enduring and more appropriate solutions to the current and future challenges facing the Group's business through research and development and innovation. It aims to disrupt and create a sustainable future by implementing (i) Digitisation, (ii) Diversification of energy sources, (iii) Demand Side Management and (iv) DEWA Space and IoT.

Disruptive Technologies: AI, Robotics, Space, and IoT

A key function of the Group's R&D is to enable the Group to embrace the future by aligning internal requirements and external trends with innovation and R&D activities, thus allowing the Group to i) demonstrate and evaluate cutting edge technologies related to energy and water, and ii) to develop effective solutions in smart grids, solar, water and energy efficiency using disruptive technologies, which includes energy storage, AI, robotics, Space-D, IoT, 3D printing and other advanced materials. The Group aims to leverage intellectual properties in order to create more value from research output. The Group will continue fostering stakeholder engagement in order to keep driving innovation.

Leading Through Digital DEWA

As a response to the Government of Dubai's 10X initiative, an initiative aimed at "positioning Dubai 10 years ahead of all other world cities" by placing a strategic focus on innovative technology and disruptive solutions, the Group developed Digital DEWA to be its digital arm which has enabled the Group to be the world's first utility provider to use autonomous systems for renewable energy generation, energy storage, AI adoption and the provision of digital service. Through Digital DEWA, the Group aims to make Dubai the first city to provide electricity and water services based on AI. The Groups aims to continue this digital transformation through the effective implementation of: i) the smart grid initiative, a smart network providing the best service to customers with high efficiency, via the use of AI and big data; ii) Shams Dubai, a distributed renewable generation programme to support the diversification of the clean energy sources to build a sustainable future for the Emirate of Dubai; and iii) the Dubai Green Mobility Strategy 2030, an initiative launched to encourage the use of electric vehicles. The Group also aims to expand into different fields, such as solar energy, energy storage, AI, and other digital services through Digital DEWA.

Sustainable Energy Mix and effective supply and demand side management

In 2011, the DSCE, in cooperation with the Company, launched the Demand Side Management Strategy 2030, which aims to deliver 30% power and water consumption savings by 2030 through a set of defined programmes. To meet this target, the Group aims to develop its asset portfolio and to continue integrating reliable and cost-effective renewal technologies.

Relationship with the Government

The Company was initially formed by Government decree

Decree No. 1, which was later amended by Rule of Dubai Law no. (13) of 1999 Concerning Amendment of Some Provisions of Ruler of Dubai Law no. (1) of 1992 ("**Decree No. 13**") and Ruler of Dubai law no. (9) of 2011 Amending Ruler of Dubai Law no. (1) of 1992 ("**Decree No. 9**"), appointed the Company as the exclusive electricity and water utility in Dubai and the exclusive supplier of potable water in Dubai.

The Company maintains an independent corporate status and has the power to own, operate and maintain power stations and desalination plants, aquifers, power and water transmission lines and power and water distribution networks. In addition, pursuant to Decree No. 13, the Government devolved each of the rights, property and assets previously owned by DEC and DWD to the Company. The Group has wide ranging powers to undertake projects relating to electricity generation and water production and the supply of electricity and potable water in order to satisfy consumer needs in Dubai, including establishing project companies in collaboration with private companies not incorporated in the UAE. See "*—Risk Factors—Risks Relating to the Group—The Group may face competition in the future*" and "*Regulation—Participation of Private Sector*".

Protection of the Public Electricity and Water Network

On 11 April 2015, Mohammed bin Rashid Al Maktoum, the Ruler of Dubai, issued Law No. (6) of 2015 Concerning the Protection of the Public Electricity and Water Network in Dubai, aimed at protecting the electricity and water infrastructure of Dubai and ensuring high quality and uninterrupted service by the Group to its customers. Under this law, the Group was granted the duties and powers to take the necessary action and measures to protect the public network of Dubai (including stations, machinery, equipment, systems, service lines, and related equipment owned of managed by the Group, including the telecommunication network used by the Group). The Group was also given the authority to issue authorisations to any party wishing to conduct works near the public network or service lines that could negatively affect any of them, and other matters related to the protection of the network and monitoring compliance in this respect. See "*—Regulation"*

Conversion of the Company to a public joint stock company

Pursuant to Ruler of Dubai law no. 27 of 2021 which came into effect on 30 December 2021 (and repealed Decree No. 1), DEWA was converted to a public joint stock company. At the same time Ruler of Dubai law no. 56 of 2021 was enacted appointing H.E. Saeed Mohammed Ahmad Al Tayer as the Managing Director and Chief Executive Officer of the Company, and Ruler of Dubai law no. 55 of 2021 was enacted appointing the current members of the Board.

The Government's shareholding in the Group is held by Department of Finance.

Government as Majority Owner

Following the Global Offering, the Government will be the major shareholder and majority owner of the Company (through Department of Finance). Through its control of the appointment of the majority of the Board of Directors, and holding of the majority of shareholder votes at a general meetings of the Company's shareholders (other than in any cases where the Selling Shareholder would need to abstain from such vote), the Government has the ability to control the strategy, operations and management of the Group.

Following the implementation of Ruler of Dubai law no. 27 of 2021, any borrowings by the Company and its subsidiaries no longer require prior approval of the Supreme Fiscal Committee. See "*Regulation—Financial Regulation*". The Company is no longer required to ensure that its borrowings at the Company level are approved by both the Supreme Fiscal Committee and its Board of Directors.

Although the Government has the power to control the Group's borrowings, the Group's financial obligations are not, absent an explicit guarantee, guaranteed by the Government. However, in respect of certain of the older IPPs (being Shuaa Energy 1, Shuaa Energy 2, Noor Energy 1, and Hassyan Energy Phase 1) there are guarantees issued by the Government in respect of the Company's offtake and payment obligations. However, for more recent IPPs and the IWP there are no such Government guarantees in place. In the absence of any funding and/or any explicit Government guarantee for the Group's borrowings, the Group is solely responsible for meeting its funding requirements and its payment obligations to its creditors.

Government as Regulator

As the majority owner of the Company, the Government also has the power to regulate the Group's activities. The water and electricity sector in Dubai has not historically been characterised by heavy or extensive regulation, with the exception of water and electricity tariffs, which are ultimately determined by the Government through the Executive Council (following review by the Supreme Council of Energy). See "*Regulation*".

In June 2009, the Government established the Supreme Council of Energy, a regulatory authority appointed to oversee the water and energy sector in Dubai, covering all aspects of production and distribution. See "*Regulation—Regulation of the water and energy sector in Dubai*". The Supreme Council of Energy has broad powers to regulate the activities of all water and energy providers, including the Group, and also reviews any proposed amendments to water and electricity tariffs charged by the Group prior to any decision by the Executive Council as to whether or not to approve such amendments.

In January 2011, the Government approved an increase in the tariff for electricity and water which resulted in the base tariff increasing by 15% (as of the date of this Offering Memorandum there have been no further increases in the tariff). In addition to the increase in the basic tariff, a fuel surcharge was introduced to enable the Group to recover any fuel cost incurred in excess of a fixed base cost. The fuel surcharge has allowed the Group to pass on increases in its variable cost of gas charged by DUSUP to the end consumers on a monthly basis. Other than these amendments to the Group's tariffs and the development of the Dubai Integrated Energy Strategy 2030 ("**DIES**") (see "*Regulation—Supreme Council of Energy*"), the Supreme Council of Energy has not, to date, implemented any new regulations or policies which materially affect the Group's business or operations. As at the date of this Offering Memorandum, the Group does not expect the Supreme Council of Energy to impose more extensive or stringent regulations on the Group in the future.

Government as Purchaser of Electricity and Water

The Government, including all Government ministries and offices, is a significant purchaser of water and electricity from the Group. The Government is charged the same electricity and water tariffs as other consumers (with the exception of UAE nationals, who are charged reduced tariffs for their residential electricity and water bills).

Until 31 December 2021 the Government has, through the Department of Finance, settled the unpaid electricity and water invoices for and on behalf of certain Government ministries and departments as well as designated institutions by issuing credit notes on a monthly basis to the Group. The credit notes were partially supplemented by a fixed monthly payment made by the Department of Finance on behalf of the Government entities, with remaining balance included as part of Government receivables.

In addition to the above, electricity and water sales for certain Government related entities were included as part of the Company's credit notes and were booked as a Government receivable and ultimately offset against the Group's retained earnings for the relevant period. Starting from January 2022, the electricity and water invoices to the Group will be paid in cash with credit payment term of 90 days (as opposed to 30 days for most other customers).

The Department of Finance is responsible for settling payments on behalf of approximately 75 electricity and water accounts for Government entities, as well as settling certain amounts in respect of the electricity and water fees of UAE nationals that are customers of the Group. In 2021, the total sales subsidy to UAE nationals was AED 1,173,007,937 and the total fuel surcharge was AED 368,721,996. The total amount of approximately AED 2.8 billion previously due from the Department of Finance in respect of the settlement of various fees was settled in December 2021.

Government Payment to Cover Reduced Pricing of Nationals and Fuel Surcharge

UAE Nationals have historically been charged reduced tariff payments. Starting from January 2022 the Department of Finance will cover the reduced pricing UAE nationals and up to the Company's breakeven point, through a 90-day credit payment term.

Additionally, UAE nationals have been exempt from paying fuel surcharge related to fuel costs. Starting from January 2022, the Department of Finance will cover the portion of the fuel surcharge due for UAE Nationals through a 90-day credit payment term.

Government as Grantor of Land and Rights of Way

The Group's offices and its power and desalination stations are built on land transferred to it from the Government. By way of a Government order dated 26 July 2008, it was stated that full legal title to all land which had previously been granted to the Group by the Government would be transferred to the Group. Although the Group has been granted legal title to the land, it may only use the land for its own business and commercial operations (although, pursuant to Decree No. 9, the Group may grant usufruct or similar rights over such land to any entity which contributes to electricity and water production in Dubai). However, while the Group is not permitted to sell its land to third parties, it is able to use it in connection with *Shari'a* compliant financing, including sukuk and it may mortgage its land to third parties. Should the Government wish to re-possess any land granted to the Group, it must provide a suitable substitute for the land and bear the cost of relocating any infrastructure built on it. As at the date of this Offering Memorandum, the Government has not re-possessed any significant parcels of land granted by it to the Group, except for the land on which its head office was built (which was re-possessed in 1992) and the land on which the central storage unit for transmission and distribution inventory was situated (which was re-possessed in 2012 pursuant to the construction of a road); for each of these, substitute land was provided. The central storage unit for transmission and distribution inventory was completely transferred to substitute land. However, none of the Group's power and desalination stations or other major installations have been re-possessed and, given the size of the stations and installations and the costs and disruption involved in moving them, the Group believes that the Government is unlikely to repossess any land owned by the Group in the future, although no assurance can be provided.

The Group has been granted rights of way for an indefinite period over certain specific corridors or routes reserved for use by the Group through which it may lay cables and water pipelines for the transmission of electricity and water as well as fibre optic cables for data transmission. The rights of way over the corridors were previously granted to it by the Dubai Municipality but that function was subsequently taken over in 2010 by the Road Transport Authority (the "**RTA**"), a public authority wholly-owned by the Government. As the Group holds the legal rights of way over the corridors, the Group has the ability to lease the corridors to third parties. As at the date of this Offering Memorandum, the Group leases, through InfraX LLC (a subsidiary of Digital DEWA), the use of the fibre optic cables it has laid in such corridors to the UAE telecommunications provider, Emirates Integrated Telecommunications Company PJSC. Where the Group requires any further rights of way from third parties, it seeks approvals in the ordinary course.

Government as Supplier of Natural Gas

Since early December 2021, the position of the Group is to rely on natural gas and clean energy sources to operate its plants. Natural gas-fired power generation is currently the Group's main source of power generation. While the Group's conventional stations are generally capable of burning both natural gas and fuel oils, natural gas is used (other than in the case of emergencies) as a matter of the Group's current policy, as well as due to advantages in efficiency and cost. Supplies of natural gas in Dubai are arranged by the Government through DUSUP, which is the supplier of natural gas to the Group. Pursuant to Government regulations, the Group can only buy natural gas from DUSUP and may not enter into direct contracts with natural gas suppliers. DUSUP enters into gas purchase agreements with natural gas suppliers, receives natural gas transported through its pipelines to its gas control station at Jebel Ali and then sells natural gas to customers within Dubai. Currently, DUSUP's largest customer is the Group. DUSUP has not entered into any formal gas supply agreement with the Group, but DUSUP is mandated by the Government to obtain sufficient gas supplies to meet all of the Group's requirements. See "*—Risk Factors—Risks Relating to the Group— The Group is dependent on DUSUP for its supply of natural gas*". As results of such mandates with the Government, DUSUP allocates the substantial majority of its supplies to the Group accordingly at a rate which have historically been based on pre-fixed prices.

With respect to the supply of natural gas and liquefied natural gas by DUSUP to the Group, DUSUP is accountable to the Supreme Council of Energy, which has been mandated to oversee the supply and distribution of natural gas and liquefied natural gas supplies in Dubai.

Principal Operations

The Group's operational power generation and water desalination stations and their respective capacities as at 31 December 2021 are shown in the table below.

Project Name	Project Company	Energy Source	Gross MW	Gross MIGD	DEWA Stake	Remaining Life *(Years)*	COD	Planned Decommission Date
MBR Solar Park - Noor 1 PV1	Noor Energy 1	Renewable	217	-	51%	35	2021	2056
MBR Solar Park - Ph V-A	Shuaa Energy 3	Renewable	300	-	60%	25	2021	2048
Jebel Ali Station – K SWRO	-	Power from grid	-	40.0	100%		2021	2061
Hassyan Power Plant - Units 1 and 2	Hassyan Power	Natural Gas	1,200	-	51%	25	2021	2048
MBR Solar Park - Ph III C	Shuaa Energy 2	Renewable	300	-	60%	24	2020	2045
MBR Solar Park - Ph III B	Shuaa Energy 2	Renewable	300	-	60%	23	2019	2045
MBR Solar Park - Ph III A	Shuaa Energy 2	Renewable	200	-	60%	22	2018	2045
MBR Solar Park - Ph II	Shuaa Energy 1	Renewable	200	-	51%	21	2017	2042
MBR Solar Park - Ph I	-	Renewable	10	-	100%	18	2013	2039
Jebel Ali Station "M" – Extension	-	Natural Gas	700	-	100%	41	2019	2062
Jebel Ali Station "M" - Block III	-	Natural Gas	728	-	100%	41	2012	2062
Jebel Ali Station "M" - Block II	-	Natural Gas	728	-	100%	41	2012	2062
Jebel Ali Station "M" - Block I	-	Natural Gas	728	134.0	100%	41	2012	2062
Jebel Ali Station "L" - Ph II	-	Natural Gas	1,432	52.0	100%	38	2008	2059
Jebel Ali Station "L" - Ph I	-	Natural Gas	969	67.5	100%	34	2007	2055
Jebel Ali Station "K"	-	Natural Gas	948	56.0	100%	31	2003	2052
Aweer Power Station "H" - Ph III	-	Natural Gas	968	-	100%	48	2008	2069
Aweer Power Station "H" - Ph II	-	Natural Gas	421	-	100%	47	2007	2068
Aweer Power Station "H" - Ph I	-	Natural Gas	607	-	100%	38	1998	2059
Jebel Ali Station "G" - SWRO	-	Power from grid	-	23.0	100%	31	2007	2052
Jebel Ali Station "G" - Block II	-	Natural Gas	480	32.2	100%	19	1996	2040
Jebel Ali Station "G" - Block I	-	Natural Gas	338	25.8	100%	19	1994	2040
Jebel Ali Station "E" - Ph II	-	Natural Gas	289.0	-	100%	16	1992	2037
Jebel Ali Station "E" - Ph I	-	Natural Gas	327	25.0	100%	16	1989	2037
Jebel Ali Station "D" - Ph II	-	Natural Gas	607	19.5	100%	22	1984	2043
Jebel Ali Station "D" - Ph I	-	Natural Gas	420	15.0	100%	10	1980	2031
Total – Operational			**13,417**	**490**				

The Group's under construction power generation and water desalination stations and their respective expected capacities as at 31 December 2021 are shown in the table below.

Project Name	Project Company	Energy Source	Gross MW	Gross MIGD	DEWA Stake	Remaining Life (Years)	COD
Hassyan Power Plant - Units 3 and 4	Hassyan Power	Natural Gas	1,200	-	51%	25	2023
Aweer Power Station "H - Ph IV"	-	Natural Gas	829	-	100%	40	2022
Noor Energy 1 - CSP	Noor Energy 1	Renewable	700	-	51%	35	2024
Noor Energy 1 - PV2	Noor Energy 1	Renewable	33	-	51%	35	2024
MBR Solar Park - Ph V-B &V-C	Shuaa Energy 3	Renewable	600	-	60%	25	2023
Jebel Ali Station K Phase III Stage 1	-	Natural Gas	590	-	100%	40	2023
Hassyan Complex (SWRO)	Hassyan SWRO	Power from grid (Renewable)	-	60	60%	35	2023
Hassyan Complex (SWRO)	Hassyan SWRO	Power from grid (Renewable)	-	60	60%	35	2024
Hatta Pumped Storage Hydro Power	-	Renewable	250	-	100%	80	2024
Total - Under Construction			**4,202**	**120**			

The Group's current planned pipeline of power generation and water desalination stations and their respective expected capacities as expected or proposed at 31 December 2021 are shown in the table below:

Project Name	Energy Source	Gross MW	Gross MIGD	COD
MBR Solar PV 2025	Renewable	300	-	2025
MBR Solar PV 2026	Renewable	300	-	2026
MBR Solar PV 2027	Renewable	300	-	2027
MBR Solar PV 2028	Renewable	300	-	2028
MBR Solar PV 2029	Renewable	300	-	2029
MBR Solar CSP 2029	Renewable	300	-	2029
MBR Solar PV 2029	Renewable	100	-	2029
Hassyan Complex (SWRO) 2029	Power from grid (Renewable)	-	60	2029
MBR Solar PV 2030	Renewable	300	-	2030
Hassyan Complex (SWRO) 2030	Power from grid (Renewable)	-	60	2030
Total - Future Projects		**2,200**	**120**	

In line with the Dubai Clean Energy Strategy 2050 (recently updated), the Group aims to contribute to the transformation of Dubai into a global hub for clean energy and green economy by focusing on clean and renewable projects. As of 31 December 2021, the Group has an installed capacity of 13.4 GW of electricity.

Overview of the Electricity and Water Tariff Framework

The Government approved introduction of a fuel surcharge mechanism in 2011 to protect the Company against any rise in fuel costs above the Natural Gas price prevailing in 2010. The fuel surcharge mechanism is indexed to the fuel price. The Company accordingly reviews the actual fuel costs incurred on a monthly basis and revises the fuel surcharge applicable for the utilities which is published on the Company's website.

Given majority of the gas offtake contracts by DUSUP are long term contracts at fixed prices, and in turn the fuel surcharge has historically been stable. Additionally, increase of the share of renewables in power generation would further reduce impact of volatility in gas prices on the fuel surcharge. The last revision in fuel surcharge was in December 2020. In December 2020, the Company reduced the fuel surcharge to reflect the lower consumption of fuel in thermal plants resulting from the increase in the share of renewables. Electricity has reduced to 5fils/kWh from 6.5fils/kWh and water: reduced to 0.4fils/IG from 0.6fils/IG.

Below is a summary of the electricity and water tariff determination process in relation to the Company:

- The Board of Directors may propose revisions to tariffs chargeable to electricity and water consumers;
- The Supreme Council of Energy will review and assess any tariff revisions proposed by the Company;
- The Supreme Council of Energy will make recommendations in respect of the proposed tariff revisions to the Executive Council; and
- The Executive Council will then consider the recommendations made by the Board of Directors, as per Dubai law no. 27 of 2021, taking into consideration the review and recommendations of the Supreme Council of Energy.

In assessing proposed tariff revisions, the Supreme Council of Energy will take into consideration and aim to deliver a fair outcome for customers, the Company (including its shareholders), and other key stakeholders.

Any tariff revisions will take into account, among other things, the Group's asset base, investment plans, operating and maintenance costs, and financial structure.

Tariffs will also seek to ensure efficiency, including:

- Service quality, including maintenance and improvement of safety, security of supply, and customer service standards;
- Sustainability, including alignment with the environmental and social policy goals of Dubai and the UAE; and
- Investment and operations, including recovery of efficiently incurred operating costs and capital costs, including a fair return on investment.

The following table sets out a breakdown of the Group's electricity tariffs

Electricity Tariffs	**Slab**	**AED/kWh**
Commercial/residential	0 to 2,000	0.230
	2,001 to 4,000	0.280
	4,001 to 6,000	0.320
	6,001 and above	0.380
Electric Vehicles		0.290
Government	0 to 10,000	0.230
	10,001 and above	0.380
Industries	0 to 10,000	0.230
	10,001 and above	0.380
Fuel surcharges (FY2021)		0.050

The following table sets out a breakdown the Group's water tariffs

Water Tariffs	**Slab**	**AED/IG**
Commercial/industrial	0 to 10,000	0.035

	10,001 to 20,000	0.040
	20,001 and above	0.046
Government	0 to 10,000	0.035
	10,001 to 20,000	0.040
	20,001 and above	0.046
Residential	0 to 6,000	0.035
	6,001 to 12,000	0.040
	12,001 and above	0.046
Port	Jebel Ali Port	0.052
	Other Ports	0.042
Fuel surcharges (FY2021)(		0.004

Electricity

Power Generation

The Group currently generates electricity from power stations located at the Jebel Ali Power and Desalination Complex, Al Aweer, Hatta, Seih Al Dahal and the MBR Solar Park (Al Qudra).

The current focus of the Group is to increase its power generation by way of renewable energy. The initial pilot solar energy project carried out the Group was not an IPP, and was limited to approximately 10 MW. Since that time, solar generation has grown substantially and, as at 31 December 2021, the Group had total solar energy capacity of 1,527 MW, all of which is at the MBR Solar Park. The site is expected to accommodate the full 5,000 MW of solar energy capacity planned for that location by 2030 (of which it is expected that approximately 1,000 MW will be CSP).

The CSP plant at the MBR Solar Park is expected to begin commissioning during the first half of 2022 with commissioning ongoing until early 2024. One key advantage of CSP is the thermal storage capabilities, which allow operation during the evening using the stored solar energy. The Group currently plans to utilise a mix of CSP and PV to manage day and night energy requirements.

There is also a limited amount of distributed solar that contributed an additional 399 MW by the end of 2021, through the Shams Dubai programme. The distributed solar comprises customer assets that are connected to the grid, and are currently subject to caps on generation put in place by the Group. Only accredited and approved third parties are able to carry out works in respect of distributed solar installations in Dubai. Any surplus energy produced is fed to the grid and there is a netting scheme in place that will allow participating parties to use that excess power at any time (similar to an energy bank).

The Group utilises state of the art technologies, including the latest PV technologies (such as bi-facial PV) to help ensure efficient use of solar energy resources. In addition, the developers typically commit to certain levels of efficiency over the lift of the plant (e.g. 25 years).

The Group also intends to install storage for solar energy, as part of the MBR Solar Park Phase 4 Solar CSP and Hatta pumped storage hydro power projects. Increased storage capacity will allow the Group to utilise renewable energy at all hours of the day. The Group is also exploring the use of new and innovative storage technologies.

The Group is also developing power storage in Hatta, as part of the Hatta Power Generation Project for the Hatta Comprehensive Development Plan, which will produce the first hydroelectric power station in the GCC. The power station is expected to be completed in June 2024 and is expected to produce 250MW with a storage capacity of 1,500 MW hours and a lifespan of 80 years. The hydroelectric power station will generate electricity by making use of the existing water stored in the Hatta Dam, which can store up to 1,716 million gallons, and an upper reservoir that will be built in the mountain to store up to 880 million gallons.

With respect to the Group's non-renewable power generation, the Group initially relied on simple cycle gas turbine generators and gas powered steam turbines, later switching to combined cycle co-generation plants associated with MSF desalination units which combine the generation of electricity with the desalination of seawater in a single location. In the gas powered steam turbines, such as those found in Station D, thermal power is generated by firing natural gas (or fuel oils as a standby) into steam boilers in order to generate high pressure steam. The steam is then passed through a steam turbine consisting of several levels of both fixed and rotating blades. The steam turbine drives the electrical generator coupled to it, thereby generating electricity. Part of the steam produced by the steam turbines is also extracted and used in the desalination process.

The Group also utilises combined cycle co-generation plants consisting of gas turbines, waste heat recovery boilers ("**WHRB**"), steam turbines and MSF desalination plants. The combined cycle co-generation plants rely on gas turbines which compress the atmospheric air to a high pressure, with the resulting hot compressed air flowing into the combustion chamber into which natural gas or fuel oil is fired. The hot gases from the combustion chamber flow through the gas turbine consisting of various stages of fixed and rotating blades. The hot gases drive the gas turbine, which in turn drive the generator coupled to the turbines, thereby generating electricity. In order to use the waste heat available in the gas turbine exhaust, a WHRB is installed alongside the gas turbine which utilises the waste heat to produce steam, which in turn is used in the steam turbines to produce additional electricity and in the desalination process.

Several of the Group's earlier simple cycle gas turbine plants were later converted into combined cycle co-generation plants by combining gas turbines with condensing extraction steam turbines ("**CEST**") (as in Station E Phase II) or back pressure steam turbines ("**BPST**") (as in Station E Phase IV). The energy contained in the steam produced in the WHRB drives the CEST or BPST and the steam extracted from the CEST or from the exhaust of the BPST is used in the desalination process. Combined cycle plants have higher capacities and generate electricity more efficiently than single cycle plants. At its maximum operating capacity, approximately 90% of heat input is utilised in the combined cycle co-generation and desalination process, with the remaining approximately 10% being lost through flue gas exhaust from chimneys, or through the cooling of sea water and other miscellaneous sources such as steam or water drains. Combined cycle gas turbines ("**CCGT**") currently comprise approximately 62% of the Group's fleet.

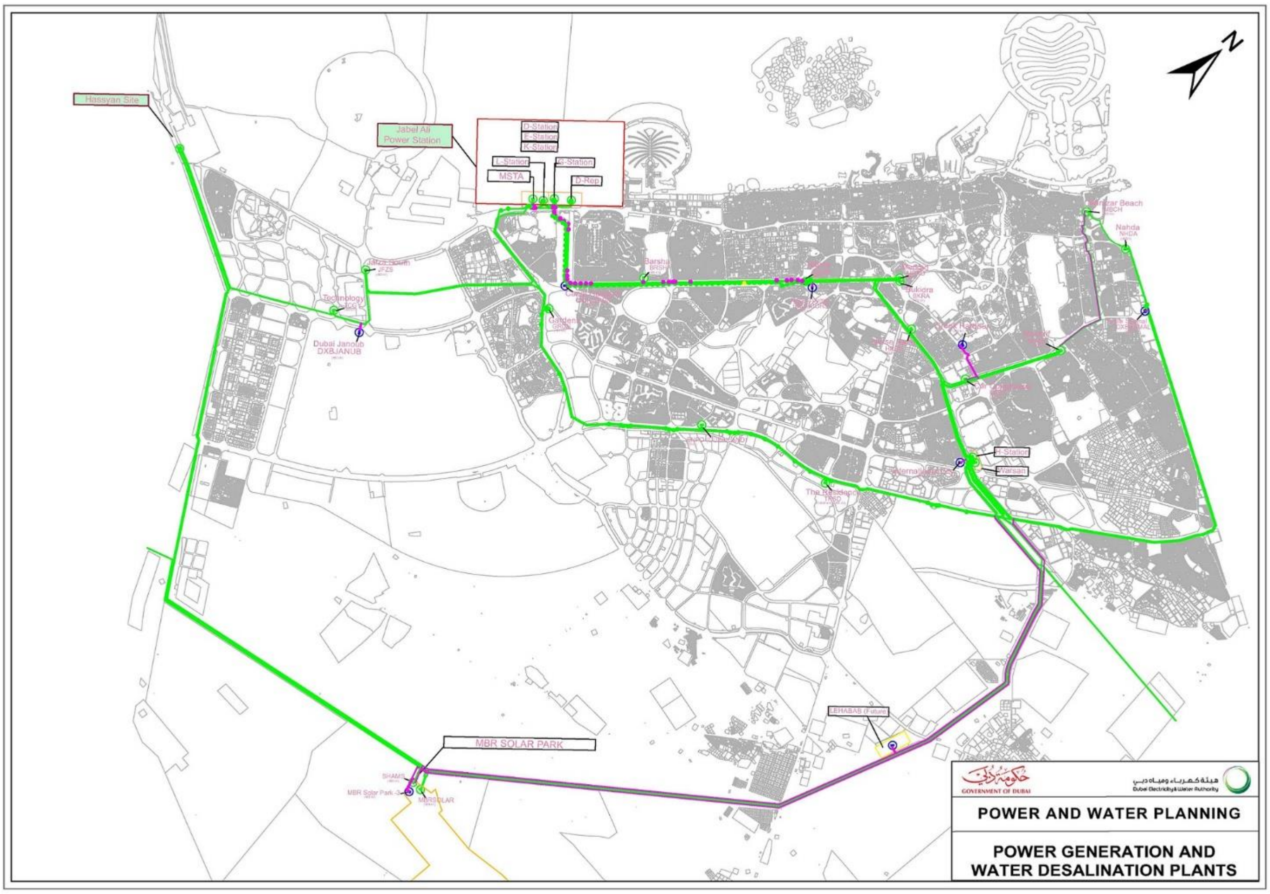
Each traditional power generation plant is typically designed to have an average useful life of approximately 30 years, after which it will need to be either upgraded or replaced. The Group also implements remaining life assessment and adequate lifetime extension ("**LTE**") measures in its plants in order to achieve a plant life of 40 to 50 years. For instance, Phase I and Phase II of Station D have undergone extensive LTE measures and their useful life has been extended to 2031 and 2043, respectively.

The demand for electricity in Dubai tends to vary throughout the year (being up to three times higher in the warmer months of July, August and September than in the cooler months, due to an increase in the use of cooling systems). The Group expects electricity demand to grow up to 59.4 TWh by 2026. However, unlike the demand for electricity, the demand for water does not tend to be seasonal. In order to allow for this variation in power demand, each power and desalination station is equipped with auxiliary boilers which produce steam for the desalination process. This supplements the steam produced by the WHRB at the relevant plant, which may be insufficient due to a lower demand for electricity during the winter months. In addition, the Group's dispatch centre forecasts daily and hourly demands and instructs the operators on how to efficiently operate each plan.

Green Hydrogen

The Group launched the Green Hydrogen project in May 2021, which produces hydrogen using solar power at the MBR Solar Park. The project was designed and built to accommodate future applications and testing facilities for the different uses of hydrogen including transportation and industrial uses.

Set out below is a map indicating the locations of the Group's existing power generation and water desalination plants.



Mohammed bin Rashid Al Maktoum Solar Park

The Mohammed bin Rashid Al Maktoum Solar Park ("**MBR Solar Park**") is located in Seih Al Dahal, and it is the largest solar park on a single plot in the world, as of the date of this Offering Memorandum. It has a planned production capacity of 5,000 MW by 2030, and the Group expects that, upon completion, the MBR Solar Park will help to cut 6.5 million tonnes of carbon dioxide emissions per year. The current capacity of the solar projects at the MBR Solar Park is 1,527 MW. In addition, the Group is building two further solar projects, with a total capacity of 1,333. MW by 2024, which (upon completion) would increase the total capacity to 2,860 MW by 2024.

The Group also supports research and development activities at the MBR Solar Park, which hosts the Group's 4,400 square meter Innovation Centre which is a global platform for renewable and clean energy (and includes the Group's research and development centre). In 2017, the Group was one of the first company in the MENA to join the renewable energy market via the i-RECs Registry Platform to issue the International Renewable Energy Certificates ("**i-RECs**") from the MBR Solar Park 10 MW PV plant, 200 MW and 800 MW PV plant. The i-RECs system represents an internationally applicable i-RECs tracking framework allowing end-users to express demand for specific types of renewable generation and enabling companies to demonstrate renewable energy consumption. i-RECs represent the attributes of electricity generated from renewable energy source. These attributes are unbounded from physical electricity and can be sold or traded separately. As of December 2021, DEWA has successfully issued 1,011,000 i-RECs for various international and national clients.

Noor Energy 1 IPP

Noor Energy 1 is an independent power plant project that has a 700 MW CSP and 250 MW PV (contracted electricity generation) capacity, and which is located in, and constitutes the fourth phase of, the MBR Solar Park, Dubai, UAE ("**Noor Energy 1 IPP**"). Upon completion, it is expected to become the largest single-site CSP plant in the world using a combination of a central tower and parabolic trough CSP technologies.

Key information	
Commercial Operation Date / Scheduled Commercial Operation Date	Phase 1 CT: 20 June 2022 Phase 1 PT: 20 December 2022 Phase 2 PT: Scheduled 22 August 2023 Phase 3 PT: Scheduled on 22 February 2024 Plant COD: Scheduled on 22 February 2024
Financial closing date	21 January 2019
Capacity	950 MW
Technology	CSP & PV
Energy source	Solar
Location	MBR Solar Park, Dubai, UAE
Project cost	USD 4,328,689,120

Ownership

The shareholders and shareholding interests in Noor Energy 1 PSC are set out in the following table:

Shareholder	Interest
Noor Energy 1 Holdings LLC (the "**Noor Energy 1 DEWA HoldCo**")	51%
ACWA Power Solar CSP Holding	49%
Total	**100%**

The Noor Energy 1 DEWA Holdco, which has a 51% ownership interest in Noor Energy 1 PSC, is owned by JEI Holding (94%) and Dubai Green Fund (6%), which in turn are directly and indirectly, respectively, wholly owned by the Company.

Shuaa Energy 3 IPP

Shuaa Energy 3 is a solar photovoltaic independent power plant project that will have contracted electricity generation capacity of 900 MW, which is located in, and constitutes the fifth phase of, the MBR Solar Park, Dubai, UAE ("**Shuaa Energy 3 IPP**").

Key information	
Commercial Operation Date / Scheduled Commercial Operation Date	Phase A (300 MW): 24 July 2021 Phase B (300 MW): Scheduled for 2 December 2022 Phase C (300 MW): Scheduled for 2 December 2023
Financial closing date	15 October 2020
Capacity	900 MW
Technology	PV
Energy source	Solar
Location	MBR Solar Park, Dubai, UAE
Project cost	USD 561,637,740

Ownership

The shareholders and shareholding interests in Shuaa Energy 3 PSC are set out in the following table:

Shareholder	Interest
Shuaa Energy 3 Holdings LLC (the "**Shuaa Energy 3 DEWA HoldCo**")	60%
Solar V Holding Co Ltd	40%
Total	**100%**

The Shuaa Energy 3 DEWA HoldCo, which has a 60% ownership interest in Shuaa Energy 3 PSC, is owned by JEI Holding (66.66%) and Dubai Green Fund (33.34%), which in turn are, directly and indirectly, respectively, wholly owned by the Company.

Hassyan Energy IPP

The Group's Hassyan Power Plant has started operations and has a current net capacity of 1200 MW. The Group expects it will have a net capacity of 2,400 MW by 2023. While the plant was designed to be operated on dual fuel, the Group, as off-taker, took the decision that the plant should operate using only natural gas as the primary fuel, and the formal shift was publicly announced by the Company. In addition, the Hassyan Power Plant uses ultra-supercritical technology in its operations, in compliance with set international standards.

Hassyan Energy is an independent power producer project that has a total electricity generation capacity of 2,400 MW ("**Hassyan Energy IPP**").

Key information	
Commercial Operation Date / Scheduled Commercial Operation Date	Unit 1 (600 MW): 19 November 2020 Unit 2 (600 MW): 5 September 2021 Unit 3 (600 MW): Scheduled for 23 November 2022 Unit 4 (600 MW): Scheduled for 1 September 2023
Financial closing date	30 November 2016
Capacity	2,400 MW
Technology	Dual fuel (but as of February 2022 operates on natural gas)
Energy source	Natural gas
Location	Hassyan, Dubai, UAE
Project cost	USD 3,237,254,933

Ownership

The shareholders and shareholding interests in Hassyan Energy Phase 1 PSC are set out in the following table:

Entity	Interest
Hassyan Energy Phase 1 Holdings Owned by Jumeirah Energy International Holdings LLC (the "**Hassyan Energy 1 DEWA HoldCo**")	51%
ACWA Power Harbin Holdings Limited	49%
	100%

The Hassyan Energy 1 DEWA HoldCo, which has a 51% ownership interest in Hassyan Energy Phase 1 PSC, is wholly owned by JEI Holding, which in turn is wholly owned by the Company.

Shuaa Energy 2 IPP

Shuaa Energy 2 is a solar photovoltaic independent power plant project that has contracted electricity generation capacity of 800 MW, which is located in, and constitutes the third phase of, the MBR Solar Park, Dubai, UAE ("**Shuaa Energy 2 IPP**").

Key information	
Commercial Operation Date	Phase A (200 MW): 5 May 2018 Phase B (300 MW): 18 August 2019 Phase C (300 MW): 1 April 2020
Financial close date	12 June 2017
Capacity	800 MW
Technology	PV
Energy source	Solar
Location	MBR Solar Park, Dubai, UAE
Project cost	USD 945,804,977

Ownership

The shareholders and shareholding interests in Shuaa Energy 2 PSC are set out in the following table:

Entity	Interest
Shuaa Energy 2 Holdings Owned by Jumeirah Energy International Holdings One Person Company LLC (the "**Shuaa Energy 2 DEWA HoldCo**")	60%
Emirates Solar Power Company LLC	40%
Total	**100%**

The Shuaa Energy 2 DEWA HoldCo, which has a 60% ownership interest in Shuaa Energy 2 PSC, is wholly owned by JEI Holding, which in turn is wholly owned by the Company.

Shuaa Energy 1 IPP

Shuaa Energy 1 is a solar photovoltaic independent power plant project that has contracted electricity generation capacity of 200 MW, which is located in, and constitutes the second phase of, the MBR Solar Park, Dubai, UAE ("**Shuaa Energy 1 IPP**").

Key information	
Commercial Operation Date	30 Mar 2017
Financial closing date	08 Jul 2015
Capacity	200 MW
Technology	PV
Energy source	Solar
Location	MBR Solar Park, Dubai, UAE
Project cost	USD 325,869,281

Ownership

The shareholders and shareholding interests in Shuaa Energy 1 PSC are set out in the following table:

Shareholder	**Interest**
Jumeirah Energy International LLC (the "**Shuaa Energy 1 DEWA HoldCo**")	51%
ACWA Power Solar Limited	49%
Total	**100%**

Shuaa Energy 1 DEWA HoldCo, which has a 51% ownership interest in Shuaa Energy 1 PSC, is wholly owned by JEI Holding, which in turn is wholly owned by the Company.

Levelised Cost of IPPs and IWP

The following table set outs the Group's levelised of energy for each of the Group's IPPs:

Independent Power Project (IPP)	**Levelised Cost of Energy – USD cent/kWh**
Shuaa Energy 1	5.6152
Hassyan Energy Phase 1	4.2410
Shuaa Energy 2	2.9900
Noor Energy 1	7.3230
Shuaa Energy 3	1.6953

Jebel Ali Power and Desalination Complex Augmentation

Pursuant to the Group's plan to upgrade its existing plants, the Group augmented a number of its existing power stations in Jebel Ali Power and Desalination Complex from 2003 onwards. As at the date of this Offering Memorandum, Stations E, G, H, K, L and M were augmented, resulting in a total increase in electricity generation capacity of 893 MW. The augmentation process resulted in increased capacity and improved levels of efficiency. The augmentation process involved, amongst other things, upgrading turbine blades and lowering the gas turbine inlet temperatures. The Jebel Ali Power and Desalination Complex now host 65% of all electricity generation and 100% of water desalination capacities.

Station M

Station M was commissioned in phases between 2010 and 2018. Phase I of Station M was commissioned in 2010 and consists of two gas turbines with a combined capacity of 468 MW. Phase II of Station M was commissioned in 2012 and consists of four gas turbines and three CEST units with a combined installed capacity of 1,591 MW and four desalination plants. Since the addition of M-extension in 2019, the total installed capacity of Station M has been 2,885 MW and 134 MIGD.

Station L

Phase I of Station L was commissioned between 2006 and 2007 and consists of a combined cycle co-generation plant comprising three gas turbines with a combined total capacity of 969 MW and two BPSTs with a combined capacity of 312 MW, three WHRBs and five MSF desalination plants with total installed capacity of 67.5 MIGD.

Phase II of Station L was commissioned between 2007 and May 2010. It consists of four gas turbines and two CEST units with a combined installed capacity of 1,432 MW and four desalination plants with a total capacity of 52 MIGD.

Station K

Station K was commissioned in two phases between 2001 and 2003. Phase I of Station K was commissioned in 2001 and consists of two MSF desalination plants with a combined installed capacity of 20 MIGD. Phase II of Station K consists of a combined cycle co-generation plant which was commissioned between 2002 and 2003 and consists of three gas turbines with a combined installed capacity of 561 MW, three WHRBs and two BPSTs with a combined installed capacity of 948MW and three MSF desalination plants with a total installed capacity of 56MIGD (which excludes K SWRO capacity of 40 MIGD).

Station H /Al Aweer Power Station

The Al Aweer Power Station H Phase I consists of six gas turbine power plants commissioned between 1998 and 1999. Unlike the Jebel Ali Power and Desalination Complex, Station H does not include desalination plants because it is situated inland, making it more difficult to supply cooling seawater to the site. Moreover, it was mainly designed to function as a peak lopping power station to meet the increase in demand for electricity at peak hours of the day during the hot summer months. During the winter months, this station serves as a standby plant in order to provide electricity during an emergency.

Phase I of Station H consists of six simple cycle gas turbines, each with an installed capacity of 101 MW, as well as a 400 kV substation, which supplements the existing 400 kV substation. In addition, 400 kV overhead transmission lines were laid to interconnect Station H Phase I to the Dubai network.

A unique feature of Phase I of Station H is that the gas turbines are also capable of being remotely controlled from the system control centre at Al Quoz. This means that the gas turbines can be brought into service quickly during system emergencies and are less dependent on manual intervention.

Phase II of Station H was commissioned in 2007 and was completed in April 2009. It consists of three gas turbines with a combined installed capacity of 421 MW. In addition, 400 kV overhead transmission lines were laid to interconnect Station H Phase 2 to the Dubai network.

Phase III of Station H was commissioned in 2008 and was completed in 2010. It consists of four gas turbines, bringing the overall capacity of Station H to 1,996 MW.

Phase IV of Station H will be commissioned in 2022 and consists of three gas turbines with a total capacity of 829 MW. As of 31 December 2021, the total capacity at Station H was 1,996 MW and once Phase IV is completed, the overall capacity of Station H is expected to be 2,825 MW.

Station G

Phase I of Station G, located adjacent to Station E, was completed between 1993 and 1994 and consists of four gas turbine power plants with a combined installed capacity of 456 MW and eight MSF desalination plants with a combined capacity of 53 MIGD. The gas turbines were commissioned over the course of 1993 and 1994 and the desalination plants were commissioned in 1994. In 1996, Station G was extended under Phase II by the addition of a fifth gas turbine with an installed capacity of 121 MW. Under the expansion of Station G into Phase III in 1997, the gas turbines were converted into combined cycle co-generation plants by the addition of two BPSTs and the further addition of one MSF desalination plant with a capacity of 7 MIGD under Phase IV, which brought the overall installed capacity of Station G to 818 MW and 58 MIGD (which excludes G SWRO capacity of 23 MIGD).

Station E

Station E is located adjacent to Station D. The first phase of Station E was commissioned in 1989 and the last phase, Phase IV, was commissioned in 1997. Phase I involved the installation of a gas turbine power plant with an installed capacity of 252 MW (consisting of three gas turbines, each with a capacity of 84 MW) and four MSF desalination plants with a total installed capacity of 25 MIGD.

Phase II of Station E involved adding two simple cycle gas turbine generators of 87 MW capacity each, both of which were commissioned in 1992. In 1996, the Group initiated Phase III whereby the simple cycle gas turbine generators of Station E Phase II were converted into a combined cycle co-generation plant by adding two WHRBs and a CEST unit to the existing plant. A further expansion under Phase IV was initiated in 1997 whereby a BPST was added to the plants in Phase I, bringing Station E's total installed capacity to 616 MW and 25 MIGD.

Station D

Phase I of Station D was commissioned during the period of 1979 to 1980. It consists of five steam turbines, each with an installed capacity of 68 MW and five MSF desalination plants, each with an installed capacity of 3.2 MIGD. In addition to the steam turbines, two simple cycle gas turbine generators of 40 MW capacity each were added during 1982 and 1983 to the power plants at Station D to be used primarily during peak demand hours in the summer months. These gas turbines can be brought into operation immediately during system emergencies.

Phase II of Station D was constructed in 1984 and consists of three steam turbines, each with an installed capacity of 70 MW, together with three MSF desalination plants, each with an installed capacity of 6.33 MIGD. The capacity and efficiency of Station D Phase II was enhanced in 2002 by converting it into a combined cycle co-generation plant with the addition of three 132 MW (total 396 MW) gas turbines, with evaporative cooling systems and three WHRBs to improve cycle efficiency. The three existing desalination units of Phase II were also upgraded in the same year. The total installed capacity of Station D is 1,027 MW and 34.5 MIGD.

Hatta Power System

Hatta Power Station initially consisted of four diesel generators with a total installed capacity of 2.56 MW. Later, nine more diesel generators were installed and a gas turbine generator was added, bringing Hatta Power System's total installed capacity to 14.7 MW. In 1995, the Hatta Power System was integrated with the Dubai power system via 132 kV transmission lines and since November 1995, all consumers in Hatta have been receiving power from the Group's other stations. As a matter of policy, the Group does not use diesel fuel generators except if required in the case of emergencies. The Hatta Power Station was decommissioned in 2016.

Hatta Pumped Storage Hyrdo Power Project

The Group has plans to support the Hatta Comprehensive Development Plan, to produce the first hydroelectric power station in the GCC. The power station is expected to be completed in 2024 and will have an installed capacity of 250MW. The hydroelectric power station will generate electricity by making use of the existing water stored in the Hatta Dam, which can store up to 1,716 million gallons, and an upper reservoir that will be built in the mountain to store up to 880 million gallons.

The Hatta Pumped Storage Hydro Plant, which has now reached 35% construction, will be the first pumped storage hydro plant in the GCC region. The plant production capacity is set to reach 250 MWwith a storage capacity of 1,500 MW hours and an expected lifespan of 80 years. Other projects include the installation of rooftop solar PV systems on more than 500 villas to produce solar power electricity. These other projects were completed in 2019.

Power Sales

The commercial sector has been the largest consumer group. Sales to the commercial sector are influenced by Dubai's overall economic activity which has continued to grow both pre and post COVID-19.

In the year ended 31 December 2021, the commercial sector accounted for approximately 53.8% of electricity consumed, the residential sector accounted for approximately 32.9%, the industrial sector accounted for approximately 5.3% and other (e.g. government, EVs and exempted accounts) accounted for approximately 7.9% as compared to 52.1%, 34.2%%, 5.6% and 8.1%, respectively, in the year ended 31 December 2020, with the remainder of electricity being consumed by other entities, such as Government ministries, schools, hospitals and mosques.

As at 31 December 2021, the Group served 1,061,476 electricity customers, as compared to 990,258 customers as at 31 December 2020, representing an increase of 7.2%.

The trend in electricity consumption (electricity sold by the Group) is shown in the chart below:

Electricity Consumption by Sector (GWh)

	2019	2020	2021
Commercial	22,223	21,160	24,205
Residential	13,144	13,992	14,853
Industrial	2,548	2,239	2,387
Other (Non-Commercial)	3,702	3,304	3,548

Tariffs are based on a tiered billing system, whereby the price per kWh increases incrementally based on the volume of electricity consumed. Different rates apply to each consumer sector, with UAE nationals being charged a reduced tariff for their residential consumption. Starting from January 2022 the Department of Finance will cover the reduced pricing of UAE nationals up to DEWA's breakeven point, through a 90-day credit payment term. The electricity price for UAE nationals themselves will remain the same. The current electricity tariffs range from 23 to 38 fils/kWh for non-UAE nationals and both private and public sector entities and 7.5 to 12.5 fils/ kWh for UAE nationals. In addition, all of the Group's fuel costs in excess of a fixed base rate are passed directly to the consumer as a fuel surcharge. This fuel surcharge applies to non-UAE nationals and varies in accordance with the rate of the actual cost of fuel supplied to the Group by DUSUP. Starting from January 2022, the Department of Finance will cover UAE nationals' fuel surcharge through a 90-day credit payment term.

Residential and Commercial

	Consumption (kWh) / month	Slab tariff (fils / kWh)
G	0 – 2,000	23
Y	2,001 – 4,000	28
O	4,001 – 6,000	32
R	6,001 and above	38

Industrial

	Consumption (kWh) / month	Slab tariff (fils / kWh)
G	0 – 10,000	23
Y	10,001 and above	38

Fuel surcharge for electricity is 5.0 fils / kWh. Electricity tariffs have not changed since 2011. Any additional cost beyond the electricity tariff can be passed onto the customer as a fuel surcharge, ensuring the Group is not negatively impacted by additional costs related to the use of hydrocarbon fuels.

Customers are charged on the basis of monthly meter readings. The Group also charges an initial connection fee, a meter rental for each residence or unit and requires customers (apart from UAE nationals and certain Designated Institutions) to pay a security deposit charged at a flat rate. This security deposit payable by each customer is equal to approximately two months' consumption of electricity and water. The Group does not impose any distribution or transmission charges on the basis that these are already embedded in the electricity tariff. Any unpaid bills must be settled within 60 days, after which the Group will issue a final warning and may disconnect the electricity and/or water supply. The Group believes that its rates of delinquency are generally low because of the deterrent effect posed by the potential disconnection in the event of non-payment.

It is expected that with the increased use of renewable energy, the fuel surcharge charged to customers will decrease.

Power Transmission and Distribution

The Group operates an electricity supply network which transmits and distributes electricity generated by the power stations to its customers. Electricity is mainly carried through a 400 kV, 132 kV, 33 kV, 11 kV and 6.6

kV network of underground and overhead transmission lines connected to substations set up in districts across Dubai. Electricity is then distributed to customers within those districts through underground cables. The Groups' 132 kV networks have an N-1 Reliability Criteria and its 400 kV networks have an N-2 Reliability Criteria. Between 2000 and 2021, the Groups' 400 kV and 132 kV transmission substations grew by 942%, from 33 nos. to 344 nos. Similarly, the Group transmission circuits have grown by 332 % from 953 km to 4115 km, for the same period. These growths are reflected in the Group's energy demand, which has increased by 321 % since 2000 from 11911 GWh to 50202 GWh in 2021. The Group's power transmission and distribution lines amounts to a length of 41,930 km, and 94% of these line are underground cables. The table below shows the number of substations, the length of overhead transmission lines and underground cables in the Group's network as at 31 December 2020 and 2021:

	As at 31 December 2021	As at 31 December 2020
Number of Substations		
400 kV	25	23
132 kV	319	307
33 kV	81	85
11 and 6.6 kV	41,814	40,588
Length of Overhead Transmission Lines (km)		
400 kV	1,386	1,168
132 kV	369	402
33 kV	100	104
11 and 6.6 kV	606	608
Length of Underground Cables (km)		
400 kV	25	24
132 kV	2,335	2,249
33 kV	2,108	2,119
11 and 6.6 kV	35,001	34,475

The operation of the electricity supply network and the water supply network are monitored through system control centres which utilises the Supervisory Control and Data Acquisition system ("**SCADA**"), a sophisticated and centralised monitoring system which ensures that a reliable and continuous supply of electricity and water is provided to consumers by leveraging AI and big data to ensure the correct decisions are taken to meet supply. Under the SCADA, real-time data is collected by Remote Terminal Units ("**RTUs**") and is transmitted to computers at the Group's distribution and transmission control centres which then process the data and transmit the appropriate signals and commands from the control centre to the field equipment. Through this sophisticated monitoring system, the Group has been able to minimise the occurrence of power outages or power interruptions. See "*—Information Technology—SCADA and SDMS*".

It is expected that additional innovations will enhance the SCADA system. Through the use of big data, the Group is looking to leverage additional technologies to further improve its transmission system.

The transmission lines, substations and cables are frequently checked by the Group engineers and regularly maintained so as to minimise electricity line losses. In 2020, the Group's electricity network sustained a low level of annual electricity line losses of approximately 3.3%. The Group's electricity line losses in the year ended 31 December 2021 were 3.3%, compared to 7.0% in the year ended 31 December 1998.

In 2020, the Group added over 2,555 new electricity substations to its transmission and distribution network, and it added over 1,422 more in 2021. The Group intends to further increase its transmission and distribution network with numerous additional substations that are currently under construction in several areas across Dubai.

Electric Vehicles

Dubai currently enjoys one of the highest densities of EV chargers in the world, due largely to the initiatives of the Group. The EV Green Charger Initiative was launched to promote green transportation in the city. Through this initiative, the first public charging infrastructure for EVs was developed in the region and remains the fourth largest network globally. In 2015, the Group developed and installed 100 EV Green Chargers in highly frequented areas across Dubai, to encourage EV adoption. In 2021, the network has expanded to over 300 EV chargers across Dubai, with a plan to increase to 1,056 by the year 2025. There are 6,750 EVs in Dubai and this is expected to grow to 22,781 EVs by 2025. The Group aims to maintain an annual ration of 1:7 of installed charging outlets to EVs. The Group initially launched a free-charging incentive on its network to encourage green mobility within Dubai.

Since 1 January 2022, the cost of charging EVs at public charging stations has been 29 fils per kilowatt/hour for commercial and non-commercial EV Green Charger registered users.

As the global trend of automotive manufacturers, and consumers, leans toward further toward EV, the Group is seeking to further its development to remain a leader in sustainability.

Water

Reverse Osmosis and Water Desalination

The Group's most recent desalination sites utilise **SWRO** technology, which is a highly effective desalination process that is more efficient than previous processes that works by utilising the phenomenon of reverse osmosis by using high pressure pumps force seawater through a semipermeable membrane that allows water to pass through while impurities such as salts, dissolved solids and heavy metals etc. are rejected. This ultimately delivers (after suitable pre and post water treatment stages) a permeate stream of clean potable freshwater. SWRO technology needs only electrical power and there is no need for thermal energy or steam to heat sea water. Therefore, in addition to being more energy efficient than MSF desalination, it enhances system operational flexibility thereby efficiently integrating solar PV generation, while allowing for power and water demands to be met over a wider range than MSF, without the need to operate auxiliary boilers for additional steam. This is especially important during the winter season.

The Group's Hassyan site can accommodate up to 720 MIGD of water desalination capacity based on SWRO technology and it is expected that the site will support expected water demand up to the year 2050. Initially 120 MIGD of capacity will come online over the next few years (with the first 60 MIGD expected by 2023, and the remaining 60 MIGD of capacity expected by 2024), and a further 120 MIDG of capacity expected by year 2029 or 2030.

It is expected that the Group will further utilises SWRO and other emerging technologies to further increase efficiency in the desalination process, particularly where such process can be powered by renewable energy sources.

For more information about Hassyan, see "*Business – Principal Operations - Water - Details of IWP – Hassyan RO IWP*.

The Group's other desalination stations (Stations D, E, G, K, L and M) are located at Jebel Ali (which also has proximity to the sea). The capacity of the desalination plants is determined by the Group on the basis of a seawater temperature of 37 degrees Celsius and a high temperature operation. Most of the Group's current desalination plants use MSF technology, whereby seawater is passed through a series of evaporator stages that serve as heat exchangers. The seawater is gradually heated by steam which raises the temperature of the seawater to boiling point. The steam is either extracted from a CEST (as in Station D) or from the exhaust of BPST (as in Station E, Station G and Station K). The seawater is heated to boiling point and is allowed to expand in a series of evaporator stages that are held under a vacuum which causes the seawater to "flash" into steam. The steam then condenses on the exterior of the metal cooling tubes through which seawater passes at lower temperatures, extracting heat from the steam and the water is then collected in distiller water trays. The distilled water is then treated in a blending plant so as to make it potable. About two-thirds of the high saline water or brine resulting from the desalination process is then discharged back into the sea. However, due to naturally occurring sea currents, the Group does not believe that the brine has a material adverse effect on the sea or the environment. The desalination plants also contain auxiliary boilers which produce additional steam to supplement the steam produced by WHRB in the power plants which tends to be lower during the winter months due to lower electricity generation as a result of reduced electricity demand. Seawater is supplied to the desalination plants through pipes or intake channels that extend approximately one km into the sea. The seawater is pumped to the Jebel Ali Power and Desalination complex and is pre-treated before being supplied to the desalination plants and steam turbine condensers.

The potable water received from the Jebel Ali Power and Desalination complex is stored in reservoirs. The Group operates 25 water reservoir complexes with a total capacity of 815 million gallons ("**MIG**"). In addition to providing water reserves, these reservoirs assist in balancing daily flows of water through the water transmission system. The Group requires all customer premises (including homes) to maintain on-site water reserves, which helps the Group balance daily peak flows. By ensuring sufficient water is stored in its reservoirs, the Group has been able to ensure that it has sufficient water reserves, including customer storage. Each of the stations in the desalination plants also have in-plant storage reservoirs to balance water production and demand. The Group's current water output capacity is 490 MIG per day. 100% of potable water supplied by the Group comes from the Group's desalination plants (underground aquifers are available for emergency purposes but are not regularly utilised).

In addition to Stations D, E, G, K, L and M, the Group also has a standalone water desalination plant ("**JA RO**"), using reverse osmosis technology, at the Jebel Ali Power and Desalination Complex. JA RO was completed in September 2007 and has a current total capacity of 23 MIGD, as well as a new plant that came online in 2021 with a total capacity of 40 MIGD.

Details of IWP – Hassyan SWRO IWP

Hassyan SWRO is an independent water plant project based on reverse osmosis technology with an initial planned production capacity of 120 MIGD of desalinated water ("**Hassyan SWRO IWP**"), with a levelised cost of water of 0.27762 USD/cubic metre.

Key information	
Scheduled Commercial Operation Date	17 March 2024
Scheduled financial closing date	Not yet reached
Capacity	120 MIGD
Technology	Reverse osmosis
Energy source	Electricity
Location	Hassyan, Dubai, UAE
Project cost	USD 410,956,115

Ownership

The shareholders and shareholding interests in Hassyan Water Company 1 PSC are set out in the following table:

Shareholder	**Interest**
Hassyan Water Company 1 Holding LLC (the "**Hassyan RO DEWA HoldCo**")	60%
Utico IWP Twenty Holdings DMCC	40%
Total	**100%**

The Hassyan RO DEWA HoldCo, which has a 60% ownership interest in the Project Company, is wholly owned by JEI Holding, which in turn is wholly owned by the Company.

Water Sales

The residential sector has been, and continues to be, the largest consumer group for potable water. For the year ended 31 December 2021, the residential sector accounted for approximately 64.2% of water consumed, the commercial sector accounted for approximately 26.3%, the industrial sector accounted for approximately 2.5% and other (government, exempted accounts and port sales) accounted for 7.0%, as compared to 65.9%, 24.4%, 2.6% and 7.2% in the year ended 31 December 2020, with the remainder being consumed by other entities, such as Government ministries, schools, hospitals and mosques.

As at 31 December 2021, the Group served 960,032 water customers, as compared to 884,404 customers as at 31 December 2020, representing an increase of approximately 9%.

The levels of water consumption (potable water sold by the Group) have risen steadily due to Dubai's growing population as is indicated in the chart below:

Water Consumption by Sector (MIG)

	2019	2020	2021
Residential	72,125	75,883	75,636
Commercial	31,254	28,027	30,999
Industrial	3,701	2,955	2,974
Other (Non-Commercial)	8,306	8,232	8,213

Certain customers, such as those in the commercial, agricultural or industrial sectors, do not receive water supplies from the Group as they do not require potable water. Instead they rely on their own or alternative sources of water. For example, EGA supplies its own water from its own water desalination plants and the Dubai Municipality supplies water from recycled waste treatment plants to farms for irrigation purposes.

As at the date of this Offering Memorandum, water tariffs range from 3.5 to 4.6 fils/imperial gallon for non-UAE nationals and public and private sector entities and are based on a tiered billing system where the price per gallon increases incrementally as more water is consumed. The tariff charged to UAE nationals has remained unchanged at a flat rate of 1.5 fils/imperial gallon. Starting from January 2022 the Department of Finance will cover for the reduced pricing up to DEWA's breakeven point, through a 90-day credit payment term. The water price for the UAE nationals is expected to remain the same. In addition, all of the Group's fuel costs in excess of a certain base rate are passed directly to the consumer as a fuel surcharge. This fuel surcharge applies to non-UAE nationals and varies in accordance with the rate of the actual cost of fuel supplied to the Group by DUSUP. Starting from January 2022, the Department of Finance will cover for the Nationals fuel surcharge portion through a 90-day credit payment term.

Residential

	Consumption (Imperial Gallon) / month	Slab tariff (fils / Imperial Gallon)
G	0 – 6,000	3.5
Y	6,001 – 12,000	4.0
R	12,001 and above	4.6

Commercial and Industrial

	Consumption (Imperial Gallon) / month	Slab tariff (fils / Imperial Gallon)
G	0 – 10,000	3.5
Y	10,001 – 20,000	4.0
R	20,001 and above	4.6

Fuel surcharge for water is 0.4 fils / Imperial Gallon. Water tariffs remained the same since 2011. Any additional cost beyond the water tariff can be passed onto the customer as a fuel surcharge, ensuring the Group is not negatively impacted by an increase in water tariffs related to the use of hydrocarbon fuels.

The Group charges customers on the basis of meter readings, including via smart meters, for each residence or unit and also levies a minimal charge for sewerage which it collects on behalf of the Dubai Municipality. See "*—Information Technology—SAP*". The sewerage levy is based on the amount of water consumed during the collection process. The Group does not own or require any additional infrastructure for the performance of this service.

Smart metering implemented by the Group has added efficiency to water monitoring and use, including through the use of smart alerts for leaks. Through further innovation, the Group seeks to enhance the customer experience while promoting sustainability and efficient use of water resources.

Water Transmission and Distribution

Desalinated water is pumped from the Jebel Ali Power and Desalination Complex directly into the transmission system and, through a series of interconnecting transmission mains and 28 booster pumping stations, to the water reservoirs. The water is then transported via the main transmission pipeline to a further network of transmission pipelines, ranging in size from 550 mm to 1200 mm in diameter, to convey water to the major consumption areas. Additional transmission capacity is provided through some of the larger distribution pipelines ranging between 225 mm and 450 mm in diameter, which run in parallel with the transmission lines.

Water is conveyed by distribution lines which are then tapped to provide each residence or building with water. In 2021, the total length of the distribution network in Dubai was measured at 11,140 km (compared to 10,898 km in 2020). In the early stages of the Group's water supply network, a considerable percentage of water was lost as a result of leakages in the distribution pipelines and customer connections. This was because the distribution pipelines consisted of polyethylene pipes which were suitable for well water, the initial source of potable water in Dubai, but were less durable for the transmission of desalinated water, which reaches approximately 40 degrees centigrade when it is transmitted through the network. To solve this problem, the Group initiated the Leakage Detection and Network Restitution Project (the "**LDNR Project**") which involved an extensive upgrade of the network to reinforce and improve the quality of the pipes so as to withstand soil and climatic conditions. As a result of the LDNR Project, SDMS (as defined below) and i-Service (see "—*Information Technology—i-Service*"), the Group managed to significantly reduce the amount of water lost through leakages to 5.1% in 2020.

Through the Group's Space D programme, the Group now has sophisticated leak detection system and capabilities, and other advanced technologies to provide enhanced network visibility, improve decision making and improve the inspection process, with the aim of improving network reliability, efficiency and cost reduction. The leak detection technology has enabled the Group to achieve substantial water savings.

The supply and demand of water is monitored by bulk flow meters which measure the total input of water contributed to the water supply system by each water source, the flows entering and leaving the reservoirs and pumping stations as well as the flows entering or leaving selected parts of the transmission and/or distribution system. The Group has also developed a Smart Distribution Management System ("**SDMS**"), an advanced operational technology for real time monitoring and control of the water distribution network, which is an extension of SCADA. The SDMS has improved fault location as well as isolation and service restoration capabilities, which has also resulted in shorter outage spans and lower outage costs. In addition, the automation of the distribution network simplifies management of the water network, which reduces support costs and improves security of the water supply. See "—*Information Technology—SCADA and SDMS*".

Aquifer Storage and Recovery Project

Aquifer Storage and Recovery ("**ASR**") is an innovative project that provides a sustainable economic solution used for enhancing the strategic water storage at a very competitive cost compared to conventional concrete reservoir storage (Up to six times cheaper). It provides a strategic storage capacity and contingency supply for the Emirate of Dubai, as well as helps with the optimisation of desalination plants operation.

The project, which is due for commissioning by 2025, consists of injecting and storing around 6000 MIG of surplus desalinated water in a designated underground aquifer within the Al Maha Desert Conservation Reserve. The stored water can be recovered to provide the Company water system with a supply of 50 MIGD for a period of 90 days. In addition, this capacity could be used to enhance the efficiency and optimal operation of the water desalination plants. This project is currently at tendering stage, with evaluation of bid proposals and capability study in progress.

The ASR fits well into the Company's vison and strategy, which are based on creating synergy between the use of renewables (clean solar energy) for water desalination using the latest reverse osmosis technology and storing the surplus desalinated water production in groundwater aquifers, with the purpose of recovery and supply back to the water system when needed. This comprehensive innovative model contributes to the protection of the environment and represents a sustainable economic solution. Given that the project will be established in the Desert Conservation Reserve, the stored water will be protected from pollution and any unlawful use.

District Cooling

The Group also diversified its range of operations by entering into a venture in December 2003 with TECOM, a subsidiary of Dubai Holding, to establish Empower. See "—*Subsidiaries and Joint Ventures—Empower*".

Expansion projects

In order to meet the anticipated future increase in the demand for water and electricity, the Group has initiated substantial investments to expand and upgrade its existing transmission and distribution network, with the focus on making investments in new generation through IWPs and new district cooling activities through Empower.

The expansion plan envisages a medium growth scenario which anticipates that the demand for electricity and potable water will continue to grow at a steady pace. Should the predicted growth in the Group's business deviate from current projections, the Group has the flexibility to move towards either a low or high growth scenario expansion plan. A high growth expansion plan would necessitate an increase in capital expenditure as compared to the medium and lower growth scenarios. See "*—Risk Factors—Risks Related to the Group—The Group cannot guarantee the accuracy of its forecasts for future demand for electricity and potable water in Dubai*". Furthermore, as a long-term strategy, the Group believes it will be necessary to construct more power and desalination plants outside the Jebel Ali area so as to service newly developed areas as well as to mitigate the potential risks caused by the concentration of power and desalination plants in Jebel Ali. As a result, power generation and water desalination projects have been launched at the Hassyan site and are currently under execution. See "*—Risk Factors —Risks Related to the Group—The Group's operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events that are beyond the Group's control*". However, as at the date of this Offering Memorandum, the Group believes that it has adequate power generation and water production capacity (existing, under construction and planned) to meet projected demand until 2030. Thereafter the Group may consider additional projects as necessary to meet customer needs.

The Group's current focus for power generation is renewable energy, and is well aligned with the Dubai Clean Energy Strategy 2050 that aims to produce 100% of Dubai's total power capacity from clean energy sources by 2050. Other than the natural gas plants currently under construction in Al Awir and Jebel Ali, the current plan of the Group is for the remaining power generation to be solar at MBR Solar Park.

With respect to water production, the current plan is to focus on SWRO, which will be powered by electricity and allows the Group to utilise its PV solar generation, thereby making the process more efficient.

Core Subsidiaries and Joint Ventures

Digital DEWA

Digital DEWA LLC ("**Digital DEWA**") is a holding company within the Group (wholly-owned by the Company), which aims to group several subsidiaries that deliver digital business solutions, B2B communications infrastructure, renewable energy services, distributed energy storage, AI and other digital services. The four core pillars of Digital DEWA are: solar energy; energy storage; AI; and digital services.

As a response to the Dubai 10X initiative, a mandate set out by the Ruler of Dubai to encourage Government entities to disrupt themselves and encourage innovative thinking to advance Dubai 10 years into the future, the Group developed Digital DEWA.

One of Digital DEWA's key objectives is to help achieve the Dubai Clean Energy Strategy 2050 to produce 100% of Dubai's total power output from clean energy sources, which will include the world's largest single-site solar park, with a planned capacity of 5,000MW by 2030.

As part of Digital DEWA's energy storage pillar, Digital DEWA has supported the Group's Hatta Power Generation Project to produce the first hydroelectric power station in the GCC, which is expected to be completed in 2024 and will produce 250 MW.

As part of Digital Dewa's 3rd Pillar (AI) the Group aims to make Dubai the first city to provide electricity and water services based on AI (the "**Rammas AI Initiative**"). Through this pillar, Digital Dewa deployed machine learning to augment customer experience, support employee services and productivity enhancement, and optimize core grid operations. The Rammas AI initiative is realised through three sub-initiatives;

- Rammas for you – AI for customers, includes a client facing service to support the customer experience and enhance service delivery. Operates as the Group's virtual employee, interacting with customers through multiple channels including its smart app, social media, Amazon's Alexa, Google Home and WhatsApp to facilitate service delivery and customer enquiries.

- Rammas @ work – an internal service for the Group's employees to empower the Group's systems through AI.
- Powered by Rammas – AI powered systems for smart speakers (Amazon's Alex and Google Home), IT support and cyber security systems.

Through the Fourth Pillar (Digital Services), Digital DEWA will expand its digital services and technological solutions to third parties through its subsidiaries: MORO, InfraX, Digital, Smart EnergyX, SecureX and SpaceD.

Data Hub Integrated Solutions LLC ("**MORO**") is currently the backbone and core entity at the heart of Digital DEWA. MORO is a company that provides data centre services, cloud solutions and hosting services, managed business solutions and managed IT services for the Group and other external public and private organisations. While MORO is expected to continue to provide digital services to the Group, nearly half of MORO's current sales pipeline is to third parties (outside of the Group).

MORO currently has two data centres in Dubai certified as Tier 3 by Uptime Institute, one in Jebel Ali and a second in Al Yalayis, which is powered by solar energy. A third data centre is being built in MBR Solar Park (expected to be operational by end of H1 2022) which is planned to be built over 10 phases to become the largest (green) solar power data centre in the region will be powered by solar energy and will be the largest green data centre in the region.

MORO also established and operates a state of the art integrated and secured Smart Cities Command Control Centre that enables Government entities to fast track the adoption of new-age digital technologies such as IoT, cyber security and the cloud providing data-driven analysis to make well-informed decisions.

In addition to MORO, Digital DEWA currently has the following five wholly-owned subsidiaries:

- InfraX LLC ("**InfraX**") was formed in October 2019 and focuses on connecting Digital DEWA's value added services from its data centres and cloud services to customers. InfraX leverages DEWA's infrastructure to offer a secure, reliable, and independent super-fast network that meets the future digital transformation demands. InfraX is considered to be the first non-telecom company in the UAE to receive a special purpose IoT license from the Telecommunications and Digital Government Regulatory Authority (the "**TDRA**") to commercialize IoT networks and services. In addition, Infra X partners with local service providers to provide 5G technologies;
- DigitalX LLC was formed in October 2019 to offer digital services, resource augmentation, intelligent automation solutions, robotics, advanced data analytics solutions for optimal decision making and mission critical analytical modelling systems. DigitalX's services assist companies with designing, implementing and managing technologies to enhance their business capabilities as well as accelerating their digital transformation by building cutting-edge and easy-to-use systems powered by AI;
- Smart Energy X LLC, which focuses on solar energy, energy storage and EV charging;
- SecureX LLC, was developed to provide cyber security services. While such services are currently provided through MORO, the intention is to shift cyber security services to a separate entity; and
- Space D LLC – this entity is not active at the moment but the intention is for this entity to look after the satellite operations and space-related activities and shift all space-related matters of the Group (as discussed further below) to this entity.
- With respect to the Group's Space D programme, part of Digital DEWA, a budget of approximately AED 59 million has been allocated to a three-year research project (expected to complete in 2024) to develop utility applications for satellites, including the proposed launch of two nanosatellites to test and validate utility-specific applications. The project also includes the installation of a ground-station at the Group's research and design centre to communicate with and control the satellites. The goals of the Space D programme include, among other things, the potential for assessing localised weather forecasting, salinity, temperature and the quality of sea water for desalination plants, which may provide opportunities to enhance network visibility, improve decision making and improve the inspection process (which could ultimately improve network reliability, efficiency and reduce costs). The Group is also working on the development of specialist applications and IoT terminals for direct

communication with the satellites. Once the pilot projects have completed, there is the potential for further expansion, development, wider adoption and commercialisation of such technologies and innovations.

The Group has successfully prevented more than two million attempted cyber security attacks and has no cyber security breaches.

Digital Dewa is expected to continue as the technology arm of the Group (and prioritise service delivery to the Group), while also expanding the opportunities to deliver revenues from third parties, converting a former cost centre of the Group into a revenue centre.

JEI Capital

Jumeirah Energy International Capital Holding LLC ("**JEI Capital**"), a wholly-owned subsidiary of DEWA, is the Group's financial investment arm, holding a portfolio of financial investments and (directly or indirectly) holds the following wholly-owned subsidiaries:

- Dubai Green Fund Investments LLC;
- Forward Investments Limited (incorporated in the DIFC);
- DGF Investment Bank Limited (incorporated in the DIFC); Forward Ventures 2 Holding Ltd. (incorporated in the DIFC);
- Forward Ventures SPV Limited (incorporated in the DIFC);
- Jumeirah Energy International Capital Holding LLC;
- Jumeirah Energy International Dubai Green Fund Holding LLC; and
- Jumeirah Energy International Silicon Valley LLC (incorporated in the state of Delaware, USA).

JEI Capital's key subsidiaries are Dubai Green Fund Investments LLC and Forward Investments Limited.

Dubai Green Fund Investments LLC ("**Dubai Green Fund**") is the first specialised green impact investment fund in the MENA region. It is backed by Government and is currently 100% owned by the Company. Its mandate is to invest in green projects and support Dubai's position as a global hub for the green economy. To date it has made investments into landmark transactions, including the Noor Energy 1 and the Shuaa Energy 3 IPPs projects in relation to solar PV and CSP projects in MBR Solar Park, and the retrofitting of Dubai International Airport's buildings and runways to make them more energy efficient. Dubai Green Fund's current portfolio of green investments is expected to save approximately 8.5 million metric tonnes of CO2 emission per year over the next 30 years.

Forward Investments Limited ("**Forward Investments**") is the Group's corporate venture capital unit. Forward Investments was established in 2020 with a mandate to invest in venture investments in renewable energy, distributed generation, energy storage, utility digitisation, smart technology and security, cleantech and other diversification opportunities relevant to the Group's strategy. To date, the company has entered into a number of successful investments across the United States and Asia.

Through Dubai Green Fund and Forward Investments, the Group is furthering its push into investments in innovation and the future, and taking additional steps toward its sustainability goals.

JEI Holding

Jumeirah Energy International Holdings LLC ("**JEI Holding**"), a wholly-owned subsidiary of DEWA, is the entity through which the Group holds its interests in its IPP and IWP projects. The Group's interests in IPP and IWP projects that ultimately fall under JEI Holding currently include:

- Noor Energy 1 PSC (the Group has a 51% equity interest held through Noor Energy 1 DEWA HoldCo, which is owned 94% by JEI Holding and 6% by Dubai Green Fund);
- Shuaa Energy 1 PSC (the Group has a 51% equity interest held through Shuaa Energy 1 DEWA HoldCo);

- Shuaa Energy 2 PSC (the Group has a 60% equity interest held through Shuaa Energy 2 DEWA HoldCo);
- Shuaa Energy 3 PSC (the Group has a 60% equity interest held through Shuaa Energy 3 DEWA HoldCo, which is owned 66.66% by JEI Holding and 33.34% by Dubai Green Fund);
- Hassyan Energy Phase 1 PSC (the Group has a 51% equity interest held through Hassyan Energy 1 DEWA HoldCo); and
- Hassyan Water Company 1 PSC (the Group has a 60% equity interest held through Hassyan RO DEWA HoldCo).

As noted above, a portion of the Group's equity interests in Noor Energy 1 PSC and Shuaa Energy 3 PSC are held through Dubai Green Fund (and not under JEI Holding).

JEI Holding also holds an additional subsidiary, Hassyan By Products LLC, which carries out limited trading (where applicable) in support of the Group's circular economy focus, and is expected to wind down its current operations in the near future. See "*Business – Principal Operation*" section for details of IPPs and IWPs.

Empower

The Group diversified its operations by entering into a joint venture in December 2003 with TECOM, a subsidiary of Dubai Holding, to establish the Emirates Central Cooling Systems Corporation ("**Empower**"), which was established pursuant to Dubai law no. 10 of 2003. Pursuant to a direction from the Government on 23 November 2009, the Group acquired an additional 20% equity stake in Empower at a cost of AED 367 million, increasing its shareholding to 70%, and Dubai law no. 3 of 2010 was enacted as an amendment to the previous law establishing Empower. The Company nominates a majority of the directors on the board of Empower, including the chairman of the board. The term of membership for each director is three years.

Empower provides district cooling services to various real estate projects and is the largest district cooling services provider in the world. As at 31 December 2021, Empower had over 75 district cooling plants, and assuming completion of the latest plant acquisitions announced by Empower in 2021 (including the Dubai International Airports' and Nakheel's district cooling assets), Empower will have approximately 85 district cooling plant facilities in its portfolio, all of which are currently in Dubai, and which include the district cooling in respect of areas such as the Dubai International Financial Centre, Dubai Healthcare City, Business Bay, Palm Jumeirah, Jumeirah Beach Residence, Bluewaters, Deira Waterfront and numerous other areas across the UAE. While the current focus of Empower is the Dubai market, there are plans to explore international expansion, which may include the Kingdom of Saudi Arabia, Qatar and other markets that have broad adoption, or potential for adoption, of district cooling services.

Each district cooling plant typically maintains certain redundancy or emergency capacity, and where additional capacity is required it can often be increased in a modular approach (typically in less than six months). Empower also has the ability to mobilize mobile units to deliver additional cooling load.

It is estimated that a substantial majority of electricity usage in the UAE and wider GCC region is used for space cooling. District cooling is a system of air conditioning which produces chilled water and distributes it through an underground network of insulated pipes to individual customer buildings. As such, district cooling offers a more energy efficient solution that utilises approximately half of the electricity of traditional cooling for the same cooling output, therefor providing a more environmentally-friendly and sustainable cooling solution. District cooling also takes advantage of the use of treated sewage effluent water (as opposed to potable water), and allows for the opportunity to reduce peak-time pressure on the electrical grid through thermal energy storage systems. As a result, district cooling has presented an increasing attractive opportunity in the market, particularly for developers of new projects.

Typically when entering into a new project, Empower will enter into a master development/concession agreement with the master developer. The typical terms of these agreements are 25 to 30 years from the date that the master project is complete, with renewal terms, subject to customary terms and conditions. It is customary that only one district cooling provider will be engaged in respect of a project. Empower currently has master development agreements in force for more than 30 projects, including agreements relating to the following locations (or developments within such locations): Dubai International Financial Centre, Jumeirah

Beach Residences, Business Bay, Palm Jumeirah, Jumeirah Lake Towers, Discovery Gardens International Media & Production Zone, TECOM, Mirdiff, Al Khalil Gate (Al Quoz), Bluewaters, Deira Waterfront and Meydan.

Empower currently enjoys a market share of approximately 79% of the district cooling market in Dubai as at 31 December 2021. Empower currently has a network of over 369 km of insulated pipes, and together its district cooling plants serve a capacity in excess of 1.4 million refrigeration tonnes.

Empower procures electricity and water from the Group on arm's length, market terms, at standard commercial rates.

All lands utilised by Empower are granted to it by the Government, with the exception of lands on Nakheel developments where the land is leased at a nominal fee of AED 1 for the term of the lease (e.g. up to 30 years).

Empower has entered into various financing facilities with third party banks. None of these financing facilities include a shareholder guarantee given by the Company or other Group entity outside of Empower.

Empower's tariffs are approved and set by Empower's board of directors. Empower's revenue model consists of:

- Consumption charge revenue, which is the charge applied per consumption hour as a product of the consumption charge rate and the number of consumption hours. The consumption charge rate is a pass-through mechanism that incorporates cost of water and power (e.g. as supplied by the Group in respect of Dubai), and treated sewage effluent water with an added margin. As such, increases in electricity and water costs are passed through to the customer such that Empower's margins are not directly impacted by such increases. Tariffs have remained the same since Empower's inception other than to reflect the changes to electricity and water input costs (which were done on a pass-through basis).
- Demand charge revenue, which is the set rate for the provision of district cooling services per refrigeration tonne. The charge is a product of the set demand rate (AED per refrigeration tonne) and the demand load (in refrigeration tonnes). The current demand rate for organic demand load of AED 750 per refrigeration tonne has been in place for over five years.
- Connection charge revenue, which is a charge applied per new connection.
- Other revenues, which includes the sale of insulated pipes and items such as temperature surcharge for low Delta T (such that if customers return water at a lower temperature then indicated, they are charged a fee).

In addition, Empower's standard contractual provisions include annual consumer price index (CPI) adjustments for both demand charges and consumption charges (if required).

Empower seeks to innovate and drive toward further efficiency. Empower has rolled out its first unmanned plant room in Jumeirah Village South, which is the world's first in its kind, and may explore using this approach further moving forward.

Empower's key subsidiaries include:

- Empower Engineering & Consultancy LLC (100% owned by Empower), which carries out project development consultancy services; and
- Empower F M LLC (100% owned by Empower), which carries out facilities management services.

Empower also hold a 50% interest in Utilities Management Company LLC, and the remaining 50% is owned by the Company. The company is currently inactive and has no operational activities.

The Company understands that Empower has recently been evaluating its strategic options, including a potential initial public offering of a portion of its shares and listing on a public stock market. However, no final decision to proceed with, including the structure or terms of, any potential initial public offering has been taken as of the date of this Offering Memorandum.

See "*Business – Competitive Strengths—Large Scale fully Integrated Infrastructure Supporting the Emirate of Dubai—Empower: world's largest district cooling services provider*" for further information on Empower.

ELIPS (JV with Logstor Denmark)

Insulated pipes are key to the district cooling infrastructure. ELIPS both produces pre-insulated pipes for Empower and sells them to third parties. This entity also allows Empower to operate a more vertically integrated business model.

Mai Dubai

Mai Dubai LLC ("**Mai Dubai**") is a water-bottling manufacturing and distribution company, which distributes water within the UAE and to other markets. Mai Dubai is a wholly-owned subsidiary of the Company and it commenced operations in 2014. Mai Dubai is currently the number two ranked water-bottling company in the UAE in respect of both distribution and sales.

All of the Mai Dubai plants are currently powered by rooftop solar power, and its facilities include a fully automated production system.

Mai Dubai's main production facility is located in Dubai, and through its distribution hubs it supplies all seven Emirates in the UAE with a range of products, from small cups, to glass bottles, to large five-gallon bottles. Mai Dubai operates in a vertically integrated model and has in house capabilities to design bottles and caps, as well as manage storage and tracking.

As at 31 December, Mai Dubai employed over 1,400 individuals, and the company has plans to continue with it expansion in the UAE market and abroad in the coming years.

Mai Dubai is currently building a new distribution centre in Sharjah in place of the existing centre in Umm Al Quwain.

Etihad ESCO

Al Etihad Energy Services Co LLC ("**Etihad ESCO**"), a wholly-owned subsidiary of the Company, was established by the Company under a mandate from the Supreme Council of Energy to implement energy efficiency projects in Dubai. Etihad ESCO is a commercial energy services company and its activities have been expanded to include solar PV projects, as well as electromechanical and facility management services. The company has successfully completed a number of significant building retrofit projects for major public and private sector clients in the UAE. In 2020, the company expanded to the Emirate of Abu Dhabi by establishing a joint venture (owned 50% by each party) with Royal Strategic Partners to form Etihad Smart Energy Solutions LLC.

The projects and building retrofits completed by Etihad ESCO have resulted in electricity savings of approximately 773 GWh and water savings of 757 million imperial gallons for the period over the year 2015 to 2021. The company plans to retrofit more than 30,000 facilities within the Emirate of Dubai by the end of 2030, which is in line with the target number of buildings in Dubai that were identified as part of the DIES programme as being in need of retrofitting.

In September 2019, Etihad ESCO acquired Dubai Carbon Centre of Excellence LLC, an energy projects consultancy and think tank with a focus on renewable energy and carbon credit, as well as additional environmental research, however this entity is currently dormant and non-operational.

In August 2021, Etihad ESCO also formed Etihad Clean Energy Company LLC, which is a special purpose entity that arranges and provides financing for solar and energy efficiency projects implemented by Etihad ESCO.

Power Cable Production

In January 2010, the Group formed a joint venture company with the Abu Dhabi Water & Electricity Authority (later transferred to Abu Dhabi Power Corporation PJSC) and Dubai Cable Company (Private) Limited ("**DUCAB**") named Ducab High Voltage Cable Systems PSC ("**DUCAB-HV**") to manufacture, sell and install high-voltage cable systems, in which the Group held a 25% equity interest. The Group disposed of its entire interest in DUCAB-HV to DUCAB in December 2021.

Relationship with Third Parties

Core Suppliers

The Group relies on third parties providers for the supply of various equipment and services in respect of generation, transmission, other technical equipment, operations and maintenance and other matters. The Group has 47 strategic suppliers, 248 core suppliers, and 4,896 basic suppliers. The some of the Group's strategic suppliers the years 2018 and 2021 include Toshiba Corporation, Schneider Electric FZE, Grid Solutions SAS (Dubai Branch), Mitsubishi Electric Corporation Co.(Dubai Branch), Termomeccanica Pomp Middle East Fz, Tesar s.r.l, Ansaldo Energia s.p.a, GE Middle East FZE, Siemens LLC, ABB Industries, Dubai Cable Company (Private) Limited, Emdad LLC, ETA-PCS Switchgear Manufacturing LLC, Emirates Transformer & Switchgear LLC, Grundfos Gulf Distribution FZE, Industrie-Technische Konstruktionhohmann, Reinhausen Middle East FZE, Obaid Humaid Al Tayer Engineering; Lucy Middle East FZE and Doosan Heavy Industries & Const.

Construction Firms

The Group relies on third party construction firms for the design and construction of its power and desalination plants, substations and networks. The Group seeks construction projects on an open tender basis and awards contracts exclusively on a turnkey basis. Leading international construction companies have all participated in the design, construction and delivery of the Group's projects. The construction firms will generally be required to carry out the design, construction and commissioning of the plant and assume the majority of the risks related to design and construction. Typically, the turnkey contracts would also include the provision of a performance guarantee by the contractor for the satisfactory and timely completion of the project and the Group would be entitled to deduct a certain percentage from the contract price in the event that the deadline is not met.

Real Estate Developers

The Group also plans and co-ordinates the development of its new projects in order to meet the electricity and water requirements of large scale property development companies in Dubai, such as Dubai Properties LLC, Emaar Properties PJSC and Nakheel PJSC. These property development companies may build large-scale master planned communities consisting of residential units, businesses and hotels that will require access to the electricity and water distribution network. As part of the master plan, the property development companies will reserve land within the development area in order to build substations, pumping stations and reservoirs. In some cases, these substations or reservoirs may even be built by the property development companies themselves and then handed over to the Group for operation. The RTA also grants a right of way to the Group over service corridors to lay power cables, fibre optic cables, overhead transmission lines and water pipelines within the development project. These service corridors are usually reserved for the Group at the initial planning stage. In other cases, property developers may engage certain private companies to purchase water from the Group and then transmit and distribute the water to the occupants of the developments using a separate transmission and distribution network.

Consultants

The Group engages engineering consultancy firms to provide consultancy services for project management, including engineering, design and site supervision, during the construction phase and in connection with the commissioning of power, desalination stations, substations, pumping stations and reservoirs as well as to conduct feasibility studies and carry out risk assessments with respect to its projects. The consultancy contracts are awarded by way of competitive tenders. Consultancy contracts in respect of power and desalination stations projects are typically awarded for a five-year period and require the consultant to provide a performance guarantee.

Employees

As at 31 December 2021, the total number of employees (permanent and temporary) employed by the Group was 11,300 as compared to 11,489 employees as at year ended 31 December 2020. The table below sets forth the Group's total number of employees (permanent and temporary) by division as at 31 December 2021:

	Number of employees as at 31 December 2021
General Management and Technical Advisors	25
Finance	134
Legal Affairs	25
Internal Audit	53
Business Development and Excellence	227
Innovation and The Future (includes customer service)	688
Billing Services	522
Business Support and Human Resources	794
Strategy and Government Communication	126
Power and Water Planning	192
Generation (Power and Water)	2,094
Transmission Power	1,805
Distribution Power	3,081
Water and Civil	1,534
Total number of employees	**11,300**

Employee benefits

The Group endeavours to provide employee compensation that it considers to be competitive with other organisations in Dubai. The Group also provides a range of employee benefits such as health insurance and performance linked bonuses, as well as additional benefits such as overseas flight tickets, a children's educational allowance and parental leave. In 2021, 343 employees took parental leave. In addition, employees have been allowed to work from home as a result of the COVID-19 pandemic. There is a nature of work allowance as mandated by Executive Office of the Ruler of Dubai. There are different types of leaves accorded to employees to help them attend to their exigencies such as exam leave, escort leave, condolence leave, Hajj leave, sick leave, leave without pay and other types of special leave. These employee benefits are periodically reviewed based on market studies by external consultants, to ensure that the Group can attract and maintain a skilled workforce.

In accordance with the laws of the UAE, the Group provides end of service benefits to non-UAE national employees. Entitlement to these benefits is based on the employee's length of service and the completion of a minimum service period. UAE national employees benefit from a Government instituted pension plan to which both the Group and UAE national employees contribute at prescribed rates.

Emiratisation

The Group is committed to increasing the proportion of staff who are UAE nationals and to develop their training and expertise. For the year ended 31 December 2021, UAE nationals made up approximately 88.33% of the Group's leadership, approximately 60.16% of the Group's middle management and approximately 39.33% of its remaining workforce. Although the Government does not impose a mandatory quota on the number of UAE nationals the Group must employ, the Group has taken initiatives to involve more UAE nationals in its business.

For example, the Group launched the DEWA Academy along with Pearson BTEC in 2013 with fully-paid scholarships and stipends for UAE nationals who are absorbed into the Group's workforce. As at 31 December 2021, 229 UAE nationals have graduated from the academy and 200 are currently enrolled in it across the different years of the programme. The Group also provides scholarships for a bachelor's degree across disciplines such as electrical engineering, mechanical engineering, computer science, renewable energy, and AI, among others, and as at 31 December 2021, 631 students have graduated using such scholarships and 172 are currently benefiting from such scholarship. These students study at UAE and international universities accredited by the UAE Ministry of Higher Education and Scientific Research.

The Group, in partnership with University of California, Berkeley, launched a futuristic master's degree in future energy systems and technology targeted at high potential UAE nationals in order to support the Group's expected future technical and knowledge requirements. As at 31 December 2021, 50 students were enrolled in this unique programme and 85 have graduated from the first two batches. New age subjects spanning across advanced energy systems, machine learning, AI and technology are taught by highly regarded faculty from the prestigious University of California, Berkeley in this programme.

In addition, in 2020, 24 employees participated in the online micro master's programme from Massachusetts Institute of Technology. In conjunction with this, the Group provides work placement opportunity in various divisions for students who are UAE nationals (including to its scholarship candidates) and encourages employees who are UAE nationals to pursue higher education in UAE or abroad by providing scholarships for postgraduate and PhD programmes in technical fields.

The Group's ESG initiatives

The Group is committed to environmental, social and governance ("**ESG**") principles, and ESG is at the centre of the Group's priorities and strategic initiatives. The Group regularly considers the environmental, climate change and corporate social and governance responsibilities in its business and investment decisions and, accordingly, has set and disclosed ESG targets, including certain time-bound targets, in accordance with its ambition to support Dubai's transition to a 100% clean energy economy. The Group currently operates on the basis of an ESG centric business model aligned with the United Nations' sustainable development goals ("**UN SDGs**"). The Group's sustainability approach is interwoven into its business model. The Group aligns its community investment and engagement strategies with issues that are important not only to the management of its assets, but also to the benefit of the surrounding communities. These practices build a strong, long-term foundation for the creation of shared value for the Group and the local economy of the countries in which the Group operates. The Group will continue to review and, where necessary, modify its ESG-related policies, practices and programs with the aim of meeting the highest possible ESG standards. Furthermore, the Group intends to comply with all applicable SCA regulations, policies and processes to promote strong corporate governance in this area.

United Nations' Sustainable Development Goals (UN SDGs)

The Company's approach is to align its strategies and operations with the UN SDG by setting its sustainable development goals in line with the UN SDGs and categorised them into three tiers.

Tier 1 Goals which are business-critical to the Company's reputation, its ability to grow, to manage risks and create business opportunities consist of: clean water and sanitation (Goal 6); affordable and clean energy (Goal 7); decent work and economic growth (Goal 8); industry innovation and infrastructure (Goal 9); responsible consumption and production (Goal 12); and climate action (Goal 13).

Tier 2 Goals which are key to the Company's leadership commitments as a leading sustainable innovative global corporation consist of: gender equality (Goal 5); sustainable cities and communities (Goal 11); life below water (Goal 14); peace, justice and strong institutions (Goal 16); and partnerships for the goals (Goal 17).

Tier 3 Goals which are important to the Company as a stakeholder in the Emirate of Dubai and internationally are likely to become priorities in the future, consisting of: no poverty (Goal 1); good health and well-being (Goal 3); quality education (Goal 4); reduced inequalities (Goal 10); and life on land (Goal 15).

Further, the Board of Directors has established the ESG Committee to assist the Board in supporting the Group in fulfilling its responsibilities in respect to ESG matters, see " – *Management – Board Committee*"

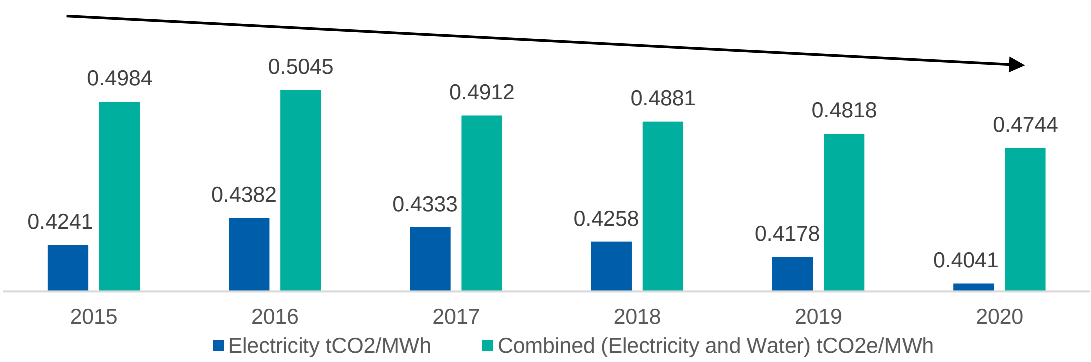
Environmental

The Group created the Climate Change & Sustainability ("**CC&S**") department to establish, develop and lead the Group's corporate sustainability programme. The CC&S department manages and implements the corporate climate change and sustainability programs, which includes sustainability reporting, stakeholder engagement, awareness campaigns, emissions reduction programme, carbon offsetting, identification of climate change risks and its impact on the Group's operations, setting the relevant climate change resilience plans, mitigation and adaptation programmes within the electricity and water sector, behavioural efficiency programmes for residential customers, and the ISO 50001 Energy Management System and Group certification.

The Group has been a precursor in investing in advanced technologies enabling decarbonisation. From 2006 to 2021, the Group improved cumulative energy efficiency by 37.63%, which is equivalent to a reduction of 72.7 million tons of CO2 emitted. In 2012, the Group launched its Carbon Dioxide Emission Reduction programme that created a roadmap for short, medium and long-term emission reduction actions up to 2030.

The following table sets out the Group's Scope 1 Emission Intensity over the last between 2015-2020

Scope 1 Emission Intensity
tCO2e/MWH of electricity generated



The Group enjoys a robust environmental management system which consists of a comprehensive emissions reduction programme. Audited carbon footprint reporting is done on Scope 1 and 2 GHG emissions. The programme forecasts a Scope 1 emissions reduction of 35% by 2030 against BAU. The Group's environment management system also entails: (i) a number of initiatives to reduce NOx and SO2 emission; (ii) a circular economy roadmap; (iii) water efficiency and re-use programmes to support the Emirate of Dubai's target of reducing water use by 30% by 2030; (iv) ISO certifications for nearly 100% of its sites with ISO 14001 for Environment Management System, ISO 9001 for Quality Management System and ISO 45001 for Health and Safety Management System with the exception of MBR Solar Park and DEWA Academy which are undergoing certification.

Some of the Group's other green achievements include:

- the launch of the first operational Green Hydrogen facility in the MENA region, which will produce hydrogen using solar power;
- setting its targets to produce 100% of desalinated water using clean energy and waste heat by 2030;
- the EV Green Charger Initiative to promote EV adoption with 325 charging stations across Dubai with plans to install up to 1,056 stations by 2025; and
- MBR Solar Park, which once completed will have an energy storage of 750 MW with an expected carbon emissions reduction of 6.5 million tonnes per year by 2030 (the equivalent of over 32 million trees per year).

Social

The Group's corporate and social responsibility is at the core of its business model and priorities. The Group's policies and practices ensure inclusion, empowerment and gender equality. The Group has put in place an inclusive paid parental leave which applies equally to male and female employees, which includes, among others, maternity leave, paternity leave, child care leave and nursing break. The Group has the largest number of childcare centres compared to other Dubai Government Departments. The Group's Emiratisation policy focuses on training and career development of Emirati nationals. For the year ended 31 December 2021, UAE nationals made up approximately 88.33% of the Group's leadership, each receiving an average of 83.78 hours of training and career development per UAE employee.

The Group prides itself on the DEWA youth council which has launched a number of initiatives to recognize and honour young employees. Other community impacts of the Group include (i) the access to basic programmes, which provides among other things, support to low income individual for new house connection, and utility bill discounts, ii) 22 humanitarian initiatives and iii) 15,998 volunteering hours.

The Group has prioritised corporate sustainability and responsibility as a primary business objective. The socio-economic benefits of producing affordable desalinated water and electricity in an environmentally responsible manner aligns with the Group's business model both in the present and the future. The Group's sustainability approach is interwoven into its business model. The Group aligns its community investment and engagement strategies with issues that are important not only to the management of its assets, but also to the benefit of the surrounding communities. These practices build a strong, long-term foundation for the creation of shared value for the Group and the local economies of the countries in which the Group operates.

Governance

The Group has implemented principles of Corporate Governance for State Owned Enterprises in line with the recommendations of the OECD 2015, as well as the guidelines of the World Bank, UN organisations and those of global peers, and strived for best practices of electricity and water providers. The Group has recently establish a documented policy regarding conduct of related party transactions to ensure that the Group's commercial and business transactions are conducted transparently and without conflict of interest. See "*Management—Corporate Governance*".

The Group has established an Integrated Management Systems Policy Statement to adopt and comply with best international practices and approved Quality, Occupational, Health, Safety, and Environment ("**QHSE**") standards, which includes complying with all applicable, rules, policies and other requirements related to QHSE that globally accepted and applicable to the Group. Other policies of the Group include the i) Energy Management Policy, which aims to promotes sustainability principles within its business operations, covering generation, transmission and distribution of electricity and water services and associated customer happiness activities, and ii) Whistle-blower policy which sets out an effective process of reporting or raising a concern by an employee, stakeholder or third party about unlawful act or misconduct within or in connection with the Group's activities.

Ethics and Compliance

The Group has a Code of Conduct and Ethics and an Employee Handbook, which set out good governance principles for its employees along with robust ethics and compliance policies and procedures in place related to anti-bribery, corruption and fraud, conflicts of interest, gifts and hospitality and whistleblowing, with the aim of preventing, detecting and responding to any unlawful or unethical acts. The Group has implemented the ‘three lines of defence’ model, with the first line being overseen by the Group’s management, the second line being overseen by its risk, compliance, legal and enterprise management teams, with its third line being overseen by its internal and external auditors. The external auditors and the Government audit also enable a broad based control review system. Further, the Board of Directors has established the Corporate Governance Committee and the Budget Committee, see “ – *Management – Board Committee”*.

Risk Management

The Groups has implemented Corporate Risk & Resilience to build its adaptive capacity to resist, respond and recover from foreseeable and unexpected and disruptive challenges. The Corporate Risk & Resilience program is designed to support an integrated and joined-up approach by managing risk and improving resilience across the organization and its extended networks, while supporting business continuity and crisis management. The program is supported by a Corporate Risk & Resilience Policy, the intent of which is to direct the Corporate Risk & Resilience function in performing its duties.

The Group applies an Enterprise Risk Management (“**ERM**”) Framework consistent with ISO 31000:2018 for Risk Management Guidelines to ensure that risks throughout the organisation are managed consistently. The Framework defines the management policies, procedures, and practices to be applied to the risk management tasks of identifying, analysing, evaluating, treating, and continuing to monitor risk. Regular monitoring, review and reporting of risks is an important component of the Group’s ERM Framework, as it ensures new risks and changes to existing risks are identified and managed, and that risk treatment plans are developed and implemented.

The Group consistently completes its annual certification and compliance program to ensure all applicable local and international risk and resilience standard requirements are met. This includes certification of ISO 22301:2019 for Security and Resilience, Business Continuity Management Systems and annual compliance assessments for ISO 31000:2018 for Risk Management and BS 11200:2014 for Crisis Management Guidance good practice.

Furthermore, the Group has also developed and launch of PAS 60518:2020 for Enterprise Risk & Resilience Management in Utilities Guide and it is in the process of elevating it to full ISO level, which has placed the Group in the driving seat when it comes to pioneering leading risk and resilience standardization.

Health and Safety

The Group seeks to ensure that strict health and safety standards are observed throughout its operations. It established the Occupational Health & Safety Department (the “**OH&S Department**”) under the Shared Services Division to monitor health and safety standards at every level of the Group’s business. The OH&S Department implements health and safety standards that the Group believes exceed those required by federal and local laws and regularly audits the health and safety practices in each division. In close coordination with the human resources team, the OH&S Department performs regular health checks, nutrient checks, stress testing and wellbeing of employees. In addition, the OH&S Department organises and conducts workshops and training sessions on corporate risk management, evaluation of compliance, incident management and crisis management procedures that are available to all employees. In 2021, 2416 employees attended 121 Health & Safety training sessions. The result of the Group’s proactive health and safety approach is demonstrated in the lost time injury frequency (“**LTIFR**”) achievement of 0.71 in 2021 which is amongst the best internationally for similar companies.

The Group’s H&S Management System and its implementation is externally tested and verified by the British Safety Council’s (“**BSC**”) five star audit annually. The Group has won the BSC’s Sword of Honour certificate for 14 consecutive years. The Group also won the Diamond Award for Health & Safety at the Harvard Business Council Awards in November 2021.

The Group also requires all contractors and technicians to qualify for an Electrical Contractor’s Competency Licence in order to install electrical connections in any dwelling or building in Dubai. In addition, any person who conducts works near the Group’s water or electricity network must first obtain a certificate of no objection (“**NOC**”) from the Group prior to commencement of works and must comply with the conditions in the NOC. As this requirement has been imposed by law, any person who fails to obtain an NOC or does not comply with its conditions may be subject to prosecution, which may result in fines, as well as confiscation of equipment.

In February 2020, the Group developed and implemented a COVID-19 risk assessment and mitigation plan in the workplace, which included sanitisation, isolation of employees PCR screening, employee medical scans at the workplace, among others. In recognition of its precautionary measures to prevent the spread of COVID-19 in the workplace, the Group received a COVID-19 Assurance Statement from the British Safety Council in October 2020. The Group was the first entity in the Middle East to receive this certification. The Group also won the Diamond Award for Dealing with COVID-19 at the Harvard Business Council Award in June 2021.

The Group is ISO 9001, ISO 14001 and ISO 45001 certified. The Group also maintains quality control procedures for the purchase of any equipment irrespective of value. In order to purchase any such product, a senior the Group engineer must first verify that the product conforms to certain specifications, which ultimately reduces any costs associated with defective products.

Insurance

The Group has arranged for property insurance in respect all of its assets, including all buildings, plant and equipment as well as stock in trade, fuel, electrical goods and spare parts, but excluding underground cables and water pipelines, which covers machinery breakdown as well as fire, but not lost profits. The assets are evaluated by independent consultants who advise the Group of any particular risks and carry out asset valuations and risk assessment surveys in order to enable the Group to take all necessary preventative steps to minimise the risks of accidents and losses. The Group has also obtained insurance for employer's liability against employee negligence and general tort claims. In addition, the Group has a provision for self-insurance for a certain portion of machine breakdown. See "*—Risk Factors – Risks Related to the Group – the Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business*".

Properties

As of 31 December 2021, the Group owns a total of 148 principal properties pursuant a Government order dated 26 July 2008, which stated that full legal title to all land which had previously been granted to the Group by the Government would be transferred to the Group. These principal properties comprise of 20 freeholds, 10 main buildings, 8 power stations , 25 nos. 400 kV substations, 319 nos. 132 kV substations and a huge nos. of distribution substations. In addition, the Group owns other properties including transmission and distribution lines, pipeline installations, water reservoirs and pump stations and other land assets.

Intellectual Property

The Group owns 27 trademarks that includes the DEWA logo and other material trademarks (including trademarks of subsidiaries) comprised by logos and words, which are registered across several jurisdictions including UAE, UK, USA, EU, Oman, Bahrain, Kuwait, Saudi Arabia. A strategic goal of the Group is to create intellectual property that can be used to add value to the Group, as opposed to relying on third party intellectual property. The Group also holds 5 patents granted in the UK, Austria and Luxembourg and 5 copyrights registered in UAE.

Information Technology

SCADA and SDMS

The Group operates four control centres (two for transmission and two for distribution), located in different areas in Dubai, which are used by the Group to monitor and control the transmission and distribution power grids. The Group uses SCADA, smart monitoring, control and automation systems to provide water and power services in accordance with international standards. The SCADA system hardware and software architect was designed to provide full redundancy and availability. Each control centre acts as back up to the other control centres thereby ensuring highest level of business continuity. SCADA assist the Group's operation and infrastructure by expanding the water and power networks and by monitoring and managing the age of pipelines and extreme weather conditions. More than 8,500 instruments and 704 RTUs are monitored live through the advanced SCADA platform. Through the implementation of SCADA, the Group has been able to minimise the occurrence of power outages or power interruptions, as well as pipeline breakages or leakages. SCADA enables skilled operators to instantly detect and isolate breakages and emergencies by observing the changes in pressure and flow transmitter readings. The only significant power outage in recent years took place in April 2017, due to supply interruption at 132 kV DMAL Substation, which lasted for 96 minutes with a total load loss of 42.5

MW, and in November 2021 when a gas turbine located in Jebel Ali power station malfunction due to a generator stator ground fault, and it is not expected to be operational until May 2022. However, the distribution control centres and transmission control centres in Qusais, Warsan and Najma have been functioning without any material operational failures.

The Group has also developed SDMS, an advanced operational technology for real time monitoring and control of the water distribution network, which is an extension of SCADA. The SDMS has improved fault location as well as isolation and service restoration capabilities, which has also resulted in shorter outage spans and lower outage costs. In addition, the automation of the distribution network simplifies management of the water network, which reduces support costs and improves security of the water supply.

i-Service

In May 2019, the Group launched an i-Service initiative to use AI to proactively monitor water service continuity and detect any service interruptions within three hours of their occurrence, using existing Advanced Metering Infrastructure ("**AMI**") data from customers' smart meters without deploying any new devices or sensors which avoids any added costs. The main advantage of i-Service is its early detection feature, which enables the relevant teams to resolve unplanned outages, such as breakages and leakages, in the water network before receiving a customer complaint. In turn, this decreases the number of customer complaints due to unexpected outages and the percentage of unaccounted-for-water. The i-Service initiative is in the design and early testing phase. Future phases will focus on achieving 100% accuracy in detecting emergency location coordinates, as well as decreasing the time of detection. The i-Service initiative is being implemented only in certain locations in Dubai, but the Group aims to expand its implementation to eventually include all of Dubai.

Geographical Information Systems

The Group also adopted the Geographical Information System, which computerised the mapping of all of the Group's installations, facilities and transmission and distribution lines. Although SCADA and the Geographical Information System are not integrated, their functions complement one another. Problems detected by SCADA in the cables, transmission or distributions lines, substations or installations can be easily located through the Geographical Information System which allows technicians to quickly locate the physical assets needing attention in order to rectify the problem as quickly as possible.

SAP

As part of the SAP program, the Group has implemented a billing system that is tied to the identity of the customer rather than the location of the premises being serviced. As a result, the Group has created profiles for each of its customers such that outstanding bills are now sent to the person responsible for payment, even if they move to another location. The customer service experience is delivered via 26 smart channels. Furthermore, the customer management processes have been extended to include the process for new connections and project management processes were enhanced by linking utilisation of materials and services to project status and capitalisation. For example, the Group uses smart electricity and water meters to monitor and read remotely electricity and water usage. As of 31 December 2021, the Group installed 1,058,895 smart electricity meters and 960,364 smart water meters, with approximately 95% of them being monitored and read remotely every 15 minutes. This has allowed the Group to remotely bill over 95% of its customers with smart electricity meters through the SAP billing system.

The Group is planning to move to the SAP S/4 Hana program in 2022.

Demand Forecasting

The efficiency of the Group's transmission network is largely dependent on its ability to carry electricity loads at peak times. In order to maintain a particular voltage and frequency throughout an electricity grid, the amount of electricity drawn from the grid and the amount generated must balance. It is therefore essential for the Group to be able to make accurate forecasts so it can predict the demand for electricity at any given time and ensure an adequate supply. There are various methods of forecasting and each method requires a large amount of historical data on energy consumption, floor space and land use inventory, the use of energy consuming appliances, the pace and trends of economic development as well as demographic parameters. The Group also utilises information gathered from developers and the Dubai Municipality to create its forecasting models. The Group has forecasted the demand for electricity and water up to 2030.

Smart services and channels

The Group provides 26 services clustered under six main groups. All of the Group's services are offered through various digital channels, including;

- DEWA smart application and website;
- Virtual assistance and interaction via the AI based employee Rammas;
- AI powered universal self-service centres, enabling customers to complete all of their transactions online;
- Customer care centre, Interactive Voice Response and WhatsApp;
- Dubai Now App (which is a government-wide app);
- Service partners including RTA, Dubai Municipality, Dubai Land Department and Dubai Real Estate Regulatory Agency;
- Smart payment channels through partners including; Emirates NDB cheque deposit machines, Etisalat machines and petrol stations, more than 22 banks utilising their online channels and Empay application; and

In 2021, the Group achieved a score of 99.7% in the International Customer Experience Standard (ICXS2020) provided by the International Customer Experience Institute. In addition, the UAE, represented by the Company, ranked first for the third consecutive year in Getting Electricity in the World Bank's Doing Business 2020 report. The Company achieved 100% in all the Getting Electricity indicators, which assess the procedures required to obtain an electricity connection, the time needed to complete each procedure and the costs associated, and the reliability and transparency of tariffs.

HydroNet

HydroNet is an innovative solution built by the Group that represents an autonomous system built on AI that monitors a water network to detect and locate events such as breakages and water hammer, in a matter of seconds without human intervention. It provides a means of learning the behaviour of the dynamic network, modelling it as a state machine using neural networks. Its advanced senses also provides a way to detect wave propagation and monitor behavioural phenomenon of fluid columns spreading across the water network. The HydroNet solution is expected to reduce remote isolation time from minutes to seconds as well as reduce cost of operation by AED 3.5 million per annum. The HydroNet solution also contributes indirectly to the Group's sustainable development goals of providing clean water to a sustainable city through efficient and innovative infrastructure.

Cyber security

In the area of cyber security, the Group follows a holistic cyber security framework which includes the following four pillars:

- **Identify and predict**: establish cyber security risk management for systems, assets and data with advanced threat intelligence capabilities;
- **Protect**: to develop and implement appropriate safeguards to ensure protection of the Group's information assets;
- **Detect**: establish and implement adequate monitoring mechanisms to identify the occurrence of a cyber security event; and
- **Respond and recover**: develop and implement the appropriate activities to take action regarding a detected cyber security event and restore the impacted services.

The Group has established a holistic and comprehensive cyber security program which includes cyber security mechanisms to detect and respond to cybersecurity attacks and intrusions, such as Zero Day and other global cyber attacks and to address them internally with the relevant technical, operational and security support teams, including: (i) the 24/7 Cyber Defence Centre Team; (ii) DEWA Cyber Emergency Response Team ("**DEWA-CERT**"); and (iii) the IT Security Emergency Response Team ("**IT-SERT**").

The Group follows international and regional cyber security best practices, including: (i) Dubai Information Security Regulations; (ii) Dubai Electronic Security Centre policies and standards; (iii) National Institute of Standards and Technology Cyber Security; (iv) Control for Internet Security (CIS) requirements; (v) MITRES ATT&CK framework; and (vi) Cloud Security Alliance.

In addition, the Group has implemented security governance and management related frameworks that are operated under a risk management based approach, such as:

- DEWA Enterprise Risk Management;
- Information Security Management System (ISO 27001);
- Dubai Information Security Regulation (ISR Ver-2);
- Dubai Industrial Control System Security Standard; and
- Information Security Government Standard (ISO 27014).

The Group also has OT Cyber Security which covers its generation plants, substation automation systems, telecommunications and electricity and water control centres. The OT Security infrastructure consists of various systems such as patented "one-way communication diodes" firewalls, intrusion detection systems, security networks and OT data centres, all of which are monitored by multiple cyber security operations centres.

Research and Development

The Group has a research and development ("**R&D**") centre which focuses on four areas: (i) solar power; (ii) water; (iii) smart grid integration; and (iv) energy efficiency. The R&D centre implements international R&D best practices to develop solutions in support of the Group's business and Dubai's broader stakeholders. The R&D centre develops enabler technologies, such as 3D printing, robotics, drones, IoT, AI, data analytics, advanced materials and energy systems analysis. The R&D centre was completed in 2018 and is located at the MBR Solar Park in Dubai, and it supports the objectives of the Dubai Clean Energy Strategy 2050 to diversify energy sources and enhance energy efficiency relying on local innovations. As at 31 December 2021, the R&D centre staff had 43 employees, of which 30 were UAE nationals.

Litigation

The Group has not been involved in any material governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the last 12 months preceding the date of this Offering Memorandum which may have, or have had, a significant effect on its financial position or profitability.

FINANCIAL TARGETS

*The financial targets presented in this section constitute forward-looking statements that are based upon a number of assumptions and estimates and subject to risk and uncertainties. Such statements are no assurance of our actual future financial results which may differ materially from what is expressed or implied by these forward-looking statements due to a variety of factors, certain of which are outside of our control. In addition, unanticipated events may adversely affect the actual results that we achieve in future periods whether or not the assumptions prove to be correct. See also "**Information Regarding Forward Looking Statements**" and ""—**Risk Factors—Risks Related to the Group—The Group cannot guarantee the accuracy of its forecasts for future demand for electricity and potable water in Dubai**".*

These targets are based on data, assumptions and estimates which are considered to be reasonable by the Group as at the date of this Offering Memorandum. Such data and assumptions may change or be modified due to uncertainties relating, in particular, to the economic, financial, competitive, regulatory and fiscal climate or because of other factors of which the Company is not aware at the date of this Offering Memorandum.

*In addition, the achievement of these targets presupposes the successful and effective implementation of the strategy presented in **"Business—Competitive Strength"** in the attached Offering Memorandum. The Group accordingly makes no commitment or guarantee regarding the achievement of the targets presented below. Subject to the foregoing, management has the following medium term targets for the Group's business:*

The Group's consolidated revenue for 2019, 2020 and 2021 were AED 22.9 billion, AED 22.5 billion and AED 23.8 billion respectively. The Groups expects its consolidated revenue to grow approximately 12%-12.5% in 2022 and thereafter at 3.0%-3.5% CAGR growth from 2023-2026. This target will be driven by continuous growth in Dubai's economy, which has remained consistent in the last 10 years.

Similarly, the Group's expects its EBITDA margin to be between 53-55% in the mid-term.

The Group's expansion strategy requires a substantial amount of capital and other long-term expenditure, expected to be approximately AED 40 billion across the next five years, until 2026. For the years ended 31 December 2020 and 2021, the Group's capital expenditure (including capital expenditures for intangibles) totalled AED 17.96 billion and AED 14.1 billion, respectively. The Group expects higher capital expenditures for 2022 and 2023 of AED 15 billion and AED 10 billion, respectively, which then is expected to be followed by a steady medium-term decline in capital expenditure of approximately AED 5-7 billion per annum as new IPPs become operational.

The Company's standalone revenue growth will be driven by utilities demand and is expected to increase at around 3% per annum from 2023 onwards. Beginning in 2022, the Company expects an uplift in additional revenue of approximately AED 1.6 billion to 1.8 billion due to a revised tariff alignment arrangement, which has resulted in the Government funding any concessions in utilities bills to ensure that the Company is able to realise its full costs as applicable to certain customer groups. This new tariff arrangement will increase standalone revenue between 1.5%-2% per annum.

Comparatively, the Company's standalone EBITDA margin was 45.1% and 47.3% in 2020 and 2021 respectively, and is expected to remain relatively stable, between 46%-47%, from 2022 to 2026.

The capital expenditure of the Company is expected to amount to approximately AED 26 billion in the five-year period from 2022-2026, with approximately 75% of the total amount to be spent in the first three years (AED 6 billion to AED 6.5 billion dirhams per annum).

With the commissioning of the IPPs from 2024, the Company will transfer these assets from Capital Work in Progress to PP&E and accordingly the consolidated depreciation is expected to increase to approximately AED 6.5 billion to AED 7.0 billion in the medium term.

Empower's revenue is expected to grow between 15% and 16% in 2022 due to the acquisition of the Al-Nakheel and Dubai International Airport assets. From 2023 to 2026 revenue is expected to grow approximately at a 6.25%-6.75% CAGR. Empower is expected to increase its connected capacity by 70k RT by April 2022 due to the closing of the Dubai International Airport assets. By 2026 connected capacity is expected to reach approximately 1.8 million RT. Due to the increasing number of commercial customers, Empower's equivalent full-load hour is expected to grow from approximately 1,600 in 2021 to 1,750 in 2026. Between 2022 and 2026, Empower's EBITDA margin is expected to be between 49% and 50% with an average capital expenditure of approximately AED 4 million to 6 million per kRT of additional capacity growth.

For the remaining other businesses, revenue growth between 2022 to 2026 is expected to grow at approximately 10% per annum, EBITDA margin is expected to grow steadily to reach approximately 25% in 2026 due to the growth of several key subsidiaries with an average capital expenditure of approximately AED 100 million to 150 million per annum. Consolidated leverage is expected to remain modest and to decline overtime due to added cash flow growth, with a medium term target of less than 2.5X Net Debt / EBITDA.

MANAGEMENT

Board of Directors

The Company's current Board of Directors was appointed by Dubai law no. 55 of 2021 which formed the Board of Directors of Dubai Electricity and Water Authority PJSC, which came into effect on 30 December 2021. The Board of Directors has wide ranging corporate powers including the power to ratify the Group's annual budget, approve electricity and water supply services and authorise and enter into agreements. The Board of Directors also issues governing regulations and approves the Group's administrative, financial and technical affairs. The regulations issued by the Board of Directors are binding on the Group although the Government may amend the regulations or exempt any party from complying with part or all of the regulations adopted by the Board of Directors.

The current members of the Board of Directors are as follows:

Name	Position	Independence	Appointment
H.E. Matar Humaid Al Tayer	Chairman	Independent	2004
Saeed Mohammed Ahmad Al Tayer	Member	Non-independent	2004
Hilal Khalfan Bin Dhaher	Member	Independent	2003
Al Sayed Abdulla Mohammad Al Hashemi	Member	Independent	2004
Khalfan Ahmad Harib	Member	Independent	2002
Majid Hamad Rahma Al Shamsi	Member	Independent	1990
Obaid Bin Mes'har..	Member	Independent	2004
Saeed Mohammed Al Sharid..	Member	Independent	1990
Nabil Abdulrahman Ahmad Arif	Member	Independent	1995
Mohammed Gomaa Saif Al Suwaidi...	Member	Independent	2021
Moza Sweidan	Member	Independent	2021

H.E. Mr. Matar Humaid Al Tayer

His Excellency Mr. Al Tayer has been a director of the Group since 1990 and the Chairman of the Board of Directors of the Group since 2004. Mr. Al Tayer is also the vice chairman and a member of the board of the Al Tayer Group of Companies. Between 2003 and 2011 Mr. Al Tayer was the chairman of Oman Insurance, between 1992 and 1997 and was the Under Secretary at the UAE Ministry of Communication. Between 1997 and 2004 Mr. Al Tayer was the UAE Minister of Labour and Social Affairs. Mr. Al Tayer holds a degree in business administration from the University of Denver, Colorado, USA.

H.E. Saeed Mohammed Ahmad Al Tayer

His Excellency Mr. Al Tayer was appointed Managing Director and Chief Executive Officer of the Group in 2004 and has served as a member of the Board of Directors since that time. Mr. Al Tayer also serves as the chairman of Empower and has more than 30 years' experience in Dubai in the fields of telecommunication, energy and water. Mr. Al Tayer was appointed as general manager of DEC in 1991 and subsequently, upon the merger of DEC and DWD, was appointed as general manager of the Group. Mr. Al Tayer is also the vice chairman of the Supreme Council of Energy, a member of the Dubai Executive Council and Strategic Affairs Council, a member of the Dubai Supreme Fiscal Committee and vice chairman of the board of directors of EGA. He is the first UAE personality to be awarded an Honorary Fellowship from the Energy Institute (EI), UK. Mr. Al Tayer also holds various other positions and director roles both within and outside of the Group.

Mr. Hilal Khalfan Bin Dhaher

Mr. Bin Dhaher has been a director of the Group since 2003. Mr. Bin Dhaher has over 20 years' experience working for Citibank N.A., including as Outsource Director, Vice President from 1996 to 2006. Mr. Bin Dhaher is also a member of the boards of each of the UAE Bankers Association, Dubal Holding and EGA. Mr. Bin Daher also served as a member of the board of the UAE Central Bank, Majid Al-Futtaim Group and Securities & Commodities Authority. Mr. Bin Dhaher holds a Bachelor of Science in business administration from the University of Arizona, USA.

Mr. Khalfan Ahmad Harib

Mr. Harib has been a director of the Group since 2002. Mr. Harib is currently the Chairman of the Central Grievance Committee, Government of Dubai (serving since 2008 to date) and board member of the Consultative Commission for the Supreme Council for the Arab State of the Gulf since 2010. Prior to that, Mr. Harib was the Director of H.H. The Ruler's Court, Government of Dubai from 2005 until 2008, Director General of Finance Department, Government of Dubai from 2001 until 2006, deputy chairman of the Judiciary Council of the Government of Dubai from 2004 until 2008 and board member of the Dubai Executive Council from 2002 until 2008. Mr. Harib holds a degree in Management Information Systems from the University of Arizona, USA.

Mr. Al Sayed Abdulla Mohammad Al Hashemi

Mr. Al Hashemi has been a director of the Group since 2004. Mr. Al Hashemi is currently a member of the investment board of Emirates REIT (CEIC) plc. Mr. Al Hashemi also acts as an arbitrator for the UAE Federal Government and for the Government of Dubai and is involved in the design of projects undertaken by the Al Hashemi Consultant Office. Mr. Al Hashemi also served on the board of directors for Dubai Islamic Bank and head of planning at the Dubai Municipality. Mr. Al Hashemi holds a bachelor's degree in architecture from the Fine Arts Academy in Egypt.

Mr. Majid Hamad Al Shamsi

Mr. Al Shamsi has been a director of the Group since 1991. Mr. Al Shamsi is the 1st Vice Chairman of the Dubai Chamber of Commerce and Industry since 2007. Mr. Al Shamsi is also chairman of the Union Coop Dubai, the Consumer Cooperative Union of UAE, the University of Dubai Board of Trustees and of Hamad Rahma Al Shamsi General Trading. Mr. Al Shamsi also served as a member of the Federal National Council. Mr. Al Shamsi holds a degree in management and finance from New York University, New York, USA.

Mr. Obaid Bin Mes'har

Mr. Mes'har has been a director of the Group since 1995. Mr. Mes'har has also been chairman of Etisalat Investment Committee, chairman of Canartel (CDMA) Operator in Sudan, chairman of Zantel (Fixed and Mobile Operator in Tanzania), chairman of the Etisalat Academy, a member of the Dubai e-Government executive team, a member of the board of directors of Etihad Etisalat, a member of the board of directors of Atlantique Telecom (GSM operator in six West African countries) and a member of the board of directors of the Sheikh Mohammed Bin Rashid Housing Establishment. Mr. Mes'har holds a degree in finance and business administration from the University of the UAE and a MBA from the University of Minnesota, USA.

Mr. Saeed Mohammed Al Sharid

Mr. Al Sharid has been a director of the Group since 1990. Mr. Al Sharid was also the general manager of Emirates Transport, chairman of the board of directors of Emirates Islamic Bank and a director of Etisalat. Mr. Al Sharid is a member of the UAE Accounting & Auditing Association and is a board member of the Union Coop.

Mr. Nabil Abdulrahman Ahmad Arif

Mr. Arif has been a director of the Group since 1995. Mr. Arif is also a member of the board of Mustafa Bin Abdullatif Investment LLC and the Najibi Investment Company. Mr Arif is a founding member of the UAE Society of Engineers and founding partner of Arif & Bintoak Consulting Architects & Engineers. Mr. Arif holds a bachelor's of science degree in civil engineering from the Loughborough University of Technology, UK in 1973.

Mr. Mohammed Gomaa Saif Al Suwaidi

Mr. Al Suwaidi has been a director of the Group since 2021. Mr. Al Suwaidi has served as the assistant secretary general of the Supreme Legislation Committee in Dubai from 2015, Judicial member of the Rental Dispute Resolution Centre in the Emirate of Dubai from 2014 and prior to those roles held a number of key legal and legislative roles in Dubai. Mr. Al Suwaidi holds a bachelor's degree in law from Sharjah University.

Dr. Moza Sweidan

Dr. Sweidan has been a director of the Group since 2021. She serves as the director of strategy and innovation for the Digital Dubai Authority. She has more than 20 years' experience in information technology and strategic planning. Prior to joining Dubai Digital, she was the director of information technology at Dubai Culture. Dr. Sweidan holds a Ph.D. in quality management from Hamdan Bin Mohammed Smart University and a MBA from the American University of Dubai.

With the exception of H.E. Saeed Mohammed Ahmad Al Tayer, whose term is unlimited, the term of service of the Board of Directors is three years. H.E. Saeed Mohammed Ahmad Al Tayer is the Managing Director and Chief Executive Officer of the Group. Ten of the members are independent and non-executive.

The business address for each of the directors is Sheikh Rashid Road, Umm Hurair 2, P.O. Box 564, Dubai, UAE.

H.E. Saeed Mohammed Al Tayer is one of 22 members of the Executive Council. The Executive Council has a wide remit and is responsible for ensuring coordination among Government departments, implementing an overall strategy for the Government, preparing an overall budget to fund the requirements of the various Government departments and recommending new laws and regulations, including those potentially pertaining to the Group. In Mr. Al Tayer's role on the Executive Council he abstains from voting on matters relating to the Group. See "*—Overview of the UAE and the Emirate of Dubai—The Emirate of Dubai—Government of Dubai*".

In addition, H.E. Saeed Mohammed Al Tayer is also the vice chairman of the Supreme Council of Energy, which, from time to time, due to the role of the Supreme Council of Energy in setting policies in respect of the energy sector in Dubai, including those potentially pertaining to the Group. In Mr. Al Tayer's role on the Executive Council he abstains from voting on matters relating to the Group. While the Supreme Council of Energy is able to make recommendations in relation to tariffs with respect to the energy prices, it does not unilaterally determine energy policy in the Emirate of Dubai. Mr. Al Tayer's role on the Supreme Council of Energy also provides an opportunity to advocate for certain policy considerations in the energy sector in Dubai. See "*—Regulation—Supreme Council of Energy*".

Senior Management

The Group's business is divided into the following divisions: (1) the Power & Water Planning Division; (2) the Power & Water Generation Division; (3) the Power Transmission Division; (4) the Power Distribution Division; (5) the Billing Services Division; (6) the Water and Civil Division; (7) the Business Support and Human Resources Division; (8) the Innovation and The Future division; (9) the Business Development and Excellence Division; (10) the Strategy and Government Communications Division; (11) Legal Affairs; (12) Finance; and (13) Internal Audit.

The current members of the Group's senior management are as follows:

Name	Position(s)
Saeed Mohammed Al Tayer	Managing Director and Chief Executive Officer
Thomas Varghese	Chief Financial Officer
Abdullah Obaidullah	Executive Vice President – Water and Civil
Rashid Humaidan	Executive Vice President – Power Distribution
Nasser Mohammed Hussain Bin Lootah	Executive Vice President – Generation (Power and Water)
Hussain Essa Ibrahim Lootah	Executive Vice President –Transmission Power
Yousef Jebril	Executive Vice President – Power and Water Planning
Waleed Bin Salman	Executive Vice President – Business Development and Excellent
Marwan Bin Haidar	Executive Vice President – Innovation and The Future
Dr Yousef Al Akraf	Executive Vice President – Business Support and Human Resources
Abdulla Al Hajri	Executive Vice President – Billing Services
Khawla Al Mehairi	Executive Vice President – Strategy and Government Communications
Yousif Badi	Chief Legal Adviser
Ahmed Obaid Altayer	Vice President – Internal Audit

H.E. Saeed Mohammed Al Tayer – Managing Director and Chief Executive Officer See "*—Board of Directors*" above.

Mr. Thomas Varghese – Chief Financial Officer

Mr. Varghese joined the Group in 1998 and has served as its Chief Financial Officer since 2006. Mr. Varghese holds a CIMA and CA certification and has over 40 years' experience in a range of industrial and commercial organisations, including as Finance Manager for Galadari Automobiles Co. Ltd. (KKC), Financial Controller for Emirates Stone Co. Ltd. and Project Finance Manager for The Associated Cement Co. Ltd. Mr. Varghese serves as Chief Financial Officer for two of the Group's IPPs; Shuaa Energy 2 and Noor Energy 1. Mr. Varghese also serves as director for Etihad ESCO, Mai Dubai, Digital DEWA, Dubai Green Fund and Forward Investments.

Mr. Abdullah Obaidullah – Executive Vice President – Water and Civil

Mr. Obaidullah joined the Group in 1993 and has served as Executive Vice President of the Group's Water and Civil Division since 2009, prior to which Mr. Obaidullah served as Deputy Head of Systems and held multiple other roles throughout the Group. Mr. Obaidullah also serves as director for Mai Dubai.

Mr. Rashid Humaidan – Executive Vice President – Power Distribution

Mr. Humaidan joined the Group in 1993 and has served as Executive Vice President of the Power Distribution Division since 2009, prior to which Mr. Humaidan served as an Electrical Engineer and as Deputy Head and Head of the Customer Services Department. Mr. Humaidan also serves as a director for Empower.

Mr. Nasser Mohammed Hussain Bin Lootah – Executive Vice President –Generation (Power and Water)

Mr. Bin Lootah joined the Group in 1996 and has served as Executive Vice President of the Generation (Power and Water – Generation) Division since 2005, prior to which Mr. Bin Lootah served as the Deputy Station Manager of the Jebel Ali power station. Mr. Bin Lootah serves as a director on multiple boards including; Empower, five of the Group's IWPs, Oilfield Supply Center Limited, SUQIA and DEWA Academy as well as serving as Advisory Committee Chairman for Dubai's Supreme Council of Energy.

Mr. Hussain Essa Ibrahim Lootah – Executive Vice President –Transmission Power

Mr. Lootah joined the Group in 1993 and has served as Executive Vice President of the Transmission Power division since 2009. Further, Mr Lootah was Executive Vice President – Transmission and Distribution during 2006 to 2008 and prior to that Mr Lootah has served in a number of roles throughout the Group. Mr. Lootah also serves as a director for Empower and for four of the Group's IWPPs.

Mr. Yousef Jebril – Executive Vice President – Power & Water Planning

Mr. Jebril joined the Group in 1997 and has served as Executive Vice President of the Power and Water Planning Division since 2009. Mr. Jebril is a chartered engineer with 41 years' experience in the utilities consultancy sector and in electrical power systems engineering, including in system analysis and planning, technical specification and standards, engineering works, construction, testing and system operations. Mr. Jebril served as Division Head for six of the Group's departments relating to power and water planning. Mr. Jebril also serves as director for the Al Etihad Energy Services Company.

Mr. Waleed Bin Salman – Executive Vice President – Business Development and Excellence

Mr. Salman joined the Group in 2007 and has served as Executive Vice President of the Business Development and Excellence Division since 2011. Mr. Salman also serves as a director for the Group's IWP project companies, the Dubai Green Fund, Etihad ESCO, Mai Dubai, Forward Investments and Digital DEWA and as Vice Chairman for the World Green Economy Organisation NPIO. Mr. Salman also serves as a member of the Supreme Council of Energy and as the Vice Chairman of the Dubai Nuclear Energy Committee. Mr. Salman has over 29 years of experience in the utilities sector.

Mr. Marwan Bin Haidar – Executive Vice President – Innovation and The Future

Mr. Bin Haidar joined the Group in 1996 and has served as Executive Vice President of the Innovation and The Future division since 2016. Mr. Bin Haidar serves as Group CEO for Digital DEWA and leads the Group's innovation, future shaping, IT, information security, customer happiness and customer experience functions. Mr. Bin Haidar serves as director for numerous Group entities, particularly those relating to innovation and technology. Mr. Bin Haidar is an executive member of multiple international institutions including the World Economic Forum's 4th Industrial revolution Centre, SAP MENA South Executive Advisory Council and Microsoft Services Executive Board.

Dr. Yousef Al Akraf – Executive Vice President – Business Support & HR

Dr. Al Akraf joined the Group in 2000 and has served as Executive Vice President for Business Support and Human Resources since 2011. Dr. Al Akraf also serves on the boards of director for Mai Dubai, DEWA Academy, the Institute of Applied Technology, Abu Dhabi Vocational Education and Training Institute (ADVETI), Fatima College of Health Sciences and the British University in Dubai. Dr. Al Akraf is an active speaker and contributor in numerous organisations and events, particularly in the areas of vocational training, management and governance. Dr. Al Akraf is also Member of Centre of Excellence for Applied Research and Training (CERT) at Higher College of Technology and a senior member of The Association for Talent Development (ATD, formerly ASTD). Dr. Al Akraf holds a PhD from Ohio State University, USA.

Abdulla Al Hajri – Executive Vice President – Billing Services

Mr. Al Hajri joined the Group in 2000 and has served as the Executive Vice President of the Billing Services Division since 2009. Mr. Al Hajri has over 35 years' experience in the UAE. Dr. Al Akraf also serves as a director of Mai Dubai.

Khawla Al Mehairi – Executive Vice President – Strategy and Government Communications

Ms. Al Mehairi joined the Group in 2009 and has served as Executive Vice President of the Strategy and Government Communications Division since 2017. She has over 20 years' experience in marketing, communications, corporate strategy and government affairs, both in the public and private sectors in the UAE. Ms. Al Mehairi holds multiple board positions and committee memberships including on the Dubai Council on Sustainable Development Goals, Dubai Women's Establishment Board, Dubai General Network of Government Communications, Dubai International Communications Committee, Al Marmoom Media Communication Committee by Media Office, Dubai Public Diplomacy Communication Network, High Committee of Ideal Homes and High Committee of Bereaved families formed by The Executive Council of Dubai.

Mr. Yousif Badi – Chief Legal Adviser

Mr. Badi joined the Group in 2006, serving as the Group's Chief Legal Advisor. Mr. Badi also serves as a director of Mai Dubai, Forward Investments LLC and Dubai Green Fund. Between 1986 and 1993 Mr. Badi served as a Judge for the Abu Dhabi Civil Court and in 1985 served as a Judge of the Supreme Court of Sudan. Since 1995, Mr. Badi has been a member of the Commercial Arbitration Centres in Dubai and Bahrain and has over 40 years' legal experience.

Mr. Ahmed Obaid Altayer – Vice President – Internal Audit

Mr. Altayer joined the Group in 2016 and has been the vice president of internal audit since 2020. Mr. Altayer is a certified internal auditor and has over 17 years of experience in a range of roles including finance and audit. Mr. Altayer holds master's degrees in forensic accounting and applied finance and banking.

Compensation

For the year ended 31 December 2021, the aggregate total remuneration paid by the Company to its directors and key management was AED 61.97 million as compared to AED 57.6 million for the year ended 31 December 2020.

Corporate Governance

The Group has implemented principles of Corporate Governance for State Owned Enterprises in line with the recommendations of the OECD 2015, as well as the guidelines of the World Bank, UN organisations and those of global peers, and strived for best practices of electricity and water providers. The Group has also implemented a comprehensive governance framework, governance policy and governance charter, which cover governance in the following areas: technology, projects, procurement, data management, project management, sustainability and water. The Group is certified under British Standard BSI 13500 on Corporate Governance.

The Board of Directors is composed of 10 independent directors and non-dependent director. The Group has adopted, adapted, and implemented the 'Global, Agile, Good Governance' framework, a dynamic and unique model of governance based on best in class global practice. The framework cascades from the national objectives to the Group's agile strategy and thereafter to the Groups divisions and operations. The governance framework includes components of governance such as Board oversight, a clear organisation chart and span of control, a well-documented strategy and delegation of financial and administrative authorities. The Group also has a full suite of management-level committees and comprehensive policies covering all functions.

The Group successfully manages its relationships with its stakeholders through effective stakeholder engagement. Stakeholders' rights and contribution are recognised and assured within the Group's governance framework. The Company recognises the following as its key internal and external stakeholders: (i) Group employees; (ii) the Group's 36 strategic partners; (iii) customers; (iv) contractors and suppliers; and (v) investors.

The Group has recently establish a documented policy regarding conduct of related party transactions to ensure that the Group's our commercial and business transactions are conducted transparently and without conflict of interest. As per the policy, any transaction between the Company and a related party has to be approved by the Board of Directors and the General Assembly if the value of the transaction does not exceed 5% of the Company's capital. Transactions that exceed (5%) of the issued capital have to be evaluated by a valuer accredited by the SCA. Furthermore, a related party who has an interest in a related party transaction cannot participate in voting in terms of the decision taken by the Board of Directors or the General Assembly in respect of such transaction. As per the policy, the following are not be deemed a related party to the Company; (i) the Government of Dubai; (ii) any entity, agency or body, owned directly or indirectly, by the Government of Dubai; (iii) the Federal Government of the UAE; (iv) any entity, agency or body, owned directly or indirectly, by the Federal Government of the UAE; or (v) the subsidiaries, sister, or affiliate companies of the Company.

There have been numerous awards conferred on the Group recognising its excellence in governance, including the two most important awards at the Global Good Governance Awards 2020 organised annually by Cambridge IFA in the UK and the 3G Leadership Award 2020 (Government sector), while his HE Saeed Mohammed Al Tayer was awarded the 3G Personality of the year 2020 (Good Governance & Sustainability).

In the five years preceding the date of this Offering Memorandum, no member of the Board of Directors or member of senior management described above has been convicted of any fraudulent offence, served as director, partner, founder or senior manager of any organisation at the time of any bankruptcy, receivership, any official public incrimination or sanctions by statutory or regulatory authorities, including designated professional bodies, or has been disqualified by a court from acting as a director of an issuer or from acting in the management or conduct of affairs of any issuer.

Board Committees

Audit Committee

Certain members of the Board of Directors constitute a committee to review and oversee the Group's internal and external audit and financial and accounting policies. The members of the Audit Committee are appointed by the Board of Directors on a three year basis. The current members of the Audit Committee appointed in 2021 are as follows:

Name	Position
Saeed Mohammed Al Sharid	Chairman of the Audit Committee
Al Sayed Abdulla Mohammad Al Hashemi	Member
Khalfan Ahmad Harib	Member

The Audit Committee meets four times a year.

The duties of the Audit Committee include reviewing the Group's financial and accounting policies and procedures, monitoring and reviewing the integrity of the Group's financial statements and reports and its controls, overseeing matters relating to the Group's external auditor, overseeing matters relating to the Group's internal audit, reviewing related party transactions, and making appropriate recommendations to the Board in respect of any such matters.

ESG, Nomination and Remuneration Committee

Certain members of the Board of Directors constitute a committee to review and oversee the Group's nomination and remuneration as well as ESG matters.

The current members of the ESG, Nomination and Remuneration Committee appointed in 2021 are as follows:

Name	**Position**
Hilal Khalfan Bin Dhaher	Chairman
Obaid Bin Mes'har..	Member
Nabil Abdulrahman Ahmad Arif..	Member

The duties of the ESG, Nomination and Remuneration Committee include developing a policy to apply for membership to the Board and senior management taking into account gender diversity, and relevant regulatory and independence requirements, ensuring the independence of independent Board members, reviewing and overseeing the remuneration and benefits of senior management, reviewing human resource policies of the Group and making recommendations to the Board in respect of any of the relevant matters where appropriate.

The ESG, Nomination and Remuneration Committee meets at least 6 months at appropriate intervals of its reporting and audit cycle.

The committees' focus on ESG matters is intended to benefit its shareholders, host communities, employees and suppliers. The primary objective of the ESG committee is to assist the Board of Directors in supporting the Company in fulfilling its responsibilities in respect to ESG matters, including:

- setting the company's sustainability strategy, including financial and non-financial targets and key performance indicators;
- developing, implementing, reviewing and monitoring initiatives and policies based on the Sustainability Strategy;
- overseeing internal and external communications with respect to ESG; and
- monitoring and assessing developments relating to, and improving the Company's understanding of, ESG.

The principal duties of the Committee include:

- review and oversee the content of and approach to the Sustainability Strategy taking into account the Company's core objectives;
- ensure the Sustainability Strategy is considered by the Board as part of the overall business strategy of the Group;
- review the Group's reporting of its sustainability performance, along with any proposed recommendations or actions;
- review, challenge and approve annual sustainability KPIs and related targets in line with the Sustainability Strategy;
- assist the Board in overseeing internal and external communications regarding the position and approach to ESG, including advising the Board regarding shareholder proposals and other significant shareholder concerns relating or connected to ESG, and ensuring external reporting of sustainability performance aligns to market good practice;
- consider any other matters as may be requested by the Board.

Budget Committee

Certain members of the Board of Directors constitute a committee to review and approve the Group's annual budget and remuneration of the Group personnel. The members of the Budget Committee are appointed by the Board of Directors on a yearly basis. The current members of the Budget Committee for 2021 were:

Name	Position
Majid Hamad Al Shamsi	Chairman
Saeed Mohammed Al Sharid	Member
Khalfan Ahmad Harib	Member
Nabil Abdulrahman Ahmad Arif	Member

The Budget Committee meets once a year.

RELATED PARTY TRANSACTIONS

The Group is and has been a party to various agreements and other arrangements with related parties comprising the Company and certain of its other subsidiaries and the Government. The most significant of these transactions are described below. For details of the impact of related party transactions on the Group's financial position and financial results as at and for the years ended 31 December 19, 2020 and 2021, please refer to note 23 of the 2021 Financial Statements and note 21 of the 2020 Financial Statements, included elsewhere in this Offering Memorandum.

Relationship with Department of Finance

There is an ongoing relationship between the Group and the Department of Finance outside of its role as a shareholder of the Company on behalf of the government of Dubai. The Department of Finance is also responsible for settling payment on behalf of approximately 70 electricity and water accounts for Dubai government entities, as well as settling certain amounts in respect of the electricity and water fees of UAE nationals that are customers of the Group, however, there is currently no formal agreement in place that governs the rights and obligations of the Group vis-à-vis the Department of Finance, or any other governmental entity or department that falls under the accounts settled by the Department of Finance, with respect to the provision of electricity and water other than a confirmation from the Department of Finance that it would settle all invoices for such electricity and water accounts in cash starting January 2022. While the payment terms relating to most customers of the Group are 30 days, the Selling Shareholder is afforded a 90-day payment terms.

Relationship with the Dubai government

The Group transacts with its owner, joint ventures, and entities controlled, jointly controlled, or significantly influenced by the owner within the scope of its ordinary business activities, including suppliers and customers. Since the Group is ultimately wholly owned by the Government of Dubai, these entities are jointly referred to as 'government-related entities'.

Fuel Supply

The Group procures fuel from entities owned or controlled by the Government. The Group is required to purchase all of its natural gas requirements from DUSUP, which is wholly-owned by the Government and the only authorised supplier of natural gas in Dubai to Government entities. Purchases are made based on requests (typically annually) made to DUSUP and there is no agreement in place for the supply of natural gas from DUSUP to the Group. Where required by the Group, other fuels are also typically purchased through Government-owned entities.

Dubai Municipality Collection Agreement

The Group entered into a housing fees and sewage operation charges collection agreement with the Dubai Municipality on 5 January 2017 for an initial term of three years which is automatically renewed for equivalent periods unless either party provides notice of non-renewal of the agreement three months prior to the expiry of the initial term or any renewal period thereto. Pursuant to the agreement the Group agreed to collect housing fees and sewage operation charges from all households in Dubai on behalf of the Dubai Municipality in consideration for a handling and collection charge equal to 3% per annum of all collected amounts up to a maximum of 50 million dirhams per year. The agreement may be terminated by either party if the other party breaches any of its terms by issuing written notice to the defaulting party of such breach, *provided that* the notified breach is not remedied within three months of the defaulting party receiving such notice.

Dubai Silicon Oasis Collections

Pursuant to a letter from the Department of Finance to the Group dated 17 May 2016, the Group is entitled to apply and collect a charge of 0.005 dirhams per gallon of water provided to the Dubai Silicon Oasis Authority in addition to any other charges due from the Dubai Silicon Oasis Authority to the Dubai Municipality.

Project Management and Consultancy Services Agreement

On 22 June 2016 the Group entered into a Project Management and Consultancy Services Agreement with Meydan Group LLC and Meraas Development LLC in respect of the development of three 132 kV substations in DXB Canal, Canal Gate and Qanat Substations. Pursuant to the terms of the agreement, each of Meydan and Meraas were to issue irrevocable letters of credit in favour of the Group for fees due. On 13 November 2016 the parties entered into an amendment agreement to change the payment mechanic from irrevocable letters of credit to post-dated cheques of an aggregate value of AED 255 million, the last of which was due on 1 June 2018. Pursuant to a letter dated 19 March 2020, the Group received 24 cheques from Meydan in respect of payments for electricity and water consumption, for the substations and interest for an aggregate amount of AED 147,607,965 payable monthly from 31 January 2022 to 31 December 2023.

Sewage handling charge

The Group collects "Housing Fees and Sewage Operation Charges" from customers on behalf of the Dubai Municipality through the invoices issued to customers. The amounts collected by the Group in respect of such charges are transferred to the Dubai Municipality (or the Department of Finance on behalf of the Dubai Municipality). The Group also collects cooling charges on behalf of Empower and Nakheel district cooling, which has recently been acquired by Empower, using the Group's billing infrastructure, which such amounts are transferred to the relevant provider. The Group receives a collection charge for amounts collected on behalf of the Dubai Municipality, subject to an annual cap of AED 50 million, while it receives a collection charge of 3% for amounts collected on behalf of Nakheel.

PRINCIPAL AND SELLING SHAREHOLDER

Principal Shareholder

The following table details the shareholder holding the Shares (i) as at the date of this Offering Memorandum, with a total share capital of 50,000,000,000 shares of AED 0.01 each, and (ii) immediately following the Global Offering, assuming that the Selling Shareholder sells all of the Shares being offered:

	As at the date of this Offering Memorandum		**Immediately following the Global Offering**	
	Number of Shares	**Percentage**	**Number of Shares**	**Percentage**
Shareholder				
Selling Shareholder	50,000,000,000	100%	41,000,000,000	82%
Public	-	-	9,000,000,000	18%

No Shares have voting rights that differ from those of any other Shares. As at the date of this Offering Memorandum, the Company is not aware of any arrangements that may result in a change in control of the Company.

DESCRIPTION OF SHARE CAPITAL

*Set out below is a summary of certain information concerning the Shares, certain provisions of the Articles of Association (the "**Articles**") adopted on 10 March 2022 pursuant to Executive Council Decision (11) for the year 2022 with the Global Offering, and certain requirements of applicable laws and regulations in effect as at the date hereof. This summary does not purport to be complete.*

Share Capital

History and Conversion

The Dubai Electricity and Water Authority was created in 1992 as a result of the merger of the Dubai Electricity Company ("**DEC**") and the Dubai Water Department ("**DWD**"), which were each established in 1959 by H.H. Sheikh Rashid bin Saeed Al Maktoum, the then Ruler of Dubai.

On 30 December 2021 pursuant to Dubai Law No. (27) of 2021 (which repealed Ruler of Dubai Law No.(1) of 1992), the Company was established in its current form, as a public joint stock company, to succeed to the Dubai Water and Electricity Authority. As at the date of this Offering Memorandum, the Company does not hold any Shares in treasury's and its total issued share capital consists of 50,000,000,000 Shares, each with a nominal value of AED 0.01.

The Selling Shareholder will offer 18% (or more, subject to the Selling Shareholder's discretion) of the Company's share capital for sale as part of the Global Offering.

Articles of Association

The following is a summary of selected rights under the Company's articles of association (the "**Articles**") and the Commercial Companies Law and the rules and regulations that will apply to the Company following the Admission.

Share Capital

Without prejudice to any rights attached to any existing Shares, and subject to the other provisions of the Articles, the Company may issue Shares with such rights or restrictions as determined by the Company by Special Resolution of its general assembly. The Shares are not divisible.

Share Register

Upon listing on the DFM, the Shares will be dematerialised and the share register will be maintained by the DFM.

The Shares may be sold, transferred, or otherwise disposed of in accordance with the provisions of the Articles and the applicable regulations for selling, purchasing, clearing, settling and recording.

Changes in Share Capital

The percentage of the Government of Dubai's ownership of the Company whether must not in any event be less than fifty one percent (51%) of the share capital of the Company.

The share capital of the Company may also be increased or reduced after obtaining the approval of the SCA.

Pre-emption Rights

Subject to provisions 225, 226, 227, and 231 of the Commercial Companies Law, the approval of SCA, and a resolution of the General Assembly, the Company may carry out a share capital increase by disapplying shareholders' pre-emptions rights to subscribe for their pre-rate share in such capital increase in the following circumstances:

(a) a strategic partner becoming a shareholder;

(b) capitalising the Company's debts

(c) conversion of the Company's debts, sukuk or bonds into Shares; and/or

(d) the Company acquiring an existing company and issuing new shares in the Company to the partners or shareholders of that acquired company.

Dividends

The Company may distribute quarterly and/or semi-annual dividends to its shareholders, and the Board of Directors are authorised to adopt and implement resolutions relating to the distribution of dividends in accordance with the dividend distribution policy of the Company adopted by the General Assembly.

Dividends due on Shares are to be paid to the owner of those Shares who is registered in the share register of the Company, in accordance with the regulations, resolutions and circulars issued by the SCA in this respect. Each shareholder has an exclusive right to such payments made on its share, in the form of a share in profits of the Company.

The General Assembly is to determine a percentage from the annual net profits of the Company (after allocation to the statutory reserve (where required) and deduction of costs and expenses) to be distributed to the shareholders.

Transfer of Shares

The Shares offered pursuant to this Offering Memorandum shall be held in dematerialized form in a shareholder registry maintained by the DFM and transfers shall be governed by and shall comply with the regulations applicable to companies listed on the DFM. The Shares may be sold, transferred, pledged or otherwise disposed of in accordance with the Articles. No transfer of, dealing in or pledging of shares in the Company is to be recognised if such transfer, dealing or pledge would result in contravention of the Articles of Association or any rules and regulations issued by the Board in this regard.

General Assembly

Convening of general meetings

The General Assembly must convene at least once per year upon summons issued by the Board within four months following the end of the financial year.

The Board of Directors may also, whenever they think fit, call a general meeting. The directors are required to call a general meeting once the Company has received requests to do so from its members that own at least 10 per cent. of the share capital in accordance with the Commercial Companies Regulations. The directors shall determine whether a general meeting is to be held as a physical general meeting or an electronic general meeting.

Invitation and notice period

A General Assembly is convened by a notice from the Board. After obtaining the SCA's approval, notice to the shareholders must be sent by registered mail, and published in two daily newspapers published in the UAE, in English and Arabic language, and by registered mail, email or SMS (if available) at least twenty-one (21) days before the date set for the General Assembly. The notice must include an agenda. Copies of the invitation and the agenda must also be sent to the SCA and the Competent Authority.

Agenda

The agenda of the General Assembly is to be set by the Board. However, in cases where the General Assembly is convened at the request of the shareholders, the auditors or the SCA, the agenda is to be set by the party requesting the convening of the General Assembly. However, the General Assembly may be permitted to discuss important matters revealed during the meeting, matters requested by the SCA, or matters requested to be included by shareholders representing at least 5 per cent. of the share capital of the Company who ask have a specific matter included at the start of the General Assembly.

Registration

A shareholder who wishes to attend a General Assembly must register their name in the electronic register kept for that purpose at the place of the General Assembly meeting prior to the convening of the General Assembly. Such register is to include the name of the shareholder or their proxy, the number of Shares they own or represent, and the names of the represented shareholders (if any).

Quorum

Registration for attending a General Assembly shall be closed at the time determined in the notice to attend the relevant meeting.

There shall be a quorum present at a General Assembly if shareholders holding (or representing by proxy) at least 50 per cent. of the share capital of the Company are present. If quorum is not present at the first meeting of the General Assembly, the General Assembly shall be adjourned to another meeting to be held at least five days, but not in excess of 15 days, from the date of the first meeting. There will be a quorum present at the second meeting irrespective of the number of shareholders present.

Rights of Shareholders at General Assemblies

Every shareholder is entitled to attend the General Assemblies and vote at a General Assembly. Any shareholder may appoint a proxy, who must not be a member of the Board, to attend the General Assembly on their behalf. Such authorisation is to be considered valid if it is confirmed by a written proxy according to conditions set by the Board. In all cases, the proxy holder may not in such capacity hold more than 5 per cent. of the Shares of the Company.

Chairing the General Assembly

The General Assembly is to be chaired by the Chairman of the Board or, in his/her absence, the Vice Chairman of the Board or, in the absence of both of them, by the Managing Director and Chief Executive officer or a Board Director appointed by the Board for that purpose. In the event that all of the aforementioned individuals are absent from the General Assembly, the General Assembly shall appoint one (1) of the Shareholders to chair the meeting and shall appoint a secretary for the meeting.

The Company must record the minutes of meetings of the General Assembly, and confirm attendance in records maintained for this purpose. These minutes are to be signed by the chairman of the General Assembly, the secretary of the General Assembly, the vote collector and the Company's auditors. Signatories to the minutes shall be responsible for the accuracy of the information contained therein.

The Board of Directors

The Board has broad power and authority to manage the Company's affairs and to perform all tasks that are not specifically reserved for the General Assembly.

Appointment of the Board of Directors

The Company is managed by a Board composed of eleven members. The first Board of Directors have been appointed by H.H. the Ruler of Dubai pursuant to Decree no 55 of 2021. The Government of Dubai, as shareholder, is entitled to appoint the number of directors equivalent of its shareholding in the Company's share capital. The remaining directors are elected by the General Assembly by secret ballot using the Cumulative Voting Procedure for a term of three (3) years. It is permissible for members of the Board whose tenure has expired to be re-appointed.

Appointment of the Chairperson and the Powers of the Chairperson

The Articles provide that after the term of the current Board of Directors appointed pursuant to Decree no 55 of 2021 expires, the new Board is to elect, by secret ballot in the first meeting following the election of the members of the Board, from amongst their members, a Chairperson and a Vice Chairperson. The Chairperson is responsible for leading the Board. The Vice Chairperson shall assume the role of Chairperson in the Chairperson's absence or if the Chairperson is unable to act.

Board Meetings

The Board meets at the invitation of the Chairman of the Board, or the Vice Chairman in Chairman's absence, a minimum of four (4) times a year as agreed by the Board.

Liability of the Board of Directors

The Board Directors and the Management are liable towards the Company, the shareholders and third parties for all acts of fraud, abuse of power, violation of the Commercial Companies Law and violation of the Articles, in addition to mismanagement.

The liability of the members of the Board is joint if the mismanagement resulted from a unanimous resolution of the Board. However, where the relevant resolution was adopted by a majority vote, the dissenting members of the Board will not be liable provided that they have recorded their objection in the minutes of the meeting. A member of the Board who was absent from the meeting in which the resolution was adopted will not be relieved from liability unless it can be proven that he/she had no knowledge of the resolution or that he/she knew about the resolution but had not been able to object to it.

Directors' Remuneration

The members of the Board are to receive remuneration, to be specified by the General Assembly on an annual basis, provided that such remuneration does not in aggregate exceed one per cent (1%) of the net profits for the financial year after deducting depreciations and statutory reserve after deducting the depreciation and reserves. A Board member may also be paid a lump sum fee not exceeding AED 200,000 dirhams at the end of the financial year and after the approval of the General Assembly.

Winding-up

The Company is incorporated for a ninety-nine year term, which is renewable automatically for consecutive similar terms unless a special resolution dissolving the Company is passed by the General Assembly.

Form of Notices and Communications

Unless the Articles of Association expressly require otherwise, any notice, document or information to be sent or supplied by the Company to shareholders (including forms of appointment of a proxy and copies of the Company's annual accounts) may be sent or supplied in hard copy form, in electronic form (for example, by email or facsimile) or by means of the Company's or another website.

REGULATION

Introduction

The Group is subject to the regulatory control of the Government. See "*—Business—Relationship with the Government of Dubai – Government of Dubai as Regulator*". The Government regulates the water and energy sector in Dubai and also imposes infrastructure, environmental and financial regulations that impact the Group's business, operations and financial condition. The Group is also subject to certain environmental laws imposed by the UAE Federal Government, which includes, among others, the Executive Council Resolution No. (6) of 2021 on Regulating the Provision of District Cooling Services in the Emirate of Dubai.

Executive Council

Any proposed revisions to the electricity and water tariffs relating to the Company are ultimately subject to the approval of the Executive Council. Below is a summary of the current tariff determination process:

- The Board of Directors may propose revisions to tariffs chargeable to electricity and water consumers;
- The Supreme Council of Energy will review and assess any tariff revisions proposed by the Company;
- The Supreme Council of Energy will make recommendations in respect of the proposed tariff revisions to the Executive Council; and
- The Executive Council will then consider for approval the recommendations made by the Board of Directors, as per Dubai law no. 27 of 2021, taking into consideration the review and recommendations of the Supreme Council of Energy.

In assessing proposed tariff revisions, the Supreme Council of Energy will take into consideration and aim to deliver a fair outcome for consumers, the Company (including its shareholders), and other key stakeholders.

Any tariff revisions will take into account, among other things, the Group's asset base, investment plans, operating and maintenance costs, and financial structure.

Fuel surcharge mechanism

The Government approved introduction of a fuel surcharge mechanism in 2011 to protect the Company against any rise in fuel costs above the Natural Gas price prevailing in 2010. The fuel surcharge mechanism is indexed to the fuel price. The Company accordingly reviews the actual fuel costs incurred on a monthly basis and revises the fuel surcharge applicable for the utilities which is published on the Company's website.

Given majority of the gas offtake contracts by DUSUP are long term contracts at fixed prices, and in turn the fuel surcharge has historically been stable. Additionally, increase of the share of renewables in power generation would further reduce impact of volatility in gas prices on the fuel surcharge. The last revision in fuel surcharge was in December 2020. In December 2020, the Company reduced the fuel surcharge to reflect the lower consumption of fuel in thermal plants resulting from the increase in the share of renewables. Electricity has reduced to 5fils/kWh from 6.5fils/kWh and water: reduced to 0.4fils/IG from 0.6fils/IG.

On 9 June 2011, His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, the Crown Price of Dubai and Chairman of the Executive Council, issued Executive Resolution No. (16) of 2011 Approving the Electricity and Water Tariff in the Emirate of Dubai (the "**Electricity and Water Tariff Resolution**"). The Electricity and Water Tariff Resolution approved electricity and water consumption tariffs in Dubai, prescribing different consumer categories and monthly consumption slabs.

Additionally, pursuant to the Electricity and Water Tariff Resolution, the Group was allowed to add a fuel surcharge to consumers' monthly bills. The Electricity and Water Tariff Resolution also clarified that any such surcharge was subject to increases or decreases based on periodic reviews by the Group. Furthermore, the resolution clarified that the fuel surcharge would be determined and charged to the different consumer categories on a monthly basis by a resolution of the Chief Executive Officer of the Group.

Supreme Council of Energy

On 28 June 2009, the Government established the Supreme Council of Energy to regulate the water and energy sector in Dubai. The Supreme Council of Energy was established pursuant to Law No. 19 of 2009 (Establishing the Supreme Council of Energy) and has been granted broad powers to regulate any public or private authority licensed to operate in the energy and water sector in Dubai ("**Service Providers**"), including those entities involved in the generation, transmission and distribution of electricity, water, oil, gas and central cooling. The Supreme Council of Energy is composed of a Chairman, a Deputy Chairman and members of not less than five representatives from the energy and water sector in Dubai, which include the Group, DUSUP and others. Pursuant to Decree No. (36) of the Year 2009 Forming the Supreme Council of Energy, the Group's Managing Director and Chief Executive Officer was appointed as the Deputy Chairman of the Supreme Council of Energy.

The Supreme Council of Energy's primary objectives is to:

- ensure energy is supplied to the Emirate of Dubai;
- set effective plans for the energy sector;
- regulate rights and obligations of the energy Service Providers and establish effective cooperation and coordination relationships amongst them;
- enhance cost efficiency and quality of energy supply services by all available means
- rationalise energy consumption and ensure environment sustainability; and
- enhance cooperation regarding all energy issues in the Emirate of Dubai.

In order to achieve its objectives, the Supreme Council of Energy has powers to, *inter alia*:

- require each Service Provider to provide the Supreme Council of Energy with information relating to its strategic plans, operational plans, financial documents, contracts and records in order to ensure that strategies are effectively co-ordinated across the water and energy sector;
- evaluate the performance and service quality of each Service Provider; and
- make recommendations to the Government on all energy and water related policies with a view to diversifying energy sources for developing sustainable and efficient energy practices.

In particular, the Supreme Council of Energy is tasked with the governance of the DIES which was launched in 2011 to set Dubai's strategic direction towards securing sustainable supply of energy and enhancing demand efficiency of water, power and fuel. The Supreme Council of Energy is responsible for planning and coordinating with the Service Providers to deliver new energy sources.

With respect to proposed tariff increases of electricity and water, the Supreme Council of Energy reviews the recommendations provided by the Board of Directors prior to their approval (or rejection) by the Executive Council (and provides a recommendation to the Executive Council accordingly). As at the date of this Offering Memorandum, apart from facilitating the approval of the tariff increase and fuel surcharge in 2011 (see "*Business —History and Development- Revision of tariffs, and establishment of the fuel surcharge*" for more information), the Supreme Council of Energy has not promulgated or implemented any specific regulations which impact upon the business and operations of the Group.

Regulatory and Supervisory Bureau

The RSB was established by Executive Council Resolution Number 2 of 2010. The RSB was formed in 2010 to support the Supreme Council of Energy to develop regulatory frameworks to support Dubai's economic growth through secure energy supply and efficient energy use while meeting environmental and sustainability objectives. The RSB is responsible for licencing participants in Dubai's electricity generation and water desalination markets and district cooling markets in respect of IWPs and acts as an independent regulatory body.

Infrastructure Regulation

Any major infrastructure projects, which include the building of roads, highways and the provision of utilities, also come under the scope of the Government's regulation. The Government's Infrastructure Committee (the

"**Infrastructure and Environment Committee**") plans and monitors the overall development of infrastructure in Dubai, and the Managing Director of the Company sits on this committee. While the Infrastructure and Environment Committee has not promulgated or implemented any specific regulations in relation to the construction of power and desalination stations or transmission and distribution networks, it can direct the Group to carry out its projects in a way that meets Dubai's infrastructure or environmental requirements. In addition, the grant of specific routes or corridors for the laying of cables and water pipelines is controlled by the RTA, which may impose certain regulations and specifications or require the Group to move its corridors in order to, for example, accommodate new roads or other infrastructure, although the RTA would bear the costs of such relocation. Further to this, the Dubai Municipality exercises control over land allocation with respect to the Group's power stations and other sub stations within Dubai. Pursuant to an order by H.H. Sheikh Mohammed bin Rashid al Maktoum on 26 July 2008, all existing and future lands utilised by the Group shall be deemed to be the Group's private property owned by the Group and constituting part of its assets.

Environmental Regulation

The Group is subject to environmental regulations issued under UAE federal law and under Dubai law. The UAE federal environmental laws provide the basic regulatory framework in respect of environmental matters, and are supervised by the Ministry of Environment. The Ministry of Environment has delegated the enforcement of the federal environmental laws in Dubai to the Dubai Municipality, which has implemented them in Dubai through Federal Law 24. Dubai Municipality is the legal enforcer for the environmental laws in Dubai pursuant to 61/91 Local Order (the "**Local Order**"). The Local Order applies to commercial and industrial establishments and contains a set of regulations covering a wide range of areas including the disposal of waste water on land and in marine waters, air pollution, the handling of hazardous substances and chemicals, occupational health and safety on construction sites and at the workplace and also dictates the level of liability for non-compliance with the regulations. The Environmental Protection and Safety Section of the Dubai Municipality issues environmental permits for these controlled activities and conducts environmental impact assessments on the activities of companies to ensure that they are in compliance with the regulations. Penalties for non-compliance include fines and the obligation to pay damages or compensation. In addition, any entity which has caused environmental damage could be subject to civil liability for negligence.

Financial Regulation

The Group's borrowings are controlled by the Supreme Fiscal Committee, which was established in November 2007 pursuant to Decree No. (24) of the Year 2007 Concerning the Formation of the Higher Committee for Financial Policy in the Emirate of Dubai. The Supreme Fiscal Committee was appointed to formulate the fiscal policies of the Government and to regulate borrowings by the Government and Government-owned entities. The Supreme Fiscal Committee aims to improve coordination between various Government entities, and to enable them to meet their development targets in a cost efficient manner. Pursuant to Law No. 7 of 2008, any borrowings by the Government or Government-owned entities would require a certificate of approval by the Supreme Fiscal Committee, either in respect of a specific financing or in respect of borrowings by the relevant entity up to a particular limit and for a specified period. Therefore, any borrowing by the Group (including any bank financing, bond or sukuk issuance) must be approved by both the Board and the Supreme Fiscal Committee. The Group has received a certificate of approval from the Supreme Fiscal Committee in respect of its payment obligations under the Transaction Documents and the Certificates.

On 17 December 2009, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Vice President of the UAE, in his capacity as the Ruler of Dubai, issued Law No. 35, which provides, *inter alia*, that:

- Government agencies which are deemed to be financially independent are required, *inter alia*, to refer their annual balance sheet to the Supreme Fiscal Committee for consideration and ratification, to be later referred by the Committee to the Department of Finance to give its opinion thereon;
- such financially independent agencies are required to transfer their annual surplus revenues to the Investment Corporation of Dubai;
- profits realised by Government companies and investments and surplus revenues of financially independent agencies will constitute a part of the Government's general revenues and the Investment Corporation of Dubai will manage these investments and surpluses. The Investment Corporation of

Dubai will then transfer distributed profits earned from its management of such investments and surplus revenues to the Public Treasury; and

- upon the approval of the Supreme Fiscal Committee, recommendation of the Department of Finance and coordination with the Investment Corporation of Dubai, the profits of government companies and investments and surplus revenues of financially independent agencies may be reinvested before transfer to the Public Treasury of the Government.

The Group received written confirmation dated 16 March 2010 (the "**Law No. 35 Waiver**") from the Supreme Fiscal Committee stating that even though the Group is deemed to be a financially independent entity for the purposes of Law No. 35, the Supreme Fiscal Committee would have no objection to the Group's reinvestment of its profits and surplus revenue in the implementation of its future projects. Accordingly, the Government, through the Supreme Fiscal Committee, has exempted the Group from the requirement under Law No. 35 to transfer its annual surplus revenue to the Investment Corporation of Dubai and, in accordance with past practice, the Group intends to continue to reinvest its profits and surplus revenue in the implementation of its projects.

Participation of Private Sector

On 4 April 2011, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Vice President of the UAE, in his capacity as the Ruler of Dubai, issued Law No. (6) of 2011 Regulating the Participation of the Private Sector in Electricity and Water Production in the Emirate of Dubai ("**Private Sector Participation Law**"). The Private Sector Participation Law allows a public or private entity to obtain a license from the RSB permitting it to conduct any activity related to generating electricity and water desalination for the purpose of supplying electricity and/or water to the Group.

In addition, pursuant to the Private Sector Participation Law, the Group may establish project companies in collaboration with third parties (including with private entities not incorporated in the UAE) in order to produce and/or supply water or electricity and carry out any other activity in connection with this. However, such ventures can only be entered into in accordance with rules approved by the Supreme Council of Energy. As at the date of this Offering Memorandum, no relevant rules have been issued by the Supreme Council of Energy.

As a result of the Private Sector Participation Law, the Group can now enter into partnerships with private developers in order to commission/procure water and electricity generation projects while retaining significant control over the generation and water desalination business. The Group will continue to be the sole off-taker, transmission operator and distributor.

Solar Energy and Power Distribution System

On 17 December 2014, His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, the Crown Price of Dubai and Chairman of the Executive Council, issued Executive Resolution No. (46) of 2014 Concerning the Connections of Generators of Electricity from Solar Energy to the Power Distribution System in the Emirate of Dubai (the "Solar Energy to Power Distribution System Resolution"). The Solar Energy to Power Distribution System Resolution established a framework regulating the connection of generators of electricity to the power distribution system and allowed residential and commercial buildings to generate electricity on premises and feed the excess to the Distribution System. The Solar Energy to Power Distribution System Resolution encouraged residential and commercial buildings to use solar panels by allowing any excess generation to go towards a net-metering credit.

Under the Solar Energy to Power Distribution System Resolution, the Group was assigned duties and powers to fulfil the Resolution's objectives of promoting the diversification of the energy mix via the use of clean and renewable energy sources. The duties and powers assigned to the Group were to, *inter alia*, regulate the production of solar energy in Dubai, determine the annual connection cap, approve and regularly review the connection conditions, approve and regularly review connection agreement formats and enter into connection agreements with producers, and set the maximum generation capacity that may be exported by the producer to the distribution system. The launch of Shams Dubai, the Group's distributed renewable resources generation programme, implemented the Solar Energy to Power Distribution System Resolution.

Protection of the Public Electricity and Water Network

On 11 April 2015, His Highness Mohammed bin Rashid Al Maktoum, the Ruler of Dubai, issued Law No. (6) of 2015 Concerning the Protection of the Public Electricity and Water Network in Dubai, aimed at protecting the electricity and water infrastructure of Dubai and ensuring high quality and uninterrupted service by the Group to its customers. Under this law, the Group was granted the duties and powers to take the necessary action and measures to protect the public network of Dubai (including stations, machinery, equipment, systems, service lines, and related equipment owned of managed by the Group, including the telecommunication network used by the Group). The Group was also given the authority to issue authorisations to any party wishing to conduct works near the public network or service lines that could negatively affect any of them, and other matters related to the protection of the network and monitoring compliance in this respect.

Judicial Officers of the Company

On 26 November 2018, His Excellency Saeed Mohammed Al-Tayer, Managing Director and Chief Executive Officer of the Group, issued Administrative Resolution No. (1) of 2018 Granting the Capacity of Judicial Officers to Some Employees of Dubai Electricity and Water Authority (the "**Judicial Officer Capacity Resolution**"). The Judicial Officer Capacity Resolution granted certain employees of the Company the capacity of judicial officer for the purpose of recording actions in violation of the provisions of Law No. (6) of 2015 Concerning the Protection of the Public Electricity and Water Network in Dubai, which aimed at protecting the electricity and water infrastructure of Dubai and ensuring high quality and uninterrupted service by the Group to its customers.

The Judicial Officer Capacity Resolution set out the duties of judicial officers, making sure that employees designated as judicial officers comply with the provisions and apply the provisions of Law No. (6) of 2015 Concerning the Protection of the Public Electricity and Water Network in Dubai. Additionally, the Judicial Officer Capacity Resolution sets out other duties that employees granted the capacity of judicial officers must abide by. The powers granted to said employees are to call the police when necessary, seek the assistance of experts and translators, hear and record the statements of informants and witnesses, and conduct investigations, inspections, and questionings as well as access authorised areas to collect information related to violations.

DEWA as a PJSC

Pursuant to Ruler of Dubai law no. 27 of 2021 which came into effect on 30 December 2021 (and repealed Decree No. 1), DEWA was converted to a public joint stock company with commercial licence number 1029366. At the same time Ruler of Dubai Decree no. 56 of 2021 was enacted appointing H.E. Saeed Mohammed Ahmad Al Tayer as the Managing Director and Chief Executive Officer of the Company, and Ruler of Dubai Decree no. 55 of 2021 was enacted appointing the current members of the Board.

MATERIAL AGREEMENTS

The following is a summary of the agreements that the Group considers material or important or which may otherwise influence an investor's decision to invest in the Shares. These summaries do not purport to describe all the applicable terms and conditions of such agreements and are qualified in their entirety by the respective agreements.

General

Contracting Structure

The Group typically contracts by way of purchase orders that are on standard arms' length terms. No one purchase order of the Group compose more than 5% of its annual revenue.

Offtake Agreements

Hassyan Energy Power Purchase Agreement

The Group entered into a power purchase agreement with Hassyan Energy Phase 1 PSC on 1 June 2016, as amended on 29 November 2016 (the "**Hassyan Energy PPA**"). Pursuant to the terms of the Hassyan Energy PPA, the Group agreed to purchase the net electrical energy generated by Hassyan Energy Phase 1 PSC for a period equal to 25 years from the commercial operation date of the power plant. The Group's certain payment obligations are guaranteed by an irrevocable payment undertaking issued by the Department of Finance on 27 July 2016. Pursuant to the Department of Finance's payment undertaking, the Department of Finance shall be liable for amounts equal to the lesser of:

- the maximum aggregate payment liabilities of the Group under the Hassyan Energy PPA; and
- the amount not exceeding, in aggregate of all claims or demands made in respect of the period (i) up to the tenth anniversary of the commercial operation date of the power plant, USD 5,360 million; (ii) from the tenth anniversary of the commercial operation date of the power plant and up to the twentieth anniversary of such commercial operation date, USD 4,824 million; and (iii) from the twentieth of the commercial operation date of the power plant, USD 4,288 million.

For further information on the Hassyan Energy independent power project, see " – *Business – Principal Operations – Electricity –Hassyan Energy IPP*".

Shuaa Energy 1 Power Purchase Agreement

The Group entered into a power purchase agreement with ACWA Power Solar Limited on 26 March 2015, as amended to Shuaa Energy 1 PSC on 7 July 2015 and as further amended on 7 July 2015 (the "**Shuaa Energy 1 PPA**"). Pursuant to the terms of the Shuaa Energy 1 PPA, the Group agreed to purchase the net electrical energy generated by Shuaa Energy 1 PSC for a period equal to 25 years from the commercial operation date of the power plant. The Group's certain payment obligations are guaranteed by an irrevocable payment undertaking issued by the Department of Finance on 7 July 2015. Pursuant to the Department of Finance's payment undertaking, the Department of Finance shall be liable for amounts equal to the lesser of:

- the maximum aggregate payment liabilities of the Group under the Shuaa Energy 1 PPA; and
- the amount, in aggregate of all claims or demands made over the term of the payment undertaking, of USD 460 million.

For further information on the Shuaa Energy 1 independent power project, please see " – *Business – Principal Operations – Electricity – Shuaa Energy 1 IPP*".

Shuaa Energy 2 Power Purchase Agreement

The Group entered into a power purchase agreement with Emirates Solar Power Company LLC on 28 November 2016, as novated to Shuaa Energy 2 PSC on 12 June 2017 (the "**Shuaa Energy 2 PPA**") and as further amended on 12 June 2017. Pursuant to the terms of the Shuaa Energy 2 PPA, the Group agreed to purchase the net electrical energy generated by Shuaa Energy 2 PSC for an initial period equal to 25 years from the commercial operation date of the power plant. The Group's certain payment obligations are guaranteed by an irrevocable payment undertaking issued by the Department of Finance on 12 June 2017. Pursuant to the Department of Finance's payment undertaking, the Department of Finance shall be liable for amounts equal to the lesser of:

- the maximum aggregate payment liabilities of the Group under the Shuaa Energy 2 PPA; and
- the amount not exceeding, in aggregate of all claims or demands made in respect of the period (i) up to and including 31 December 2024, USD 1,288,536,793; (ii) from 1 January 2025 up to and including 31 December 2029, USD 963,837,659; (iii) from 1 January 2030 up to and including 31 December 2034, USD 752,394,918, (iv) from 1 January 2035 up to and including 31 December 2039, USD 542,783,308 and (v) from 1 January 2040, USD 302,227,485.

For further information on the Shuaa Energy 2 independent power project, please see " – *Business – Principal Operations – Electricity – Shuaa Energy 2 IPP*".

Noor Energy 1 Power Purchase Agreement

The Group entered into a power purchase agreement with Noor Energy 1 PSC on 15 March 2018, as amended and restated on 30 October 2018 and as further amended on 14 March 2019 (the "**Noor Energy 1 PPA**"). Pursuant to the terms of the Noor Energy 1 PPA, the Group agreed to purchase the net electrical energy generated by Noor Energy 1 PSC for a period equal to 35 years from the commercial operation date of the power plant. The Group's certain payment obligations are guaranteed by an irrevocable payment undertaking issued by the Department of Finance on 10 December 2018. Pursuant to the Department of Finance's payment undertaking, the Department of Finance shall be liable for amounts equal to the lesser of:

- the maximum aggregate payment liabilities of the Group under the Noor Energy 1 PPA; and
- the amount not exceeding, in aggregate of all claims or demands made in respect of the period (i) up to the fifth anniversary of the commercial operation date of the plant, USD 6,225,526,099; (ii) from the fifth to the tenth anniversary of the commercial operation date of the plant, USD 5,914,249,794; (iii) from the tenth to the fifteenth anniversary of the commercial operation date of the plant, USD 5,618,537,304; (iv) from the fifteenth to the twentieth anniversary of the commercial operation date of the plant, USD 5,337,610,439; (v) from the twentieth to the twenty fifth anniversary of the commercial operation date of the plant, USD 5,070,729,917; (vi) from the twenty fifth to the thirtieth anniversary of the commercial operation date of the plant, USD 4,563,656,925; and (vii) from the thirtieth anniversary of the commercial operation date of the plant, USD 3,879,108,387.

For further information on the Noor Energy 1 independent power project, please see "– *Business – Principal Operations – Electricity –– Noor Energy 1 IPP*".

Shuaa Energy 3 Power Purchase Agreement

The Group entered into a power purchase agreement with Solar V Holding Co Ltd on 29 April 2020, as amended and novated to Shuaa Energy 3 PSC on 30 September 2020 (the "**Shuaa Energy 3 PPA**"). Pursuant to the terms of the Shuaa Energy 3 PPA, the Group agreed to purchase the net electrical energy generated by Shuaa Energy 3 PSC for an initial period equal to 25 years from the commercial operation date of the power plant.

For further information on the Shuaa Energy 3 independent power project, please see " – *Business – Principal Operations – Electricity – Shuaa Energy 3 IPP*".

Hassyan Water Company 1 Water Purchase Agreement

The Group entered into a water purchase agreement with Utico IWP Twenty Holdings DMCC on 31 March 2021. Pursuant to the terms of the agreement, the Group agreed to purchase the water output of the seawater reverse osmosis plant for an initial period of 35 years from the commercial operation date of that plant.

For further information on the Hassyan independent water project, please see "*– Business – Principal Operation – Water – Details of IWP – Hassyan SWRO IWP".*

Shareholders' Agreements

Hassyan Energy Phase 1 PSC Shareholders' Agreement

The Hassyan Energy 1 DEWA HoldCo and ACWA Power Harbin Holdings Limited (the "**Hassyan Energy Shareholders**"), who entered into a shareholders' agreement on 1 June 2016, as amended and restated on 7 September 2016, and further amended on 29 November 2016, (the "**Hassyan Energy Shareholders' Agreement**") relating to the constitution, governance and management of Hassyan Energy Phase 1 PSC, the project company established for the 2,400MW Hassyan Energy power plant IPP project. The Hassyan Energy Shareholders' Agreement sets out the Hassyan Energy Shareholders' respective governance rights and obligations regarding the operation and management of Hassyan Energy Phase 1 PSC.

Pursuant to the Hassyan Energy Shareholders' Agreement, each of the Hassyan Energy Shareholders hold the following interest and board seats in Hassyan Energy Phase 1 PSC:

Shareholder	Interest	Board Seats
Hassyan Energy DEWA HoldCo	51%	4
ACWA Power Harbin Holdings Limited	49%	3
Total	**100%**	**7**

The Hassyan Energy DEWA HoldCo, which has a 51% ownership interest in Hassyan Energy Phase 1 PSC, is wholly owned by JEI Holding, which in turn is wholly owned by the Company.

Shuaa Energy 1 PSC Shareholders' Agreement

The Shuaa Energy 1 DEWA HoldCo and ACWA Power Solar Limited (the "**Shuaa Energy 1 Shareholders**") entered into a shareholders' agreement on 26 March 2015, (the "**Shuaa Energy 1 Shareholders' Agreement**") relating to the constitution, governance and management of the Shuaa Energy 1 PSC, the project company established for the 200MW Phase II photovoltaic solar IPP project at MBR Solar Park. The Shuaa Energy 1 Shareholders' Agreement sets out the Shuaa Energy 1 Shareholders' respective governance rights and obligations regarding the operation and management of Shuaa Energy 1 PSC.

Pursuant to the Shuaa Energy 1 Shareholders' Agreement, each of the Shuaa Energy 1 Shareholders hold the following interest and board seats in Shuaa Energy 1 PSC:

Shareholder	Interest	Board Seats
Shuaa Energy 1 DEWA HoldCo	51%	4
ACWA Power Solar Limited	49%	3
Total	**100%**	**7**

The Shuaa Energy 1 DEWA HoldCo, which has a 51% ownership interest in the Shuaa Energy 1 Project Company, is wholly owned by JEI Holding, which in turn is wholly owned by the Company.

Shuaa Energy 2 PSC Shareholders' Agreement

The Shuaa Energy 2 DEWA HoldCo and Emirates Solar Power Company LLC (the "**Shuaa Energy 2 Shareholders**") entered into a shareholders' agreement on 28 November 2016, as amended on 12 June 2017, (the "**Shuaa Energy 2 Shareholders' Agreement**") relating to the constitution, governance and management of Shuaa Energy 2 PSC, the project company established for the 800MW Phase III photovoltaic solar IPP project at MBR Solar Park. The Shuaa Energy 2 Shareholders' Agreement sets out the Shuaa Energy 2 Shareholders' respective governance rights and obligations regarding the operation and management of the Shuaa Energy 2 PSC.

Pursuant to the Shuaa Energy 2 Shareholders' Agreement, each of the Shuaa Energy 2 Shareholders hold the following interest and board seats in Shuaa Energy 2 PSC:

Shareholder	Interest	Board Seats
Shuaa Energy 2 DEWA HoldCo	60%	4
Emirates Solar Power Company LLC	40%	3
Total	**100%**	**7**

The Shuaa Energy 2 DEWA HoldCo, which has a 60% ownership interest in Shuaa Energy 2 PSC, is wholly owned by JEI Holding, which in turn is wholly owned by the Company.

Noor Energy 1 PSC Shareholders' Agreement

The Noor Energy 1 DEWA HoldCo and ACWA Power Solar CSP Holding Ltd. (the "**Noor Energy 1 Shareholders**") entered into a shareholders' agreement on 15 March 2018, as amended on 30 October 2018, 22 December 2018, and 14 March 2019, (the "**Noor Energy 1 Shareholders' Agreement**") relating to the constitution, governance and management of the Noor Energy 1 PSC, the project company established for the 950MW Phase IV concentrated solar power & photovoltaic solar IPP project at MBR Solar Park. The Noor Energy 1 Shareholders' Agreement sets out the Noor Energy 1 Shareholders' respective governance rights and obligations regarding the operation and management of Noor Energy 1 PSC.

Pursuant to the Noor Energy 1 Shareholders' Agreement, each of the Noor Energy 1 Shareholders hold the following interest and board seats in No or Energy 1 PSC:

Shareholder	Interest	Board Seats
Noor Energy 1 DEWA HoldCo	51%	4
ACWA Power Solar CSP Holding Ltd.	49%	3
Total	**100%**	**7**

Noor Energy 1 DEWA HoldCo, which has a 51% ownership interest in Noor Energy 1 PSC, is owned by JEI Holding (94%) and Dubai Green Fund (6%), which in turn are directly and indirectly, respectively, wholly owned by the Company.

Shuaa Energy 3 PSC Shareholders' Agreement

The Shuaa Energy 3 DEWA HoldCo and Solar V Holding Co Ltd, (the "**Shuaa Energy 3 Shareholders**") entered into a shareholders' agreement on 29 April 2020, as amended on 30 September 2020, (the "**Shuaa Energy 3 Shareholders' Agreement**") relating to the constitution, governance and management of Shuaa Energy 3 PSC, the project company established for the 900MW Phase V photovoltaic solar IPP project at MBR Solar Park. The Shuaa Energy 3 Shareholders' Agreement sets out the Shuaa Energy 3 Shareholders' respective governance rights and obligations regarding the operation and management of the Shuaa Energy 3 PSC.

Pursuant to the Shuaa Energy 3 Shareholders' Agreement, each of the Shuaa Energy 3 Shareholders hold the following interest and board seats in Shuaa Energy PSC:

Shareholder	Interest	Board Seats
Shuaa Energy 3 DEWA HoldCo	60%	4
Solar V Holding Co Ltd	40%	3
Total	**100%**	**7**

The Shuaa Energy 3 DEWA HoldCo, which has a 60% ownership interest in Shuaa Energy 3 PSC, is owned by JEI Holding (66.66%) and Dubai Green Fund (33.34%), which in turn are, directly and indirectly, respectively, wholly owned by the Company.

Hassyan Water Company 1 PSC Shareholders' Agreement

The Hassyan RO DEWA HoldCo and Utico IWP Twenty Holdings DMCC (the "**Hassyan RO Shareholders**") entered into a shareholders' agreement on 31 March 2021, (the "**Hassyan RO Shareholders' Agreement**") relating to the constitution, governance and management of Hassyan Water Company 1 PSC, the project company established for the 120 million imperial gallon seawater reverse osmosis IWP project. The Hassyan RO Shareholders' Agreement sets out the Hassyan RO Shareholders' respective governance rights and obligations regarding the operation and management of Hassyan Water Company 1 PSC.

Pursuant to the Hassyan RO Shareholders' Agreement, each of the Hassyan RO Shareholders hold the following interest and board seats in Hassyan Water Company 1 PSC:

Shareholder	Interest	Board Seats
Hassyan RO Energy DEWA HoldCo	60%	4
Utico IWP Twenty Holdings DMCC	40%	3
Total	**100%**	**7**

The Hassyan RO DEWA HoldCo, which has a 60% ownership interest in Hassyan Water Company 1 PSC, is wholly owned by JEI Holding, which in turn is wholly owned by the Company.

EPC Contracts

Noor Energy 1 EPC Contract

Noor Energy 1 PSC entered into a lump sum, turnkey engineering, procurement and construction contract on 13 April 2018, as amended and restated on 22 November 2018 and further amended on 11 March 2019, comprising an offshore engineering and procurement contract and a coordination agreement with the Noor Energy 1 EP Contractor and the Noor Energy 1 Construction Contractor to ensure joint and several liability for the works between the two (together, the "**Noor Energy 1 EPC Contract**"). The Noor Energy 1 EPC Contract reflects market standard terms including provision for delay liquidated damages, performance liquidated damages, defects liability and performance security. The combined limit of liability of the Noor Energy 1 EP Contractor and the Noor Energy 1 Construction Contractor under the Noor Energy 1 EPC Contract is 100% of the total contract price, subject to standard carve-outs and a typical consequential loss exclusion. The key terms of the Noor Energy 1 EPC Contract are as follows:

Phase	Guaranteed Initial Acceptance Date	Noor Energy 1 EP Contract Price (USD)	Noor Energy 1 Construction Contract Price (USD)
Phase 1 CT	32 months after full notice to proceed	529,918,747	221,970,943
Phase 1 PT	32 months after full notice to proceed	594,644,455	254,164,151
Phase 2	40 months after full notice to proceed	587,717,766	254,164,151
Phase 3	48 months after full notice to proceed	623,741,187	266,655,164

Noor Energy 1 PSC entered into an operation and maintenance agreement ("**Noor Energy 1 O&M Agreement**") on 13 December 2018 with an operation and maintenance provider (the "**Noor Energy 1 Operator**"), pursuant to which the Noor Energy 1 Operator shall operate and maintain the plant from the period commencing on the commercial operation date of each phase of the plant and expiring on the date of expiry or termination of the Noor Energy 1 PPA in exchange for a monthly fee (which, following the project commercial operation date, amounts to USD 2,755,131.45 per month, subject to indexation). Additional fees, in accordance with the fee schedule, shall be payable with respect to the period prior to operation period. The Noor Energy 1 O&M Agreement reflects standard market terms and the Noor Energy 1 Operator's liability in any year is limited to 130% of the fees payable in such year, subject to standard carve-outs.

Shuaa Energy 1 EPC Contract

Shuaa Energy 1 PSC entered into a lump sum, turnkey engineering, procurement and construction contract on 17 June 2015 with an EPC contractor ("**Shuaa Energy 1 EPC Contractor**") for the completion of design, engineering, procurement, construction and completion of works on a turnkey basis (the "**Shuaa Energy 1 EPC Contract**"). The Shuaa Energy 1 EPC Contract reflects market standard terms including provision for delay liquidated damages, performance liquidated damages, defects liability and performance security. The combined limit of liability of the Shuaa Energy 1 EPC Contractor under the Shuaa Energy 1 EPC Contract is 100% of the total Shuaa Energy 1 EPC Contract price, subject to standard carve-outs and a typical consequential loss exclusion. The key terms of the Shuaa Energy 1 EPC Contract are as follows:

Guaranteed Initial Acceptance Date	Shuaa Energy 1EPC Contract Price (USD)
2 April 2017[28]	297,675,247

Shuaa Energy 1 PSC entered into an operation and maintenance agreement ("**Shuaa Energy 1 O&M Agreement**") on 17 June 2015 with an operation and maintenance provider (the "**Shuaa Energy 1 Operator**"), pursuant to which the Shuaa Energy 1 Operator shall operate and maintain the plant from the period commencing

[28] Given the proposed duration of the defects liability period and the potential extension to the same, the defects liability period may still be ongoing with respect to any parts or equipment repaired during the original defects liability period.

on the "Closing Date" (as defined in the Shuaa Energy 1 PPA) and expiring on the date of expiry or termination of the Shuaa Energy 1 PPA. In exchange for the provision of such services, the Shuaa Energy 1 Operator is paid monthly fees which, during the operating period, amount to: (i) USD 35,167 per month as an operating fixed fee, and (ii) operating costs (indicative amounts of which are USD 259,583 per month), both subject to indexation. The Shuaa Energy 1 O&M Agreement reflects standard market terms and the Shuaa Energy 1 Operator's liability in any year during the operating period is limited to 100% of the operating fixed fees payable in such year, subject to standard carve-outs.

Shuaa Energy 2 EPC Contract

Emirates Solar Power Company L.L.C. (the "**Original Shuaa Energy 2 Project Company**") entered into an engineering, procurement and construction contract on 6 December 2016 (the "**Shuaa Energy 2 EPC Contract**") with a consortium of EPC contractors (the "**Original Shuaa Energy 2 EPC Contractor**"). The Shuaa Energy 2 EPC Contract was amended on 12 June 2017, and, pursuant to a separate agreement also dated 12 June 2017, the rights and obligations of the Original Shuaa Energy 2 Project Company and another EPC contractor were novated to: (i) Shuaa Energy 2 PSC. The Shuaa Energy 2 EPC Contract was further amended on 4 July 2021 (the "**Shuaa Energy 2 Amendment**"). The Shuaa Energy 2 EPC Contract reflects market standard terms including provision for delay liquidated damages, performance liquidated damages, defects liability and performance security. The combined limit of liability of Shuaa Energy 2 PSC and the New Shuaa Energy 2 EPC Contractor under the Shuaa Energy 2 EPC Contract is 100% of the total Shuaa Energy 2 EPC Contract price (less the "Phase Contract Price" of each "Phase", if any, as defined within the Shuaa Energy 2 EPC Contract), subject to standard carve-outs and a typical consequential loss exclusion. The key terms of the Shuaa Energy 2 EPC Contract are as follows:

Phase	Scheduled Work Commencement Date	Scheduled Provisional Acceptance Date	Shuaa Energy 2 EPC Contract Price (USD)
Phase A	6 December 2016	27 March 2018	222,642,501
Phase B	2 December 2017	27 March 2019	322,862,397
Phase C	1 December 2018	26 March 2020	303,768,322

The Shuaa Energy 2 Amendment confirms that the total contract price factoring all additions and deductions is USD 849,273,220.

Shuaa Energy 2 PSC also entered into a short-term operation and maintenance agreement ("**Short Term Shuaa Energy 2 O&M Agreement**") on 12 June 2017 with an operation and maintenance provider (together, the "**Shuaa Energy 2 Short Term Operator**"), pursuant to which the Shuaa Energy 2 Short Term Operator shall operate and maintain the plant from the period commencing during the pre-operating period for each phase and expiring on the earlier of the last expiry date or termination pursuant to Clause 15, in exchange for a monthly fee. The term may potentially be up to five years from completion of Phase A. In respect of pre-operating periods, the fees payable are USD 336,000, USD 287,000 and USD 258,454 for Phases A, B and C respectively, and during the operating period the services fee payable is the fixed lump sum for each operating phase during each contract year or *pro rata* thereof, as set out in Schedule 3 to the Short Term Shuaa Energy 2 O&M Agreement. The Short Term Shuaa Energy 2 O&M Agreement reflects standard market terms and the Shuaa Energy 2 Short Term Operator's liability in any year is limited to 100% of the anticipated aggregate services fee payable in each contract year, subject to standard carve-outs.

Shuaa Energy 2 PSC entered into a long-term operation and maintenance agreement ("**Long-term Shuaa Energy 2 O&M Agreement**") on 12 June 2017 with a consortium of operation and maintenance providers (together, the "**Shuaa Energy 2 Long-term Operator**"), pursuant to which the Shuaa Energy 2 Long-term Operator shall operate and maintain the plant from the period commencing on the date of the Shuaa Energy 2 Long-term O&M Agreement and terminating until the last day of the term of the Shuaa Energy 2 PPA prior to any extension thereunder. In respect of pre-operating periods, the fees payable are USD 64,711, USD 72,929 and USD 62,359 for Phases A, B and C, respectively, and during the operating period the services fee payable is the fixed lump sum for each operating phase during each contract year or *pro rata* thereof, as set out in Schedule 3 to the Long-term Shuaa Energy 2 O&M Agreement. The Long-term Shuaa Energy 2 O&M Agreement reflects standard market terms and the Shuaa Energy 2 Long-term Operator's liability in any year is limited to 100% of the anticipated aggregate services fee payable in each contract year, subject to standard carve-outs.

Shuaa Energy 3 EPC Contract

Shuaa Energy 3 PSC entered into a lump sum turnkey engineering, procurement and construction contract on 23 July 2020 (the "**Shuaa Energy 3 EPC Contract**"). The Shuaa Energy 3 EPC Contract reflects market standard terms including provision for delay liquidated damages, performance liquidated damages, defect liability and performance security. The combined limit of liability of Shuaa Energy 3 PSC and the Shuaa Energy 3 EPC Contractor under the Shuaa Energy 3 EPC Contract is 100% of the total Shuaa Energy 3 EPC Contract price, subject to standard carve-outs and a typical consequential loss exclusion. Shuaa Energy 3 PSC's aggregate liability is also limited to 100% of the Shuaa Energy 3 EPC Contract price. The Shuaa Energy 3 EPC Contract price is USD 144,226,795;

Phase	Guaranteed Completion Date – Initial Acceptance	Guaranteed Completion Date – Final Acceptance
Phase A	28 July 2021	28 July 2023
Phase B	2 April 2022	2 April 2024
Phase C	2 April 2023	2 April 2025

Shuaa Energy 3 PSC entered into an operation and maintenance agreement (the "**Shuaa Energy 3 O&M Agreement**") on 14 October 2020 with an operation and maintenance provider (the "**Shuaa Energy 3 Operator**"), pursuant to which the Shuaa Energy 3 Operator shall operate and maintain the plant from the period commencing on the date of the Shuaa Energy 3 O&M Agreement up to the date that the Shuaa Energy 3 PPA expires or is otherwise terminated. The fee structure is as follows:

Phase	Mobilisation Period Fee (USD/pcm)
Phase A	194,557
Phase B	229,940
Phase C	216,390

Phase	Operation Period Fee (USD/pcm)
Phase A	108,376
Phase A + B	216,752
Phase A + B + C	334,982

The Shuaa Energy 3 O&M Agreement reflects standard market terms and the Shuaa Energy 3 Operator's liability in any year is limited to 100% of the fees payable in each contract year (including any bonuses paid to the Shuaa Energy 3 Operator), subject to standard carve-outs.

Hassyan Energy Phase 1 EPC Contract

Hassyan Energy Phase 1 PSC entered into a lump sum, turnkey engineering, procurement and construction contract on 26 June 2016 with a consortium of General Electric International Inc. and Harbin Electric International Company Limited (the "**Hassyan Energy Phase 1 EPC Contractor**") for all design, engineering, procurement, construction start-up and commissioning, testing and other work necessary for the completion of the works (the "**Hassyan Energy Phase 1 EPC Contract**"). The Hassyan Energy Phase 1 EPC Contract reflects market standard terms for such projects including provision for delay liquidated damages, performance liquidated damages, performance security and defects liability. The limit of liability of the Hassyan Energy Phase 1 EPC Contractor under the Hassyan Energy Phase 1 EPC Contract is 100% of the total Hassyan Energy Phase 1 Contract Price, subject to standard carve-outs and a typical consequential loss exclusion. The key terms of the Hassyan Energy Phase 1 EPC Contract are as follows:

Scope	Guaranteed Completion Date	Contract Price (USD)
Plant i.e. the electricity generation facility comprising 4 power units, each with a capacity of 600 MW	01 September 2023	2,130,000,000
Fuel Special Facilities and the Back-up Fuel Metering System	01 December 2020	220,000,000

Hassyan Energy Phase 1 PSC entered into an operation and maintenance agreement ("**Hassyan Energy Phase 1 O&M Agreement**") on 11 August 2016 with an operation and maintenance provider (the "**Hassyan Energy Phase 1 Operator**"), pursuant to which the Hassyan Energy Phase 1 Operator shall operate and maintain the plant from the period commencing on the date of the agreement and expiring on the date of expiry or termination of the Hassyan Energy Phase 1 PPA in exchange for a monthly fee. The term is divided into multiple periods linked to the commercial operation date each units. The monthly fee during the operation period of the plant shall be the following, subject to indexation:

Plant Operation Period Fees	USD
Monthly Fixed O&M Fee (1 March 2023 – 29 February 2024)	6,151,280.17
Monthly Fixed O&M Fee (1 March 2024 – 28 February 2025)	6,134,928.76
Monthly Fixed O&M Fee (1 March 2025 – end of Term)	5,968,262.09

Additional fees, in accordance with the fee schedule, shall be payable with respect to the period prior to the operation period of the plant. The Hassyan Energy Phase 1 O&M Agreement reflects standard market terms, including provision for availability liquidated damages as well as other liquidated damages dealing with specific losses. In addition to other sub-caps relating to periods prior to the operation period of the plant, the Hassyan Energy Phase 1 Operator's liability in any year is limited to 100% of the fees payable in such year during the "Plant Operation Period" and 130% of the fees payable in any year during the Term, subject to standard carve-outs.

Certain financing arrangements of the Group

Senior Unsecured Revolving Credit Facility ("Proposed RCF")

Overview

Pursuant to a mandate letter entered into between the Company and Emirates NBD Capital Limited ("**EMCAP**") dated 24 February 2022 (the "**Mandate Letter**") the Company intends to enter into a Senior Unsecured Revolving Credit Facility for an amount up to AED2 billion with Emirates NBD Bank PJSC ("**ENBD**") as Lender, Underwriter and Investment Agent, subject to certain customary conditions being met. EMCAP as Coordinator, Bookrunner and Mandated Lead Arranger. This is for a tenor of 5 years. The definitive agreements relating to this Proposed RCF, once entered into will include, among others, the following key terms:

The interest/profit payable under facility will be for the sum of: (i) 1-Month EIBOR; and (ii) the margin. Of 0.70% per annum. It also includes a 2% default rate (if applicable). The Proposed RCF will be governed by English law, and with the seat of arbitration in the DIFC.

Purpose

The purpose of the facility will be for general corporate purposes including fees and expenses in relation the Facility.

Borrowers

The Borrower under the Proposed RCF will be the Dubai Electricity and Water Authority PJSC.

Security

None.

Change of Control

The Mandate Letter contemplates the Proposed RCF having customary mandatory prepayments, including a mandatory prepayment upon a change of control. It contemplates that a change of control event will occurs: (i) before this Offering, if the Government of Dubai ceases to own 100% of the Borrower, and after this Offering, if the Government of Dubai ceases to own more than 50.1% of the Borrower.

Covenants

Financial covenants under the Proposed RCF includes a Leverage (Net Debt to EBITDA, which definition is to be agreed) of 3.0x or lower, to be tested quarterly.

Facility Offer Letter

Overview

In January and February 2022, the Company entered into amendments to the facility continuation (offer) letter dated 21 June 2010 and all its subsequent amendments including facility amendment letter no. 4 dated 10 September 2020, which appends the general terms and conditions of credit facilities of Emirates NBD Bank PJSC ("**ENBD**"), providing a:

1. AED 835 million overdraft facility (the "**Overdraft Facility**"); and
2. AED 1 billion letter of credit facility (the "**Letter of Credit Facility**"),

which can be drawn in AED, EUR or USD with ENBD. The final maturity date is not specified in the relevant offer letter or the general terms and conditions appended thereto.

The interest payable under the Overdraft Facility is: (i) in respect of AED, 1 month EIBOR plus 0.7% per annum, (ii) in respect of EUR, 1 month EURIBOR plus 0.7% per annum and (iii) in respect of USD, daily rate SOFR plus 0.7% per annum.

The commission payable under the Letter of Credit Facility is (i) in respect of AED, 1 month EIBOR plus 2.75% per annum, (ii) in respect of EUR, 1 month EURIBOR plus 2.75% per annum and (iii) in respect of USD, daily rate SOFR plus 2.75% per annum.

The DEWA Facility Offer Letter is governed by the law of the Emirate of Dubai and the federal laws of the United Arab Emirates applicable therein.

As at the date of the Offering Memorandum, a portion of the aggregate Overdraft Facility and Letter of Credit Facility has been utilized.

Purpose

The purpose of the Overdraft Facility is for working capital requirements.

The purpose of the Letter of Credit Facility is for import requirements.

Borrowers

The borrower under the DEWA Facility Offer Letter is Dubai Electricity and Water Authority PJSC.

The Overdraft Facility can be utilized by the Group including the following subsidiaries of DEWA: Mai Dubai LLC; Data Hub Integrated Solutions MORO LLC; Al Etihad Energy Services Co. Owned by DEWA One Person LLC; and Etihad Clean Energy Development Company LLC, each in different proportions.

The Letter of Credit Facility can be utilized by Dubai Electricity and Water Authority PJSC and Mai Dubai LLC (subject to a third party indemnity from Dubai Electricity and Water Authority PJSC). Third party issuance is permitted to Data Hub Integrated Solutions MORO LLC up to AED50 million and subject to a third party indemnity from Dubai Electricity and Water Authority PJSC.

Security

Dubai Electricity and Water Authority PJSC has granted an account pledge.

Change of Control

As long as the outstanding liabilities remain unsettled, change in the ownership or corporate structure of Dubai Electricity and Water Authority PJSC is not permitted, without the prior written consent of ENBD.

Covenants

There are no financial covenants under the DEWA Facility Offer Letter or the general terms and conditions appended thereto.

Events of Default

The general terms and conditions of credit facilities dated 9 December 2010 contains customary events of default consistent with market practice, including (but not limited to): (i) non-payment, (ii) failure to satisfy a financial covenant, (iii) misrepresentation, and (iv) insolvency. The DEWA Facility Offer Letter provides that it shall be considered as an event of default if:

1. the funded exposure in respect of Dubai Electricity & Water Authority PJSC, Mai Dubai LLC, Data Hub Integrated Solutions MORO LLC and Al Etihad Energy Services Co Owned by Dewa One Person LLC exceeds AED2.5 Billion at any point of time; or

2. the first right of refusal is not given to ENBD for all banking and non-banking facilities offered by companies in the Emirates NBD Group including but not limited to corporate credit cards, staff accounts, staff salary payments, staff credit card requirements, general insurance, properties development / management, capital market products and services such as IPO, funds raising by way of bond / sukuk, rights issues, advisory services such as private placement, merger and acquisition.

AED 10,000,000,000 Term Murabaha Facility Agreement

Overview

On 28 January 2022, the Company entered into a commercial terms agreement (as amended from time to time, the "**Commercial Terms Agreement**") between, amongst others, the Company as obligor, Emirates NBD Capital Limited ("**EMCAP**") as mandated lead arranger and bookrunner and coordinator, Dubai Green Fund Capital ("**DGF**") as lead arranger, Emirates NBD Bank PJSC ("**ENBD**") as investment agent and the financial institutions named therein as original participants. The Commercial Terms Agreement provided for the Company to act as purchaser under an AED 10 billion Murabaha facility agreement (the "**Murabaha Facilities Agreement**" and together with the Commercial Terms Agreement, the "**Facilities Agreements**") between the Obligor and ENBD as investment agent.

The English law Facilities Agreements operate to provide the Company with a Shariah compliant senior unsecured syndicated term facility, with a tenor of five years (the "**Murabaha Facility**").

The profit rate payable under the Facilities Agreements is the sum of: (i) EIBOR (with Murabaha calculation periods of one or three months, or such other period as agreed between the Company and the investment agent); and (ii) a margin of 0.70% per annum.

As at the date of this Offering Memorandum the AED 10 billion facility has been utilised in full under the Murabaha Facilities Agreement, with the total principal amount outstanding payable in full on the termination date (or, if the term of the Murabaha Facilities Agreement is extended, in full on the extended termination date).

Purpose

The Murabaha Facility is to be used for general corporate purposes, including fees and expenses related to the entry into and utilisation of the Murabaha Facility.

Obligor

The Company is the sole Obligor under the Murabaha Facility.

Security

The Murabaha Facility is unsecured.

Mandatory Prepayments

A change of control will result in a mandatory prepayment obligation arising under the Murabaha Facility, which entitles each participant to elect to declare all outstanding amounts payable to it to be immediately payable. Prior to the Offering, a change of control will be triggered if at any time the Government ceases to hold 100% of the issued share capital of the Company. Subsequent to the Offering, a change of control will only be triggered if at any time the Government, ceases to hold at least 50.1% of the issued share capital of the Company.

The Murabaha Facility contains standard mandatory prepayments for a facility of this nature, including in the event of an illegality or in relation to the proceeds of disposals of assets (subject to certain exceptions and baskets).

Covenants

The Commercial Terms Agreement contains a maintenance financial covenant, tested semi-annually, by reference to the leverage of the Company (calculated on the basis of as total net debt to EBITDA of the Company and its subsidiaries (other than any debt or EBITDA attributable to any ring-fenced projects where there is no recourse to the Company)) being equal to or less than three times. The Commercial Terms Agreement contains standard undertakings for a facility of the nature of the Facilities Agreements, including (but not limited to) restrictions on the Company granting security, entering into any merger or amalgamation and making disposals (in each case, subject to certain exceptions and permissions).

Events of Default

The Commercial Terms Agreement contains customary events of default for a facility of the nature of the Facilities Agreements, subject to certain grace periods and materiality thresholds, including (but not limited to): (i) non-payment (ii) financial covenants (iii) cross-default in relation to the Company and (iv) insolvency of the Company.

The Cross Default Event of Default will be triggered where (a) any Financial Indebtedness of the Company is not paid when due (subject to any applicable grace period); (b) any Financial Indebtedness of the Company is declared to be or otherwise becomes due and payable prior to its specified maturity (subject to any applicable notice or grace period) as a result of an event of default (however described); (c) any commitment for any Financial Indebtedness of the Obligor is cancelled or suspended by a creditor of the Obligor as a result of an event of default (however described); and (d) any creditor of the Borrower becomes entitled to declare any Financial Indebtedness of the Obligor due and payable prior to its specified maturity as a result of an event of default (however described), provided that in each case no Event of Default will occur if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within the scope of the above is less than AED 250,000,000 (or its equivalent in any other currency or currencies).

Mai Dubai LLC Rollout Facility

Overview

On 12 August 2020, Mai Dubai LLC entered into a rollout facility amendment letter, amending the facility offer letter dated 19 March 2014 (the "**Mai Dubai Facility Offer Letter**"), which appends the general terms and conditions of credit facilities (including the trade terms therein) of Emirates NBD Bank PJSC ("**ENBD**"), providing a:

- AED 550 million overdraft facility (the "**Overdraft Facility**");
- AED 100 million letter of credit facility (the "**Letter of Credit Facility**");
- AED 100 million shipping guarantee facility (the "**Shipping Guarantee Facility**"); and
- AED 2 million bank guarantee facility (the "**Bank Guarantee Facility**"),

with a total facility limit of AED 652 million, which can be drawn in AED with ENBD. The final maturity date is not specified in the Mai Dubai Facility Offer Letter or the general terms and conditions appended thereto.

The interest payable under the Overdraft Facility is 0.5% per annum.

The commission payable under the Letter of Credit Facility is the sum of: (i) 1/180% p.m. on the entire value / outstanding balance of the Letter of Credit Facility at the beginning of each month, (ii) minimum Letter of Credit Facility opening commission is AED100.00 per Letter of Credit Facility opened, (iii) Letter of Credit Facility extension charges are 1/180% per month, and (iv) on bills negotiated under the Letter of Credit Facility the interest is the sum of one month EIBOR and 0.5% per annum.

There is no commission payable under the Shipping Guarantee Facility.

The commission payable under the Bank Guarantee Facility is 1.50% of the face value of the Bank Guarantee Facility calculated for a minimum of three months and subject to a minimum amount of AED 250.00, payable quarterly and in advance.

The Mai Dubai Facility Offer Letter is governed by the law of the Emirate of Dubai and the federal laws of the United Arab Emirates applicable therein.

As at the date of this Offering Memorandum the facility has been drawn in full.

Purpose

- The purpose of the Overdraft Facility is for working capital requirements.
- The purpose of the Letter of Credit Facility is for import requirements.
- The purpose of the Shipping Guarantee Facility is towards the issuance of shipping guarantee for L/C and collection documents.
- The purpose of the Bank Guarantee Facility is for the issuance of Performance Bond / Tender Bond / Labor Visa Guarantee.

Security

Mai Dubai LLC has granted a movables assets security agreement over (i) all existing and future movable assets, stocks, inventories, and receivables (on a *pari passu* basis), (ii) assignment of insurance over stock, inventories, and movable assets / machinery, and (iii) registered mortgage over machinery (on a *pari passu* basis). The Company has granted comfort.

Change of Control

A change of control will be triggered if there is a change in the ownership of Mai Dubai without the prior written consent of ENBD.

Covenants

There are no financial covenants under the Mai Dubai Facility Offer Letter or the general terms and conditions appended thereto.

Events of Default

The Mai Dubai Facility Offer Letter contains customary events of default consistent with market practice, including (but not limited to): (i) non-payment; (ii) failure to satisfy a financial covenant; (iii) misrepresentation; and (iv) insolvency.

Etihad Clean Energy Facility Letter

Overview

On 27 September 2021, Etihad Clean Energy Development Company LLC entered into a facility letter (a AED150 million overdraft facility), which can be drawn in AED with Emirates NBD Bank PJSC ("**ENBD**"). The final maturity date is not specified in the Etihad Clean Energy Facility Letter or the general terms and conditions appended thereto.

The interest payable under the facility is the sum of: (i) one month EIBOR and (ii) 0.70% per annum.

The Etihad Clean Energy Facility Letter is governed by the laws of the Emirate of Dubai and the federal laws of the United Arab Emirates applicable therein.

As at the date of this Offering Memorandum, Etihad Clean Energy Development Company LLC had drawn AED 12 million from the facility.

Purpose

The purpose of the facility is for working capital requirements.

Borrowers

The borrower under the Etihad Clean Energy Facility Letter is Etihad Clean Energy Development Company LLC.

Security

The Company has given ENBD a debt of the company's account in case of any shortfall in servicing interest and/or any excess in the Etihad Clean Energy Facility Letter.

Change of Control

Prior to the Offering, a change of control will be triggered if at any time there is a change in the current shareholding of Etihad Clean Energy Development Company LLC (as per ENBD records), without the prior consent of ENBD and the Etihad Clean Energy Facility Letter will be subject to review by ENBD.

Covenants

There are no financial covenants under the Etihad Clean Energy Facility Letter or the general terms and conditions appended thereto.

Events of Default

The Etihad Clean Energy Facility Letter contains customary events of default consistent with market practice, including (but not limited to): (i) non-payment, (ii) failure to satisfy a financial covenant, (iii) misrepresentation, and (iv) insolvency.

Dubai Green Fund Facility

Overview

On 30 June 2021, Dubai Green Fund Investments Single Owner Company Owned By Jumeirah Energy International Dubai Green Fund Holding LLC entered into a facility amendment letter No. 7 (the "**Dubai Green Fund Facility Offer Letter**"), amending facility offer letter dated 31 October 2019 and all of its subsequent Facility Amendment Letters / Binding Notices up to and including Binding Notice No. 1 (Ref. CBGGRD/FA00571/21-1) dated 29 March 2021, which appends the general terms and conditions for the purposes of the financing terms, providing a:

- AED75 million term loan facility (the "Dubai Green Fund Term Loan Facility 1");
- AED769,705,334.75 term loan facility (the "Dubai Green Fund Term Loan Facility 2");
- AED308 million term loan facility (the "Dubai Green Fund Term Loan Facility 3");
- AED192 million term loan facility (the "Dubai Green Fund Term Loan Facility 4");
- AED100 million term loan facility (the "Dubai Green Fund Term Loan Facility 5");
- AED91,823,750 term loan facility (the "Dubai Green Fund Term Loan Facility 6"); and
- AED150 million term loan facility (the "Dubai Green Fund Term Loan Facility 7"),

with a total facility limit of AED1,686,529,084.75, which can be drawn in AED with Emirates NBD Bank PJSC ("**ENBD**").

The final maturity date is for the:

- Dubai Green Fund Term Loan Facility 1, is 1 March 2022;
- Dubai Green Fund Term Loan Facility 2, is 25 March 2022;
- Dubai Green Fund Term Loan Facility 3, is 10 August 2021;
- Dubai Green Fund Term Loan Facility 4, is 17 September 2021;
- Dubai Green Fund Term Loan Facility 5, is 30 September 2021;

- Dubai Green Fund Term Loan Facility 6, is 10 March 2022; and
- Dubai Green Fund Term Loan Facility 7, is 12 months from the first drawdown.

The interest payable under the Dubai Green Fund Facility Offer Letter is 0.90% per annum for each facility.

The Dubai Green Fund Facility Offer Letter is governed by the laws of the Emirate of Dubai and the federal laws of the United Arab Emirates applicable therein.

As at the date of this Offering Memorandum the facility has been drawn in full.

Purpose

The purpose of the Dubai Green Fund Term Loan Facility 1 is towards general corporate purposes.

The purpose of the Dubai Green Fund Term Loan Facility 2 is towards general corporate purposes.

The purpose of the Dubai Green Fund Term Loan Facility 3 to 7 are towards investments in green energy projects / companies and for general corporate purposes.

Borrowers

The borrower under the Dubai Green Fund Facility Offer Letter is Dubai Green Fund Investments Single Owner Company Owned By Jumeirah Energy International Dubai Green Fund Holding LLC.

Security

Dubai Green Fund Investments Single Owner Company Owned By Jumeirah Energy International Dubai Green Fund Holding LLC has granted liens over deposits in certain accounts.

Change of Control

Prior to the Offering, a change of control will be triggered if there is any change in the ownership structure of Dubai Green Fund Investments Single Owner Company Owned By Jumeirah Energy International Dubai Green Fund Holding LLC without the prior written consent of ENBD.

Covenants

There are no financial covenants under the Dubai Green Fund Facility Offer Letter or the general terms and conditions appended thereto.

Events of Default

The Dubai Green Fund Facility Offer Letter contains customary events of default consistent with market practice, including (but not limited to): (i) non-payment, (ii) failure to satisfy a financial covenant, (iii) misrepresentation, and (iv) insolvency. .

Al Etihad Energy Facility

Overview

On 16 September 2020, Al Etihad Energy Services Co Owned By Dewa One Person Company LLC entered into a facility letter (a AED 15 million overdraft facility) (the "**Al Etihad Energy Facility Letter**"), which can be drawn in AED with Emirates NBD Bank PJSC ("**ENBD**"). The final maturity date is not specified in the Al Etihad Energy Facility Letter or the general terms and conditions appended thereto.

The interest payable under the facility is the sum of: (i) one month EIBOR and (ii) 0.70% per annum.

The Al Etihad Energy Facility Letter is governed by the laws of the Emirate of Dubai and the federal laws of the United Arab Emirates applicable therein.

As at the date of this Offering Memorandum the facility has been drawn in full.

Purpose

The purpose of the facility is working capital requirements.

Borrowers

The borrower under the Al Etihad Energy Facility Letter is Al Etihad Energy Services Co Owned By Dewa One Person Company LLC.

Security

The Company has granted an account pledge up to 100% of the overdraft of the facility limit.

Change of Control

Prior to the Offering, a change of control will be triggered if at any time there is a change in the current shareholding of Al Etihad Energy Services Co Owned By Dewa One Person Company LLC (as per ENBD records) without the prior consent of ENBD and the Al Etihad Energy Facility Letter is subject to review by ENBD.

Covenants

There are no financial covenants under the Al Etihad Energy Facility Letter or the general terms and conditions appended thereto.

Events of Default

The Al Etihad Energy Facility Letter contains customary events of default consistent with market practice, including (but not limited to): (i) non-payment, (ii) failure to satisfy a financial covenant, (iii) misrepresentation, and (iv) insolvency.

Emirates Central Cooling Facility 1

Overview

On 13 December 2018, Emirates Central Cooling Systems Corporation entered into a facility agreement (a USD400 million term loan facility), which can be drawn in USD with Citibank, N.A., London Branch as global coordinator, Citibank, N.A., London Branch, Emirates NBD Capital Limited, Standard Chartered Bank, Mashreqbank PSC, and SAMBA Financial Group as mandated lead arrangers and bookrunners; Emirates NBD Bank PJSC ("**ENBD**") as agent, and Citibank, N.A., UAE Branch, Emirates BND Bank PJSC, Standard Charted Bank (Hong Kong) Limited, Mashreqbank PSC, and Samba Financial Group as original lenders **(**the **"Emirates Central Cooling Facility Agreement 1")**. The final maturity date is 13 December 2025.

The interest payable under the facility is the sum of: (i) LIBOR and (ii) the margin.

The Emirates Central Cooling Facility Agreement 1 is governed by English law.

As at the date of this Offering Memorandum the facility has been drawn in full.

Purpose

The purpose of the Emirates Central Cooling Facility Agreement 1 is general corporate purposes and capital expenditure of the group and if required towards refinancing the existing bank facilities.

Borrowers

The borrower under the Emirates Central Cooling Facility Agreement is Emirates Central Cooling Systems Corporation.

Security

None.

Change of Control

Prior to the Offering, a change of control will be triggered if at any time Dubai Electricity & Water Authority ceases to directly or indirectly own more than 50.1% of the shares in Emirates Central Cooling Systems Corporation.

Covenants

The borrower is subject to the following financial covenants, tested semi-annually on a rolling 12-month basis, by reference to the annual or semi-annual financial statements of Emirates Central Cooling Systems Corporation (as applicable):

- consolidated total net debt to consolidated tangible net worth shall not be more than 2.25x;
- consolidated EBITDA to debt service shall be more than 1.1x; and
- consolidated total net debt on the last day of each relevant period to consolidated period shall be less than or equal to for (i) 2022, 3.75, (ii) 2023, 3.50x, (iii) 2024, 3.25x, and (iv) 2025, 3.00x.

Events of Default

The Emirates Central Cooling Facility Agreement 1 contains customary events of default consistent with Loan Market Association investment grade precedent documents, including (but not limited to): (i) non-payment, (ii) failure to satisfy a financial covenant, (iii) misrepresentation, and (iv) insolvency.

Facility Agreement (the "Emirates Central Cooling Facility Agreement 2")

Overview

On 14 October 2021, Emirates Central Cooling Systems Corporation entered into a facility agreement (a U.S$250 million term loan facility), which can be drawn in USD with Citibank, N.A., London Branch as global coordinator, Citibank, N.A., London Branch and Emirates NBD Capital Limited as arranges, Emirates NBD Bank PJSC ("**ENBD**") as agent, and Citibank N.A., ADGM Branch and ENBD as original lenders. The final maturity date is 14 April 2022.

The interest payable under the facility is the sum of: (i) LIBOR and (ii) the margin.

The Emirates Central Cooling Facility Agreement 2 is governed by English law.

As at the date of this Offering Memorandum the facility has been drawn in full.

Purpose

The purpose of the Emirates Central Cooling Facility Agreement 2 is (i) for facility A general corporate purposes and capital expenditure of the group and if required towards refinancing the existing bank facilities and (ii) for facility B general corporate purposes and capital expenditure.

Borrowers

The borrower under the Emirates Central Cooling Facility Agreement 2 is Emirates Central Cooling Systems Corporation.

Security

None.

Change of Control

Prior to the Offering, a change of control will be triggered if at any time Dubai Electricity & Water Authority ceases to directly or indirectly own more than 50.1% of the shares in Emirates Central Cooling Systems Corporation.

Covenants

The borrower is subject to the following financial covenants, tested semi-annually on a rolling 12-month basis, by reference to the annual or semi-annual financial statements of Emirates Central Cooling Systems Corporation (as applicable):

- consolidated total net debt to consolidated tangible net worth shall not be more than 2.25x;
- consolidated EBITDA to debt service shall be more than 1.1x; and
- consolidated total net debt on the last day of each relevant period to consolidated period shall be less than or equal to for 2021 4.00x.

Events of Default

The Emirates Central Cooling Facility Agreement 2 contains customary events of default consistent with Loan Market Association investment grade precedent documents, including (but not limited to): (i) non-payment, (ii) failure to satisfy a financial covenant, (iii) misrepresentation, and (iv) insolvency.

EPC Agreements

In addition to the EPC agreements set out with respect to the IPP projects above, the Company has also entered into the following material EPC agreements:

- The Company entered into a turnkey engineering, procurement and construction contract dated 6 February 2018 for the Aweer Power Station H – Phase IV with a consortium of Elsewedy Power S.A.E. and Siemens Aktiengesellschaft who are jointly and severally liable for the works. The works under the contract have a contract price of USD 301,898,000, excluding VAT, and the guaranteed completion dates are 29 February 2020 for gas turbine unit 1, 31 March 2020 for gas turbine unit 2 and 30 April 2020 for the balance of the works including gas turbine unit 3. The contract provided is in the form of a purchase order issued by the Company for the works and references typical EPC contract provisions, including in relation to provision of performance security, defects liability and delay and performance liquidated damages, which are set out in the conditions of contract issued with the tender (which has not been provided for review).
- The Company entered into a turnkey engineering, procurement and construction contract dated 29 July 2019 for the Hatta Pumped Storage Hydro Power Plant with a consortium of STRABAG AG, STRABAG Dubai LLC, ÖZKAR Turkey, Andritz Hydro Germany and Andritz Hydro Austria who are jointly and severally liable for the works. The contract comprises two purchase orders issued by the Company for the works (one for the EUR portion of the works with a contract price of EUR 211,126,229 and the other for the AED portion of the works with an additional contract price of AED 551,176,836), each excluding VAT. The guaranteed completion date for the civil works is 24 January 2024 (1640 days from the contract commencement date) and for unit number 2 and its associated auxiliaries and ancillaries and connections to the 132 kV GIS along with SCMS and SCADA system is 23 February (1670 days from the contract commencement date). The purchase orders reference typical EPC contract provisions, including in relation to provision of performance security, defects liability and delay and performance liquidated damages, which are set out in the conditions of contract issued with the tender.

TAXATION

UAE Taxation

The following comments are general in character and are based on the current applicable tax regime in the UAE and the current practice of the UAE authorities as at the date of this Offering Memorandum. The comments do not purport to be a comprehensive analysis of all the tax consequences applicable to all types of shareholders and do not relate to any taxation regime outside the UAE. Each shareholder is responsible for its own tax position and, if you are in any doubt as to your own tax position, you should seek independent professional advice without delay.

Taxation of the Company and Individuals

Currently there is no corporate tax legislation at the federal UAE level. However, corporate tax legislation has been enacted in some of the Emirates (including Abu Dhabi) through their own decrees. These tax decrees are currently only enforced on foreign oil companies and branches of foreign banks.

In accordance with the above practice, the Company is not currently subject to corporate income tax in the UAE or in Abu Dhabi.

There is currently no personal tax levied on individuals in the UAE.

Proposed Corporate Tax in the UAE

On 31 January 2022 the UAE Ministry of Finance announced a federal corporation tax to be implemented in the UAE for effective financial years commencing on or after 1 June 2023.

As per the aforementioned announcement and Frequently Asked Questions published, the federal tax system is applicable to all businesses and commercial activities operating within the seven emirates, with the exception of:

- businesses operating in the extraction of natural resources. These will continue to be subject to the tax decrees issued by the respective Emirate;
- individuals earning income in their personal capacity (i.e. salary, investment income) as long as the income generating activity does not require a commercial license; and
- businesses registered in Free Trade Zones, provided they comply with all the regulatory requirements, and that do not conduct business with Mainland UAE.

The announced UAE CIT regime introduces a tier system with three rates:

- all annual taxable profits that fall under AED 375,000 shall be subject to the zero rate;
- all annual taxable profits above AED 375,000 shall be subject to 9% rate; and
- all MNEs that fall under the scope of Pillar 2 of the BEPS 2.0 framework (i.e. consolidated global revenues in excess of AED 3.15 billion) shall be subject to different rates as per the OECD Base Erosion and Profit-Sharing rules.

Taxable profits are the accounting profits subject to certain adjustments.

The announced UAE CIT regime confirmed the following income shall be in general exempt from income tax:

- capital gains and dividend income earned by UAE company from its qualifying shareholdings (to be defined in the law);
- profits from group reorganization (further details awaited);
- profits from Intra-group transactions (further details awaited);
- foreign investor’s income from dividends, capital gains, interest, royalties and other investment returns.

There will be no UAE withholding tax on domestic and cross-border payments.

The UAE CT law has not yet been released.

Taxation of purchase of Shares

Completion of the Offering is likely to be characterised for UAE tax purposes as a purchase of Shares by the shareholders. If a shareholder is tax resident outside the UAE and/or is subject to tax in another jurisdiction, the Offering may be characterised differently and may be subject to tax in that other jurisdiction.

There are no transfer taxes in the UAE on the purchase of Shares. Accordingly, the purchase of Shares should not result in any UAE tax liabilities for shareholders who are individuals or corporations tax resident in the UAE. Non-UAE tax residents, or dual tax residents, individuals and corporations, may be subject to taxation in jurisdictions outside the UAE with respect to the ownership of, or income derived in connection with, the Shares based on local tax regulations.

Taxation of dividends and capital gains on sale

Based on the current tax practice within the UAE outlined above, the purchase of Shares should not result in any UAE tax liabilities for shareholders who are individuals or corporations tax resident in the UAE, provided they are not subject to tax in the UAE by virtue of them being a foreign oil company or branch of a foreign bank. Non-UAE tax residents, or dual tax residents, individuals and corporations, may be subject to taxation in jurisdictions outside the UAE with respect to the ownership of, or income derived in connection with, the Shares based on local tax regulations.

Based on the same principles as outlined above, UAE resident shareholders who are not subject to tax in the UAE or jurisdictions outside the UAE (both corporate and individual), should not currently be taxed on the receipt of dividend income and gains on the future sale of the Shares.

Shareholders who are subject to tax in the UAE by virtue of being a foreign oil company or branch of a foreign bank, or tax resident in jurisdictions outside the UAE, as well as shareholders tax resident in the UAE but also subject to tax in jurisdictions outside the UAE (both corporate and individual), should consult their own tax advisers as to the taxation of dividend income and gains on the future sale of the Shares under the relevant applicable local laws in those jurisdictions.

There is currently no withholding tax in the UAE and as such, any dividend payments made by the Company should be made free of any UAE or Abu Dhabi withholding tax.

The contents of this section is also generally in line with the FAQs issued under the proposed Corporate Tax to be introduced, subject to fulfilment of conditions that may be prescribed in the final law.

UAE VAT

The UAE has adopted an excise tax, which was effective on 1 October 2017, and implemented a VAT, which was effective on 1 January 2018. The excise tax imposes a 50% tax on carbonated beverages and a 100% tax on tobacco products and energy drinks. On 27 August 2017, the VAT Law was published on the website of the Federal Tax Authority. The executive regulations of the VAT Law were issued on 28 November 2017 under Cabinet decision No. 52 of Federal Decree Law No. (8). The executive regulations provide more detail about products and services that are subject to VAT and which particular products are zero-rated or exempted. The executive regulations of the VAT Law outline the conditions and parameters of such VAT treatment. The GCC VAT Framework Agreement, which is a country level agreement between all the GCC States, sets out broad principles that should be followed by all the GCC countries in their VAT laws while providing individual member states some discretion to adopt a different VAT treatment in respect of certain matters. Each GCC country will enact its own domestic VAT legislation based on the underlying principles in this common framework.

VAT applies on the sale of goods and services in the UAE and on imports to the UAE. Unless the supply of goods and services falls within a category that is specifically exempt or is subject to the zero rate of VAT, VAT will apply at the standard rate. The standard VAT rate in the UAE is 5%.

The mandatory registration threshold is AED 375,000 and the voluntary registration threshold is AED 187,500. Businesses must register for VAT if the value of taxable supplies and imports of goods or services is above the mandatory registration threshold in the last 12 months, or it is expected to be above that threshold in the next 30 days. In addition, businesses would have an option to register for VAT on a voluntary basis if (i) the value of taxable supplies and imports of goods or services, or (ii) the value of taxable expenses (i.e. expenses with VAT) is above the mandatory registration threshold in the last 12 months, or it is expected to be above that threshold in the next 30 days.

The supply of goods or services by VAT registered businesses is subject to VAT at either the standard rate or zero rate. Businesses are entitled to claim a credit for VAT paid on their purchases if they relate to a supply that is standard rated or zero-rated. However, any VAT incurred in connection with a supply that is exempt from VAT cannot be reclaimed.

Article 42 of the executive regulations outlines the scope of financial services classified as exempt and, on this basis, no VAT would be applied on any transfer of Shares. However, it should be noted that fees relating to the transfer of ownership of Shares would be standard rated at 5%.

SUBSCRIPTION AND SALE

The Company, the Selling Shareholder and the Joint Bookrunners named below have entered into an Underwriting Agreement with respect to the Shares. Subject to the satisfaction of certain conditions set out in the Underwriting Agreement (described below), each Joint Bookrunner has agreed, severally but not jointly, to purchase or procure purchasers for such number of Shares as are set forth opposite its name in the following table.

	Joint Bookrunner Number of Shares[(1)]
Citigroup Global Markets Limited	1,002,432,796
Emirates NBD Bank PJSC on behalf of Emirates NBD Capital	1,002,432,796
HSBC Bank Middle East Limited	1,002,432,796
Credit Suisse International	404,828,629
EFG Hermes UAE Limited	404,828,629
First Abu Dhabi Bank PJSC	404,828,629
Goldman Sachs International	404,828,630
Total	**4,626,612,905**

(1) Assumes that all of the Shares have been sold and that the Selling Shareholder has not exercised its right to increase the size of the Global Offering at any time prior to the end of the subscription. 9,000,000,000 shares are being offered in the Global Offering. If fewer than 9,000,000,000 Shares are sold, each of the number of Shares reflected in the table above will be reduced proportionately.

The Offer Price is AED 2.48 per Share. The Joint Bookrunners will receive an aggregate selling commission equal to 1% of the amount equal to the offer price multiplied by the aggregate number of Shares sold as part of the Global Offering.

In addition, the Joint Bookrunners may receive a discretionary fee of up to 0.6% of the amount equal to the offer price multiplied by the aggregate number of Shares sold as part of the Global Offering.

All expenses of the Global Offering (including selling commissions and any discretionary fees) will ultimately be borne by the Selling Shareholder as a deduction of the net proceeds of the Global Offer.

Underwriting Agreement

In the Underwriting Agreement, the Company and the Selling Shareholder have made certain representations and warranties and the Company has agreed to indemnify the several Joint Bookrunners against certain liabilities, including liability under the Securities Act. The Joint Bookrunners are offering the Shares on behalf of the Selling Shareholder when, as and if delivered to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Shares, and other conditions contained in the Underwriting Agreement, such as Admission and the receipt by the Joint Bookrunners of officers' certificates and legal opinions.

The Joint Bookrunners may terminate the Underwriting Agreement prior to the closing of the Global Offering under certain specified conditions that are typical for an agreement of this nature. If any of such conditions are not satisfied or waived, or the Underwriting Agreement is terminated prior to the closing of the Global Offering, then the Global Offering will lapse.

Pricing of the Global Offering

Prior to the Global Offering, there has been no public market for the Shares. The offer price will be determined by the Company and the Selling Shareholder, following consultation with the Joint Global Coordinators. Among the factors considered in determining the offer price following the bookbuilding process will be the Group's future prospects and the prospects of the Group's industry in general, its revenue, profit and certain other financial operating information with respect to the Group in recent periods, and the financial ratios, market prices of securities and certain financial and operating information of companies engaged in similar activities to the Group.

Lock-up Arrangements

Pursuant to the terms of the Underwriting Agreement, the Company has contractually agreed, for a period of 180 calendar days after Admission, not to: (i) directly or indirectly, issue, offer, pledge, sell, contract to sell,

sell or grant any option, right, warrant, or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or otherwise transfer or dispose of, directly or indirectly, any Shares or other shares of the Company, or any securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, or file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing; (ii) enter into any swap, or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Shares or other shares of the Company, in each case, whether any such transaction is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction, in each case, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed, subject to the principles of Sharia.

Pursuant to the terms of the Underwriting Agreement, the Selling Shareholder has contractually agreed, for a period of 180 calendar day after Admission, not to: (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant, or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or otherwise transfer or dispose of, directly or indirectly, any Shares or other shares of the Company, or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, or request or demand or cause that the Company file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (ii) enter into any swap, or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Shares, in each case, whether any such transaction is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction, in each case, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed, subject to the principles of Sharia. These restrictions shall not apply to:

- the sale of the Shares to be sold pursuant to the Global Offering;
- transferring Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares or other shares of the Company (the "**Relevant Securities**") (A) upon giving prior written notice to the JGCs, to any (i) foreign government or (ii) foreign strategic investor who operates in the power and utilities sector and who currently provides (or, following such transfer, will provide) technical and operational support to, and for the benefit of, the Company or (B) with the prior written consent of the JGCs, to any other investor (in each case a "**Permitted Transferee**") provided that, in each case, (X) the Relevant Securities to be transferred will (i) comprise, whether in one or a series of related transactions, not less than 2.5 percent of the Company's outstanding issued share capital at such time and (ii) not be sold at a price which is less than the Offer Price and (Y) as a condition to such transfer, the relevant Permitted Transferee shall comply with the same lock-up restrictions in relation to the Relevant Securities as are applicable to the Selling Shareholder in the Underwriting Agreement, in addition to any lock-up restrictions imposed by applicable rules and regulations or any other restrictions agreed to by such Permitted Transferee;
- any inter-company transfers of Shares by the Selling Shareholder in favour of its affiliates ("**Transferees**") but in the event that the Transferee is due to cease to be an Affiliate, the Ordinary Shares shall be transferred back to the Selling Shareholder before such Transferee ceases to be an Affiliate;
- transferring any securities convertible into or exercisable or exchangeable for Ordinary Shares or other shares of the Company; provided that such securities are only convertible into or exercisable or exchangeable for Ordinary Shares or other shares of the Company pursuant to their terms, after the lapse of at least twelve months since the date on which they are issued and/or transferred;
- accepting a general offer made to all holders of Shares then in issue (other than Shares held by the person making the offer or its affiliates) on terms which treat all holders of Shares alike, or executing and delivering an irrevocable commitment or undertaking to accept such a general offer (without any further agreement to transfer or dispose of any Shares or any interest therein);

- taking up any rights granted in respect of a pre-emptive share offering by the Company in order to sell a sufficient number of its rights in order to acquire the balance of its rights;
- selling or otherwise disposing of Shares pursuant to any offer by the Company to purchase its own Shares which is made on identical terms to all holders of Shares in the Company;
- any disposal by and/or allotment and issue of shares to the Selling Shareholder pursuant to any capital reorganisation in respect of any Shares beneficially owned, held or controlled by the Selling Shareholder, *provided that* any shares issued to or otherwise acquired by the Selling Shareholder pursuant to such capital reorganisation shall be subject to the lock-up restrictions;
- transferring or otherwise disposing of Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members of any class of them which is agreed to by the creditor or members and (where required) sanctioned by any applicable authority; or
- transferring or otherwise disposing of Shares where such transfer or disposal is required by law or by any competent authority or by order of a court of competent jurisdiction.

The Underwriting Agreement provides that the carve-outs set out above are subject to the following conditions: (a) that any of such Transferees shall agree to be bound by the lock-up obligations of the Selling Shareholder; (b) that any of such Permitted Transferees shall be bound by the lock-up of the Selling Shareholder, in addition to any lock-up periods imposed by applicable rules and regulations or any other restrictions agreed to which such Permitted Transferee; and (c) that any of such inter-company transfers of Shares shall be performed on terms and conditions that do not conflict with the Global Offering.

Pursuant to the Cornerstone Investor Agreements, the Cornerstone Investors have, subject to the carve-outs set out above, respectively agreed that, subject to certain customary exceptions, during a period of not less than 180 days from the date of Admission, such Cornerstone Investor will not offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares it has acquired under the Cornerstone Investor Agreements (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Allocation

The Global Offering comprises the Institutional Offering, the ADGM Exempt Offer, the DIFC Exempt Offer and the UAE Retail Offer. The allocation of Shares among the Qualified Investor Offering (including the ADGM Exempt Offer and the DIFC Exempt Offer) and the UAE Retail Offer will be determined by the Joint Global Coordinators, the Selling Shareholder and the Company. See "*—Cornerstone Investor*".

Cornerstone Investors

On 23 March 2022, the Company entered into cornerstone investor agreements (the "**Cornerstone Investor Agreements**") with each of Emirates NBD AM SPC (on behalf and for the account of the UAE Strategic Investment Fund 1 SP), Emirates Investment Authority (through its investment vehicle, Gamma Emirates Investments LLC), Multiply Group (through its investment vehicle, Norm Commercial Investment SP LLC), Alpha Dhabi Holding (through its investment vehicle, Alpha Dhabi Partners Holding LLC), Investment Holding est and Abu Dhabi Developmental Holding Company PJSC (through its investment vehicle, Alpha Oryx Limited) (the "**Cornerstone Investors**") pursuant to which each of the Cornerstone Investors severally (and neither jointly nor jointly and severally) has committed to purchase Shares in the Global Offering, and the Company has agreed to sell, and procure the allotment and transfer of, Shares to the Cornerstone Investors from the Qualified Investor Offering at the Offer Price. The aggregate commitments of all the Cornerstone Investors pursuant to the Cornerstone Investor Agreements, based on the Offer Price, are approximately AED 5.14 billion. The Cornerstone Investor Agreements are conditional upon Admission and certain other customary conditions being satisfied, and will terminate automatically if such conditions have not been fulfilled on or before 15 April, 2022 (or such other date as may be agreed between the Company and the Cornerstone Investors).

Name of Cornerstone Investor	Investor Commitment Amount *(AED)*
Emirates NBD AM SPC(1)	2,600,000,000
Emirates Investment Authority(2)	1,250,000,000
Multiply Group(4)	367,500,000
Alpha Dhabi Holding (5)	367,500,000
Investment Holding est (6)	184,000,000
Abu Dhabi Developmental Holding Company PJSC(7)	368,000,000
Cornerstone Investor Commitment Amount:	**5,137,000,000**

(1) Emirates NBD AM SPC is acting on behalf and for the account of the UAE Strategic Investment Fund 1 SP, which was established to act as a strategic long-only investor in key Dubai IPOs. The UAE Strategic Investment Fund 1 SP is a segregated portfolio of Emirates NBD AM SPC managed by Emirates NBD Asset Management, which is one of the largest and longest established asset managers in the Middle East with an established track record of investing in, amongst other asset classes, listed equities within the MENA region via segregated mandates and mutual funds

(2) Emirates Investment Authority ("**EIA**") is the only sovereign wealth fund for the Federal Government of UAE. As a custodian of the Federal assets of the United Arab Emirates, EIA is mandated to strategically invest funds allocated by the Federal Government to create long-term value for the UAE and contribute to the future prosperity of the country.

(3) The main activities of Norm Commercial Investment SP LLC, the investment vehicle of Multiply Group, is to make investment in infrastructure projects, investment in institutions and management of commercial enterprises.

(4) Alpha Dhabi Holding ("**ADH**") is a UAE listed conglomerate, established in 2013, and is one of the fastest growing Abu Dhabi based investment holding companies, with more than 100 businesses spread across healthcare, agriculture, petrochemicals and other industries as well as real estate, construction and hospitality. With over 85,000 employees, ADH is a strategic contributor to the UAE economy and is committed to drive continuous growth for its stakeholders through investments in emerging businesses, supporting innovation and diversity.

(5) Investment Holding est, an entity establisihed in 2003 and headquartered in Abu Dhabi, is a leading conglomerate with numerous investments across a range of sectors.

(6) Abu Dhabi Developmental Holding Company PJSC ("**ADQ**"), established in Abu Dhabi in 2018, is one of the region's largest holding companies with direct and indirect investments in more than 90 companies locally and internationally. Both an asset owner and investor, ADQ's broad portfolio of major enterprises span key sectors of a diversified economy, including energy and utilities, food and agriculture, healthcare and pharma, and mobility and logistics, amongst others. As a strategic partner of Abu Dhabi's government, ADQ is committed to accelerating the transformation of the emirate into a globally competitive and knowledge-based economy.

The Cornerstone Investors will acquire the Shares pursuant to, and as part of, the Global Offering. The Shares to be acquired by the Cornerstone Investors will rank pari passu with the Shares sold in the Global Offer. No special rights have been granted to the Cornerstone Investors as part of their commitment to purchase Shares pursuant to the Cornerstone Investor Agreements.

Pursuant to the Cornerstone Investor Agreements, the Cornerstone Investors have respectively agreed that, subject to certain customary exceptions, during a period of not less than 180 days from the date of Admission, such Cornerstone Investor will not offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares it has acquired under the Cornerstone Investor Agreements (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Other Relationships

Subject to the terms and conditions of the Underwriting Agreement, each of the Joint Bookrunners and any affiliate, acting as an investor for its own account, in connection with the Global Offering, may take up Shares and in that capacity may retain, purchase or sell for its own account such Shares and any related investments and may offer or sell such Shares or other investments otherwise than in connection with the Global Offering. Accordingly, references in this Offering Memorandum to the Shares being offered or placed should be read as including any offering or placement of Shares to the Joint Bookrunners and any affiliate acting as an investor for its own account.

Moreover, in the course of their business with the Company and with parties affiliated with the Company (including the Selling Shareholder), the Joint Bookrunners (and/or their respective affiliates) have from time to time been engaged, and may in the future engage, in commercial banking, financing, trading, hedging, investment banking and financial advisory and ancillary activities, for which they have received, and may in the future receive, customary compensation. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures or by rules and regulations. As a result of any such transactions, any Joint Bookrunner may have interests that may not be aligned, or could potentially conflict, with the interests of holders of Shares or with the interests of the Company or the Selling Shareholder.

None of the Joint Bookrunners intends to disclose the extent of any such investment or transactions otherwise than to the Company and the Selling Shareholder and in accordance with any legal or regulatory obligation to do so. In addition, in connection with the Global Offering, certain of the Joint Bookrunners may enter into financing arrangements with investors, where securities are used as collateral, that could result in such Joint Bookrunners acquiring Shares.

Selling Restrictions

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Shares or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Company or the Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, nor may this Offering Memorandum or any other offering material or advertisement or other document or information in connection with the Shares be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

United States

The Shares have not been and will not be registered under the Securities Act, or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of, USA Persons. The Shares are being offered and sold only to non-USA Persons outside the United States in reliance on Regulation S under the USA Securities Act.

Each purchaser of the Shares outside of the United States pursuant to Regulation S, by its acceptance of delivery of this Offering Memorandum and the Shares, will be deemed to have represented, agreed and acknowledged as follows:

- The purchaser is, or at the time the Shares were purchased will be, the beneficial owner of such Shares and (i) is, and the person, if any, for whose account it is acquiring the Shares is, outside the United States, (ii) is not an affiliate of the Company or a person acting on behalf of such an affiliate and (iii) is not in the business of buying or selling securities or, if it is in such business, it did not acquire the Shares from the Company or an affiliate thereof in the initial distribution of the Shares.
- The purchaser (i) is aware that the Shares (a) have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction within the United States; and (b) are being sold in accordance with Rule 903 or 904 of Regulation S and is purchasing such Shares in an "offshore transaction" in reliance on Regulation S.
- The purchaser acknowledges that the Company and the Joint Bookrunners and their respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

UK

In relation to the UK, no Shares which are the subject of the Global Offering contemplated herein have been offered or will be offered pursuant to the Global Offering to the public in the UK prior to the publication of a prospectus in relation to the Shares which has been approved by the Financial Conduct Authority in the UK in accordance with the UK Prospectus Regulation and the FSMA, except that offers of Shares may be made to the public in the UK at any time under the following exemptions under the UK Prospectus Regulation and the FSMA:

- to any legal entity which is a qualified investor as defined under the UK Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under the UK Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- at any time in other circumstances falling within section 86 of the FSMA,

provided that no such offer of Shares shall result in a requirement for the publication by the Group or any Underwriter to publish a prospectus pursuant to Section 85 of the FSMA or Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

Each person in the UK who initially acquires any Shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company and the Joint Global Coordinators that it is a qualified investor within the meaning of the UK Prospectus Regulation.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Global Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in the UK to qualified investors, in circumstances in which the prior consent of the Joint Global Coordinators has been obtained to each such proposed offer or resale.

The Company, the Joint Global Coordinators and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in the UK means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, and the expression "FSMA" means the Financial Services and Markets Act 2000.

In connection with the Global Offering, the Joint Bookrunners are not acting for anyone other than the Company and the Selling Shareholder and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their clients nor for providing advice in relation to the Global Offering.

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("**high net worth companies, unincorporated associations etc.**") of the Financial Promotion Order, (iii) are outside the UK, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

European Economic Area

In relation to each member state of the European Economic Area (each a "Relevant State"), no Shares which are the subject of the Global Offering contemplated herein have been offered or will be offered pursuant to the Global Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State all in accordance with the Prospectus Regulation, except that offers of Shares may be made to the public in that Relevant State of any Shares at any time under the following exemptions under the Prospectus Regulation:

- to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall result in a requirement for the publication by the Group or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Each person in a Relevant State who initially acquires any Shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company and the Joint Global Coordinators that it is a qualified investor within the meaning of the Prospectus Regulation.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Global Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Relevant State to qualified investors, in circumstances in which the prior consent of the Joint Global Coordinators has been obtained to each such proposed offer or resale.

The Company, the Joint Global Coordinators and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression of an "offer to the public" in relation to any Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre)

This Offering Memorandum is strictly private and confidential and is being distributed to a limited number of Professional Investors, within the meaning of the United Arab Emirates SCA's Board of Directors Decision No. 13 of 2021 Concerning the Financial Activities Rule Book, and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. If you are in any doubt about the contents of this Offering Memorandum, you should consult an authorised financial adviser.

By receiving this Offering Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that this Offering Memorandum has not been approved by or filed with the UAE Central Bank, the SCA or any other authorities in the UAE, nor have the Joint Bookrunners received authorisation or licensing from the UAE Central Bank, the SCA or any other authorities in the UAE to market or sell securities or other investments within the UAE. No marketing of any financial products or services has been or will be made from within the UAE other than in compliance with the laws of the UAE and no subscription to any securities or other investments may or will be consummated within the UAE. It should not be assumed that any of the Joint Bookrunners is a licensed broker, dealer or investment advisor under the laws applicable in the UAE, or that any of them advise individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Shares may not be offered or sold directly or indirectly to the public in the UAE. This does not constitute a public offer of securities in the UAE in accordance with Federal Decree-No. 32 of 2021 on Commercial Companies or otherwise.

Nothing contained in this Offering Memorandum is intended to constitute investment, legal, tax, accounting or other professional advice. This Offering Memorandum is for your information only and nothing in this Offering Memorandum is intended to endorse or recommend a particular course of action. Any person considering acquiring securities should consult with an appropriate professional for specific advice rendered based on their respective situation.

Australia

The Shares have not been offered and will not be offered pursuant to the Global Offering in Australia, except to select investors who are able to demonstrate that they fall within one or more of the following categories of investors:

- a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;
- a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

- a person associated with the company under section 708(12) of the Corporations Act; or
- a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act.

This document does not constitute a prospectus or other disclosure document under Chapter 6D.2 of the Corporations Act, has not been, and will not be, lodged or registered with the Australian Securities and Investments Commission ("**ASIC**") or the Australian Securities Exchange ("**ASX**") or any other regulatory body or agency in Australia and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act.

Abu Dhabi Global Market

The Shares have not been offered and will not be offered to any persons in the ADGM except on the basis that an offer is:

- an "Exempt Offer" in accordance with the Market Rules of the ADGM Financial Services Regulatory Authority; and
- made only to persons who are Authorised Persons or Recognised Bodies (as such terms are defined in the FSMR)

or persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 18 of FSMR) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated.

Dubai International Financial Centre

The Shares have not been offered and will not be offered to any persons in the DIFC except on the basis that an offer is:

- an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the DFSA; and
- made only to persons who are existing clients of the DFSA Authorised Person distributing this Offering Memorandum or who otherwise meet the Deemed Professional Client criteria set out in Rule 2.3.4 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

This Offering Memorandum may not be distributed in Saudi Arabia, except to such persons as are permitted under the Saudi Regulations.

CMA does not make any representations as to the accuracy or completeness of this Offering Memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Memorandum. Prospective purchasers of the Shares should conduct their own due diligence on the accuracy of the information relating to the Shares. If a prospective purchaser does not understand the contents of this Offering Memorandum, they should consult an authorised financial adviser.

The Shares must not be advertised, offered or sold and no memorandum, information circular, brochure or any similar document has or will be distributed, directly or indirectly, to any person in Saudi Arabia other than to institutional or qualified clients under Article 8(a)(1) of the Saudi Regulations as such term is defined in the CMA Glossary of Defined Terms used in Regulations and Rules of the CMA (issued by the Board of the CMA pursuant to resolution number 4-11-2004 dated 4 October 2004G, as amended pursuant to Resolution of the Board of the CMA number 1-7-2021 dated 14 January 2021G) or by way of a limited offer under Article 9 of the Saudi Regulations.

The offer of Shares in the Saudi Arabia shall not constitute a "public offer" pursuant to the Saudi Regulations. Prospective purchasers are informed that Article 14 of the Saudi Regulations places restrictions on secondary market activity with respect to the Shares. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the Saudi regulations shall not be recognised by us.

Lebanon

This Offering Memorandum does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any Shares in the Company in the Lebanese territory, nor shall it (or any part of it), nor the fact of its distribution, form the basis of, or be relied on in connection with, any subscription.

The Company has not been, and will not be, authorised or licensed by the Central Bank of Lebanon and its Shares cannot be marketed and sold in Lebanon. No public offering of the Shares is being made in Lebanon and no mass-media means of contact are being employed. This Offering Memorandum is aimed at institutions and sophisticated, high net worth individuals only, and this Offering Memorandum will not be provided to any person in Lebanon except upon the written request of such person.

Recipients of this Offering Memorandum should pay particular attention to the section titled "*Risk Factors*" in this Offering Memorandum. Investment in the Shares is suitable only for sophisticated investors with the financial ability and willingness to accept the risks associated with such an investment, and said investors must be prepared to bear those risks.

Oman

This Offering Memorandum does not constitute a public offer of securities in the Sultanate of Oman, as contemplated by the Commercial Companies Law of Oman (Royal Decree No. 4/1974) or the Capital Market Law of Oman (Royal Decree No. 80/1998) and Ministerial Decision No.1/2009 or an offer to sell or the solicitation of any offer to buy non-Omani securities in the Sultanate of Oman.

This Offering Memorandum is strictly private and confidential. It is being provided to a limited number of sophisticated investors solely to enable them to decide whether or not to make an offer to the Company to enter into commitments to invest in the Shares outside of the Sultanate of Oman, upon the terms and subject to the restrictions set out herein and may not be reproduced or used for any other purpose or provided to any person other than the original recipient.

Additionally, this Offering Memorandum is not intended to lead to the making of any contract within the territory or under the laws of the Sultanate of Oman.

The Company is incorporated and existing under the laws of the UAE. The Capital Market Authority and the Central Bank of Oman take no responsibility for the accuracy of the statements and information contained in this Offering Memorandum or for the performance of the Company with respect to the Shares nor shall they have any liability to any person for damage or loss resulting from reliance on any statement or information contained herein.

Bahrain

The Shares have not been offered or sold, and will not be offered or sold to any person in the Kingdom of Bahrain except on a private placement basis to persons who are "accredited investors".

For this purpose, an "accredited investor" means:

- an individual holding financial assets (either singly or jointly with a spouse) of USD 1,000,000 or more;
- a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than USD 1,000,000; or
- a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kuwait

The Shares have not been and will not be offered, sold, promoted or advertised in Kuwait except on the basis that an offer is made in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of the Shares is being made in Kuwait, and no agreement relating to the sale of the Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Shares in Kuwait.

Jordan

Any marketing of the Shares to Jordanian investors shall be done by way of private placement only. The Shares are being offered in Jordan on a cross border basis based on one-on-one contacts to no more than 30 potential investors and accordingly the Shares will not be registered with the Jordanian Securities Commission and a local prospectus in Jordan will not be issued.

Japan

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "FIEL"). This Offering Memorandum is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Offering Memorandum has been prepared without regard to the disclosure standards for issuance prospectuses under the Financial Services Act of 15 June 2018 or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Shares or the Global Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Memorandum nor any other offering or marketing material relating to the Global Offering, the Company or the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Offering Memorandum will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

Canada

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, *provided that* the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Hong Kong

This Offering Memorandum has not been approved by the Securities and Futures Commission in Hong Kong and, accordingly, (i) the Shares may not be offered or sold in Hong Kong by means of this Offering Memorandum or any other document other than to "professional investors" as defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance of Hong Kong (Cap. 32) or which do not constitute an offer to the public within the meaning of the Companies Ordinance, and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as set out above).

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore, and the Shares will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"). Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Shares, namely a person who is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Shares under Section 275 of the Securities and Futures Act except:

- to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person or to any person pursuant to Section 275(1) and Section 275(1A) of the Securities and Futures Act, respectively and in accordance with the conditions specified in Section 275 of the Securities and Futures Act; or
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law; or
- pursuant to Section 276(7) of the Securities and Futures Act.

People's Republic of China

This Offering Memorandum, the Shares and any material or information contained or incorporated by reference herein relating to the Shares have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the People's Republic of China (the "**PRC**") (which, for the sole purpose herein, does not include Hong Kong, Macau or Taiwan) pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Shares in the PRC.

Neither this Offering Memorandum nor any material or information contained or incorporated by reference herein relating to the Shares constitutes an offer to sell or the solicitation of an offer to buy any securities in the PRC.

The Shares may only be invested by PRC investors that are authorised to engage in the investment in the Shares of the type being offered or sold. PRC investors are responsible for informing themselves about and observing all legal and regulatory restrictions, obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the People's Bank of China, the State Administration of Foreign Exchange, CSRC, the China Banking and Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or overseas investment regulations.

Qatar and the Qatar Financial Centre

This Offering Memorandum is being provided by the Joint Bookrunners on an exclusive basis to the specifically intended recipient (being a qualified investor for the purposes of the Qatar Financial Markets Authority or the Qatar Financial Centre Regulatory Authority) in the State of Qatar, including the Qatar Financial Centre, upon that person's request and initiative, and for the recipient's personal use only.

Nothing in this Offering Memorandum constitutes, is intended to constitute, shall be treated as constituting or shall be deemed to constitute, any offer or sale of Shares in the State of Qatar or in the Qatar Financial Centre or the marketing or promotion in the State of Qatar or in the Qatar Financial Centre of the Shares or an attempt to do business, as a bank, a financial services company, an investment company or otherwise in the State of Qatar or in the Qatar Financial Centre other than in compliance with any laws applicable in the State of Qatar or in the Qatar Financial Centre governing offering, marketing or sale of the Shares.

This Offering Memorandum and/or the Shares have not been approved, registered or licensed by the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority, the Qatar Financial Markets Authority or any other regulator in the State of Qatar or in the Qatar Financial Centre.

Recourse against the Company, the Selling Shareholder and/or the Joint Bookrunners may be limited or difficult and may have to be pursued in a jurisdiction outside the State of Qatar (including the Qatar Financial Centre). The information contained in this Offering Memorandum is confidential and must not be reproduced in whole or in part (whether in electronic or hard copy form). Any distribution of this Offering Memorandum by the recipient to third parties in the State of Qatar or in the Qatar Financial Centre beyond the terms set out above is not authorised and shall be at the liability of such recipient.

Malaysia

This Offering Memorandum has not been and will not be registered as a prospectus with the Securities Commission Malaysia ("**SC**") under the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**"). No prospectus or other offering material or document in connection with the offer and sale of the Shares which complies with the requirements of the CMSA and the guidelines of the SC has been or will be registered with the SC under the CMSA or with any other regulatory body in Malaysia. Also, no approval, authorisation or recognition of the SC has been granted for making available, offering for subscription or purchase, or issuing an invitation to subscribe for or purchase or sale, of the Shares in Malaysia. This Offering Memorandum does not constitute and may not be used for the purpose of an offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase of sale of any securities requiring (a) the approval, authorisation or recognition of the SC and (b) the registration of a prospectus with the SC under the CMSA.

Accordingly, this Offering Memorandum and any other document or material in connection with the Shares will not be circulated or distributed, nor will the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than to the categories of persons specified in paragraph 14 of Schedule 5 of the CMSA and this is also *provided that* the distribution of the Shares to such categories of exempted persons is made by a holder of a Capital Markets Services License in Malaysia who carries on the business of dealing in securities.

Israel

The Shares offered hereunder may not be offered or sold to the public in Israel absent the publication of a prospectus that has been approved by the Israel Securities Authority (the "ISA"). This document does not constitute a prospectus under the Israeli Securities Law, 5728-1968 (the "Israeli Securities Law") and has not been filed with or approved by the ISA, and the Shares offered hereunder have not been approved or disapproved by the ISA, nor have such Shares been registered for sale in Israel. In Israel, this document is being distributed only to, and is directed only at, and any offer of the Shares hereunder is directed only at, (i) a limited number of persons in accordance with the Israeli Securities Law and (ii) investors listed in the first addendum (the "Addendum") to the Israeli Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters, venture capital funds, entities with equity in excess of 50 million Israeli New Shekels ("**NIS**") and "qualified individuals", each as defined in the Addendum (as it may be amended from time to time), collectively referred to as qualified investors (in each case purchasing for their own account or, where permitted under the Addendum, for the accounts of their clients who are investors listed in the Addendum). Qualified investors will be required to submit written confirmation that they fall within the scope of the Addendum, are aware of the meaning of the same and agree to it.

New Zealand

Any offer or sale of any Shares described in this Offering Memorandum and the distribution of the information contained in or accompanying this Offering Memorandum in New Zealand will only be made in accordance with the Financial Markets Conduct Act 2013 (New Zealand) (the "FMC Act") and to a person who (i) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act, (ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act, (iii) is large within the meaning of clause 39 of Schedule 1 of the FMC Act or (iv) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act. Each purchaser of the Shares in New Zealand under the Global Offering:

- acknowledges that (i) Part 3 of the FMC Act shall not apply in respect of the offer of Shares, (ii) no product disclosure statement, registry entry or other disclosure document under the FMC Act will be prepared in respect of the Global Offering, (iii) any information provided to any persons in respect of the Global Offering is not required to, and may not, contain all of the information that a product disclosure statement under New Zealand law is required to contain, and (iv) the information contained or accompanying the Offering Memorandum or any other product disclosure statement, prospectus or similar offering or disclosure, have not been registered, filed with or reviewed or approved by any New Zealand regulatory authority or under or in accordance with the FMC Act;
- warrants that if in the future the purchaser of the Shares elects to directly or indirectly offer or sell any of the Shares allotted to that purchaser, or distribute (either directly or indirectly) the Offering Memorandum, any information contained in or accompanying the Offering Memorandum, or any other offering materials or advertisements in relation to the Global Offering, that person undertakes not to do so in a manner that could result in (i) such offer or sale being viewed as requiring a product disclosure statement or other similar disclosure document or any registration or filing in New Zealand, (ii) any contravention of the FMC Act or (iii) the Company or its directors incurring any liability; and (iii) warrants that (i) any person for whom the persons are acquiring or procuring Shares meets one or more of the criteria specified in (i) – (iv) of the first paragraph of this selling restriction and (ii) the purchaser of the Shares has delivered, where applicable, a safe harbour certificate in accordance with clause 44 of Schedule 1 of the FMC Act.

Republic of Korea

A registration statement for the offering and sale of the Shares has not been filed with the Financial Services Commission of the Republic of Korea ("**Korea**") under the current laws and regulations of Korea, including but not limited to the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Shares may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined in the Foreign Exchange Transactions Law of Korea) or to others for reoffering or resale, directly or indirectly in Korea or for the account or benefit of any resident of Korea, except as otherwise permitted under applicable Korean laws and regulations.

South Africa

The Shares are not the subject of a registered prospectus in terms of chapter 4 of the South African Companies Act, 71 of 2008 ("**Companies Act**"). Any purchaser of the Shares in South Africa may not offer the Shares for sale to the public in South Africa unless such offer is accompanied by a prospectus, or where applicable a written statement, that is registered with the Companies and Intellectual Property Commission in terms of the said chapter of the Companies Act and which complies with all relevant provisions in this regard. No advertisement in relation to a public offer may be made unless it complies with section 98 of the Companies Act. The "public" includes any section of the public.

Certain offers of Shares are deemed, in terms of the safe harbour provisions of section 96 of the Companies Act, to not be offers to the public. These include offers to (i) persons whose ordinary business is dealing in securities, whether as principals or agents; (ii) the Public Investment Corporation; (iii) registered banks; (iv) authorised and licensed financial services providers; and (v) financial institutions as defined in the Financial Services Board Act, 1990, or a combination of any of the aforegoing. Also included in the safe harbours are offers where the minimum offer consideration per offeree, acting as principal, is R1,000,000 (one million Rand). Accordingly, offers may be made to such institutions or under such circumstances without having to comply with chapter 4 of the Companies Act.

TRANSFER RESTRICTIONS

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

United States

The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and, subject to certain exceptions, may not be offered or sold within the United States.

Regulation S

Each purchaser of the Shares outside of the United States pursuant to Regulation S, by its acceptance of delivery of this Offering Memorandum and the Shares, will be deemed to have represented, agreed and acknowledged as follows:

- The purchaser is, or at the time the Shares were purchased will be, the beneficial owner of such Shares and: (a) is, and the person, if any, for whose account it is acquiring the Shares is, outside the United States; (b) is not an affiliate of the Company or a person acting on behalf of such an affiliate; and (c) is not in the business of buying or selling securities or, if it is in such business, it did not acquire such Shares from the Company or an affiliate thereof in the initial distribution of such Shares.
- The purchaser is aware that such Shares: (a) have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction within the United States; and (b) are being sold in accordance with Rule 903 or 904 of Regulation S and is purchasing such Shares in an "offshore transaction" in reliance on Regulation S.

The purchaser acknowledges that the Company, the Selling Shareholder, the Joint Bookrunners and their respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

SETTLEMENT AND DELIVERY

Trading of the Shares will take place through the trading system of the DFM. Shares will be held under NINs assigned by the DFM either to the holders directly or through custodian omnibus accounts and the ownership of the Shares will be evidenced by the holdings under each such NIN. Clearing and settlement of trades on the DFM by brokers or custodians may be performed only through members of the DFM that are Clearing Members. Settlement of securities trading on the DFM is governed by the DFM's rules and regulations, which are available from its website at www.dfm.ae.

Investors will be required to complete an application form for the Shares and return such form to the Joint Bookrunners during the bookbuilding period. Application forms will be available from the Joint Bookrunners.

Investors who receive an allocation of Shares will be required to deliver to the Joint Bookrunners a signed trade confirmation on the business day following notice of its allocation. The form of trade confirmation will be provided to such investors when allocations are notified on or around 6 April 2022 to investors subscribing in the Qualified Investor Offering.

Payment for the Shares purchased in connection with the Qualified Investor Offering shall be made in either USD or AED, as specified by each purchaser to the Joint Bookrunners during the bookbuilding process. Purchasers will be required to make full payment for the Shares to the Joint Bookrunners for receipt by the Joint Bookrunners one business day prior to the expected Closing Date, unless otherwise agreed with the Joint Bookrunners. In the event of a failure to make timely payment, purchasers of Shares may incur significant charges.

Delivery of the Shares is expected to be made on the Closing Date to the accounts of purchasers through the book-entry facilities operated by the DFM. There can be no assurance that such Shares will be credited to the NIN account of the relevant investor during trading hours of the DFM on the Closing Date and such investor may not be able to deal in the relevant Shares comprising its allocation in the Global Offering until such time as they are in fact credited to its NIN account, which may be one or more business days following the Closing Date.

LEGAL MATTERS

Certain legal matters with respect to the Global Offering will be passed upon for the Company by White & Case LLP and Ibrahim & Partners. Certain legal matters with respect to the Global Offering will be passed upon for the Joint Bookrunners by Clifford Chance LLP.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2021 and 2020 have been audited without qualification in accordance with IFRS by KPMG Lower Gulf Limited of The Offices 5 at One Central, Level 4, Office No: 04.01, Sheikh Zayed Road, P.O. Box 3800, Dubai, United Arab Emirates as stated in its report included elsewhere in this Offering Memorandum. KPMG Lower Gulf Limited are independent auditors registered to practise as auditors with the Ministry of Economy in the UAE. KPMG Lower Gulf Limited does not have a material interest in the Group.

GLOSSARY OF SELECTED TERMS

"**ADGM**"	The Abu Dhabi Global Market.
"**ADNOC**"	Abu Dhabi National Oil Company.
"**AED**" or "**dirham**"	The lawful currency of the United Arab Emirates.
"**AI**"	Artificial intelligence.
"**AMI**"	Advanced Metering Infrastructure.
"**Articles of Association**" or "**Articles**"	Depending on the context, the articles of association of the Company, as amended from time to time and currently in force.
"**ASHRAE**"	American Society of Heating, Refrigerating and Air-Conditioning Engineers.
"**ASIC**"	Australian Securities and Investments Commission
"**ASR**"	Aquifer Storage and Recovery
"**ASX**"	Australian Securities Exchange
"**BAU**"	Business-as-Usual Emissions Projections.
"**billion**"	A thousand million.
"**Board of Directors**" or "**Board**"	Depending on the context, the board of directors of the Company or any other legal person, entity or institution, the management body of which consists of a board of directors.
"**BPST**"	Back Pressure Steam Turbines
"**BRL**"	Business Registration & Licensing.
"**BSC**"	British Safety Council.
"**CAGR**"	Compounded Average Growth Rate.
"**CCGT**"	Combined Cycle Gas Turbines.
"**CC&S**"	Climate Change & Sustainability.
"**CEST**"	Condensing Extraction Steam Turbines.
"**CISA**"	Collective Investment Schemes.
"**Citi**"	Citigroup Global Markets Limited.
"**CMA**"	Capital Market Authority of the Kingdom of Saudi Arabia.
"**CML**"	Customer Minutes Lost.
"**CMSA**"	Capital Markets and Services Act 2007 of Malaysia.
"**CO2**"	Carbon Dioxide.
"**Company**"	Dubai Electricity and Water Authority PJSC.
"**CODM**"	Chief Operating Decision-Makers.
"**Corporations Act**"	Australia Corporations Act 2001 (Cth).
"**CSP**"	Concentrated solar power.
"**CSRC**"	China Securities Regulatory Commission.
"**DC**"	District Cooling.
"**DEC**"	Dubai Electricity Company

"**Decree No. 1**"	Rules of Dubai law no. (1) of the year 1992 Concerning the Formation of Dubai Electricity and Water Authority
"**Decree No. 9**"	Ruler of Dubai law no. (9) of 2011 Amending Ruler of Dubai Law no. (1) of 1992
"**Decree No. 13**"	Rule of Dubai Law no. (13) of 1999 Concerning Amendment of Some Provisions of Ruler of Dubai Law no. (1) of 1992
"**DEWA**"	Dubai Electricity and Water Authority PJSC.
"**DEWA-CERT**"	DEWA Cyber Emergency Response Team.
"**DFM**"...	The Dubai Financial Market.
"**DFSA**"...	The Dubai Financial Services Authority.
"**DGEP**"	Dubai Government Excellence Programme.
"**DGF**"	Dubai Green Fund.
"**DIFC**"	The Dubai International Financial Centre.
"**DIES**"	Dubai Integrated Energy Strategy 2030.
"**Digital DEWA**"	Digital DEWA LLC.
"**DLD**"	Dubai Land Department.
"**Document**"	This offering memorandum.
"**DOF**"	Department of Finance.
"**DSCE**"	Dubai Supreme Council of Energy.
"**Dubai Green Fund**"	Dubai Green Fund Investments LLC
"**DUCAB**"	Dubai Cable Company (Private) Limited.
"**DUCAB-HV**"	Ducab High Voltage Cable Systems PSC
"**DUSUP**"	Dubai Supply Authority.
"**DWD**"	Dubai Water Department
"**EBIT**"	Earnings Before Interest and Taxes
"**EBITDA**"	Earnings Before Interest, Taxes, Depreciation, and Amortisation.
"**EEA**"...	European Economic Area.
"**EGA**"	Emirates Global Aluminium
"Electricity and Water Tariff Resolution"	Executive Resolution No. (16) of 2011 Approving the Electricity and Water Tariff in the Emirate of Dubai.
"**ELIPS**"	Empower Logstor LLC.
"**EMCAP**"	Emirates NBD Capital Limited.
"**Empower**"	Emirates Central Cooling Systems Corporation.
"**ENBD**"	Emirates NBD Bank PJSC.
"**ENOC**"	Emirates National Oil Company.
"**EPC**"...	Engineering procurement and construction.
"**ERM**"	Enterprise Risk Management.
"**ESCO**"	Al Etihad Energy Services Company LLC.
"**ESG**"	Environmental, Social and Governance.

"**ESMA**"	European Securities and Markets Authority.
"**ETIHAD ESCO**"	Al Etihad Energy Services Co LLC
"**EU**" or "**European Union**"	The European economic and political union.
"**EUWA**"	The European Union (Withdrawal) Act 2018.
"**EV**"	Electric Vehicle.
"**Exchange Act**"	USA Securities Exchange Act of 1934, as amended.
"**Executive Council**"	Dubai Executive Council.
"**FDI**"	Foreign Direct Investment.
"**FEWA**"	Federal Electricity and Water Authority.
"**FIEL**"	Financial Instruments and Exchange Law.
"**Financial Advisers**"	Emirates NBD Capital Limited and Moelis & Company UK LLP DIFC Branch.
"**FSMA**"	UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
"**FSRA**"	Abu Dhabi Financial Services Regulatory Authority.
"**FSRU**"	Floating Storage Regasification Unit.
"**GCC**"	Gulf Cooperation Council
"**GBP**"	The lawful currency of the UK of Great Britain and Northern Ireland.
"**GDP**"	Gross domestic product.
"**General Assembly**"	The general assembly of the shareholders of the Company.
"**GHG**"	Greenhouse Gas.
"**GMTN**"	Global Medium-term Note.
"**Government**"	Government of Dubai.
"**Group**"	The Company and its subsidiaries.
"**GW**"	A unit of electric power equal to one billion watts of energy.
"**GWh**"	A unit of energy representing one billion watt hours and is equivalent to one million kilowatt hours.
"**HSBC**"	HSBC Bank Middle East Limited.
"**IFRS**"	International Financial Reporting Standards.
"**IG**"	Imperial Gallons.
"**Industry Consultant**"	FTI Consulting Gulf Limited.
"**Industry Report**"	Market data and other market information derived from reports prepared for the Company by FTI Consulting Gulf Limited.
"**Infrastructure and Environment Committee**"	Government of Dubai's Infrastructure Committee.
"**IoT**"	Internet of things.
"**IPP**"	Independent power production project.
"**I-REC**"	International Renewable Energy Credits.
"**ISA**"	Israel Securities Authority.
"**ISO**"	International Organisation for Standardisation

"**IT**"	Information Technology.
"**IT-SERT**"	IT Security Emergency Response Team.
"**IWP**"	Independent water production project.
"**JA RO**"	A standalone water desalination plant using reverse osmosis technology, at the Jebel Ali Power and Desalination Complex.
"**Jebel Ali Power and Desalination Complex**"	A gas powered combined cycle gas turbine plant combined with a desalination plant composed of Station D, Station E, Station G, Station K, Station L and Station M.
"**JEI Capital**"	Jumeirah Energy International Capital Holding LLC
"**JEI Holdings**"	Jumeirah Energy International Holdings LLC
"**Joint Bookrunners**"	Credit Suisse International, EFG Hermes UAE Limited, First Abu Dhabi Bank PJSC and Goldman Sachs International together with the Joint Global Coordinators.
"**Joint Global Coordinators**"	Citigroup Global Markets Limited, Emirates NBD Capital Limited, and HSBC Bank Middle East Limited.
"**Judicial Officer Capacity Resolution**"	Administrative Resolution No. (1) of 2018 Granting the Capacity of Judicial Officers to Some Employees of Dubai Electricity and Water Authority.
"**KM**"	Kilometres.
"**KPI**"	Key Performance Indicators.
"**KSA**"	Kingdom of Saudi Arabia.
"**KV**" or "**kV**"	A unit of electric potential difference equal to one thousand volts.
"**LDNR**"	Leakage Detection and Network Restitution.
"**LIBOR**"	London Inter-bank Offered Rate.
"**LNG**"	Liquefied Natural Gas.
"**Local Order**"	61/91 Local Order which appoints Dubai Municipality as the legal enforcer for the environmental laws in Dubai.
"**LTE**"	Lifetime Extension.
"**LTIFR**"	Lost Time Injury Frequency Rate.
"**M&A**"	Mergers & Acquisitions.
"**Market Law**"	DIFC Markets Law DIFC Law No. 1 of 2012, as amended.
"**MBR**"	Mohammed Bin Rashid Al Maktoum.
"**MBR Solar Park**"	Mohammed Bin Rashid Al Maktoum Solar Park.
"**Member State**"	Each Member State of the European Economic Area.
"**MiFID II**"	EU Directive 2014/65/EU on Markets in Financial Instruments.
"**MIG**"	Million Gallons.
"**MIGD**"	Million imperial gallons per day.
"**MoEI**"	The Federal Ministry of Energy and Infrastructure
"**MORO**"	Data Hub Integrated Solutions LLC (MORO)
"**MSF**"	Multi-Stage Flash Technology.
"**MW**"	A measurement of electricity equal to 1 million watts.

"**NDC**"	Nationally Determined Contribution.
"**NIN**"	National Investor Number.
"**NOC**"	Certificate of No Objection.
"**NOx**"	Nitrogen Oxides.
"**O&M**"	Operation and maintenance.
"**OH&S Department**"	Occupational Health & Safety Department.
"**Order**"	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
"**OT**"	Operational technology.
"**PJSC**"	Public Joint Stock Company.
"**Private Sector Participation Law**"	Law No. (6) of 2011 Regulating the Participation of the Private Sector in Electricity and Water Production in the Emirate of Dubai.
"**Prospectus Regulation"**	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.
"**PPA**"	Power purchase agreement, being the agreement that regulates the production and purchase of power between the buyer (offtaker) and the seller.
"**PV**"	Photovoltaic.
"**QHSE**"	Quality, Occupational, Health, Safety, and Environment Standards
"**R&D**"	Research & Development.
"**Regulation S**"	Regulation S under the Securities Act.
"**RO**"	Reverse Osmosis.
"**ROE**"	Return on Equity.
"**RSB**"	Dubai Regulatory and Supervisory Bureau
"**RT**"	Refrigerated Tons.
"**RTA**"	Road Transport Authority.
"**RTh**"	Refrigerated Tons hour.
"**RTU**"	Remote Terminal Units.
"**SA Companies Act**"	South African Companies Act, No. 71 of 2008.
"**SAIDI**"	System Average Interruption Duration Index.
"**SAIDI – CML**"	System Average Interruption Duration Index – Customer Minutes Lost.
"**SAIFI**"	System Average Interruption Frequency Index.
"**SCA**"	The UAE Securities and Commodities Authority.
"**SCADA**"	Supervisory Control and Data Acquisition system.
"**SDMS**"	Smart Distribution Management System.
"**SEC**"	United States Securities and Exchange Commission.
"**Securities Act**"	United States Securities Act of 1933, as amended.
"**Selling Shareholder**"	Government of Dubai.
"**SIX**"	SIX Swiss Exchange.
"**SO2**"	Sulphur Dioxide.

"**Solar Energy to Power Distribution System Resolution**"	Executive Resolution No. (46) of 2014 Concerning the Connections of Generators of Electricity from Solar Energy to the Power Distribution System in the Emirate of Dubai.
"**Station C**"	Satwa Gas Turbine Power Station built in 1974.
"**Station D**"	Jebel Ali Power and Desalination Station D.
"**Station E**"	Jebel Ali Gas Power & Desalination Station E.
"**Station G**"	Jebel Ali Gas Power & Desalination Station G.
"**Station K**"	Jebel Ali Gas Power & Desalination Station K.
"**Station L**"	Jebel Ali Gas Power & Desalination Station L.
"**Station M**"	Jebel Ali Gas Power & Desalination Station M.
"**Supreme Council of Energy**"	Dubai Supreme Council of Energy
"**SWRO**"	Sea Water Reverse Osmosis.
"**T&D**"	Transmission and Distribution.
"**TDRA**"	Telecommunications and Digital Government Regulatory Authority
"**TSE**"	Treated Sewage Effluent.
"**TWh**"	Terawatt Hour(s).
"**UAE**"	United Arab Emirates.
"**UK"**..	The United Kingdom.
"**UK MiFIR Product Governance Requirements**"	FCA Handbook Product Intervention and Product Governance Sourcebook.
"**UK Prospectus Regulation**"	Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.
"**UN**"	United Nations.
"**UNEP**"	United Nations Environment Program.
"**UN SDGs**"	United Nations Sustainable Development Goals.
"**USA**"...	The United States of America.
"**$**", "**USD**" or "**US Dollars**"	The lawful currency of the United States of America.
"**WHRB**"	Waste Heat Recovery Boilers
"**WPA**"	Water Purchase Agreement.

INDEX TO FINANCIAL STATEMENTS

Index to Historical Financial Information

Audited financial statements for the year ended 31 December 2021

Audited financial statements for the year ended 31 December 2020

Dubai Electricity and Water Authority (PJSC)

(formerly Dubai Electricity and Water Authority)

Consolidated financial statements

for the year ended 31 December 2021

Dubai Electricity and Water Authority (PJSC)

Consolidated financial statements
for the year ended 31 December 2021

Content	***Page(s)***

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Independent auditors' report

To the Owner of Dubai Electricity and Water Authority (PJSC) *(formerly Dubai Electricity and Water Authority)*

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dubai Electricity and Water Authority (PJSC) *(formerly Dubai Electricity and Water Authority)* ("DEWA" or "the Authority") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 IFRS and for such internal control as 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.

Auditors' 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 auditors' 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 ISAs, we exercise professional judgment and maintain professional skepticism 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- 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 auditors' 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.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates

Date: 17 FEB 2022

Dubai Electricity and Water Authority (PJSC)

Consolidated statement of financial position

	Note	As at 31 December 2021 AED'000	2020 AED'000
Assets			
Non-current assets			
Property, plant and equipment	8	**149,472,061**	140,999,406
Intangible assets	10	**529,577**	161,862
Investments accounted for using the equity method	7.3	**640**	5,720
Derivative financial instruments	32	**10,645**	4,655
Financial assets at fair value through other comprehensive income	11	**58,113**	57,653
Other assets	12	**456,773**	606,888
Trade receivables	13	-	698,459
Other financial assets	15	**1,191,644**	-
Total non-current assets		**151,719,453**	142,534,643
Current assets			
Inventories	14	**1,451,149**	1,415,403
Other assets	12	**1,001,724**	1,136,976
Trade receivables	13	**3,888,627**	5,245,480
Other financial assets	15	**2,181,453**	2,709,446
Short-term deposits	9	**4,798,864**	3,309,927
Cash and cash equivalents	16	**4,406,164**	3,573,091
Total current assets		**17,727,981**	17,390,323
Total assets		**169,447,434**	159,924,966
Equity and liabilities			
Equity			
Share capital	17	**500,000**	-
Government of Dubai account	17	**40,037,040**	39,829,878
General reserve	17	**53,343,435**	52,239,576
Statutory reserve	17	**355,467**	352,103
Hedging reserve	17	**(1,236,145)**	(1,982,987)
		92,999,797	90,438,570
Non-controlling interests		**591,911**	(416,991)
Total equity		**93,591,708**	90,021,579
Liabilities			
Non-current liabilities			
Borrowings	18	**23,325,798**	16,534,142
Retirement benefit obligations	19	**1,008,904**	1,036,398
Derivative financial instruments	32	**2,259,830**	3,825,387
Lease liabilities	20	**11,939**	14,887
Other long term liabilities	21	**31,499,170**	30,611,159
Total non-current liabilities		**58,105,641**	52,021,973
Current liabilities			
Trade and other payables	22	**13,781,679**	14,649,234
Borrowings	18	**3,430,072**	2,265,240
Derivative financial instruments	32	**156,297**	12,254
Lease liabilities	20	**3,013**	6,438
Total current liabilities		**17,371,061**	16,933,166
Total liabilities		**75,476,702**	68,955,139
Total equity and liabilities		**169,068,410**	158,976,718
Regulatory deferral account credit balance	34	**379,024**	948,248
Total equity, liabilities and regulatory deferral account credit balance		**169,447,434**	159,924,966

To the best of our knowledge, these consolidated financial statements fairly represents in all material respects, the consolidated financial position, results of operation and cash flows for the Group as of and for, the year ended 31 December 2021

These consolidated financial statements were approved by the Board of Directors on 31 January 2022 and signed on their behalf by:

Managing Director & Chief Executive Officer

Chairman

Chief Financial Officer

Director

The independent auditors' report is set out on pages 1 to 3.
The notes on pages 9 to 73 form an integral part of these consolidate financial statements

Dubai Electricity and Water Authority (PJSC)

Consolidated statements of profit or loss and other comprehensive income

	Note	For the year ended 31 December 2021 AED'000	2020 AED'000
Revenue	24	**23,823,968**	22,461,895
Cost of sales	25	**(15,539,787)**	(14,201,213)
Gross profit		**8,284,181**	8,260,682
Administrative expenses	26	**(2,916,445)**	(3,012,311)
Credit impairment losses	13 & 23	**(83,822)**	(87,970)
Other income		**921,993**	378,018
Operating profit		**6,205,907**	5,538,419
Finance costs	28	**(382,866)**	(267,966)
Finance income	28	**165,465**	239,479
Finance cost – net	28	**(217,401)**	(28,487)
Provision for impairment of investment in a joint venture	7.3	**(4,785)**	-
Share of profit/(loss) from investments in joint ventures	7.3	**502**	(2,392)
Profit for the year before net movement in regulatory deferral account credit balance		**5,984,223**	5,507,540
Net movement in regulatory deferral account credit balance	34	**569,224**	(201,202)
Profit for the year and net movement in regulatory deferral account credit balance		**6,553,447**	5,306,338
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of retirement benefit obligations	19.1	**96,851**	19,696
Debt instrument at FVOCI – change in fair value	11	**460**	2,281
Items that may be reclassified to profit or loss			
Hedging losses reclassified to profit or loss		**388,164**	210,323
Cash flow hedges	32	**1,033,370**	(2,356,020)
Other comprehensive income/(loss) for the year		**1,518,845**	(2,123,720)
Total comprehensive income for the year		**8,072,292**	3,182,618
Profit for the year attributable to			
- Government of Dubai		**6,123,112**	5,094,728
- Non-controlling interests		**430,335**	211,610
		6,553,447	5,306,338
Total comprehensive income for the year attributable to			
- Government of Dubai		**6,966,805**	3,988,980
- Non-controlling interests		**1,105,487**	(806,362)
		8,072,292	3,182,618
Earnings per share			
Basic and diluted earnings per share (AED)	35	**0.12**	**0.10**

The independent auditors' report is set out on pages 1 to 3.

The notes on pages 9 to 73 form an integral part of these consolidated financial statements.

Dubai Electricity and Water Authority (PJSC)

Consolidated statement of changes in equity

	Attributable to the Owner							
	Government of Dubai account AED'000	General reserve AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
At 1 January 2020	38,410,937	49,452,877	351,953	(857,543)	-	87,358,224	516,125	87,874,349
Total comprehensive income for the year								
Profit for the year	-	-	-	-	5,094,728	5,094,728	211,610	5,306,338
Other comprehensive income	-	-	-	(1,125,444)	19,696	(1,105,748)	(1,017,972)	(2,123,720)
Total comprehensive income for the year	-	-	-	(1,125,444)	5,114,424	3,988,980	(806,362)	3,182,618
Transfer to reserve	-	4,286,699	150	-	(4,286,849)	-	-	-
Transactions with the Owner								
Non-cash distribution (refer note 17)	-	-	-	-	(827,575)	(827,575)	-	(827,575)
Reclassification of capital contribution by non-controlling interest to borrowings*	-	-	-	-	-	-	(6,713)	(6,713)
Capital contribution by non-controlling interests	-	-	-	-	-	-	2,000	2,000
Capital contribution by Government of Dubai – value of lands (net)	1,418,941	-	-	-	-	1,418,941	-	1,418,941
Dividend paid (refer note 33)	-	(1,500,000)	-	-	-	(1,500,000)	(122,041)	(1,622,041)
At 31 December 2020	39,829,878	52,239,576	352,103	(1,982,987)	-	90,438,570	(416,991)	90,021,579

* The amount of loan amounting to AED 6.7 million treated as capital contribution by non-controlling interest in 2019 has been reclassified to borrowings during the year ended 31 December 2020.

The notes on pages 9 to 73 form an integral part of these consolidated financial statements.

Dubai Electricity and Water Authority (PJSC)

Consolidated statement of changes in equity *(continued)*

	Share capital AED'000	Government of Dubai account AED'000	General reserve AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
At 1 January 2021	-	39,829,878	52,239,576	352,103	(1,982,987)	-	90,438,570	(416,991)	90,021,579
Transfer to share capital (refer note 17)	500,000	(500,000)	-	-	-	-	-	-	-
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	6,123,112	6,123,112	430,335	6,553,447
Other comprehensive income	-	-	-	-	746,842	96,851	843,693	675,152	1,518,845
Total comprehensive income for the year	-	-	-	-	746,842	6,219,963	6,966,805	1,105,487	8,072,292
Transfer to reserve	-	-	3,103,859	3,364	-	(3,107,223)	-	-	-
Transactions with the Owner									
Non-cash distribution (refer note 17)	-	-	-	-	-	(3,112,740)	(3,112,740)	-	(3,112,740)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-
Capital contribution by Government of Dubai – value of lands (net)	-	707,162	-	-	-	-	707,162	-	707,162
Dividend paid (refer note 33)	-	-	(2,000,000)	-	-	-	(2,000,000)	(96,585)	(2,096,585)
At 31 December 2021	500,000	40,037,040	53,343,435	355,467	(1,236,145)	-	92,999,797	591,911	93,591,708

The notes on pages 9 to 73 form an integral part of these consolidated financial statements.

Dubai Electricity and Water Authority (PJSC)

Consolidated statement of cash flows

	Note	For the year ended 31 December **2021** **AED'000**	 2020 AED'000
Net cash inflow from operating activities	*29*	**10,019,994**	8,417,581
Cash flows from investing activities			
Purchase of property, plant and equipment net of movements in trade payables and other long term liabilities		**(12,268,280)**	(13,103,101)
Deposits with original maturity of greater than three months – placed during the year	*9 & 16*	**(3,012,766)**	(601,375)
Deposits with original maturity of greater than three months – matured during the year	*9 & 16*	**325,000**	8,272,067
Purchase of intangible assets	*10*	**(381,752)**	(32,543)
Interest received		**138,225**	256,675
Sale/Investment in a joint venture		**797**	-
Movement in other financial assets		**(10,039)**	96,156
Proceeds from disposal of property, plant and equipment		**3,916**	1,877
Net cash outflow from investing activities		**(15,204,899)**	(5,110,244)
Cash flows from financing activities			
Repayments of borrowings		**(517,537)**	(5,605,224)
Proceeds from borrowings		**8,552,340**	7,717,351
Interest paid		**(1,076,336)**	(1,024,347)
Payment of lease liabilities	*20*	**(7,443)**	(8,397)
Capital contribution by the non-controlling interest		**-**	2,000
Dividends paid to Owner	*33*	**(2,000,000)**	(1,500,000)
Dividends paid to non-controlling interests in subsidiaries		**(96,585)**	(92,041)
Net cash inflow/(outflow) from financing activities		**4,854,439**	(510,658)
Net (decrease)/increase in cash and cash equivalents		**(330,466)**	2,796,679
Cash and cash equivalents at the beginning of the year	*16*	**5,302,514**	2,505,835
Cash and cash equivalents at the end of the year	*16*	**4,972,048**	5,302,514

Material non-cash transactions:

- Transfer of land to the Group by the Land Department of the Government of Dubai recorded through equity amounting to AED 707 million *(2020: AED 1,419 million)* (refer note 8(f)).

- During the year, non-cash distributions to the Government of Dubai amounted to AED 3,113 million *(2020: AED 828 million).*

The independent auditors' report is set out on pages 1 to 3.

The notes on pages 9 to 73 form an integral part of these consolidated financial statements.

1 Establishment and operations

Dubai Electricity and Water Authority ("DEWA" or the "Authority") was incorporated on 1 January 1992 in the Emirate of Dubai by a Decree (the "Original Decree") issued by H.H The Ruler of Dubai, effective 1 January 1992, as an independent public authority having the status of a body corporate, financially and administratively independent from the Government of Dubai.

In accordance with the Original Decree, all rights, property and assets of Dubai Electricity Company (the "DEC") and Dubai Water Department (the "Department") belonging to the Government of Dubai, were vested in the Authority, and the Authority was held responsible for all liabilities and debts of the DEC and the Department, of any kind whatsoever. Together, the DEC and the Department formed DEWA from the effective date of the Original Decree.

The Authority is wholly owned by the Government of Dubai (the "Owner"). The principal activities of the Authority, in accordance with the Original Decree and Decree No. 13 of 1999 which amended some of the provisions of the Original Decree, comprise water desalination and distribution and the generation, transmission and distribution of electricity, throughout the Emirate of Dubai. The registered address of the Authority is P.O. Box 564, Dubai, United Arab Emirates ("UAE").

During the current year, the Authority has announced its plan to list its shares in Dubai Financial Market (DFM). In order to comply with the listing requirements, based on Decree under Law No. (27) of 2021 issued in The Official Gazette of Dubai Government on 29 December 2021, the legal status of the Authority has been amended to a Public Joint Stock Company, and hence the revised name of the Authority is "Dubai Electricity and Water Authority (PJSC)" *(formerly Dubai Electricity and Water Authority)*. As at 31 December 2021, the Authority has become a PJSC but continued to be 100% owned by the Government of Dubai.

DEWA and its subsidiaries are collectively referred to as "the Group"

The Group is domiciled in UAE and is not subject to tax other than Value Added Tax ("VAT").

The Group has either directly or indirectly the following subsidiaries domiciled in UAE:

Name of the entity	**Percentage of beneficial ownership 2021**	**2020**	**Principal business activities**
Al Etihad Energy Services Company LLC	**100**	100	Implement energy efficiency measures in buildings
Jumeriah Energy International Holdings LLC	**100**	100	Holding Company
Jumeirah Energy International LLC (JEIH)	**100**	100	Holding Company
Mai Dubai LLC	**100**	100	Purification and sale of potable water
Hassyan Energy 1 Holdings LLC	**100**	100	Holding Company
Shuaa Energy 2 Holdings LLC	**100**	100	Holding Company
Shuaa Energy 3 Holdings LLC	**100**	100	Holding Company
Jumeirah Energy International Capital Holding LLC	**100**	100	Holding Company
Jumeirah Energy International Silicon Valley LLC	**100**	100	Holding Company

1 Establishment and operations *(continued)*

Name of the entity	Percentage of beneficial ownership 2021	2020	Principal business activities
Noor Energy 1 Holdings LLC	**100**	100	Holding Company
Data Hub Integrated Solutions LLC (MORO)	**100**	100	Established to provide services including IT, and infrastructure, networking and computer system housing services
Digital DEWA LLC	**100**	100	Investment in commercial, industrial, retail trade and energy enterprises and management
Infra X	**100**	100	To provide services including IT and computer housing services
Dubai Green Fund Investments LLC	**100**	100	To invest and manage commercial, industrial, retail trade and energy enterprises
Utilities Management Company LLC	**85**	85	Holding Company
Emirates Central Cooling Systems Corporation (EMPOWER)	**70**	70	Provision of district cooling services, management, maintenance of central cooling plants and related distribution networks
Empower FM LLC	**70**	70	Air conditioning, ventilation and air filtration system, installation and maintenance
Empower Engineering & Consultancy LLC	**70**	70	Project development consultant services
Palm Utilities LLC	**70**	70	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services
Palm District Cooling LLC (PDC)	**70**	70	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services.
Empower Logstor LLC	**67.9**	67.9	Manufacturing of pre-insulated pipes, mainly for district cooling
Shuaa Energy 2 P.S.C	**60**	60	Establish and provide full range of services for generation of electricity
Innogy International Middle East LLC*	**51**	51	Energy projects consultancy, desalination and sewage treatment plants operations and maintenance
Shuaa Energy 1 P.S.C	**51**	51	Establish and provide full range of services for generation of electricity
Hassyan Energy Phase 1 P.S.C	**51**	51	Establish and provide full range of services for generation of electricity
Noor Energy 1 P.S.C	**51**	51	Establish and provide full range of services for generation of electricity
Digitial X LLC	**100**	100	Establish and provide full range of services for information technology, data entry, network consultancies

1 Establishment and operations *(continued)*

Name of the entity	Percentage of beneficial ownership 2021	2020	Principal business activities
Smart Energy X LLC	**100**	100	Establish and provide full range of services for parking management electronic systems installation and maintenance
Hassyan by Products	**100**	100	Establish for sale of cement products trading, fly ash trading, cement and gypsum trading, repackaging and refilling services
Shuaa Energy 3 P.S.C	**60**	60	Establish and provide full range of services for generation of electricity
Forward Investments Limited	**100**	100	Holding Company
Dubai Carbon Centre of Excellence	**100**	100	Energy projects engineering consultancy and carbon control systems trading
Hassyan Water Company 1 Holding LLC**	**100**	-	Investment in commercial enterprises & management and industrial enterprises & management
Hassyan Water Company 1 P.S.C**	**60**	-	Water desalination including collecting of water, sterilizing and transporting it in lines and linking it to a water distribution network and operating and maintaining water production projects
SecureX***	**100**	-	Computer systems housing services, communication equipment, software design, data classification & analysis services, IT infrastructure, data center colocation services and information technology network services
Space D***	**100**	-	Managing & operating satellites & provision satellite services, wired & wireless communication systems installation and space situational tracking, monitoring & awareness services
Snow LLC****	**100**	-	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services

* refer note 23.

** During the previous year, the Group has incorporated Hassyan Water Company 1 Holding LLC, a 100% owned subsidiary. Hassyan Water Company 1 Holding LLC holds 60% interest in share capital in Hassyan Water Company 1 (P.S.C). The principal business activities of Hassyan Water Company 1 (P.S.C) are to construct stations and refineries to desalinate water by reverse osmosis and produce irrigational water to be commercially and industrially used including the collecting of water, sterilizing and transporting it in lines and linking it to a water distribution network.

*** During the previous year, SecureX LLC and Space D LLC has been incorporated by Digital DEWA LLC which is a single owner Company owned by Dubai Electricity and Water Authority. Digital DEWA LLC owns 100% interest in both new incorporated Companies.

1 Establishment and operations *(continued)*

**** During the year 2021, EMPOWER acquired 100% interest in Snow LLC, a company providing District Cooling Services for various projects developed and owned by Master Developer M/s. Nakheel PJSC for a purchase consideration of AED 674 million. Also refer note 36.

2 Basis of preparation

The principal accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance

These 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. These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements are presented in UAE Dirhams (AED), which is also the Authority's functional currency. Subsidiaries and joint ventures determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

2.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities measured at fair value, wherever applicable.

2.3 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards ("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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's consolidated financial statements are disclosed in note 5.

3 Significant accounting policies

3.1 New standards, amendments and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

	Effective date
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)	1 April 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37)	1 January 2022
Annual improvements to IFRS Standards 2018-2020	1 January 2022

3 Significant accounting policies *(continued)*

3.1 New standards, amendments and interpretations issued but not yet effective *(continued)*

	Effective date
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current and Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 16 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Sale or Contribution of Assets between and Investor its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely

3.2 Other new or amended standards

The following new or amended standards that are required to be adopted in annual periods beginning on 1 January 2021 and are not expected to have a significant impact on the Group's financial statements:

	Effective date
Covid-19 Related Rent Concessions (Amendment to IFRS 16)	1 June 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

3.3 Basis of consolidation

(a) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3 Significant accounting policies *(continued)*

3.3 Basis of consolidation *(continued)*

(a) Business combinations (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

3 Significant accounting policies *(continued)*

3.3 Basis of consolidation *(continued)*

(e) Interests in equity-accounted investees (continued)

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.4 Property, plant and equipment

Property, plant and equipment, other than land and capital work in progress, are stated at historical cost less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major overhaul is performed, the directly attributable cost of the overhaul is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major overhaul.

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment or to improve its operational performance, that is accounted for separately, is included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced asset is subsequently derecognised.

Expenditure on major inspection and overhauls of production plant is capitalised when it meets the asset recognition criteria and is depreciated over the period until the next major overhaul. All other repair and maintenance costs are charged to profit or loss during the year in which they are incurred.

Generation and desalination plants, supply lines and substation equipment are capitalised from the date these are available for use, after satisfactory completion of trial and reliability runs.

Capital work in progress is stated at cost, less any impairment. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Group's policies.

3 Significant accounting policies *(continued)*

3.4 Property, plant and equipment *(continued)*

Land is stated at a value which is based on valuation received from Land Department of the Government of Dubai, which is considered the deemed cost and is not depreciated.

Depreciation on other assets is calculated using the straight line method at rates calculated to reduce the cost of assets to their estimated residual values over their estimated useful lives or in case of leased assets, the shorter term.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Years
Buildings	10 to 30
Generation and desalination plants	10 to 38
Transmission and distribution networks	10 to 30
Other equipment and assets	2 to 20

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. 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.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit of loss and determined as the difference between the proceeds received and the asset's carrying amount.

Insurance spares acquired together with the plant or purchased subsequently but related to a particular plant and are; i) only expected to be used during emergency breakdown situations, ii) critical to the plant operation and must be available at stand-by at all times are capitalised within property, plant and equipment and depreciated from purchase date over the remaining useful life of the plant in which it is to be utilised. These do not form part of inventory provided the capitalisation criteria for property, plant and equipment is met.

Capital spares are spare parts that are regularly replaced, repaired or overhauled usually as part of a replacement programme and are; i) only expected to be used in connection with an item of property, plant and equipment; ii) expected to be used during more than one period. These are carried under capital work in progress until they are put to use.

3.5 Intangible assets

(a) Recognition and measurement

Intangible assets mainly include expenditure incurred on computer software by the Group. These are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

3 Significant accounting policies *(continued)*

3.5 Intangible assets *(continued)*

(a) Recognition and measurement (continued)

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs directly associated with the development of computer software programmes that are expected to generate economic benefits over a period in excess of one year are also capitalised and amortised over their estimated useful lives. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(b) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(c) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives for current and comparative periods are 3 to 5 years.

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.6 Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

Financial assets – Business model assessment (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(iii) Derecognition (continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(v) Derivative financial instruments and hedge accounting (continued)

Hedges directly affected by interest rate benchmark reform (continued)

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

3 Significant accounting policies *(continued)*

3.7 Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring
- over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

The Group considers the credit risk on the investments in government bonds and bank deposits to be low at the reporting date, as these financial assets have low risk of default, the borrowers have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3 Significant accounting policies *(continued)*

3.7 Impairment *(continued)*

(i) Non-derivative financial assets (continued)

Measurement of ECLs

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of a contract such as default or being more than 360 days past due, except for receivables from government entities;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) financial asset has become more than 12 months overdue, (ii) ceasing enforcement activity and (iii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3 Significant accounting policies *(continued)*

3.7 Impairment *(continued)*

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units ("CGU") to which the individual asset is allocated. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

3.8 Leases

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

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3 Significant accounting policies *(continued)*

3.8 Leases *(continued)*

(i) As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 Significant accounting policies *(continued)*

3.8 Leases *(continued)*

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other revenue'.

3.9 Inventories

Inventories comprise consumables and repair spares and operating stock of fuel. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle. Cost comprises of direct materials, and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

3.10 Borrowing costs

Borrowing costs consists of interest and other costs that the Group incurs in connection with the borrowing of funds. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. The Group has determined the substantial period to be greater than 1 year.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the year in which they are incurred.

3 Significant accounting policies *(continued)*

3.11 Trade receivables

Trade receivables comprise of trade receivables, due from related parties and accrued revenue. Trade receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. Trade receivables are recognised initially at fair value, which is the original invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are impaired as per the policy explained in notes 3.7 and 13 to the consolidated financial statements which is in compliance with requirements of IFRS 9.

The carrying amount of an asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, current and call accounts with the banks and other institutions and term deposits held with banks. Term deposits with banks with remaining maturities greater than twelve months are disclosed as non-current assets. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at current and call accounts with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.13 Advance received for new connections and security deposits

(a) Advances for new connections

The Group receives amounts from customers for construction and installation of equipment. These amounts are classified as advances received for new connections until the construction or installation of the equipment is completed. On completion, these amounts are transferred from advances received for new connections to deferred revenue under liabilities.

Management estimates the current portion of the advances for new connections based on historical experience and anticipated installations. The remaining amounts are classified as non-current liabilities.

(b) Security deposits

The Group receives security deposits against electricity and water connections from its customers. These deposits are refundable to the customers only at the time of disconnection. The Group classifies all amounts received as security deposits as current liabilities as these amounts are repayable to the customer on demand upon disconnection.

3 Significant accounting policies *(continued)*

3.14 Deferred revenue

Deferred revenue represents amounts transferred from advances for new connections upon completion of construction and installation of equipment. Deferred revenue is amortised and recognised in the statement of profit or loss on a straight-line basis over the estimated useful life of the related equipment. Deferred revenue also includes the assets taken over by the Group at free of cost.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.16 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liability in the consolidated statement of financial position.

Post-employment obligations

(a) *Defined benefit plan*

Pension obligations for UAE nationals retired before 1 January 2003

The Group operates a defined benefit pension plan for eligible UAE national employees retired before 1 January 2003. The cost of providing pensions is charged to profit or loss.

3 Significant accounting policies *(continued)*

3.16 Employee benefits *(continued)*

Post-employment obligations *(continued)*

(a) Defined benefit plan (continued)

Post-employment benefit obligations for eligible expatriates

The Group operates a defined benefit payment plan for eligible expatriates and specific UAE national employees in accordance with the Dubai Government Human Resource Management Law No. 27 of 2006.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets, as applicable.

The net benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market for such bonds, the market rates on government bonds are used.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, as applicable.

To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), as applicable, are recognised immediately in OCI.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3 Significant accounting policies *(continued)*

3.16 Employee benefits *(continued)*

Post-employment obligations *(continued)*

(b) Defined contribution plan

Pension obligations for UAE national from 1 January 2003

Effective 1 January 2003, the Group joined the pension scheme operated by the Federal Pension General and Social Security Group which is a defined contribution plan. The Group's contributions for eligible active UAE national employees are calculated as a percentage of the employees' salaries and charged to profit or loss, in accordance with the provisions of Federal Law No. 7 of 1999 on Pension and Social Security. The Group has no legal or constructive obligation to pay any further contributions.

Obligations for contributions to defined contribution plans are expenses as the related service is provided. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in future payments is available.

3.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting year. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in profit or loss.

3.19 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value measurement recognised directly in equity.

3 Significant accounting policies *(continued)*

3.20 Government of Dubai account

Amounts contributed to the Authority by the Government of Dubai to finance the activities of the Authority are classified as equity. There is no contractual obligation for the Authority to pay these funds back to the Government of Dubai. Increases in the Government of Dubai account are generally additional contributions either monetary or non-monetary. Non-monetary contributions are measured at fair value.

On initial recognition the fair value of plots of land transferred as per order of the Ruler of Dubai have been determined by the management based on value derived from valuation certificates obtained from the Land Department of Dubai. The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used. Refer note 8 (b).

3.21 General reserve

General reserve represents surplus distributable profit of the Group. The transfer to general reserve is determined based on the profit for the year after deducting cash and non-cash distributions.

3.22 Statutory reserve

In accordance with Article 103 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit of the subsidiaries that fall under the definition of UAE Federal Commercial Companies Law, are allocated each year to a non-distributable legal reserve. Such allocations may cease when the legal reserve equals half of the nominal value of the paid up share capital. This reserve is not available for distribution.

3.23 Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

3 Significant accounting policies *(continued)*

3.23 Revenue from contracts with customers *(continued)*

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
(b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue comprises the fair value of consideration received or receivable for the sales of goods and services in the ordinary course of Group's activities and is shown net of discounts and allowances.

The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

(a) Supply of electricity and water

Revenue from the supply of electricity and water is recognised on the basis of electricity and water supplied during the period on an accruals basis with reference to meter readings. A management estimate is included for the value of units supplied to customers between the date of their last meter reading and the accounting period end. The estimate is calculated using historical consumption patterns and is included in trade and other receivables as accrued revenue.

(b) Meter rental

Meter rental income is recognised on a time proportion basis over the period during which the meter is provided to the customer.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(d) Dividends

Dividends are recognised as other income when the right to receive payment is established.

(e) Amortisation of deferred revenue

Deferred revenue is amortised and recognised as income on a straight line basis over the estimate useful life of the related equipment. Refer notes 3.13 and 3.14.

(f) Other services

Revenue from other services include handling charges, reconnection and disconnection charges, which are recognised in the accounting period in which the services are rendered.

3 Significant accounting policies *(continued)*

3.24 Foreign currency translations

(a) Functional and presentation currency

These consolidated financial statements are presented in UAE Dirhams (AED), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. Subsidiaries and joint ventures determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currency of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

3.25 Regulatory deferral account

The Group has been allowed by the Dubai Supreme Council of Energy (the "regulator") to bill the increase in fuel prices considering 2010 as the base year. Regulatory deferral account balance arises on account of amounts billed to and collected from customers as fuel surcharge in excess/short of amounts to be billed to customers. The deferral account is deferred and adjusted against the next change in tariff approved by the regulator. Regulatory deferral account is not described as a liability/asset for the purposes of the Group's consolidated financial statements and is disclosed as a separate line item in the consolidated statement of financial position.

3.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

3 Significant accounting policies *(continued)*

3.26 Fair value measurement *(continued)*

The Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

4 Financial risk management

4.1 Financial risk factors

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Board of the Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. 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 products offered. The Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Board of Directors review and agree policies for managing each of these risks which are summarised below. The Group has exposure to the following risks arising from financial instruments:

(i) credit risk
(ii) liquidity risk
(iii) market risk

(i) 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, other financial assets at amortised cost and investments in debt securities.

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(i) Credit risk (continued)

The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2021	2020
	AED'000	AED'000
Impairment loss on trade receivables (refer note 13)	**77,870**	87,970

(a) Trade receivables

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of provision for impairment of receivables.

The Group has a wide customer base in the Emirate of Dubai and services commercial, industrial and governmental organisations as well as residential customers including UAE nationals and expatriates. Out of the total trade receivables and accrued revenue of AED 4,311 million *(2020: AED 6,289 million)*, an amount of AED 3,261 million *(2020: AED 3,332 million)* is due from customers other than government entities and is considered subject to credit risk. Carrying amount of trade receivables best represent the maximum exposure to credit risk at the end of each reporting period presented.

The Group taking into consideration the exposure to the customer, when appropriate, manages credit risk by requesting additional deposits, disconnection of services and implementing payment plans for customers in arrears.

Due to large and diversified customer base, concentration of credit risk on few customers is limited.

Expected credit loss assessment for customers

The Group uses an allowance matrix to measure the ECLs of fee receivables from customers. Loss rates are calculated using "roll rate" method based on the profitability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately to exposures in different segments based on common credit risks characteristics.

The Group considers the credit risk on the outstanding balances from government customers to be low at the reporting date, as these financial assets have low risk of default, the counterparties have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil its contractual cash flow obligations.

To measure the expected credit losses, trade receivables and accrued revenue have been grouped together based on its shared credit risk characteristics and the days past due. Accrued revenue has substantially the same risk characteristics as the trade receivables and therefore concluded that the expected loss rates for trade receivables and accrued revenue are a reasonable approximation of the loss rates for the contract assets.

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(i) Credit risk (continued)

(a) Trade receivables (continued)

Expected credit loss assessment for customers (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers for 2021 and 2020:

As at 31 December 2021	**Expected loss rate**	**Gross carrying amount AED'000**	**Loss allowance AED'000**	**Credit impaired**
Current	**0.87%**	**1,751,059**	**15,304**	**No**
More than 30 days past due	**4.12%**	**428,758**	**17,656**	**No**
More than 60 days past due	**11.71%**	**253,707**	**29,705**	**No**
More than 120 days past due	**31.78%**	**277,650**	**88,249**	**No**
More than 360 days past due	**49.43%**	**549,475**	**271,630**	**Yes**
		3,260,649	**422,544**	

As at 31 December 2020	Expected loss rate	Gross carrying amount AED'000	Loss allowance AED'000	Credit impaired
Current	0.47%	1,953,932	9,192	No
More than 30 days past due	2.10%	376,905	7,930	No
More than 60 days past due	12.01%	246,377	29,578	No
More than 120 days past due	22.75%	333,445	75,865	No
More than 360 days past due	52.73%	421,243	222,109	Yes
		3,331,902	344,674	

Total receivables include amount of AED 1,050 million *(2020: AED 2,957 million)* related to government receivables.

(b) Other financial assets

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other financial assets and due from related parties, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group limits its credit risks with regard to bank deposits by dealing only with reputable banks.

Other financial assets include investments in UAE National bonds which are unrated and other receivables are held with reputed counter parties which management do not expect any loss from their non-performance. Where non-performance is identified or expected a provision is made.

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(i) Credit risk (continued)

(b) Other financial assets (continued)

Balances due from related parties are held with reputed counter parties and management do not expect any loss from their non-performance. Where non-performance is identified or expected a provision is made.

(c) Cash and cash equivalents

The Group held cash and cash equivalents of AED 4,406 million at 31 December 2021 *(2020: AED 3,573 million)*. The cash and cash equivalents are held with bank and financial institution counterparties and other government agencies having credit rating as detailed below:

As determined by Moody's

	2021	2020
	AED'000	AED'000
A	**4,150,066**	3,035,602
B	**255,661**	434,696
Unrated (including cash in hand)	**437**	102,793
	4,406,164	3,573,091

(d) Derivatives

The derivatives are entered into with bank and financial institution counter parties, which are related to AA- to AA+ based on Fitch ratings.

All other financial assets are unrated.

Also refer note 31.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, 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 reputation.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group monitors its risk of shortage of funds using cash flow budgeting in which it considers both the cash outflows as well as their sources of funding.

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(ii) Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Less than 1 year AED'000	1 to 2 years AED'000	Over 2 years AED'000	Total AED'000	Carrying amount AED'000
Non-derivative financial liabilities					
31 December 2021					
Secured borrowings	**2,571,142**	**1,130,338**	**27,363,348**	**31,064,828**	**23,980,793**
Unsecured borrowings	**1,465,147**	**224,660**	**1,145,352**	**2,835,159**	**2,775,077**
Trade and other payables**	**11,947,191**	**-**	**-**	**11,947,191**	**11,947,191**
Other long term liabilities**	**-**	**443,803**	**452,290**	**896,093**	**876,234**
Lease liabilities	**3,013**	**1,645**	**10,294**	**14,952**	**14,952**
	15,986,493	**1,800,446**	**28,971,284**	**46,758,223**	**39,594,247**

	Less than 1 year AED'000	1 to 2 years AED'000	Over 2 years AED'000	Total AED'000	Carrying amount AED'000
Derivative financial liabilities					
31 December 2021					
Interest rate swaps used for hedging	**220,944**	**357,003**	**1,838,180**	**2,416,127**	**2,416,127**

	Less than 1 year AED'000	1 to 2 years AED'000	Over 2 years AED'000	Total AED'000	Carrying amount AED'000
Non-derivative financial liabilities					
31 December 2020					
Secured borrowings	2,020,962	493,875	20,759,719	23,274,556	16,406,995
Unsecured borrowings	706,072	421,579	1,373,391	2,501,042	2,392,387
Trade and other payables**	12,882,211	-	-	12,882,211	12,882,211
Other long term liabilities**	-	271,699	413,086	684,785	664,802
Lease liabilities	6,438	6,864	8,023	21,325	21,325
	15,615,683	1,194,017	22,554,219	39,363,919	32,367,720

** These do not include advances for new connections, deferred revenue and retirement benefits obligations as these are non-financial liabilities.

	Less than 1 year AED'000	1 to 2 years AED'000	Over 2 years AED'000	Total AED'000	Carrying amount AED'000
Derivative financial liabilities					
31 December 2020					
Interest rate swaps used for hedging	-	359,667	3,477,974	3,837,641	3,837,641

Also refer note 31 and note 32.

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(iii) *Market risk*

Market risk is the risk that changes in market prices – e.g. 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.

(a) *Foreign exchange risk*

Currency risk arises on recognised assets or liabilities that are primarily denominated in a currency that is not the Group's functional currency. The Group has no significant exposure to this risk as the majority of its transactions are denominated is AED, or in currencies AED is pegged with. The Group has certain transactions in foreign currencies, mainly in Euros. However, the foreign currency exposure arising out of foreign currency denominated balances as at 31 December 2021 and 2020 are not material.

(b) *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuers or factors affecting ail the instruments traded in the market. Hence, the Group has no exposure to price risk as there is no price sensitive financial instruments.

(c) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from long term borrowings. The Group is exposed to cash flow interest rate risk on its variable rate borrowings. The Group is not exposed to the fair value interest rate risk as fixed rate borrowings of the Group are carried at amortised cost in these consolidated financial statements.

The variable rate borrowings of the Group are based on LIBOR and EIBOR. The Group has entered into interest rate swaps to mitigate the risk of variable rate borrowings (refer note 32). The table below shows the exposure of Group's variable and fixed rate borrowings:

	2021	2020
	AED'000	AED'000
Variable rate borrowings	**23,643,410**	16,281,477
Fixed rate borrowings	**3,112,460**	2,517,905
	26,755,870	18,799,382

Cashflow sensitivity analysis for variable-rate borrowings

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) consolidated equity and consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(iii) Market risk (continued)

(c) Cash flow and fair value interest rate risk (continued)

Cashflow sensitivity analysis for variable-rate borrowings (continued)

	Profit or loss		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
	AED'000		**AED'000**	
31 December 2021				
Variable rate borrowings	236,434	(236,434)	-	-
Interest rate swaps	-	-	24,055	(24,055)
Cash flow sensitivity (net)	236,434	(236,434)	24,055	(24,055)
31 December 2020				
Variable rate borrowings	162,815	(162,815)	-	-
Interest rate swaps	-	-	38,330	(38,330)
Cash flow sensitivity (net)	162,815	(162,815)	38,330	(38,330)

Fair value sensitivity analysis for fixed-rate borrowings

The Group does not account for any fixed-rate financial assets or financial liabilities, at FVTPL, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased equity by AED 24 million *(2020: AED 38.3 million).* This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

4.2 Capital risk management

The Group monitors and responds pragmatically to market conditions and business developments both locally and internationally, and ensures adequate funds are available to meet the needs of its businesses and support sound *value* enhancement objectives. The Group's strategic focus is the active management of the business portfolio in order to deal with its debt service obligations and to enhance the value of the Owner's equity.

4.3 Fair value estimation

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

All financial assets and liabilities are initially measured at transaction price, i.e. the fair value of the consideration given or received. These financial assets and liabilities are subsequently measured at amortised cost except the financial assets at fair value through other comprehensive income and derivative financial instruments.

4 Financial risk management *(continued)*

4.3 Fair value estimation *(continued)*

The carrying value of financial assets and financial liabilities approximates their fair value except derivatives, which are the only financial instruments which are carried at fair value and fall into level 2 of the fair value hierarchy (refer notes 11 and 32).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5 Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

5.1 Critical accounting estimates

(a) Revenue recognition – unread electricity, water and district cooling meters

Revenue for electricity, water supply and cooling services includes an assessment of electricity, water and cooling services supplied to customers between the date of the last meter reading and the year end (unread). Unread electricity, water and cooling services supplied is estimated by using historical consumption patterns of respective customer categories. Management applies judgement to the measurement of the estimated electricity, water and cooling units supplied to customers and the valuation such units consumed. The application of a 5% increase to management estimate of total units for all customer categories, in isolation would result in the increase in revenue and profit by AED 52 million *(2020: AED 40 million)*. The application of a 5% decrease to management estimate of total units for all customer categories, in isolation would result in the decrease in revenue and profit by AED 52 million *(2020: AED 40 million)*.

5 Critical accounting estimates and judgements *(continued)*

5.2 Critical accounting judgements

(a) Component parts of property, plant and equipment

The Group's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their useful lives. When determining the useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

(b) Determination of control over certain subsidiaries

The Group has entered into various agreements to establish Shuaa Energy 1 P.S.C, Hassyan Energy Phase 1 P.S.C, Shuaa Energy 2 P.S.C, Shuaa Energy 3 P.S.C and Noor Energy 1 P.S.C for construction of power plant and generation of electricity from renewable and non-renewable sources and Hassyan Water Company 1 P.S.C for desalination of water. To determine control over these entities, the Group considers the purpose and design of these entities along with the fact that whether it has the power to govern the financial and operational strategy of the respective entity and whether a significant portion of the entity's activities are carried on the behalf of the Group.

Management has therefore concluded that the relevant activities of these entities are pre-determined and directed via contractual arrangements in the normal course of business and consequently has consolidated the results of these entities in these consolidated financial statements. The Group will continue to evaluate these circumstances at each reporting date to determine whether this judgement continues to be valid. If the Group determines that it no longer has control over any of these entities, it will be de-consolidate the entities and account for these entities using the equity method from the date that control is deemed to cease.

6 Operating segments

(i) Basis for segmentation

The chief operating decision-makers (CODM) have been identified as the Board of Directors of the Group that make all the strategic decisions related to the Group's activities. The Board of Directors reviews the Group's internal reporting in order to assess the performance and allocate its resources based on which the operating segments have been determined.

6 Operating segments *(continued)*

(i) Basis for segmentation (continued)

For the Board of Directors, the Group is currently organised into four major operating segments.

Reportable segments	**Operations**
DEWA	The Group is engaged in the generation, transmission and distribution of electricity and water desalination, transmission and distribution to residential, commercial, industrial and government customers in the Emirate of Dubai.
EMPOWER	EMPOWER and its subsidiaries are engaged in the provision of district cooling, maintenance of central cooling plants and manufacturing and sale of insulated pipes.
IPP	JEIHL and its subsidiaries are engaged in provide full range of services for the development, operation and maintenance of power and water plants under the independent power producer (IPP) model.
Others	The other operations of group include purification and sale of potable water, providing services including IT, and infrastructure, networking and computer system housing services, invest and manage commercial, industrial, retail trade and energy enterprises and implement energy efficiency measures in buildings.

(ii) Information about reportable segments and reconciliations of information on reportable segments to the amount reported in the consolidated financial statements

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

a) Segment wise statement of financial position

	DEWA	**EMPOWER**	**IPP**	**Others**	**Eliminations**	**Total**
31 December 2021						
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Segment assets						
Non-current assets	130,735,584	7,774,283	25,372,513	1,622,590	(13,785,517)	151,719,453
Current assets	10,877,900	1,769,433	2,299,814	3,924,930	(1,144,096)	17,727,981
Total assets	**141,613,484**	**9,543,716**	**27,672,327**	**5,547,520**	**(14,929,613)**	**169,447,434**
Segment liabilities						
Non-current liabilities	38,378,531	1,420,198	28,596,536	113,128	(10,402,752)	58,105,641
Current liabilities	11,687,707	2,692,626	1,267,706	2,640,113	(917,091)	17,371,061
Regulatory deferral account credit balance	379,024	-	-	-	-	379,024
Total liabilities and regulatory deferral account credit balance	**50,445,262**	**4,112,824**	**29,864,242**	**2,753,241**	**(11,319,843)**	**75,855,726**
Net segment assets/(liabilities)	**91,168,222**	**5,430,892**	**(2,191,915)**	**2,794,279**	**(3,609,770)**	**93,591,708**

6 Operating segments *(continued)*

(ii) Information about reportable segments and reconciliations of information on reportable segments to the amount reported in the consolidated financial statements (continued)

a) Segment wise statement of financial position (continued)

31 December 2020	DEWA	EMPOWER	IPP	Others	Eliminations	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment assets						
Non-current assets	127,248,655	6,789,744	18,577,904	858,059	(10,939,719)	142,534,643
Current assets	10,919,904	1,442,849	1,377,435	4,443,664	(793,529)	17,390,323
Total assets	138,168,559	8,232,593	19,955,339	5,301,723	(11,733,248)	159,924,966
Segment liabilities						
Non-current liabilities	34,795,659	1,588,575	22,939,144	122,905	(7,424,310)	52,021,973
Current liabilities	12,427,078	1,849,268	952,264	2,435,837	(731,281)	16,933,166
Regulatory deferral account credit balance	948,248	-	-	-	-	948,248
Total liabilities and regulatory deferral account credit balance	48,170,985	3,437,843	23,891,408	2,558,742	(8,155,591)	69,903,387
Net segment assets/(liabilities)	89,997,574	4,794,750	(3,936,069)	2,742,981	(3,577,657)	90,021,579

b) Segment wise statement of profit or loss and other comprehensive income

31 December 2021	**DEWA**	**EMPOWER**	**IPP**	**Others**	**Eliminations**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Revenue	21,745,193	2,463,874	1,323,519	987,816	(2,696,434)	23,823,968
Cost of sales	(14,739,083)	(1,394,449)	(867,285)	(567,905)	2,028,935	(15,539,787)
Gross profit/(loss)	**7,006,110**	**1,069,425**	**456,234**	**419,911**	**(667,499)**	**8,284,181**
Other income	815,663	48,500	453,541	10,893	(406,604)	921,993
Credit impairment losses	(75,619)	(8,568)	-	(6,097)	6,462	(83,822)
Adjustment on financial assets	(29,876)	-	-		29,876	-
Administrative expenses	(2,704,471)	(175,881)	(231,906)	(378,979)	574,792	(2,916,445)
Operating profit/(loss)	**5,011,807**	**933,476**	**677,869**	**45,728**	**(462,973)**	**6,205,907**
Finance income	172,453	11,633	233	119,257	(138,111)	165,465
Finance costs	(252,829)	(9,127)	(358,297)	(30,735)	268,122	(382,866)
Finance (costs)/income – net	(80,376)	2,506	(358,064)	88,522	130,011	(217,401)
Provision for impairment of investment in a joint venture	(4785)	-	-	-	-	(4785)
Share of profit in a joint venture	1,004	-	-	(502)	-	502
Net movement in regulatory deferral account credit balance	569,224	-	-	-	-	569,224
Profit//(loss) for the year	**5,496,874**	**935,982**	**319,805**	**133,748**	**(332,962)**	**6,553,447**
Other comprehensive income	96,851	460	1,421,534	-	-	1,518,845
Total comprehensive income//(loss) for the year	**5,593,725**	**936,442**	**1,741,339**	**133,748**	**(332,962)**	**8,072,292**

6 Operating segments *(continued)*

(ii) *Information about reportable segments and reconciliations of information on reportable segments to the amount reported in the consolidated financial statements (continued)*

b) *Segment wise statement of profit or loss and other comprehensive income (continued)*

31 December 2020	DEWA	EMPOWER	IPP	Others	Eliminations	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Revenue	20,334,547	2,255,115	418,340	704,794	(1,250,901)	22,461,895
Cost of sales	(13,525,921)	(1,216,084)	(231,507)	(454,823)	1,227,122	(14,201,213)
Gross profit	6,808,626	1,039,031	186,833	249,971	(23,779)	8,260,682
Other income	675,886	58,527	-	5,224	(361,619)	378,018
Credit impairment losses	(73,834)	(13,823)	-	(313)	-	(87,970)
Adjustment on financial assets	122,601	-	-	-	(122,601)	-
Administrative expenses	(2,414,201)	(175,213)	(116,633)	(312,368)	6,104	(3,012,311)
Operating profit/(loss)	5,119,078	908,522	70,200	(57,486)	(501,895)	5,538,419
Finance income	242,924	4,618	2,458	111,953	(122,474)	239,479
Finance costs	(70,191)	(11,878)	(179,283)	(24,153)	17,539	(267,966)
Finance (costs)/income – net	172,733	(7,260)	(176,825)	87,800	(104,935)	(28,487)
Provision for impairment of investment in a joint venture	-	-	-	-	-	-
Share of profit in a joint venture	318	-	-	(2,710)	-	(2,392)
Net movement in regulatory deferral account credit balance	(201,202)	-	-	-	-	(201,202)
Profit/(loss) for the year	5,090,927	901,262	(106,625)	27,604	(606,830)	5,306,338
Other comprehensive income/(loss)	19,696	2,281	(2,145,697)	-	-	(2,123,720)
Total comprehensive income /(loss) for the year	5,110,623	903,543	(2,252,322)	27,604	(606,830)	3,182,618

c) *Other segment information*

31 December 2021	**DEWA**	**EMPOWER**	**IPP**	**Others**	**Eliminations**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Capital expenditure (property, plant and equipment)	**6,452,461**	**611,616**	**6,508,077**	**170,674**	**-**	**13,742,828**
Depreciation (property, plant and equipment)	**4,637,423**	**304,965**	**187,813**	**106,594**	**(5,113)**	**5,231,682**

31 December 2020	DEWA	EMPOWER	IPP	Others	Eliminations	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Capital expenditure (property, plant and equipment)	11,137,754	728,085	5,922,909	136,230	-	17,924,978
Depreciation (property, plant and equipment)	4,182,426	284,960	163,131	107,257	(5,021)	4,732,753

(iii) *Geographic information*

Majority of the Group's revenues, profits and assets relate to its operations in Dubai.

7 Interests in other entities

7.1 Material subsidiaries

The Group's principal subsidiaries are set out in note 1.

7.2 Non-controlling interests

The Group's material subsidiaries are Jumeirah Energy International Holdings LLC ("JEIHL") and EMPOWER. JEIHL holds investment in Shuaa Energy 1 P.S.C, Shuaa Energy 2 P.S.C, Shuaa Energy 3 P.S.C, Hassyan Energy Phase 1 P.S.C and Noor Energy 1 P.S.C. Proportion of ownership interests held by non-controlling interest is as follows:

	2021	2020
	%	%
Shuaa Energy 1 P.S.C	**49**	49
Shuaa Energy 2 P.S.C	**40**	40
Hassyan Energy Phase 1 P.S.C	**49**	49
Noor Energy 1 P.S.C	**49**	49
Shuaa Energy 3 P.S.C	**40**	40
EMPOWER	**30**	30

The summarised financial information for JEIHL and EMPOWER group before inter-company eliminations is as follows:

Summarised statements of financial position

	JEIHL		**EMPOWER**	
	2021	2020	**2021**	2020
	AED'000	AED'000	**AED'000**	AED'000
Non-current				
Assets	**25,372,513**	18,577,904	**7,774,283**	6,772,244
Liabilities	**(28,596,536)**	(22,939,144)	**(1,420,198)**	(1,588,575)
	(3,224,023)	(4,361,240)	**6,354,085**	5,183,669
Current				
Assets	**2,299,814**	1,377,435	**1,769,434**	1,442,849
Liabilities	**(1,267,706)**	(952,264)	**(2,692,628)**	(1,849,268)
	1,032,108	425,171	**(923,194)**	(406,419)
Net assets (100%)	**(2,191,915)**	(3,936,069)	**5,430,891**	4,777,250
Net assets / liabilities attributable to NCI	**(1,048,884)**	(1,873,673)	**1,655,049**	1,468,691

Other non-material subsidiary includes negative net assets attributable to NCI amounting to AED 14,254 thousand *(2020: AED 12,009 thousand).*

7 Interests in other entities *(continued)*

7.2 Non-controlling interest *(continued)*

Summarised statements of profit or loss and other comprehensive income

	JEIHL		EMPOWER	
	2021 AED'000	2020 AED'000	**2021 AED'000**	2020 AED'000
Revenue	**1,323,519**	418,340	**2,463,874**	2,255,115
Profit/(loss) for the year	**319,805**	(106,625)	**935,982**	901,262
Total comprehensive income/(loss)	**1,741,339**	(2,252,322)	**936,442**	903,543
Total comprehensive (loss)/income allocated to non-controlling interests	**831,074**	(1,067,563)	**276,658**	266,784
Dividends paid to non-controlling interests	**6,285**	2,041	**90,300**	120,000

Total comprehensive loss allocated to non-controlling interest of other non-material subsidiary amounts to AED 2,245 thousand *(2020: AED 6,286 thousand).*

Summarised statement of cash flows

	JEIHL		EMPOWER	
	2021 AED'000	2020 AED'000	**2021 AED'000**	2020 AED'000
Net cash (used in)/generated from operating activities	**(126,663)**	(100,100)	**1,371,812**	1,029,634
Net cash used in investing activities	**(6,862,547)**	(6,044,433)	**(1,431,730)**	(843,727)
Net cash generated from financing activities	**7,455,756**	6,424,632	**236,310**	552,042
Net increase in cash and cash equivalents	**466,546**	280,099	**176,392**	737,949
Cash and cash equivalents, as at 1 January	**1,052,540**	772,441	**1,069,196**	331,247
Cash and cash equivalents, as at 31 December	**1,519,086**	1,052,540	**1,245,588**	1,069,196

7 Interests in other entities *(continued)*

7.3 Investments accounted for using the equity method

The entities listed below have share capital solely consisting of ordinary shares, which are held by the Group.

Name of the entity	Country of incorporation	Effective % of holding		Carrying value	
		2021	2020	**2021**	2020
		%	%	**AED'000**	AED'000
Utility Management LLC	UAE	**50**	50	**490**	489
Etihad Energy International Company LLC	KSA	**-**	50	**-**	1,450
Etihad Smart Energy Solutions LLC	UAE	**50**	-	**150**	-
Ducab HV Cable Systems P.S.C	UAE	**-**	25	**-**	3,781
				640	5,720

All joint ventures are accounted for using the equity method of accounting and are immaterial to the Group individually.

Movement of investments in joint ventures

	2021	2020
	AED'000	AED'000
At 1 January	**5,720**	5,083
Addition during the year	**150**	4,160
Disposal during the year	**(947)**	(1,131)
Share of loss from joint ventures	**502**	(2,392)
Less: provision made during the year	**(4,785)**	-
At 31 December	**640**	5,720

During the year, the Group recognised its share of profit from joint ventures amounting to AED 502 thousand *(2020: loss of AED 2,392 thousand)*.

The Group has made an assessment of its share of net assets in Ducab HV (DHV). Based on significant financial difficulty faced by Ducab HV (DHV), the carrying amount of investment accounted for using the equity method is unlikely to be recovered in full. Hence, provision of an amount of AED 4.8 million has been recognised during the year 2021. The share capital of joint ventures solely consists of ordinary shares, which are held directly by the Group.

8 Property, plant and equipment

	Land and buildings AED'000	Right-of-use assets AED'000	Generation and desalination plants AED'000	Transmission and distribution networks AED'000	Other equipment and assets AED'000	Capital work in progress AED'000	Total AED'000
Year ended 31 December 2020							
Opening net book amount	35,706,725	24,368	24,480,607	43,230,295	664,465	23,704,844	127,811,304
Additions	1,350,828	2,710	1,256,638	1,574,957	235,445	13,504,400	17,924,978
Reversal of impairment (refer note 8(i))	-	-	-	-	-	53,529	53,529
Transfers	657,057	-	4,889,506	3,433,843	200,125	(9,180,531)	-
Transfers to intangible assets (refer note 10)	-	-	-	-	-	(54,347)	(54,347)
Disposals, net	-	-	(2,063)	(192)	(1,050)	-	(3,305)
Depreciation	(304,459)	(7,974)	(1,871,192)	(2,266,320)	(282,808)	-	(4,732,753)
Closing net book amount	37,410,151	19,104	28,753,496	45,972,583	816,177	28,027,895	140,999,406
At 31 December 2020							
Cost	40,968,153	33,698	47,596,689	68,535,991	2,976,753	28,027,895	188,139,179
Accumulated depreciation	(3,558,002)	(14,594)	(18,843,193)	(22,563,408)	(2,160,576)	-	(47,139,773)
Net book amount	37,410,151	19,104	28,753,496	45,972,583	816,177	28,027,895	140,999,406
Year ended 31 December 2021							
Opening net book amount	37,410,151	19,104	28,753,496	45,972,583	816,177	28,027,895	140,999,406
Additions	693,610	1,071	263,234	666,583	70,964	12,047,366	13,742,828
Transfer to right of use assets	-	20,069	(20,069)	-	-	-	-
Reversal of impairment (refer note 8(i))	-	-	-	-	-	32,328	32,328
Transfers	1,329,622	-	6,535,277	4,375,930	255,685	(12,496,514)	-
Transfers to intangible assets (refer note 10)	-	-	-	-	(453)	(66,631)	(67,084)
Disposals, net	(732)	-	(204)	(2,576)	(223)	-	(3,735)
Depreciation	(344,534)	(16,388)	(2,094,461)	(2,438,352)	(337,947)	-	(5,231,682)
Closing net book amount	39,088,117	23,856	33,437,273	48,574,168	804,203	27,544,444	149,472,061
At 31 December 2021							
Cost	42,990,632	54,838	53,927,448	73,573,789	3,272,869	27,544,444	201,364,020
Accumulated depreciation	(3,902,515)	(30,982)	(20,490,175)	(24,999,621)	(2,468,666)	-	(51,891,959)
Net book amount	**39,088,117**	**23,856**	**33,437,273**	**48,574,168**	**804,203**	**27,544,444**	**149,472,061**

8 Property, plant and equipment *(continued)*

(a) The Group has engaged in a joint operation pertaining to Emirates National Grid Corporation ("ENGC"). The Group's share in the carrying amount of ENGC's assets as at 31 December 2021 is AED 116 million *(2020: AED 124 million)* and is included under transmission and distribution networks.

(b) During 2008, by way of a Decree issued by H.H. The Ruler of Dubai, all existing plots of land held by the Authority were transferred to the Authority. As a result, the Authority has capitalised the plots of land on the basis of valuations (i.e. valuation based on use limitations) obtained from the Land Department of the Government of Dubai, which is considered the deemed cost and has been treated as a capital contribution by the Government of Dubai.

On initial recognition:
- The valuation of land is done based on the valuation of certificate issued by Dubai Land Department and such valuation is considered for the lands issued in the same area/zone in future.
- The valuation of land so adopted (original value) will not be changed even if the area/zone is changed by the Dubai Land Department subsequently.

(c) The carrying value of property, plant and equipment, pledged as collateral on borrowings, amounts to AED 25,255 million *(2020: AED 15,349 million)* (refer note 18).

(d) Capital work in progress mainly comprises construction of additional electricity generation, water desalination facilities, transmission and distribution networks and district cooling facilities.

(e) The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to general borrowings during the year which amounts to 2.55% per annum *(2020: 5.22% per annum)* for the Authority. The interest on general borrowings capitalised using this weighted average interest rate is AED 650 million *(2020: AED 476 million)*. (refer note 28).

(f) During the year, the Group received plots of land from the Land Department of the Government of Dubai amounting to AED 707 million *(2020: AED 1,419 million)*.

(g) During the year, right-of-use assets represents generation plant, which have been reclassified to property, plant and equipment in the consolidated financial statements.

(h) Depreciation is allocated as detailed below:

	2021 **AED'000**	2020 AED'000
Cost of sales		
- Generation and desalination expenditure (refer note 25.1)	**2,213,432**	1,977,645
- Transmission and distribution expenditure (refer note 25.2)	**2,682,658**	2,466,794
Administrative expenses (refer note 26)	**335,592**	288,314
	5,231,682	4,732,753

(i) Prior to its acquisition of Palm District Cooling LLC (PDC) by the Group, PDC had impaired costs relating to projects, which did not develop as anticipated. During 2017, the Group commenced services to the Jumeirah Village Project. This resulted in the reduction of the impairment of pipe network cost. Accordingly, as at 31 December 2021, the Group assessed the impairment of assets related to the Jumeirah Village Project and reversed AED 32 million *(2020: AED 54 million)*.

9 Short-term deposits

	2021 AED'000	2020 AED'000
Term deposits with banks	**4,798,864**	3,309,927

Term deposits amounting to AED 4,799 million *(2020: AED 3,010 million)* carries an interest ranging from 0.5% to 1.75% per annum.

10 Intangible assets

	Computer software AED'000
Year ended 31 December 2020	
Opening net book amount	132,591
Additions	32,543
Transfer from property, plant and equipment (refer note 8)	54,347
Amortisation (refer note 26)	(57,619)
Closing net book amount	161,862

	Computer software AED'000
At 31 December 2020	
Cost	438,951
Accumulated amortisation	(277,089)
Net book amount	161,862

	Computer software AED'000	Others AED'000	Total AED'000
Year ended 31 December 2021			
Opening net book amount	**161,862**	**-**	**161,862**
Additions	**17,056**	**364,696**	**381,752**
Transfer from property, plant and equipment (refer note 8)	**67,084**	**-**	**67,084**
Amortisation (refer note 26)	**(80,721)**	**(400)**	**(81,121)**
Closing net book amount	**165,281**	**364,296**	**529,577**
At 31 December 2021			
Cost	**523,091**	**364,696**	**887,787**
Accumulated amortisation	**(357,810)**	**(400)**	**(358,210)**
Net book amount	**165,281**	**364,296**	**529,577**

Additions under others relates to a contract entered into by a subsidiary wherein a part was recorded under intangible assets and the balance under other financial assets. Refer notes 15 and 36.

11 Financial assets at fair value through other comprehensive income

	2021	2020
	AED'000	AED'000
At the beginning of the year	**57,653**	-
Addition during the year	-	55,372
Fair value adjustment during the year	**460**	2,281
At the end of the year	**58,113**	57,653

Financial assets at fair value through other comprehensive income pertains to an investment in Tier 1 Capital Certificates ("the Bonds") issued at their par value. The Bonds are listed perpetual instruments and carry non-cumulative interest at a rate of 6% per annum payable every six months at the discretion of the issuer. The Group has classified them as financial assets at fair value through other comprehensive income under IFRS 9 as the Bonds are not held for trading.

During the year, gains recognised in other comprehensive income amounted to AED 460 thousand *(2020: AED 2,281 thousand).*

12 Other assets

	2021	2020
	AED'000	AED'000
Advances to suppliers	**1,346,191**	1,616,444
Prepayments	**112,306**	127,420
	1,458,497	1,743,864
Less: non-current portion	**(456,773)**	(606,888)
Current portion	**1,001,724**	1,136,976

13 Trade receivables

	2021	2020
	AED'000	AED'000
Trade receivables	**3,271,063**	5,482,717
Accrued revenue	**1,040,108**	805,896
Less: provision for impairment of receivables	**(422,544)**	(344,674)
Trade receivables and accrued revenue – net	**3,888,627**	5,943,939
Less: non-current portion	-	(698,459)
Current portion	**3,888,627**	5,245,480

The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures these receivables subsequently at amortised cost using the effective interest rate method. Information about methods and assumptions used in determining the impairment loss has been explained in note 3.7.

13 Trade receivables *(continued)*

The Group considers the credit risk on the outstanding balances from government customers to be low at the reporting date, as these financial assets have low risk of default, the counterparties have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil its contractual cash flow obligations. Further, during the current year, the Group has entered into a settlement agreement with Department of Finance (DoF), whereby DoF has settled the trade receivables amounting to AED 2,373 million owed by some entities of the Government of Dubai.

Total trade receivables and accrued revenue balances excluding government customers as at 31 December 2021 amounts to AED 3,261 million *(2020: AED 3,332 million).*

Impairment of trade receivables:

The movement in the provision for impairment of trade receivables is as follows:

	2021 AED'000	2020 AED'000
At 1 January	**344,674**	256,704
Charge for the year	**77,870**	87,970
31 December	**422,544**	344,674

The carrying amount of the Group's trade receivables is primarily denominated in AED and approximates its fair value.

The Authority supplies electricity and water to a diversified customer base and the standard credit period applied to all customers is 14 days from the date of the invoice.

14 Inventories

	2021 AED'000	2020 AED'000
Consumables and others	**642,947**	563,629
Less: provision for slow moving and obsolete inventories	**(205,653)**	(177,032)
	437,294	386,597
Fuel	**1,013,855**	1,028,806
	1,451,149	1,415,403

Movements in the provision for slow moving and obsolete inventories were as follows:

	2021 AED'000	2020 AED'000
At 1 January	**177,032**	157,524
Charge for the year	**28,621**	19,508
At 31 December	**205,653**	177,032

15 Other financial assets

	2021 **AED'000**	2020 AED'000
National bonds	**397,099**	387,061
Other receivables	**3,023,911**	2,370,298
Less: provision for impairment on other receivables	**(47,913)**	(47,913)
	3,373,097	2,709,446
Less: non-current portion	**(1,191,644)**	-
Current portion	**2,181,453**	2,709,446

Other financial assets include investments in UAE National Bonds amounting to AED 397 million *(2020: AED 387 million)*, which have a maturity of 12 months from the date of purchase. UAE National Bonds carry an interest rate of 2.25% per annum *(2020: 2.45% to 4% per annum)*. During the current year, AED Nil *(2020: AED 107 million)* of investments were matured. The Authority made an additional investment of AED 10 million *(2020: AED 11 million)*.

Other receivables mainly includes housing and sewerage fee receivable on behalf of a related party and interest receivable on bank deposits. As at 31 December 2021, other receivables amounting to AED 2,976 million *(2020: AED 2,380 million)* are not impaired and amounts of AED 48 million *(2020: AED 48 million)* are impaired and fully provided for. The carrying amount of the Group's other receivables is primarily denominated in AED and approximates its fair value.

Further, during the current year, the Group has entered into a settlement agreement with Department of Finance (DoF), whereby, DoF has settled the other receivables amounting to AED 335 million owed by some entities of the Government of Dubai.

Other financial asset amounting to AED 57.6 million has been reclassified to financial assets at fair value through other comprehensive income in order to conform to the current year presentation. The reclassification does not affect the previously reported net assets, total equity and profit or loss and other comprehensive income. Refer note 11.

Also refer notes 10 and 36.

16 Cash and cash equivalents

	2021 **AED'000**	2020 AED'000
Current and call accounts with banks and other institutions	**4,403,945**	3,569,781
Cash on hand	**2,219**	3,310
	4,406,164	3,573,091

Cash and cash equivalents include AED 1,906 million *(2020: AED 110 million)* in foreign currencies. The majority of these balances are denominated in USD. These balances are held for settlement of existing and anticipated liabilities denominated in foreign currencies.

Cash and cash equivalents also include AED 716 million *(2020: AED 590 million)* of cash collected by local banks and government collection agencies on behalf of the Group.

16 Cash and cash equivalents *(continued)*

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following:

	2021 AED'000	2020 AED'000
Cash and cash equivalents	**4,406,164**	3,573,091
Add: term deposits (maturity less than 3 months)	**1,008,223**	2,207,052
Bank overdrafts (refer note 18)	**(442,339)**	(477,629)
Cash and cash equivalents for the purpose of cashflow	**4,972,048**	5,302,514

Cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

17 Equity

a) *Government of Dubai account*

The Government of Dubai account represents cash and non cash contributions made by the Government of Dubai as an Owner of the Group since the incorporation of the Group.

b) *General reserve*

The general reserve represents surplus distributable profits earned by the Group.

c) *Statutory reserve*

As required by applicable law and articles of association of certain subsidiaries, 10% of the net profit for each period in those subsidiaries is transferred to a statutory reserve. Such transfers to reserves may cease when this reserve equals the issued capital. The reserve is not available for distribution except as stipulated by the law.

d) *Hedging reserve*

The hedging reserve represents the fair value of derivatives which are part of effective cash flow hedging relationships at year end. As the derivatives are held for hedging purposes as defined by IFRS 9, their fair value movements are retained in other comprehensive income instead of being charged to profit or loss during the year. The fair value movements will be charged to the profit or loss in the same period as the corresponding hedged transaction.

e) *Non-cash distributions*

Non-cash distributions represent amounts transferred to the Government of Dubai, as an appropriation of retained earnings, which is equivalent to the amount owed by the Government of Dubai to the Group based on amounts owed by third parties assumed by the Government of Dubai.

f) *Share capital*

An amount of AED 500 million has been transferred to share capital account from Government of Dubai account. Subsequent to the year end, the Board of Directors of the Authority have authorised the breakup of the share capital into 50 billion shares of AED 0.01 each. All the shares of the Authority shall rank equally with one another in all aspects. The Authority is in the process of updating its Articles of Association to reflect this share capital and its breakup thereof.

18 Borrowings

	2021 AED'000	2020 AED'000
Non-current		
Others (refer (i) below)	**23,325,798**	16,534,142
	23,325,798	16,534,142
Current		
Bank overdrafts (refer note 16)	**442,339**	477,629
Others (refer (i) below)	**2,987,733**	1,787,611
	3,430,072	2,265,240
	26,755,870	18,799,382

Borrowings are denominated in the following currencies:

	2021 AED'000	2020 AED'000
US Dollars	**24,626,044**	16,700,950
UAE Dirham	**2,129,826**	2,098,432
	26,755,870	18,799,382

The Group has secured borrowings amounting to AED 23,981 million *(2020: AED 16,407 million)* and unsecured borrowings amounting to AED 2,775 million *(2020: AED 2,392 million)*.

Borrowings are secured by pledge of assets (refer note 8), corporate guarantees, government guarantees and letter of undertakings.

(i) Others

Shuaa Energy 1 P.S.C had an equity bridge loan carrying an interest rate of one-month LIBOR+0.70% per annum. The entire loan was repayable on 1 April 2018. The equity bridge loan amounting AED 73 million was converted to subordinated loan by the shareholder, ACWA Power Solar Limited on 29 March 2018 and an amount of AED 47 million is outstanding *(2020: AED 53 million)*.

Shuaa Energy 1 P.S.C has a commercial facility from a syndicate of banks amounting to AED 512 million *(2020: AED 525 million)* carrying an interest rate of LIBOR+1.35% per annum (which is set to increase up to 2.5% until 2040 revisable once in 5 years). The loan is repayable in bi-annual instalments beginning from September 2017 up to 31 March 2040.

Shuaa Energy 1 P.S.C has an Istisna-Ijara facility amounting to AED 413 million *(2020: AED 423 million)* carrying an interest rate of LIBOR+1.35% per annum. The facility is repayable in bi-annual instalments beginning from September 2017 up to 31 March 2040.

Shuaa Energy 2 P.S.C has an equity bridge loan of AED 213 million *(2020: AED 213 million)* carrying a fixed interest rate of 2.965% per annum. The loan is repayable in quarterly instalments beginning from 1 April 2022 up to 31 March 2047.

Shuaa Energy 2 P.S.C has an equity bridge loan of AED 142 million *(2020: AED 142 million)* carrying an interest rate of one-month LIBOR+1.08% per annum. The loan is repayable on 31 March 2022.

Shuaa Energy 2 P.S.C has a commercial facility from a syndicate of banks amounting to AED 1,423 million *(2020: AED 1,491 million)* carrying an interest rate of one-month LIBOR+1.75% per annum. The loan is repayable on quarterly instalments beginning from 30 September 2020.

18 Borrowings *(continued)*

(i) Others *(continued)*

Shuaa Energy 2 P.S.C has an Islamic facility from a syndicate of banks amounting to AED 815 million *(2020: AED 889 million)* carrying an interest rate of one-month LIBOR+1.75% per annum. The loan is repayable on quarterly instalments beginning from 30 September 2020.

Mai Dubai LLC has a bank overdraft amounting to AED 442 million *(2020: AED 478 million)* carrying an interest rate of 0.5%.

Hassyan Energy Phase 1 P.S.C has a commercial facility of AED 7,775 million *(2020: AED 7,098 million)* from a syndicate of banks carrying an interest rate of LIBOR+2.1% per annum. The loan is repayable beginning from 31 August 2021 up to 28 February 2041.

Hassyan Energy Phase 1 P.S.C has a mezzanine facility of AED 430 million *(2020: AED 370 million)* carrying a fixed rate interest of 6.5% per annum. The loan is repayable beginning from 31 May 2041 up to 29 February 2048.

Hassyan Energy Phase 1 P.S.C has equity bridge loans of AED 298 million *(2020: AED 108 million)*. The loans are interest free.

EMPOWER has a loan amounting to AED 1,988 million *(2020: AED 1,322 million)* carrying an interest rate of 1 month LIBOR+1.5% per annum. The loan is repayable in six months instalments commenced from June 2019 with the maturity date of June 2026.

Dubai Green Fund Investments LLC has a loan amounting to AED 1,647 million *(2020: AED 1,495 million)* carrying an interest rate of 1.2% per annum. The loan is repayable over tenor of 1 year.

Al Etihad Energy Services Company LLC has a loan amounting to AED 41 million *(2020: AED 126 million)* carrying an interest rate of 6.95% per annum. The loan is repayable over period of five years commenced from August 2019.

Shuaa Energy 3 P.S.C has a loan amounting to AED 907 million *(2020: 143 million)* carrying an interest rate of LIBOR+1.40% per annum. The loan repayment is scheduled from September 2023 until March 2047.

Shuaa Energy 3 P.S.C has equity bridge loans of AED 147 million *(2020: 147 million)* carrying an interest rate of LIBOR+0.75% per annum. The final maturity date is the date falling one hundred and twenty (120) months after the date of Financial Close.

Noor Energy 1 P.S.C has an equity bridge loan amounting to AED 2,742 million *(2020: AED 2,796 million)* carrying an interest rate of LIBOR+1% per annum. The final maturity date is the earlier of the date falling on the second anniversary of the Commercial Operation Date and 10 February 2025.

Noor Energy 1 P.S.C has a loan amounting to AED 6,774 million *(2020: AED 1,897 million)* carrying an interest rate of LIBOR+1% per annum. The loan is repayable beginning from 01 July 2023 up to 22 December 2043.

18 Borrowings *(continued)*

(i) Others *(continued)*

At 31 December 2021, the Group had available AED 5,055 million *(2020: AED 12,360 million)* of undrawn borrowing facilities from various lenders. The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

The fair values of other loans are not materially different to their carrying amounts since the interest payable on these borrowings is close to current market rates.

19 Retirement benefits obligations

	2021 **AED'000**	2020 AED'000
Provision for employees' end of service benefits (refer note 19.1)	**937,561**	962,091
Provision for pension (refer note 19.2)	**83,017**	86,706
	1,020,578	1,048,797
Less: non-current portion	**(1,008,904)**	(1,036,398)
Current portion (refer note 22)	**11,674**	12,399

The charge for the year grouped within the employee benefit expense in profit or loss includes current service cost and interest cost. Actuarial profit during the year is recognised in other comprehensive income.

19.1 Provision for employees' end of service benefits

In 2021 and 2020, an actuarial valuation was performed using the projected unit credit method to ascertain the present value of the obligation relating to the end of service benefits payable to expatriate employees in accordance with the Dubai Government Human Resources Management Law No. 27 of 2006. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving service. The obligation for end of service benefits is not funded. The principal actuarial assumptions used were as follows:

- Expected salary increase of 2.35% per annum *(2020: 2.35% per annum);*
- Discount rate used to determine the present value of the obligation was 3.12% per annum *(2020: 2.45% per annum)*; and
- The average rate of mortality and withdrawal is not significantly different from the trends noted at the valuation date. The mortality rates are based on Employers Groups reinsurance rates. Withdrawal rates assumed the age wise withdrawal rates that incorporates the experience of DEWA in terms of the overall withdrawals during the last three years.

The rate used for discounting the employees' end of service benefits should be based on market yields on high quality corporate bonds. In countries where there is no deep market for such bonds, the market yields on government bonds should be used. In the UAE, there is no deep market for corporate bonds and no market for government bonds and, therefore, the discount rate has been estimated using the US AA-rated corporate bond market as a proxy.

As a result, the Group has recognised an actuarial gain of AED 97 million *(2020: AED 20 million)* in other comprehensive income.

19 Retirement benefits obligations *(continued)*

19.1 Provision for employees' end of service benefits *(continued)*

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the obligation for end of service benefits by the amounts shown below:

	2021		2020	
	AED'000 Increase	**AED'000 Decrease**	AED'000 Increase	AED'000 Decrease
Salary growth (+/- 0.5%)	**926,811**	**822,623**	967,645	847,247
Discount rate (+/- 0.5%)	**826,932**	**923,683**	826,351	941,803
Life expectancy (increase/ decrease by 1 year)	**873,235**	**873,060**	906,772	906,590

Although the analysis does not take account of the full distribution of cash flows expected under the benefit, it does provide an approximation of the sensitivity of the assumptions shown.

The charge for the year included within employee benefit expense in profit or loss includes current service cost and interest cost. Actuarial loss during the year is recognised in other comprehensive income.

The expected gratuity expense for the next one year commencing 1st January 2022 works out to AED 93.5 million *(2021: AED 104 million)*. These amounts are the sum of current service cost and net interest cost /(income).

Movements in the provision for end of service benefits are analysed below:

	2021 AED'000	2020 AED'000
At 1 January	**962,091**	892,679
Addition on acquisition of a subsidiary	-	716
Charge for the year (refer note 27)	**124,204**	124,973
Re-measurements	**(96,851)**	(19,696)
Payments made during the year	**(51,883)**	(36,581)
At 31 December	**937,561**	962,091

The provision made during the year for end of service benefits and recognised in profit or loss is analysed as follows:

	2021 AED'000	2020 AED'000
Current service cost	**98,415**	97,383
Interest cost	**25,789**	27,590
	124,204	124,973

19 Retirement benefits obligations *(continued)*

19.1 Provision for employees' end of service benefits *(continued)*

Component of defined benefit costs (re-measurement) recognised in other comprehensive income

	2021 AED'000	2020 AED'000
Re-measurements: Actuarial (gain)/loss on obligation		
(Gain)/loss due to change in financial assumptions	**(66,380)**	64,984
(Gain) due to change in experience adjustments	**(30,471)**	(84,680)
	(96,851)	(19,696)

Maturity profile

	2021 AED'000	2020 AED'000
0 to 1 year	**92,614**	33,409
1 to 2 year	**44,826**	41,233
2 to 5 year	**126,840**	134,655
5 years and above	**1,315,524**	1,239,819
	1,579,804	1,449,116

The employee profile of the Group is as detailed below:

	2021	2020
Average age (years)	**43.02**	42.31
Average past service (years)	**12.00**	11.00
Average entry age (years)	**30.77**	30.81

19.2 Provision for pension

19.2.1 Provision for pensions (for eligible UAE national employees who retired before 1 January 2003)

In 2020 and 2019, an actuarial valuation was performed using assumptions based on market expectations, at the reporting date, for the period over which the obligations are to be settled for eligible UAE national employees who retired before 1 January 2003. The obligation for end of service benefits is not funded. The principal actuarial assumptions used were as follows:

- Discount rate used to determine the present value of the obligation was 2.83% per annum *(2020: 2.45% per annum);*
- The average rate of mortality and withdrawal is not significantly different from the trends noted at the valuation date. The mortality rates are based on Employers Groups reinsurance rates.
- Administrative expenses would be borne by the Authority and accordingly no allowance for these have been considered for the valuation.

19 Retirement benefits obligations *(continued)*

19.2 Provision for pension *(continued)*

19.2.1 Provision for pensions (for eligible UAE national employees who retired before 1 January 2003) *(continued)*

The rate used to discount post employment benefit obligations should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. The discount rate reflects the estimated timing of the benefit payments. A single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

The movements in the provision for pensions are analysed below:

	2021 AED'000	2020 AED'000
At 1 January	**74,307**	74,438
Charge for the year (refer note 27)	**-**	5,386
Payments made during the year	**(2,964)**	(5,517)
At 31 December	**71,343**	74,307

19.2.2 Provision for pensions (for eligible UAE national employees from 1 January 2003)

Effective 1 January 2003, the Group joined a defined contribution plan operated by the Federal Pension General and Social Security Group for its active eligible UAE national employees in accordance with the provision of Federal Law No. 7 of 1999 relating to Pension and Social Security Law. The movements in the provision for pensions are analysed below:

	2021 AED'000	2020 AED'000
At 1 January	**12,399**	11,357
Charge for the year (refer note 27)	**112,810**	107,309
Payments made during the year	**(113,535)**	(106,267)
At 31 December	**11,674**	12,399

Total provision for pension has been presented as follows:

	2021 AED'000	2020 AED'000
At the beginning of the year	**86,706**	85,795
Charge for the year	**112,810**	112,695
Payments made during the year	**(116,499)**	(111,784)
At the end of the year	**83,017**	86,706

20 Lease liabilities

	2021 AED'000	2020 AED'000
At 1 January	**21,325**	27,012
Additions during the year	**1,070**	2,710
Payments during the year	**(7,443)**	(8,397)
At 31 December	**14,952**	21,325
Less: current portion	**(3,013)**	(6,438)
Non-current portion	**11,939**	14,887

Lease liabilities related to right-of-use assets recognised as per IFRS 16 (refer note 8).

Maturity analysis of lease liabilities:

	2021 AED'000	2020 AED'000
Less than one year	**3,013**	6,438
More than one year	**11,939**	14,887
At 31 December	**14,952**	21,325

21 Other long term liabilities

	2021 AED'000	2020 AED'000
Deferred revenue	**23,585,317**	21,851,900
Advances for new connections	**7,037,619**	8,094,457
Retentions payable	**876,234**	664,802
	31,499,170	30,611,159

22 Trade and other payables

	2021 AED'000	2020 AED'000
Consumers' security deposits	**3,797,877**	3,437,285
Capital projects payables	**2,120,104**	3,218,986
Trade payables	**1,599,340**	2,309,294
Retentions payable	**1,569,971**	1,696,034
Deferred revenue	**1,040,856**	855,240
Advances for new connections	**781,958**	899,384
Accrual for staff benefits	**269,969**	260,044
Retirement benefit obligations (refer note 19)	**11,674**	12,399
Other payables	**2,589,930**	1,960,568
	13,781,679	14,649,234

23 Related party transactions and balances

The Group transacts with its Owner, joint ventures and entities controlled, jointly controlled or significantly influenced by the Owner within the scope of its ordinary business activities. Since the Group is wholly owned by the Government of Dubai, these entities are jointly referred to as 'government related entities'.

The Group applies the exemption relating to government related entities under IAS 24 'Related Parties' and only discloses transactions and balances with government related entities which are individually or collectively significant.

To determine significance, the Group considers various qualitative and quantitative factors including whether transactions with related parties are conducted in the ordinary course of business.

Key management personnel and entities controlled by them are also related to the Group. Key management personnel of the Group comprise the directors and executive vice presidents (EVPs) of the Authority and directors of the subsidiaries.

Related party transactions

The material transactions and balances with related parties are disclosed below, except as disclosed in notes 8, 13, 15, 20, 24, 25, 26, 27, 28, 33 and 34 in these consolidated financial statements:

(a) *Sale of electricity and water*

In common with many other entities, the Group deals in the normal course of business with various government entities in Dubai. The rates applied for these sales are at par with other customers of a similar nature.

For certain quantities of electricity and water sold to UAE nationals, the Group calculates the value of these quantities supplied at base rate and these amounts are settled by the Government of Dubai.

(b) *Purchase of goods and services*

In the normal course of business, the Group purchased fuel from entities owned by the Government of Dubai. During the year, the Group consumed fuel amounting to AED 6,500 million *(2020: AED 6,454 million)* from various entities.

During the year, the Group purchased water amounting to AED 24 million *(2020: AED 39 million)* from an entity under common control.

During the year, the Group contributed an amount of AED 30 million *(2020: AED 35 million)* to an organisation managed by thc Group for purposes of promotion of clean energy and water conservation.

(c) *Transactions with banks owned by the Government of Dubai*

DEWA transacts with various banks and financial institutions which are wholly or partially controlled by the Government of Dubai. All of the Group's transactions with such banks are on normal commercial terms. A portion of the cash and cash equivalents as disclosed in note 16 are on deposit with such banks.

23 Related party transactions and balances *(continued)*

Related party transactions *(continued)*

(d) Compensation to key management personnel

	2021 AED'000	2020 AED'000
Salaries and short term employee benefits	**74,152**	65,854
Post-employment benefits	**3,139**	5,889
	77,291	71,743

(e) Board members' interests

Other than remuneration paid to key management personnel, the Board members of the Authority had no beneficial interest in DEWA or its subsidiaries during 2021 and 2020.

Related party balances

	2021 AED'000	2020 AED'000
Due from related parties		
Joint ventures	**-**	592

The amounts outstanding at year end are unsecured, interest free, payable on demand and will be settled in cash. No impairment charge has been recognised during 2021 and 2020 in respect of amounts owed by related parties. These balances are included in trade receivables (refer note 13).

Impairment of a joint venture

During the year, provision of an amount of AED 4.8 million has been recognised (refer note 7.3).

Impairment of a subsidiary

During the year, assets of AED 5.95 million are unlikely to be recovered from Innogy International Middle East LLC as the company is in process of liquidation. Hence, provision for AED 6 million has been recognised during the year ended 31 December 2021.

24 Revenue

	2021 AED'000	2020 AED'000
Sale of electricity	**15,099,572**	13,920,862
Sale of water	**4,341,902**	4,329,372
District cooling	**2,456,586**	2,247,170
Others	**1,925,908**	1,964,491
	23,823,968	22,461,895

24 Revenue *(continued)*

Others include:

- Handling fees amounting to AED 52 million *(2020: AED 53 million)* represent amounts paid by government related entities to the Group for providing collection services.
- Amortisation of deferred revenue amounting to AED 933 million *(2020: AED 865 million)*.

Revenue is net of fair value adjustment of AED 7 million *(2020: AED 31 million)*.

Net movement in regulatory deferral account credit balance has been shown as a separate line item on the face of profit or loss.

24.1 Disaggregation of revenue

	Electricity		Water		District cooling charges		Others		Total	
Timing of revenue recognition	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000
Products and services transferred										
-at a point in time	**15,099,572**	13,920,862	**4,341,902**	4,329,372	**2,456,586**	2,247,170	**992,741**	1,099,334	**22,890,801**	21,596,738
-over time	**-**	-	**-**	-	**-**	-	**933,167**	865,157	**933,167**	865,157
	15,099,572	13,920,862	**4,341,902**	4,329,372	**2,456,586**	2,247,170	**1,925,908**	1,964,491	**23,823,968**	22,461,895

25 Cost of sales

	2021 AED'000	2020 AED'000
Generation and desalination expenditures (refer note 25.1)	**9,780,699**	9,437,934
Transmission and distribution expenditures (refer note 25.2)	**4,418,456**	4,110,149
Purchase of power and water	**97,936**	102,074
Others	**1,242,696**	551,056
	15,539,787	14,201,213

25.1 Generation and desalination expenditures

	2021 AED'000	2020 AED'000
Fuel costs	**6,500,052**	6,454,173
Depreciation (refer note 8)	**2,213,432**	1,977,645
Amortisation (refer note 10)	**400**	-
Employee benefit expenses (refer note 27)	**548,894**	536,299
Repairs and maintenance	**475,705**	416,846
Others	**42,216**	52,971
	9,780,699	9,437,934

25 Cost of sales *(continued)*

25.2 Transmission and distribution expenditures

	2021 **AED'000**	2020 AED'000
Depreciation (refer note 8)	**2,682,658**	2,466,794
Employee benefit expenses (refer note 27)	**1,461,095**	1,437,882
Repairs and maintenance	**230,780**	151,433
Others	**43,923**	54,040
	4,418,456	4,110,149

26 Administrative expenses

	2021 **AED'000**	2020 AED'000
Employee benefit expenses (refer note 27)	**1,504,018**	1,574,649
Repairs and maintenance	**240,762**	399,005
Depreciation (refer note 8)	**335,592**	288,314
Amortisation (refer note 10)	**80,721**	57,619
Insurance	**65,618**	61,531
Others	**689,734**	631,193
	2,916,445	3,012,311

Provision for slow moving and obsolete inventories amounting to AED 19.5 million has been reclassified to cost of sales in order to conform to the current year presentation. The reclassification does not affect the previously reported net assets, total equity and profit or loss and other comprehensive income.

27 Employee benefit expenses

	2021 **AED'000**	2020 AED'000
Salaries	**2,457,931**	2,588,505
Retirement benefit obligations (refer note 19)	**237,014**	237,668
Bonus	**240,923**	230,948
Other benefits	**578,139**	491,709
	3,514,007	3,548,830

27 Employee benefit expenses *(continued)*

Employee benefit expenses are allocated as detailed below:

	2021 AED'000	2020 AED'000
Cost of sales		
- Generation and desalination expenditure (refer note 25.1)	**548,894**	536,299
- Transmission and distribution expenditure (refer note 25.2)	**1,461,095**	1,437,882
Administrative expenses (refer note 26)	**1,504,018**	1,574,649
	3,514,007	3,548,830

28 Finance (costs)/income - net

	2021 AED'000	2020 AED'000
Finance costs		
Interest on bank and other borrowings	**(1,030,630)**	(739,291)
Discounting of cheques	**(1,963)**	-
Interest on lease liabilities	**(718)**	(1,146)
Amortisation of borrowing costs	**-**	(3,224)
	(1,033,311)	(743,661)
Amounts capitalised (refer note 8)	**650,445**	475,695
	(382,866)	(267,966)
Finance income		
Amortisation of financial liabilities	**-**	(28,283)
Interest income on short term bank deposits	**135,413**	209,335
Interest earned on financial assets	**610**	-
Reversal of fair value adjustment for trade receivables	**29,442**	58,427
	165,465	239,479
Finance costs - net	**(217,401)**	(28,487)

29 Net cash inflow from operating activities

	Notes	**2021 AED'000**	2020 AED'000
Cash flows from operating activities			
Profit for the year		**6,553,447**	5,306,338
Adjustments for:			
Depreciation	*8*	**5,231,682**	4,732,753
Amortisation – intangible assets	*10*	**81,121**	57,619
Provision for slow moving and obsolete inventories	*14*	**28,621**	19,508
Reversal of impairment of property, plant and equipment	*8*	**(32,328)**	(53,529)
Fair value adjustments of receivables		**(48,832)**	-
Reversal of fair value adjustment for trade receivables	*24*	**7,204**	31,399
Charge for impairment of trade receivables	*13 & 23*	**83,822**	87,969
Deferred income	*24.1*	**(933,167)**	(865,157)
Retirement benefit obligations – gratuity	*19*	**124,204**	124,973
Retirement benefit obligations – pensions	*19*	**112,810**	112,695
Provision for impairment from investment in joint venture	*7*	**4,785**	-
Share of loss from investment in joint ventures	*7*	**(502)**	2,392
Ineffective portion of gain on derivative financial instrument		**(5,969)**	20,306
Loss on sale of property, plant and equipment		**(181)**	1,428
Finance cost expenses	*28*	**382,866**	267,966
Finance income	*28*	**(165,465)**	(239,479)
Operating cash flows before changes in operating assets and liabilities		**11,424,118**	9,607,181
Changes in operating assets and liabilities:			
Inventories	*14*	**(64,368)**	(147,991)
Other assets		**285,367**	240,841
Trade receivables		**(1,064,227)**	(1,402,379)
Other financial assets		**(661,766)**	(1,107,391)
Trade and other payables		**838,477**	1,174,483
Regulatory deferral account credit balance	*34*	**(569,225)**	201,202
Net operating cash flows		**10,188,376**	8,565,946
Payment for retirement benefit obligations – gratuity	*19*	**(51,883)**	(36,581)
Payment for retirement benefit obligations – pensions	*19*	**(116,499)**	(111,784)
Net cash inflow from operating activities		**10,019,994**	8,417,581

30 Commitments

	2021 AED'000	2020 AED'000
Future commitments including capital expenditure	**16,802,580**	24,204,812

31 Financial instruments by category

Financial assets

	2021 AED'000	2020 AED'000
At fair value through profit or loss		
Derivative financial instruments (refer note 32)	**10,645**	4,655
At amortised cost		
Trade receivables (refer note 13)	**3,888,627**	5,943,939
Other financial assets (refer note 15)	**3,373,097**	2,709,446
Financial assets at fair value through other comprehensive income (refer note 11)	**58,113**	57,653
Short-term deposits (refer note 9)	**4,798,864**	3,309,927
Cash and cash equivalents (refer note 16)	**4,406,164**	3,573,091
	16,524,865	15,594,056

Financial liabilities

	2021 AED'000	2020 AED'000
At fair value through profit or loss		
Derivative financial instruments (refer note 32)	**2,416,127**	3,837,641
At amortised cost		
Trade and other payables* (refer note 22)	**11,947,191**	12,882,211
Other long term liabilities* (refer note 21)	**876,234**	664,802
Borrowings (refer note 18)	**26,755,870**	18,799,382
	39,579,295	32,346,395

* These do not include advances for new connections, deferred revenue and retirement benefit obligations as these are non-financial liabilities.

32 Derivative financial instruments

The Group is exposed to interest rate movements on various borrowings maturing between 2017 and 2042. Certain subsidiaries have entered into a series of interest rate swaps for the duration of the borrowings to mitigate the risk of variation in future interest rates. These interest rate swaps were designated as cash flow hedges and were assessed to be highly effective. Net unrealised gains of AED 1,033 million *(2020: losses of AED 2,356 million)* relating to these hedging instruments is included in other comprehensive income.

The tables below show a summary of the hedged items, the hedging instruments and their fair values. The notional amounts indicate the amount outstanding at the year end.

Description of the hedged item	Hedging instrument	Notional amount AED'000	Positive fair value AED'000	Negative fair value AED'000
2021:				
Interest payments on floating rate loans	Interest rate swap	**32,083,278**	**10,645**	**2,416,127**
2020				
Interest payments on floating rate loans	Interest rate swap	13,533,670	4,655	3,837,641

32 Derivative financial instruments *(continued)*

The following table presents the Group's derivative assets and liabilities that are measured at fair value:

	Level 1	Level 2	Level 3	Total
31 December 2021	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Assets measured at fair value				
Derivative financial instruments	-	**10,645**	-	**10,645**
Liabilities measured at fair value				
Derivative financial instruments (non-current portion)	-	**2,259,830**	-	**2,259,830**
Derivative financial instruments (current portion)	-	**156,297**	-	**156,297**
31 December 2020				
Assets measured at fair value				
Derivative financial instruments	-	4,655	-	4,655
Liabilities measured at fair value				
Derivative financial instruments (non-current portion)	-	3,825,387	-	3,825,387
Derivative financial instruments (current portion)	-	12,254	-	12,254

Interest rate swaps were measured primarily using valuations provided by the financial institutions based on the observable spot exchange rates and the yield curves of the respective swap contracts and were categorised in Level 2 hierarchy.

33 Dividends

During the year, the Authority declared and paid a dividend amounting to AED 1,000 million in respect of the year ended 31 December 2020 *(2020: AED 1,500 million in respect of the year ended 31 December 2019)* and AED 1,000 million as interim dividend during the year ended 31 December 2021.

During the year, EMPOWER declared a dividend of AED 300 million in respect of year ended 31 December 2020 *(2020: AED 400 million in respect of the year ended 31 December 2019)* which was approved by the Board of Directors of EMPOWER. An amount of AED 90 million *(2020: AED 120 million)* was paid to the non-controlling interest as dividend.

34 Regulatory deferral account credit balance

The prices that can be charged to customers for electricity and water by the Group are subject to oversight and/or approval by the Supreme Council of Energy; hence the Group is subject to rate regulation. The Supreme Council of Energy through its notification issued in 2010 has allowed the Group to recover the additional costs it incurs due to the escalation in fuel prices considering 2010 as the base year from its customers.

34 Regulatory deferral account credit balance *(continued)*

The Supreme Council of Energy is also controlled by the Government of Dubai and it is a related party of the Group.

The Group has recorded AED 379 million as at 31 December 2021 *(2020: AED 948 million)* in excess of the actual increase in fuel costs incurred since 2010 till date as regulatory deferral account credit balance.

The Group has elected to apply the requirements of IFRS 14 – 'Regulatory Deferral Accounts' and will continue to apply its current accounting policy for recognition, measurement and derecognition of this regulatory deferral account balance.

The movement in regulatory deferral account credit balance is detailed below:

	2021	2020
	AED'000	AED'000
At 1 January	**948,248**	747,046
(Short)/excess collection during the year	**(569,224)**	201,202
At 31 December	**379,024**	948,248

35 Earnings per share/diluted share

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to the Owner of the Authority by the weighted average number of ordinary shares outstanding during the year.

	2021	2020
	AED'000	AED'000
Earnings		
Profit for the year, attributable to the Owner of the Authority	**6,123,112**	5,094,728

	2021	2020
Number of shares in thousands		
Number of ordinary shares for basic earnings per share at 31 December	**50,000,000**	50,000,000

	2021	2020
Earnings per share		
Basic and diluted earnings per share (AED)	**0.12**	0.10

During the year, the Authority issued shares of 50,000 million amounting to AED 500 million by conversion of Government of Dubai account into share capital (refer note 17(f)). As the issued shares did not have a corresponding change in resources, the number of shares as of 31 December 2020 have been adjusted for the purpose of calculating the weighted average number of ordinary shares.

36 Acquisition of Snow LLC

On 18 August 2021 later amended on 16 December 2021, EMPOWER entered into a sale and purchase agreement with Nakheel PJSC (Nakheel) to acquire 100% share capital of Snow LLC, a subsidiary of Nakheel, for a period of 30 years for a net consideration of AED 668 million.

36 Acquisition of Snow LLC *(continued)*

Snow LLC (entity) is a company incorporated in Dubai, UAE (registration no. 1569318), whose registered office is at Emirate of Dubai. The company is a special purpose vehicle that entered into a master concession agreement with Nakheel, whereby Nakheel granted rights to Snow LLC to operate and maintain the cooling systems and to provide district cooling services to its developments, in accordance with the terms and conditions set out in the agreement. Furthermore, on 16 December 2021, Nakheel signed an asset transfer agreement with Snow LLC transferring the rights, title, and interest in 16 District cooling assets.

Management performed a detailed analysis on Snow transaction with Nakheel and concluded this as a failed sale transaction and accounted for it as a finance arrangement at the net present value of the consideration paid amounting to AED 305 million (given the minimum guaranteed amount guaranteed by the seller under the contract). The excess consideration paid of AED 364 million represents an intangible for the right to use the district cooling assets under the transaction for a period of 30 years. Refer notes 10 and 15.

The acquisition of Snow LLC did not qualify as a transaction to be accounted for under IFRS 3 (Business Combinations) given the lack of business processes available in Snow LLC.

37 COVID-19 impact

On 11 March 2020, the World Health Organization declared the novel strain of coronavirus, or COVID-19, a global pandemic and recommended containment and mitigation measures worldwide. The business outlook for 2020 and 2021 has been impacted by associated risks and uncertainties. There has been a significant reduction in movement and discretionary spending, impacting businesses and economy.

During the previous year, in line with H.H. The Ruler of Dubai directives in promoting and supporting the economy of Dubai, the Authority had provided 10% discount on electricity and water consumption bills for all consumer groups starting 12 March 2020 for a period of three months. As a result, the Authority had experienced reductions in income associated with consumption of electricity and water to these businesses. No such discounts were provided by the Authority in the current year.

The Group is closely monitoring the developing situation of the pandemic at country, regional and global level and will continue to evaluate and assess the effects of pandemic. The Group will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue its operations in the best and safest way possible without jeopardising the health of its employees.

38 Comparative figures

The previous year figures have been regrouped/reclassified wherever necessary, in order to conform to the current year presentation. The regrouping/reclassification does not affect the previously reported net assets, total equity and profit or loss and other comprehensive income.

39 Subsequent events

(a) Subsequent to the year end, on 31 January 2022, the Authority declared and paid a dividend amounting to AED 10,000 million in respect of the year ended 31 December 2021.

(b) Subsequent to the year end, the Authority has obtained a long-term loan of AED 10,000 million from a commercial bank. The loan carries interest at 1-month EIBOR + margin. The term of the loan is five years and repayable in full upon its maturity.

Dubai Electricity and Water Authority

Consolidated financial statements
for the year ended 31 December 2020

Dubai Electricity and Water Authority

Consolidated financial statements
for the year ended 31 December 2020

KPMG Lower Gulf Limited
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Independent Auditors' Report

To the Owner of Dubai Electricity and Water Authority

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dubai Electricity and Water Authority ("the Authority") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 2 February 2020.

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 IFRS and for such internal control as 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.

Auditors' 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 auditors' 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 ISAs, we exercise professional judgment and maintain professional skepticism 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 auditors' 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.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1015
Dubai, United Arab Emirates

Date: 31 JAN 2021

Dubai Electricity and Water Authority

Consolidated statement of financial position

	Note	At 31 December 2020 AED'000	2019 AED'000
Assets			
Non-current assets			
Property, plant and equipment	*7*	**137,876,386**	127,786,936
Right-of-use assets	*8*	**3,123,020**	24,368
Intangible assets	*9*	**161,862**	132,591
Investments accounted for using the equity method	*6.3*	**5,720**	5,083
Derivative financial instruments	*30*	**4,655**	88,770
Other assets	*10*	**606,888**	585,522
Trade receivables	*11*	**698,459**	843,142
		142,476,990	129,466,412
Current assets			
Inventories	*12*	**1,415,403**	1,286,920
Other assets	*10*	**1,136,976**	1,399,184
Trade receivables	*11*	**5,245,480**	4,586,932
Other financial assets at amortised cost	*13*	**2,767,099**	1,805,084
Cash and bank balances	*14*	**6,883,018**	11,778,208
		17,447,976	20,856,328
Total assets		**159,924,966**	150,322,740
Equity and liabilities			
Equity			
Government of Dubai account	*15*	**39,829,878**	38,410,937
General reserve	*15*	**52,239,576**	49,452,877
Statutory reserve	*15*	**352,103**	351,953
Hedging reserve	*15*	**(1,982,987)**	(857,543)
		90,438,570	87,358,224
Non-controlling interests		**(416,991)**	516,125
Total equity		**90,021,579**	87,874,349
Liabilities			
Non-current liabilities			
Borrowings	*16*	**16,534,142**	10,655,686
Retirement benefit obligations	*17*	**1,036,398**	967,117
Derivative financial instruments	*30*	**3,825,387**	1,723,128
Lease liabilities	*18*	**14,887**	19,860
Other long term liabilities	*19*	**30,611,159**	28,361,679
		52,021,973	41,727,470
Current liabilities			
Trade and other payables	*20*	**14,649,234**	13,678,108
Borrowings	*16*	**2,265,240**	6,255,989
Derivative financial instruments	*30*	**12,254**	32,626
Lease liabilities	*18*	**6,438**	7,152
		16,933,166	19,973,875
Total liabilities		**68,955,139**	61,701,345
Total equity and liabilities		**158,976,718**	149,575,694
Regulatory deferral account credit balance	*32*	**948,248**	747,046
Total equity, liabilities and regulatory deferral account credit balance		**159,924,966**	150,322,740

To the best of our knowledge, these consolidated financial statements fairly represents in all material respects, the consolidated financial position, results of operation and cash flows for the Group as of and for, the year ended 31 December 2020

These consolidated financial statements were approved by the Board of Directors on 31 January 2021 and signed on its behalf by:

....
Managing Director &
Chief Executive Officer

....
Chief Financial Officer

....
Chairman

....
Director

The independent auditors' report is set out on pages 1 and 3.
The notes on pages 9 to 66 form an integral part of these consolidate financial statements.

Dubai Electricity and Water Authority

Consolidated statements of profit or loss and other comprehensive income

for the year ended 31 December 2020

	Note	For the year ended 31 December 2020 AED'000	2019 AED'000
Revenue	*22*	**22,260,693**	22,886,986
Cost of sales	*23*	**(14,181,722)**	(14,119,335)
Gross profit		**8,078,971**	8,767,651
Administrative expenses	*24*	**(3,031,802)**	(2,696,870)
Credit impairment losses	*11*	**(87,970)**	(21,212)
Other income		**378,018**	331,890
Operating profit		**5,337,217**	6,381,459
Finance costs	*26*	**(267,966)**	(243,778)
Finance income	*26*	**239,479**	501,869
Finance income/cost – net	*26*	**(28,487)**	258,091
Share of loss from investments in joint ventures	*6.3*	**(2,392)**	(2,467)
Profit for the year		**5,306,338**	6,637,083
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of retirement benefit obligations	*17.1*	**19,696**	83,133
Items that may be reclassified to profit or loss			
Hedging losses reclassified to profit or loss		**210,323**	19,384
Cash flow hedges	*30*	**(2,353,739)**	(1,883,023)
Other comprehensive loss for the year		**(2,123,720)**	(1,780,506)
Total comprehensive income for the year		**3,182,618**	4,856,577
Profit for the year attributable to			
- Government of Dubai		**5,094,728**	6,414,663
- Non-controlling interests		**211,610**	222,420
		5,306,338	6,637,083
Total comprehensive income for the year attributable to			
- Government of Dubai		**3,988,980**	5,531,767
- Non-controlling interests		**(806,362)**	(675,190)
		3,182,618	4,856,577

The independent auditors' report is set out on pages 1 and 3.

The notes on pages 9 to 66 form an integral part of these consolidate financial statements.

Dubai Electricity and Water Authority

Consolidated statement of changes in equity

	Attributable to the owner							
	Government of Dubai account AED'000	General reserve AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
At 1 January 2019	38,092,123	48,433,035	309,131	108,486	(2,012)	86,940,763	1,276,999	88,217,762
Total comprehensive income for the period								
Profit for the year	-	-	-	-	6,414,663	6,414,663	222,420	6,637,083
Other comprehensive income	-	-	-	(966,029)	83,133	(882,896)	(897,610)	(1,780,506)
Total comprehensive income for the year	-	-	-	(966,029)	6,497,796	5,531,767	(675,190)	4,856,577
Transfer to reserve	-	5,519,842	42,822	-	(5,562,664)	-	-	-
Transactions with the Owner								
Non-cash distribution (refer note 15)	-	-	-	-	(933,120)	(933,120)	-	(933,120)
Capital contribution by non-controlling interests	-	-	-	-	-	-	6,710	6,710
Capital contribution by Government of Dubai – value of lands (net)	318,814	-	-	-	-	318,814	-	318,814
Dividend paid (refer note 31)	-	(4,500,000)	-	-	-	(4,500,000)	(92,394)	(4,592,394)
At 31 December 2019	38,410,937	49,452,877	351,953	(857,543)	-	87,358,224	516,125	87,874,349

The independent auditors' report is set out on pages 1 and 3.

The notes on pages 9 to 66 form an integral part of these consolidate financial statements.

Dubai Electricity and Water Authority

Consolidated statement of changes in equity *(continued)*

	Attributable to the owner							
	Government of Dubai account AED'000	**General reserve AED'000**	**Statutory reserve AED'000**	**Hedging reserve AED'000**	**Retained earnings AED'000**	**Total AED'000**	**Non-controlling interests AED'000**	**Total equity AED'000**
At 1 January 2020	38,410,937	49,452,877	351,953	(857,543)	-	87,358,224	516,125	87,874,349
Total comprehensive income for the year								
Profit for the year	-	-	-	-	5,094,728	5,094,728	211,610	5,306,338
Other comprehensive income	-	-	-	(1,125,444)	19,696	(1,105,748)	(1,017,972)	(2,123,720)
Total comprehensive income for the year	-		-	(1,125,444)	5,114,424	3,988,980	(806,362)	3,182,618
Transfer to reserve	-	4,286,699	150		(4,286,849)	-	-	-
Transactions with the owner				-				
Non-cash distribution (Note 15)	-	-	-	-	(827,575)	(827,575)	-	(827,575)
Reclassification of capital contribution by non-controlling interest to borrowings*	-	-	-	-		-	(6,713)	(6,713)
Capital contribution by non-controlling interests	-		-	-	-	-	2,000	2,000
Capital contribution by Government of Dubai – value of lands (net)	1,418,941		-	-	-	1,418,941		1,418,941
Dividend paid (refer note 31)	-	(1,500,000)	-	-	-	(1,500,000)	(122,041)	(1,622,041)
At 31 December 2020	39,829,878	52,239,576	352,103	(1,982,987)	-	90,438,570	(416,991)	90,021,579

* The amount of loan amounting to AED 6.7 million treated as capital contribution by non-controlling interest in 2019 has been reclassified to borrowings during the year ended 31 December 2020.

The independent auditors' report is set out on pages 1 and 3.

The notes on pages 9 to 66 form an integral part of these consolidate financial statements.

Dubai Electricity and Water Authority

Consolidated statement of cash flows

	Note	For the year ended 31 December **2020** **AED**	 2019 AED
Net cash inflows from generated operating activities	*27*	**8,285,974**	10,303,423
Cash flows from investing activities			
Purchase of property, plant and equipment net of movements in trade payables and other long term liabilities		**(13,172,696)**	(11,864,079)
Movement in term deposits with original maturity of greater than three months	*14*	**7,670,692**	554,192
Purchase of intangible assets	*9*	**(32,543)**	(18,794)
Interest received		**256,675**	443,992
Movement in other financial assets at amortised cost		**96,156**	(16,628)
Proceeds from disposal of property, plant and equipment		**1,877**	5,334
Net cash outflow from investing activities		**(5,179,839)**	(10,895,983)
Cash flows from financing activities			
Repayments of borrowings		**(5,605,224)**	(630,408)
Proceeds from borrowings		**7,717,351**	6,013,610
Interest paid		**(1,024,347)**	(1,108,101)
Payment of lease liabilities	*18*	**(8,397)**	(6,850)
Capital contribution by the non-controlling interest		**2,000**	-
Dividends paid to owner	*31*	**(1,500,000)**	(4,500,000)
Dividends paid to non-controlling interests in subsidiaries		**(92,041)**	(92,394)
Net cash outflow from financing activities		**(510,658)**	(324,143)
Movement in regulatory deferral account credit balance	*32*	**201,202**	219,426
Net increase /(decrease) in cash and cash equivalents		**2,796,679**	(697,277)
Cash and cash equivalents at the beginning of the year	*14*	**2,505,835**	3,203,112
Cash and cash equivalents at the end of the year	*14*	**5,302,514**	2,505,835

Material non-cash transactions:

- Transfer of land to the Group by the Land Department of the Government of Dubai recorded through equity amounting to AED 1,419 million *(2019: AED 319 million)* (Note 7).

- During the year, non-cash distributions to the Government of Dubai amounted to AED 828 million *(2019: AED 933 million).*

The independent auditors' report is set out on pages 1 and 3.

The notes on pages 9 to 66 form an integral part of these consolidate financial statements

1 Establishment and operations

Dubai Electricity and Water Authority ("DEWA" or the "Authority") was incorporated on 1 January 1992 in the Emirate of Dubai by a Decree (the "Original Decree") issued by H.H The Ruler of Dubai, effective 1 January 1992, as an independent public authority having the status of a body corporate, financially and administratively independent from the Government of Dubai.

In accordance with the Original Decree, all rights, property and assets of Dubai Electricity Company (the "DEC") and Dubai Water Department (the "Department") belonging to the Government of Dubai, were vested in the Authority, and the Authority was held responsible for all liabilities and debts of the DEC and the Department, of any kind whatsoever. Together, the DEC and the Department formed DEWA from the effective date of the Original Decree.

The Authority is wholly owned by the Government of Dubai (the "owner"). The principal activities of the Authority, in accordance with the Original Decree and Decree No. 13 of 1999 which amended some of the provisions of the Original Decree, comprise water desalination and distribution and the generation, transmission and distribution of electricity, throughout the Emirate of Dubai. The registered address of the Authority is P.O. Box 564, Dubai, United Arab Emirates ("UAE").

DEWA and its subsidiaries are collectively referred to as "the Group"

The Group is domiciled in UAE and is not subject to tax other than Value Added Tax ("VAT").

The Group has either directly or indirectly the following subsidiaries domiciled in UAE:

Name of the entity	Percentage of beneficial ownership % 2020	2019	Principal business activities
Al Etihad Energy Services Company LLC	**100**	100	Implement energy efficiency measures in buildings
Jumeriah Energy International Holdings LLC	**100**	100	Holding Company
Jumeirah Energy International LLC (JEIH)	**100**	100	Holding Company
Mai Dubai LLC	**100**	100	Purification of potable water
Hassyan Energy 1 Holdings LLC	**100**	100	Holding Company
Shuaa Energy 2 Holdings LLC	**100**	100	Holding Company
Shuaa Energy 3 Holdings LLC	**100**	-	Holding Company
Jumeirah Energy International Capital Holding LLC	**100**	100	Holding Company
Jumeirah Energy International Silicon Valley LLC	**100**	100	Holding Company
Noor Energy 1 Holdings LLC	**100**	100	Holding Company
Data Hub Integrated Solutions LLC (MORO)	**100**	100	Established to provide services including IT, and infrastructure, networking and computer system housing services
Digital DEWA LLC	**100**	100	Investment in commercial, industrial, retail trade and energy enterprises and management
Infra X	**100**	100	To provide services including IT and computer housing services

1 Establishment and operations *(continued)*

Name of the entity	Percentage of beneficial ownership % 2020	2019	Principal business activities
Dubai Green Fund Investments LLC	**100**	100	To invest and manage commercial, industrial, retail trade and energy enterprises
Utilities Management Company	**85**	85	Holding Company
Emirates Central Cooling Systems Corporation (EMPOWER)	**70**	70	Provision of district cooling services, management, maintenance of central cooling plants and related distribution networks
Palm Utilities LLC	**70**	70	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services
Palm District Cooling LLC (PDC)	**70**	70	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services.
Empower Logstor LLC	**67.9**	67.9	Manufacturing of pre-insulated pipes, mainly for district cooling
Shuaa Energy 2 P.S.C	**60**	60	Establish and provide full range of services for generation of electricity
Innogy International Middle East LLC	**51**	51	Energy projects consultancy, desalination and sewage treatment plants operations and maintenance
Shuaa Energy 1 P.S.C.	**51**	51	Establish and provide full range of services for generation of electricity
Hassyan Energy Phase 1 P.S.C	**51**	51	Establish and provide full range of services for generation of electricity
Noor Energy 1 P.S.C	**51**	51	Establish and provide full range of services for generation of electricity
Digitial X LLC	**100**	-	Establish and provide full range of services for information technology, data entry, network consultancies
Smart Energy X LLC	**100**	-	Establish and provide full range of services for parking management electronic systems installation and maintenance
Hassyan by Products	**100**	-	Establish for sale of cement products trading, fly ash trading, cement and gypsum trading, repackaging and refilling services
Shuaa Energy 3 P.S.C.*	**60**	-	Establish and provide full range of services for generation of electricity
Forward Investments Limited**	**100**	-	Holding Company
Dubai Carbon Centre of Excellence***	**100**	-	Energy projects engineering consultancy and carbon control systems trading

1 Establishment and operations *(continued)*

* During the year the ownership Data Hub Integrated Solutions LLC (MORO) has been transferred to Digital DEWA LLC.

** During the period the Group has established Shuaa Energy 3 Holdings LLC with 100% ownership, with the purpose to establish Shuaa Energy 3 P.S.C. a private joint stock company for the purposes of generation of electricity and associated activities. Shuaa Energy 3 Holdings LLC holds 60% shareholding in Shuaa Energy 3 P.S.C.

*** During the period the Group has invested in Forward Investments Limited a Holding Company through Jumeirah Energy International Capital Holding LLC, with 100% ownership. The purpose of this Holding Company is to make Investment in Commercial Enterprises & Management.

**** During the year the Authority sold its interest of 25% in Dubai Carbon Centre of Excellence being the joint venture, to Al Etihad Energy Services Company LLC, a 100% subsidiary of the Authority. The purpose was to acquire 100% interest in Dubai Carbon Centre of Excellence through investing into Al Etihad Energy Services Company LLC.

2 Basis of preparation

2.1 Statement of compliance

These financial statements of the Authority 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. These financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

These Group's consolidated financial statements are presented in UAE Dirhams (AED), which is also the Authority's functional currency. Subsidiaries and joint ventures determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities measured at fair value.

2.3 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards ("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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Authority's financial statements are disclosed in Note 5.

3 Significant accounting policies

3.1 New standards, amendments and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

	Effective date
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2020
Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37)	1 January 2022
Annual improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Classification of Liabilities as Current and Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 16 Insurance Contracts	1 January 2023
Sale or Contribution of Assets between and Investor its Associates or Joint Venture (Amendments to IFRS 10 and 28)	Effective date deferred indefinitely

3.2 Other new or amended standards

The following new or amended standards that are required to be adopted in annual periods beginning on 1 January 2020 and are not expected to have a significant impact on the Group's financial statements:

	Effective date
Covid-19 Related Rent Concessions (Amendment to IFRS 16)	1 June 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition to Material *(Amendments to IAS 1 and IAS 8)*	1 January 2020
Definition of Business *(Amendments to IFRS 3)*	1 January 2020
Interest Rate Benchmark Reform *(Amendments to IFRS 9, IAS 39 and IFRS 7)*	1 January 2020

3.3 Basis of consolidation

(a) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

3 Significant accounting policies *(continued)*

3.3 Basis of consolidation *(continued)*

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) *Non-controlling interests*

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(d) *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) *Interests in equity-accounted investees*

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

3 Significant accounting policies *(continued)*

3.3 Basis of consolidation *(continued)*

(e) Interests in equity-accounted investees (continued)

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.4 Property, plant and equipment

Property, plant and equipment, other than land and capital work in progress, are stated at historical cost less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major overhaul is performed, the directly attributable cost of the overhaul is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major overhaul.

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment or to improve its operational performance, that is accounted for separately, is included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced asset is subsequently derecognised.

Expenditure on major inspection and overhauls of production plant is capitalised when it meets the asset recognition criteria and is depreciated over the period until the next major overhaul. All other repair and maintenance costs are charged to the consolidated statement of profit or loss during the year in which they are incurred.

Generation and desalination plants, supply lines and substation equipment are capitalised from the date these are available for use, after satisfactory completion of trial and reliability runs.

Capital work in progress is stated at cost, less any impairment. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Group's policies.

3 Significant accounting policies *(continued)*

3.4 Property, plant and equipment *(continued)*

Land is stated at cost and is not depreciated. Depreciation on other assets is calculated using the straight line method at rates calculated to reduce the cost of assets to their estimated residual values over their estimated useful lives or in case of leased assets, the shorter term.
The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Years
Buildings	10 to 30
Generation and desalination plants	10 to 38
Transmission and distribution networks	10 to 30
Other equipment and assets	2 to 20

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. 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.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in statement of profit of loss and determined as the difference between the proceeds received and the asset's carrying amount.

Insurance spares acquired together with the plant or purchased subsequently but related to a particular plant and are; i) only expected to be used during emergency breakdown situations, ii) critical to the plant operation and must be available at stand-by at all times, iii) capitalised within property, plant and equipment and depreciated from purchase date over the remaining useful life of the plant in which it is to be utilised. These do not form part of inventory provided the capitalisation criteria for property, plant and equipment is met.

Capital spares are spare parts that are regularly replaced, repaired or overhauled usually as part of a replacement programme and are; i) only expected to be used in connection with an item of property, plant and equipment; ii) expected to be used during more than one period. These are carried under capital work in progress until they are put to use.

3.5 Intangible assets

(a) Recognition and measurement

Intangible assets mainly include expenditure incurred on computer software by the Group. These are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs directly associated with the development of computer software programmes that are expected to generate economic benefits over a period in excess of one year are also capitalised and amortised over their estimated useful lives. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

3 Significant accounting policies *(continued)*

3.5 Intangible assets *(continued)*

(b) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(c) *Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives for current and comparative periods are 3 to 5 years.

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

3.6 Financial instruments

(i) *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) *Classification and subsequent measurement*

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
  Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(v) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

3 Significant accounting policies *(continued)*

3.6 Financial instruments *(continued)*

(v) Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of a derivative or foreign exchange gains and losses for a non-derivative is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the nonderivative is recognised immediately in profit or loss. The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

3 Significant accounting policies *(continued)*

3.7 Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring
- over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

The Group considers the credit risk on the investments in government bonds and bank deposits to be low at the reporting date, as these financial assets have low risk of default, the borrowers have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3 Significant accounting policies *(continued)*

3.7 Impairment *(continued)*

(i) Non-derivative financial assets (continued)

Measurement of ECLs

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) financial asset has become more than 12 months overdue, (ii) ceasing enforcement activity and (iii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3 Significant accounting policies *(continued)*

3.7 Impairment *(continued)*

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units ("CGU") to which the individual asset is allocated. Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

3.8 Leases

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

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3 Significant accounting policies *(continued)*

3.8 Leases *(continued)*

(i) As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 Significant accounting policies *(continued)*

3.8 Leases *(continued)*

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other revenue'.

COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

3.9 Inventories

Inventories comprise consumables and repair spares and operating stock of fuel. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle. Cost comprises of direct materials, and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

3 Significant accounting policies *(continued)*

3.10 Borrowing costs

Borrowing costs consists of interest and other costs that the Group incurs in connection with the borrowing of funds. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. The Group has determined the substantial period to be greater than 1 year.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the year in which they are incurred.

3.11 Trade receivables

Trade receivables comprise of trade receivables, due from related parties and accrued revenue. Trade receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. Trade receivables are recognised initially at fair value, which is the original invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are impaired as per the policy explained in Notes 3.7 and 11 to this consolidated financial statements which is in compliance with requirements of IFRS 9.

The carrying amount of an asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss.

3.12 Cash and bank balances

Cash and bank balances comprise of cash in hand, current and call accounts with the banks and other institutions and term deposits held with banks. Term deposits with banks with remaining maturities greater than twelve months are disclosed as non-current assets. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at current and call accounts with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.13 Advance received for new connections and security deposits

(a) Advances for new connections

The Group receives amounts from customers for construction and installation of equipment. These amounts are classified as advances received for new connections until the construction or installation of the equipment is completed. On completion, these amounts are transferred from advances received for new connections to deferred revenue under liabilities.

Management estimates the current portion of the advances for new connections based on historical experience and anticipated installations. The remaining amounts are classified as non-current liabilities.

3 Significant accounting policies *(continued)*

3.13 Advance received for new connections and security deposits *(continued)*

(b) Security deposits

The Group receives security deposits against electricity and water connections from its customers. These deposits are refundable to the customers only at the time of disconnection. The Group classifies all amounts received as security deposits as current liabilities as these amounts are repayable to the customer on demand upon disconnection.

3.14 Deferred revenue

Deferred revenue represents amounts transferred from advances for new connections upon completion of construction and installation of equipment. Deferred revenue is amortised and recognised in the statement of profit or loss on a straight-line basis over the estimated useful life of the related equipment. Deferred revenue also includes the assets taken over by the Authority at free of cost.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.16 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liability in the consolidated balance sheet.

3 Significant accounting policies *(continued)*

3.16 Employee benefits *(continued)*

Post-employment obligations

(a) Pension obligations for eligible UAE nationals

The Group operates a defined benefit pension plan for eligible UAE national employees retired before 1 January 2003. The cost of providing pensions is charged to the consolidated statement of profit or loss.

Effective 1 January 2003, the Group joined the pension scheme operated by the Federal Pension General and Social Security Group which is a defined contribution plan. The Group's contributions for eligible active UAE National employees are calculated as a percentage of the employees' salaries and charged to the consolidated statement of profit or loss, in accordance with the provisions of Federal Law No. 7 of 1999 on Pension and Social Security.

The Group has no legal or constructive obligation to pay any further contributions.

(b) Post-employment benefit obligations for eligible expatriates

The Group operates a defined benefit payment plan for eligible expatriates and specific UAE national employees in accordance with the Dubai Government Human Resource Management Law No.27 of 2006. The liability recognised in the consolidated balance sheet in respect of this defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market for such bonds, the market rates on government bonds are used.

The net interest and current service cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

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 balance sheet.

3.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting year. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3 Significant accounting policies *(continued)*

3.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in profit and loss.

3.19 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value measurement recognised directly in equity.

3.20 Government of Dubai account

Amounts contributed to the Authority by the Government of Dubai to finance the activities of the Authority are classified as equity. There is no contractual obligation for the Authority to pay these funds back to the Government of Dubai. Increases in the Government of Dubai account are generally additional contributions either monetary or non-monetary. Non-monetary contributions are measured at fair value.

3.21 General reserves

General reserve represents surplus distributable profit of the Group. The transfer to general reserve is determined based on the profit for the year after deducting cash and non-cash distributions.

3.22 Statutory reserve

In accordance with Article 103 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit of the subsidiaries that fall under the definition of UAE Federal Commercial Companies Law, are allocated each year to a non-distributable legal reserve. Such allocations may cease when the legal reserve equals half of the nominal value of the paid up share capital. This reserve is not available for distribution.

3 Significant accounting policies *(continued)*

3.23 Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
(b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue comprises the fair value of consideration received or receivable for the sales of goods and services in the ordinary course of Group's activities and is shown net of discounts and allowances.

The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

(a) Supply of electricity and water

Revenue from the supply of electricity and water is recognised on the basis of electricity and water supplied during the period on an accruals basis with reference to meter readings. A management estimate is included for the value of units supplied to customers between the date of their last meter reading and the accounting period end. The estimate is calculated using historical consumption patterns and is included in trade and other receivables as accrued revenue.

3 Significant accounting policies *(continued)*

3.23 Revenue from contracts with customers *(continued)*

(b) Meter rental

Meter rental income is recognised on a time proportion basis over the period during which the meter is provided to the customer.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(d) Dividends

Dividends are recognised as other income when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

(e) Amortisation of deferred revenue

Deferred revenue is amortised and recognised as income on a straight line basis over the estimate useful life of the related equipment. Refer Note 3.13 and 3.14.

(f) Other services

Revenue from other services is recognised in the accounting period in which the services are rendered.

3.24 Foreign currency translations

(a) Functional and presentation currency

These consolidated financial statements are presented in UAE Dirhams (AED), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. Subsidiaries and joint ventures determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currency of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

3 Significant accounting policies *(continued)*

3.25 Regulatory deferral account credit balance

Regulatory deferral account credit balance arises on account of amounts billed to and collected from customers as fuel surcharge in excess of amounts to be billed to customers. The Group has been allowed by the Supreme Council of Energy (the "regulator") to bill the increase in fuel prices considering 2010 as the base year. This balance is initially measured and subsequently carried at an amount billed to the customer. The deferral account credit balance is deferred and adjusted against the next increase in tariff approved by the regulator. Regulatory deferral account credit balance is not described as a liability for the purposes of the Group's consolidated financial statements and is disclosed as a separate line item in the consolidated balance sheet.

4 Financial risk management

4.1 Financial risk factors

Risk management framework

The Groups's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Board of the Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. 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 products offered. The Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Board of Directors review and agree policies for managing each of these risks which are summarised below. The Group has exposure to the following risks arising from financial instruments:

(i) credit risk
(ii) liquidity risk
(iii) market risk

(i) 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 and investments in debt securities.

The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

In thousands of AED	**2020 AED'000**	2019 **AED'000**
Impairment loss on trade receivables	**87,970**	21,212

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(a) Trade receivables

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of provision for impairment of receivables.

The Group has a wide customer base in the Emirate of Dubai and services commercial, industrial and governmental organisations as well as residential customers including UAE nationals and expatriates. Out of the total trade receivables and accrued revenue of AED 6,289 million *(2019: AED 5,687 million)*, an amount of AED 4,403 million *(2019: AED 2,377 million)* is due from customers other than government entities and is considered subject to credit risk. Carrying amount of trade receivables best represent the maximum exposure to credit risk at the end of each reporting period presented.

The Group taking into consideration the exposure to the customer, when appropriate, manages credit risk by requesting additional deposits, and implementing payment plans for customers in arrears.

Due to large and diversified customer base, concentration of credit risk on few customers is limited.

Expected credit loss assessment for customers

The Group uses an allowance matrix to measure the ECLs of fee receivables from customers. Loss rates are calculated using "roll rate" method based on the profitability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately to exposures in different segments based on common credit risks characteristics.

The Group considers the credit risk on the outstanding balances from Government customers to be low at the reporting date, as these financial assets have low risk of default, the counterparties have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil its contractual cash flow obligations.

To measure the expected credit losses, trade receivables and accrued revenue have been grouped together based on its shared credit risk characteristics and the days past due. Accrued revenue has substantially the same risk characteristics aş the trade receivables and therefore concluded that the expected loss rates for trade receivables and accrued revenue are a reasonable approximation of the loss rates for the contract assets.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers for 2020 and 2019:

As at 31 December 2020	**Expected loss rate**	**Gross carrying amount AED'000**	**Loss allowance AED'000**	**Credit impaired**
Current	**0.47%**	**1,953,932**	**9,192**	**No**
More than 30 days past due	**2.10%**	**376,905**	**7,930**	**No**
More than 60 days past due	**12.01%**	**246,377**	**29,578**	**No**
More than 120 days past due	**22.75%**	**333,445**	**75,865**	**No**
More than 360 days past due	**52.73%**	**421,243**	**222,109**	**No**
		3,331,902	**344,674**	

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(i) Credit risk (continued)

(a) Trade receivables (continued)

As at 31 December 2019	Expected loss rate	Gross carrying amount AED'000	Loss allowance AED'000	Credit impaired
Current	2.71%	1,741,260	47,188	No
More than 30 days past due	3.77%	217,424	8,197	No
More than 60 days past due	14.08%	117,003	16,474	No
More than 120 days past due	38.19%	114,852	43,862	No
More than 360 days past due	75.74%	186,142	140,983	No
		2,376,681	256,704	

Total receivables include amount of AED 2,957 million *(2019: AED 3,310 million)* related to government receivables.

Movements in the allowance for impairment in respect of trade receivables

	2020 AED'000	2019 AED'000
At 1 January	**256,704**	235,492
Add: charge for the year	**87,970**	21,212
Less: specific provision	**(172,467)**	(142,391)
At 31 December	**172,207**	114,313

(b) Other financial assets

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and bank balances, other financial assets at amortised cost and due from related parties, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group limits its credit risks with regard to bank deposits by dealing only with reputable banks.

Other financial assets at amortised cost include investments in UAE National bonds which are unrated and other receivables are held with reputed counter parties which management do not expect any loss from their non-performance. Where non-performance is identified a provision is made.

Balances due from related parties are held with reputed counter parties which management do not expect any loss from their non-performance. A provision is made, where non-performance is identified.

(c) Cash and cash equivalents

The Group held cash and cash equivalents of AED 6,883 million at 31 December 2020 *(2019: AED 11,778 million)*. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated below:

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(i) Credit risk (continued)

(c) Cash and cash equivalents (continued)

As determined by Moody's

	2020 AED'000	2019 AED'000
A	**6,345,529**	11,199,452
B	**434,696**	550,269
Unrated (including cash in hand)	**102,793**	28,487
	6,883,018	11,778,208

All other financial assets are unrated.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, 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 reputation.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group monitors its risk of shortage of funds using cash flow budgeting in which it considers both the cash outflows as well as their sources of funding.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Less than 1 year AED'000	1 to 2 years AED'000	Over 2 years AED'000	Total AED'000	Carrying amount AED'000
31 December 2020					
Borrowings*	**2,727,034**	**915,454**	**22,133,110**	**25,775,598**	**18,799,382**
Trade and other payables**	**12,882,211**	**-**	**-**	**12,882,211**	**12,882,211**
Other long term liabilities **	**-**	**271,699**	**413,086**	**684,785**	**664,803**
Lease liabilities	**6,438**	**6,864**	**8,023**	**21,325**	**21,325**
	15,615,683	**1,194,017**	**22,554,219**	**39,363,919**	**32,367,721**

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(ii) Liquidity risk (continued)

	Less than 1 year AED'000	1 to 2 years AED'000	Over 2 years AED'000	Total AED'000	Carrying amount AED'000
31 December 2019					
Borrowings*	7,054,527	579,805	16,204,411	23,838,743	16,911,675
Trade and other payables**	11,770,574	-	-	11,770,574	11,770,574
Other long term liabilities **	-	286,500	440,084	726,584	678,363
Lease liabilities	7,152	11,521	8339	27,012	27,012
	18,832,253	877,826	16,652,834	36,362,913	29,387,624

* These do not include deferred borrowing costs.

** These do not include advances for new connections, deferred revenue and retirement benefits obligations as these are non-financial liabilities.

(iii) Market risk

Market risk is the risk that changes in market prices – e.g. 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.

(a) Foreign exchange risk

Currency risk arises on recognised assets or liabilities that are primarily denominated in a currency that is not entity's functional currency. The Group has no significant exposure to this risk as the majority of its transactions are denominated is AED, or in currencies AED is pegged with. The Group has certain transactions in foreign currencies, mainly in Euros. However, the foreign currency exposure arising out of foreign currency denominated balances as at 31 December 2020 and 2019 are not material.

(b) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuers or factors affecting all the instruments traded in the market. Hence, the Group has no exposure to price risk as there is no price sensitive financial instruments.

(c) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. The Group is exposed to cash flow interest rate risk on its variable rate borrowings. The Group is not exposed to the fair value interest rate risk as fixed rate borrowings of the Group are carried at amortised cost in these consolidated financial statements.

4 Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(iii) Market risk (continued)

The variable rate borrowings of the Group are based on LIBOR and EIBOR. The Group has entered into interest rate swaps to mitigate the risk of variable rate borrowings (refer Note 30). The table below shows the exposure of Group's variable and fixed rate borrowings:

	2020	2019
	AED'000	AED'000
Variable rate borrowings	**16,281,477**	10,224,633
Fixed rate borrowings	**2,517,905**	6,687,042
	18,799,382	16,911,675

4.2 Capital risk management

The Group monitors and responds pragmatically to market conditions and business developments both locally and internationally, and ensures adequate funds are available to meet the needs of its businesses and support sound value enhancement objectives. The Group's strategic focus is the active management of the business portfolio in order to deal with its debt service obligations and to enhance the value of the owner's equity.

4.3 Fair value estimation

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at amortised cost except for loans to related parties which are measured at fair value through profit or loss.

The carrying value of financial assets and financial liabilities approximates their fair value except derivatives, which are the only financial instruments which are carried at fair value and fall into level 2 of the fair value hierarchy (Note 30).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5 Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

5.1 Critical accounting estimates

(a) Revenue recognition – unread electricity, water and district cooling meters

Revenue for electricity, water supply and cooling services includes an assessment of electricity, water and cooling services supplied to customers between the date of the last meter reading and the year end (unread). Unread electricity, water and cooling services supplied is estimated by using historical consumption patterns of respective customer categories. Management applies judgement to the measurement of the estimated electricity, water and cooling units supplied to customers and the valuation such units consumed. The application of a 5% increase to management estimate of total units for all customer categories, in isolation would result in the increase in revenue and profit by AED 40 million *(AED 2019: AED 41 million)*. The application of a 5% decrease to management estimate of total units for all customer categories, in isolation would result in the decrease in revenue and profit by AED 40 million *(2019: AED 41 million)*.

5.2 Critical accounting judgements

(a) Component parts of property, plant and equipment

The Group's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their useful lives. When determining the useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

(b) Useful life and residual values of property, plant and equipment

The Group determines the estimated useful lives and residual values of its property, plant and equipment. This review is performed by engineers of various divisions with reference to the estimated period over which the assets are expected to be available for use. The estimated useful lives and residual values of property, plant and equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

(c) Determination of control over certain subsidiaries

The Group has entered into various agreements to establish Shuaa Energy 1 P.S.C, Hassyan Energy Phase 1 P.S.C, Shuaa Energy 2 P.S.C and Noor Energy 1 P.S.C for construction of power plant and generation of electricity from renewable and non-renewable sources. To determine control over these entities, the Group considers the purpose and design of these entities along with the fact that whether it has the power to govern the financial and operational strategy of the respective entity and whether a significant portion of the entity's activities are carried on the behalf of the Group.

5 Critical accounting estimates and judgements *(continued)*

(c) Determination of control over certain subsidiaries

Management has therefore concluded that the relevant activities of these entities are pre-determined and directed via contractual arrangements in the normal course of business and consequently has consolidated the results of these entities in these consolidated financial statements. The Group will continue to evaluate these circumstances at each balance sheet date to determine whether this judgement continues to be valid. If the Group determines that it no longer has control over any of these entities, it will be de-consolidate the entities and account for these entities using the equity method from the date that control is deemed to cease.

6 Interests in other entities

6.1 Material subsidiaries

The Group's principal subsidiaries are set out in Note 1.

6.2 Non-controlling interest

The group's material subsidiaries are Jumeirah Energy International Holdings LLC ("JEIHL) and EMPOWER. JEIHL holds investment in Shuaa Energy 1 P.S.C, Shuaa Energy 2 P.S.C, Hassyan Energy Phase 1 P.S.C and Noor Energy 1 P.S.C. Proportion of ownership interests held by non-controlling interest is as follows:

	2020	2019
	%	%
Shuaa Energy 1 P.S.C	**49**	49
Shuaa Energy 2 P.S.C	**40**	40
Hassyan Energy Phase 1 P.S.C	**49**	49
Noor Energy 1 P.S.C.	**49**	49
Shuaa Energy 3 P.S.C	**40**	-
EMPOWER	**30**	30
Innogy International Middle East LLC	**49**	49

The summarised financial information for JEIH and EMPOWER group before inter-company eliminations is as follows:

Summarised statements of financial position

	JEIH		**EMPOWER**	
	2020	2019	**2020**	2019
	AED'000	AED'000	**AED'000**	AED'000
Non-current				
Assets	**18,577,904**	12,878,301	**6,772,244**	6,223,776
Liabilities	**(22,939,144)**	(14,391,328)	**(1,588,575)**	(786,023)
	(4,361,240)	(1,513,027)	**5,183,669**	5,437,753
Current				
Assets	**1,377,435**	937,191	**1,442,849**	646,595
Liabilities	**(952,264)**	(1,022,198)	**(1,849,268)**	(1,810,641)
	425,171	(85,007)	**(406,419)**	(1,164,046)
Net assets (100%)	**(3,936,069)**	(1,598,034)	**4,777,250**	4,273,707
Net assets attributable to NCI	**(1,873,673)**	(806,068)	**1,468,691**	1,321,221

Other non-material subsidiary includes negative net assets attributable to NCI amounting to AED 12,009 thousand *(2019: positive net assets of AED 972 thousand).*

6 Interests in other entities *(continued)*

6.2 Non-controlling interest *(continued)*

Summarised statements of profit or loss and other comprehensive income

	JEIH		EMPOWER	
	2020	2019	**2020**	2019
	AED'000	AED'000	**AED'000**	AED'000
Revenue	**418,340**	192,216	**2,255,115**	2,189,340
Profit for the year	**(106,625)**	17,364	**901,262**	871,135
Total comprehensive income	**(2,252,322)**	(1,654,427)	**903,543**	871,135
Total comprehensive (loss)/ income allocated to non-controlling interests	**(1,067,563)**	(795,399)	**266,784**	257,216
Dividends paid to non-controlling interests	**2,041**	(2,394)	**120,000**	90,000

Total comprehensive loss allocated to non-controlling interest of other non-material subsidiary amounts to AED 6,286 thousand *(2019: AED 2,034 thousand).*

Summarised statement of cash flows

	JEIH		EMPOWER	
	2020	2019	**2020**	2019
	AED'000	AED'000	**AED'000**	AED'000
Net cash generated from operations	**(100,100)**	232,084	**1,029,634**	1,014,613
Net cash used in investing activities	**(6,044,433)**	(5,856,210)	**(843,727)**	(669,435)
Net cash used in financing activities	**6,424,632**	6,243,392	**552,042**	(67,879)
Net increase in cash and cash equivalents	**280,099**	619,266	**737,949**	277,299
Cash and cash equivalents, as at 1 January	**772,441**	153,176	331,247	53,948
Cash and cash equivalents, as at 31 December	**1,052,040**	772,441	**1,069,196**	331,247

6 Interests in other entities *(continued)*

6.3 Investments accounted for using the equity method

The entities listed below have share capital solely consisting of ordinary shares, which are held directly by the Group.

Name of the entity	Country of incorporation	Effective % of holding		Carrying value	
		2020	2019	**2020**	2019
		%	%	**AED'000**	AED'000
Utility Management LLC	UAE	**50**	-	**489**	489
Etihad Energy Solutions	KSA	**50**	-	**1,450**	-
Dubai Carbon Centre of Excellence	UAE	**-**	25	**-**	1,131
Ducab HV Cable Systems P.S.C	UAE	**25**	25	**3,781**	3,463
				5,720	5,083

All joint ventures are accounted for using the equity method of accounting and are immaterial to the Group individually.

Movement of investments in joint ventures

	2020	2019
	AED'000	AED'000
At 1 January	**5,083**	7,550
Addition during the year	**4,160**	-
Disposal during the year	**(1,131)**	-
Share of loss from joint ventures	**(2,392)**	(2,467)
At 31 December	**5,720**	5,083

During the year, the Group recognised its share of loss from joint ventures amounting to AED 2.4 million *(2019: AED 2.5 million).*

No investments in joint ventures were impaired during 2020 and 2019.

Notes to the consolidated financial statements *(continued)*
for the year ended 31 December 2020

7 Property, plant and equipment

	Land and buildings AED'000	Generation and desalination plants AED'000	Transmission and distribution networks AED'000	Other equipment and assets AED'000	Capital work in progress AED'000	Total AED'000
Year ended 31 December 2019						
Opening net book amount	34,804,639	23,498,737	41,337,276	487,869	17,891,856	118,020,377
Additions	318,814	17,454	877,140	74,270	12,899,029	14,186,707
Reversal of impairment (Note 7(h))	-	-	-	-	80,294	80,294
Transfers	876,087	2,718,791	3,107,328	366,920	(7,069,126)	-
Transfers to intangible assets (Note 9)	-	-	-	-	(97,209)	(97,209)
Disposals, net	(408)	(1,587)	(3,528)	(324)	-	(5,847)
Depreciation	(292,407)	(1,752,788)	(2,087,921)	(264,270)	-	(4,397,386)
Closing net book amount	35,706,725	24,480,607	43,230,295	664,465	23,704,844	127,786,936
At 31 December 2019						
Cost	38,960,267	41,884,523	63,527,693	2,559,574	23,704,844	170,636,901
Accumulated depreciation	(3,253,542)	(17,403,916)	(20,297,398)	(1,895,109)	-	(42,849,965)
Net book amount	35,706,725	24,480,607	43,230,295	664,465	23,704,844	127,786,936
Year ended 31 December 2020						
Opening net book amount	35,706,725	24,480,607	43,230,295	664,465	23,704,844	127,786,936
Additions	1,350,828	1,256,638	1,574,957	235,445	13,504,400	17,922,268
Transfer to right of use assets (refer note 8)	-	-	-	-	(3,103,916)	(3,103,916)
Reversal of impairment (Note 7(h))	-	-	-	-	53,529	53,529
Transfers	657,057	1,785,590	3,433,843	200,125	(6,076,615)	-
Transfers to intangible assets (Note 9)	-	-	-	-	(54,347)	(54,347)
Disposals, net	-	(2,063)	(192)	(1,050)	-	(3,305)
Depreciation	(304,459)	(1,871,192)	(2,266,320)	(282,808)	-	(4,724,779)
Closing net book amount	37,410,151	25,649,580	45,972,583	816,177	28,027,895	137,876,386
At 31 December 2020						
Cost	40,968,153	44,492,773	68,535,991	2,976,753	28,027,895	185,001,565
Accumulated depreciation	(3,558,002)	(18,843,193)	(22,563,408)	(2,160,576)	-	(47,125,179)
Net book amount	**37,410,151**	**25,649,580**	**45,972,583**	**816,177**	**28,027,895**	**137,876,386**

7 Property, plant and equipment *(continued)*

(a) The Group has engaged in a joint operation pertaining to the Emirates National Grid Corporation ("ENGC"). The Group's share in the carrying amount of ENGC's assets as at 31 December 2020 is AED 124 million *(2019: AED 132 million)* and is included under transmission and distribution networks.

(b) During 2008, by way of a Decree issued by H.H. The Ruler of Dubai, all existing plots of land held by the Authority were transferred to the Authority. As a result, the Authority has capitalised this land on the basis of valuations obtained from the Land Department of Dubai which has been treated as a capital contribution by the Government of Dubai.

(c) The carrying value of property, plant and equipment, pledged as collateral on borrowings, amounts to AED 15,349 million *(2019: AED 8,310 million)* (Note 16).

(d) Capital work in progress mainly comprises construction of additional electricity generation, water desalination facilities, transmission and distribution networks and district cooling facilities.

(e) The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to general borrowings during the year which amounts to 5.22% per annum *(2019: 5.89% per annum)* for the Authority. The interest on general borrowings capitalised using this weighted average interest rate is AED 265 million *(2019: AED 298 million)*. The amount of interest on specific borrowings capitalised is AED 211 million *(2019: AED 278 million)* (Note 26).

(f) During the year, the Group received plots of land from the Land Department of the Government of Dubai amounting to AED 1,419 million *(2019: AED 319 million)*.

(g) Depreciation is allocated as detailed below:

	2020 **AED'000**	2019 AED'000
Cost of sales		
-Generation and desalination expenditure (Note 23.1)	**1,972,666**	1,860,815
-Transmission and distribution expenditure (Note 23.2)	**2,466,794**	2,269,244
Administrative expenses (Note 24)	**285,319**	267,327
	4,724,779	4,397,386

(h) Prior to its acquisition of Palm District Cooling LLC (PDC) by the Group, PDC had impaired costs relating to projects, which did not develop as anticipated. During 2017, the Group commenced services to the Jumeirah Village Project. This resulted in the reduction of the impairment of pipe network cost. Accordingly, as at 31 December 2020, The Group assessed the impairment of assets related to the Jumeirah Village Project and reversed AED 54 million *(2019: reversal of AED 80 million)*.

8 Right-of-use-assets

	Plant AED'000	Buildings AED'000	Total AED'000
Year ended 31 December 2019			
Cost			
At 1 January 2019	24,259	4,924	29,183
Additions	1,805	-	1,805
At 31 December 2019	26,064	4,924	30,988
Accumulated Depreciation			
At 1 January 2019	-	-	-
Charge for the year	4,582	2,038	6,620
At 31 December 2019	4,582	2,038	6,620
Net book amount			
31 December 2019	21,482	2,886	24,368
Year ended 31 December 2020			
Cost			
At 1 January 2020	26,064	4,924	30,988
Additions	1,178	1,532	2,710
Transfer from property, plant and equipment (Note 7)	3,103,916	-	3,103,916
At 31 December 2020	3,131,158	6,456	3,137,614
Accumulated Depreciation			
At 1 January 2020	4,582	2,038	6,620
Charge for the year	4,979	2,995	7,974
At 31 December 2020	9,561	5,033	14,594
Net book amount			
31 December 2020	**3,121,597**	**1,423**	**3,123,020**

Depreciation charge of AED 5 million *(2019: AED 5 million)* and AED 3 million *(2019: AED 2 million)* is included in cost of sales (Note 23.1) and administrative (Note 24) expenses respectively.

9 Intangible assets

	Computer software AED'000
Year ended 31 December 2019	
Opening net book amount	83,148
Additions	18,794
Transfer from property, plant and equipment (Note 7)	97,209
Amortisation (Note 24)	(66,560)
Closing net book amount	132,591

9 Intangible assets *(continued)*

	Computer software AED'000
At 31 December 2019	
Cost	352,061
Accumulated amortisation	(219,470)
Net book amount	132,591
Year ended 31 December 2020	
Opening net book amount	**132,591**
Additions	**32,543**
Transfer from property, plant and equipment (Note 7)	**54,347**
Amortisation (Note 24)	**(57,619)**
Closing net book amount	**161,862**
At 31 December 2020	
Cost	**438,951**
Accumulated amortisation	**(277,089)**
Net book amount	**161,862**

10 Other assets

	2020 AED'000	2019 AED'000
Advances to suppliers	**1,616,444**	1,936,478
Prepayments	**127,420**	48,228
	1,743,864	1,984,706
Less: Non-current portion	**(606,888)**	(585,522)
Current portion	**1,136,976**	1,399,184

11 Trade receivables

	2020 AED'000	2019 AED'000
Trade receivables	**5,482,717**	4,872,054
Accrued revenue	**805,896**	814,724
Less: provision for impairment of receivables	**(344,674)**	(256,704)
Trade receivables and accrued revenue – net	**5,943,939**	5,430,074
Less: non-current portion	**(698,459)**	(843,142)
Current portion	**5,245,480**	4,586,932

11 Trade receivables *(continued)*

The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures these receivables subsequently at amortised cost using the effective interest rate method. Information about methods and assumptions used in determining the impairment loss has been explained in Note 3.7.

The Group considers the credit risk on the outstanding balances from Government customers to be low at the reporting date, as these financial assets have low risk of default, the counterparties have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil its contractual cash flow obligations.

Total trade receivables and accrued revenue balances excluding Government customers as at 31 December 2020 amounts to AED 3,332 million *(2019: AED 2,377 million).*

Impairment of trade receivables:

The movement in the provision for impairment of trade receivables is as follows:

	2020	2019
	AED'000	AED'000
At 1 January	**256,704**	235,492
Charge for the year	**87,970**	21,212
31 December	**344,674**	256,704
Less: specific provision	**(172,467)**	(142,391)
Collective provision	**172,207**	114,313

The carrying amount of the Group's trade receivables is primarily denominated in AED and approximates its fair value.

The Authority supplies electricity and water to a diversified customer base and the standard credit period applied to all customers is 14 days from the date of the invoice. The Authority entered into an agreement in 2011 with certain government related entities allowing them to settle their outstanding balances in fixed instalments on a monthly basis irrespective of their monthly consumption. Accordingly, certain affiliates settle their invoices in arrears of more than 12 months. Therefore, the Authority applies discounting based on the one-year Emirates Interbank Offered Rate (EIBOR) while recognising trade receivables from these customers. At each balance sheet date, the trade receivables which are expected to be collected after twelve months from the reporting date are classified as non-current receivables.

12 Inventories

	2020 AED'000	2019 AED'000
Consumables and others	**563,629**	407,655
Less: provision for slow moving and obsolete inventories	**(177,032)**	(157,524)
	386,597	250,131
Fuel	**1,028,806**	1,036,789
	1,415,403	1,286,920

Movements in the provision for slow moving and obsolete inventories were as follows:

	2020 AED'000	2019 AED'000
At 1 January	**157,524**	149,655
Charge for the year (Note 24)	**19,508**	7,869
At 31 December	**177,032**	157,524

13 Other financial assets at amortised cost

	2020 AED'000	2019 AED'000
National bonds	**387,061**	483,217
Other receivables	**2,427,951**	1,369,780
Less: provision for impairment on other receivables	**(47,913)**	(47,913)
	2,767,099	1,805,084

Other financial assets at amortised cost include investments in National Bonds amounting to AED 387 million *(2019: AED 483 million)*, which have a maturity of 12 months from the date of purchase. National Bonds carry an interest rate ranging from 2.45% to 4% per annum. During the year, AED 107 million *(2019: AED 100 million)* of investments matured. The Authority made an additional investment of AED 11 million *(2019: AED 116 million)*.

Other receivables mainly includes housing and sewerage fee receivable on behalf of a related party and interest receivable on bank deposits. As at 31 December 2020, other receivables amounting to AED 2,380 million *(2019: AED 1,322 million)* are not impaired and amounts of AED 48 million *(2019: AED 48 million)* are impaired and fully provided for. The carrying amount of the Group's other receivables is primarily denominated in AED and approximates its fair value.

14 Cash and bank balances

	2020	2019
	AED'000	AED'000
Term deposits with banks	**3,309,927**	8,948,567
Current and call accounts with banks and other institutions	**3,569,781**	2,827,654
Cash on hand	**3,310**	1,987
	6,883,018	11,778,208

Term deposits with original maturity greater than three months, but not more than twelve months, amounting to AED 1,103 million *(2019: AED 8,774 million)* are classified in cash and bank balances but excluded from cash and cash equivalents for the purpose of the statement of cash flows.

Cash and bank balances include AED 110 million *(2019: AED 3,024 million)* in foreign currencies. The majority of these balances are denominated in USD. These balances are held for settlement of existing and anticipated liabilities denominated in foreign currencies.

Cash and cash equivalents also includes AED 590 million *(2019: AED 454 million)* of cash collected by local banks and government collection agencies on behalf of the Group.

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following:

	2020	2019
	AED'000	AED'000
Cash and bank balances	**6,883,018**	11,778,208
Less: term deposits (maturity greater than 3 months but less than 12 months)	**(1,102,875)**	(8,773,567)
Bank overdrafts (Note 16)	**(477,629)**	(498,806)
Cash and cash equivalents	**5,302,514**	2,505,835

Cash and bank balances are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

15 Equity

a) Government of Dubai account

The Government of Dubai account represents cash and non cash contributions made by the Government of Dubai as an owner of the Group since the incorporation of the Group.

b) General reserve

The general reserve represents surplus distributable profits earned by the Group.

15 Equity *(continued)*

c) Statutory reserve

As required by applicable law and articles of association of certain subsidiaries, 10% of the net profit for each period in those subsidiaries is transferred to a statutory reserve. Such transfers to reserves may cease when this reserve equals the issued capital. The reserve is not available for distribution except as stipulated by the law.

d) Hedging reserve

The hedging reserve represents the fair value of derivatives which are part of effective cash flow hedging relationships at year end. As the derivatives are held for hedging purposes as defined by IFRS 9, their fair value movements are retained in other comprehensive income instead of being charged to the income statement during the year. The fair value movements will be charged to the consolidated statement of profit or loss in the same period as the corresponding hedged transaction.

e) Non-cash distributions

Non-cash distributions represents amounts transferred to the Government of Dubai, as an appropriation of retained earnings, which is equivalent to the amount owed by the Government of Dubai to the Group based on amounts owed by third parties assumed by the Government of Dubai.

16 Borrowings

	2020	2019
	AED'000	AED'000
Non-current		
Others (refer (ii) below)	**16,534,142**	10,655,686
	16,534,142	10,655,686
Current		
Bank overdrafts (Note 14)	**477,629**	498,806
GMTN Loan (refer (i) below)	**-**	5,506,276
Others (refer (ii) below)	**1,787,611**	250,907
	2,265,240	6,255,989
	18,799,382	16,911,675

Borrowings are denominated in the following currencies:

	2020	2019
	AED'000	AED'000
US Dollars	**16,700,950**	16,220,995
UAE Dirham	**2,098,432**	690,680
	18,799,382	16,911,675

The Group has secured borrowings amounting to AED 16,407 million *(2019: AED 8,266 million)* and unsecured borrowings amounting to AED 2,392 million *(2019: AED 8,646 million).*

16 Borrowings *(continued)*

Borrowings are secured by pledge of assets (refer Note 7), corporate guarantees, government guarantees and letter of undertakings.

(i) GMTN

In 2010, DEWA set up a Global Medium Term Note programme for an amount of USD 3 billion (AED 11.02 billion). On 22 April 2010, DEWA issued notes amounting to USD 1 billion (AED 3.673 billion) which was repaid in 2015. On 21 October 2010, DEWA issued notes amounting to USD 0.5 billion (AED 1.836 billion) which was repaid in 2016 and USD 1.5 billion (AED 5.51 billion). The notes carried a fixed interest rate of 7.375% per annum and are listed on the London Stock Exchange.

During the year the Authority has repaid all its remaining balance of GMTN in the month of October 2020. No new borrowings have been made during the year ended 31 December 2020.

The fair value of the GMTN as at 31 December 2020 was AED Nil *(2019: AED 5,746 million)*. Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

(ii) Others

Shuaa Energy 1 P.S.C had an equity bridge loan carrying an interest rate of one-month LIBOR+0.70% per annum. The entire of the loan was repayable on 1 April 2018. The equity bridge loan amounting AED 73 million was subordinated by the shareholder, ACWA power solar limited on 29 March 2018 and an amount of AED 53 million is outstanding *(2019: AED 55 million)*.

Shuaa Energy 1 P.S.C has a commercial facility from a syndicate of banks amounting to AED 525 million *(2019: AED 522 million)* carrying an interest rate of LIBOR+1.35% per annum (which is set to increase up to 2.5% until 2040 revisable once in 5 years). The loan insrepayable in bi-annual instalments beginning from September 2017 up to 31 March 2040.

Shuaa Energy 1 P.S.C has an Istisna-Ijara facility amounting to AED 423million *(2019: AED 403 million)* carrying an interest rate of LIBOR+1.35% per annum. The facility is repayable in bi-annual instalments beginning from September 2017 up to 31 march 2040.

Shuaa Energy 1 P.S.C has a working capital loan of AED Nil *(2019: AED 4 million)* carrying an interest rate of LIBOR+1.25% per annum.

Shuaa Energy 2 P.S.C has an equity bridge loan of AED 213 million *(2019: AED 213 million)* carrying a fixed interest rate of 2.965% per annum. The loan is repayable in quarterly instalments beginning from 1 April 2022 up to 31 March 2047.

Shuaa Energy 2 P.S.C has an equity bridge loan of AED 142 million *(2019: AED 142 million)* carrying an interest rate of one-month LIBOR+1.08% per annum. The loan is repayable on 31 March 2022.

Shuaa Energy 2 P.S.C has a commercial facility from a syndicate of banks amounting to AED 1,491 million *(2019: AED 1,259 million)* carrying an interest rate of one-month LIBOR+1.75% per annum. The loan is repayable on quarterly instalments beginning from 30 September 2020.

16 Borrowings *(continued)*

(ii) Other loans *(continued)*

Shuaa Energy 2 P.S.C has an Islamic facility from a syndicate of banks amounting to AED 889 million *(2019: AED 705 million)* carrying an interest rate of one-month LIBOR+1.75% per annum. The loan is repayable on quarterly instalments beginning from 30 September 2020.

Mai Dubai LLC has a bank overdraft amounting to AED 478 million *(2019: AED 499 million)* carrying an interest rate of 0.5%.

Hassyan Energy Phase 1 P.S.C has a commercial facility of AED 7,098 million *(2019: AED 5,297 million)* from a syndicate of banks carrying an interest rate of LIBOR+2.1% per annum. The loan is repayable beginning from 31 August 2021 up to 28 February 2041.

Hassyan Energy Phase 1 P.S.C has a mezzanine facility of AED 370 million *(2019: AED 279 million)* carrying a fixed rate interest of 6.5% per annum. The loan is repayable beginning from 31 May 2041 up to 29 February 2048.

Hassyan Energy Phase 1 P.S.C has equity bridge loans of AED 108 million *(2019: AED 108 million)*. The loans are interest free.

EMPOWER has a loan amounting to AED 1,322 million carrying an interest rate of 1 month LIBOR+1.5% per annum. The loan is repayable in six months instalments commenced from June 2019 with the maturity date of June 2026.

Dubai Green Fund Investments LLC has a loan amounting to AED 1,495 million *(2019: AED 92 million)* carrying an interest rate of 1.2% per annum. The loan is repayable over tenor of 1 year.

Al Etihad Energy Services Company LLC has a loan amounting to AED 126 million *(2019: AED 100 million)* carrying an interest rate of 6.95% per annum. The loan is repayable over period of five years commenced from August 2019.

Shuaa Energy 3 P.S.C has a loan amounting to AED 143 million *(2019: Nil)* carrying an interest rate of LIBOR+1.40% per annum. The loan repayment is scheduled from September 2023 until March 2047.

Shuaa Energy 3 P.S.C has equity bridge loans of AED 147 million *(2019: Nil)* carrying an interest rate of LIBOR+0.75% per annum. The final maturity date is the date falling One hundred and twenty (120) months after the date of Financial Close.

Noor Energy 1 P.S.C has an equity bridge loan amounting to AED 2,796 million *(2019: AED 1,077 million)* carrying an interest rate of LIBOR+1% per annum. The final maturity date is the earlier of the date falling on the second anniversary of the Commercial Operation Date and 10 February 2025.

Noor Energy 1 P.S.C has a loan amounting to AED 1,897 million *(2019: AED 100 million)* million carrying an interest rate of LIBOR+1% per annum. The loan is repayable beginning from 01 July 2023 up to 22 December 2043.

16 Borrowings *(continued)*

(ii) Other loans *(continued)*

At 31 December 2020, the Group had available AED 12,360 million *(2019: AED 17,120 million)* of undrawn borrowing facilities from various lenders. The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

The fair values of other loans are not materially different to their carrying amounts since the interest payable on these borrowings is close to current market rates.

17 Retirement benefits obligations

	2020	2019
	AED'000	AED'000
Provision for employees' end of service benefits (Note 17.1)	**962,091**	892,679
Provision for pension (Note 17.2)	**86,706**	85,795
	1,048,797	978,474
Less: non-current portion	**(1,036,398)**	(967,117)
Current portion (Note 20)	**12,399**	11,357

The charge for the year grouped within the employee benefit expense in the consolidated statement of profit or loss includes current service cost and interest cost. Actuarial profit during the year is recognised in other comprehensive income.

17.1 Provision for employees' end of service benefits

In 2020 and 2019, an actuarial valuation was performed using the projected unit credit method to ascertain the present value of the obligation relating to the end of service benefits payable to expatriate employees in accordance with the Dubai Government Human Resources Management Law No. 27 of 2006. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving service. The obligation for end of service benefits is not funded. The principal actuarial assumptions used were as follows:

- Expected salary increase of 2.35% per annum *(2019: 2.35% per annum);*
- Discount rate used to determine the present value of the obligation was 2.45% per annum *(2019: 3.10% per annum)*; and
- The average rate of mortality and withdrawal is not significantly different from the trends noted at the valuation date. The mortality rates are based on Employers Groups reinsurance rates. Withdrawal rates assumed the age wise withdrawal rates that incorporates the experience of DEWA in terms of the overall withdrawals during the last three years.

The rate used for discounting the employees' end of service benefits should be based on market yields on high quality corporate bonds. In countries where there is no deep market for such bonds, the market yields on government bonds should be used. In the UAE, there is no deep market for corporate bonds and no market for government bonds and, therefore, the discount rate has been estimated using the US AA-rated corporate bond market as a proxy.

As a result, the Group has recognised an actuarial gain of AED 20 million *(2019: AED 83 million)* in other comprehensive income.

17 Retirement benefits obligations *(continued)*

17.1 Provision for employees' end of service benefits *(continued)*

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the obligation for end of service benefits by the amounts shown below;

	2020		2019	
	AED'000 Increase	**AED'000 Decrease**	AED'000 Increase	AED'000 Decrease
Salary growth (+/- 0.5%)	**967,645**	**847,247**	905,248	792,614
Discount rate (+/- 0.5%)	**826,351**	**941,803**	773,065	881,072
Life expectancy (increase/ decrease by 1 year)	**906,772**	**906,590**	848,300	848,131

Although the analysis does not take account of the full distribution of cash flows expected under the benefit, it does provide an approximation of the sensitivity of the assumptions shown.

The charge for the year included within employee benefit expense in the statement of profit or loss includes current service cost and interest cost. Actuarial loss during the year is recognised in other comprehensive income.

The expected gratuity expense for the next one year commencing 1st January 2021 works out to AED 104 million *(2020: AED 102 million)*. These amounts are the sum of current service cost and Net interest cost /(income).

Movements in the provision for end of service benefits are analysed below:

	2020 AED'000	2019 AED'000
At 1 January	**892,679**	882,356
Addition on acquisition of a subsidiary	**716**	-
Charge for the year (Note 25)	**124,973**	124,267
Re-measurements	**(19,696)**	(83,133)
Payments made during the year	**(36,581)**	(30,811)
At 31 December	**962,091**	892,679

The provision made during the year for end of service benefits and recognised in the consolidated statement of profit or loss is analysed as follows:

	2020 AED'000	2019 AED'000
Current service cost	**97,383**	98,556
Interest cost	**27,590**	25,711
	124,973	124,267

17 Retirement benefits obligations *(continued)*

17.1 Provision for employees' end of service benefits *(continued)*

Component of defined benefit costs (re-measurement) recognised in other comprehensive income

	2020 AED'000	2019 AED'000
Re-measurements: Actuarial (gain) / loss on obligation		
Gain) / loss due to change in financial assumption	**64,984**	(24,853)
Gain) / loss due to change in demographic assumption		3,210
(Gain) / loss due to change in experience adjustments	**(84,680)**	(61,490)
	(19,696)	(83,133)

Maturity Profile

	2020 AED'000	2019 AED'000
0 to 1 year	**33,409**	49,352
1 to 2 year	**41,233**	44,553
2 to 5 year	**134,655**	109,597
5 years and above	**1,239,819**	955,072
	1,449,116	1,158,574

The employee profile of the Group is as detailed below:

	2020	2019
Average age (years)	**42.31**	41.56
Average past service (years)	**11.00**	11.00
Average entry age (years)	**30.81**	30.82

17.2 Provision for pension

17.2.1 Provision for pensions (for eligible UAE national employees who retired before 1 January 2003)

The movements in the provision for pensions are analysed below:

	2020 AED'000	2019 AED'000
At 1 January	**74,438**	76,715
Charge for the year (Note 25)	**5,386**	3,124
Payments made during the year	**(5,517)**	(5,401)
At 31 December	**74,307**	74,438

17 Retirement benefits obligations *(continued)*

17.2 Provision for pension *(continued)*

17.2.2 Provision for pensions (for eligible UAE national employees from 1 January 2003)

Effective 1 January 2003, the Group joined a defined contribution plan operated by the Federal Pension General and Social Security Group for its active eligible UAE national employees in accordance with the provision of Federal Law No. 7 of 1999 relating to Pension and Social Security Law. The movements in the provision for pensions are analysed below:

	2020 **AED'000**	2019 AED'000
At 1 January	**11,357**	10,520
Charge for the year (Note 25)	**107,309**	99,645
Payments made during the year	**(106,267)**	(98,808)
At 31 December	**12,399**	11,357

Total provision for pension has been presented as follows:

	2020 **AED'000**	2019 AED'000
At the beginning of the year	**85,795**	87,235
Charge for the year	**112,695**	102,769
Payments made during the year	**(111,784)**	(104,209)
At the end of the year	**86,706**	85,795

18 Lease liabilities

	2020 **AED'000**	2019 AED'000
At 1 January	**27,012**	32,057
Additions during the year	**2,710**	1,805
Payments during the year	**(8,397)**	(6,850)
At 31 December	**21,325**	27,012
Less: current portion	**(6,438)**	(7,152)
Non-current portion	**14,887**	19,860

Lease liabilities related to right-of-use assets recognised as per IFRS 16 as per Note 8.

18 Lease liabilities *(continued)*

Maturity analysis of lease liabilities;

	2020 AED'000	2019 AED'000
Less than one year	**6,438**	7,152
More than one year	**14,887**	19,860
Lease liabilities at 31 December	**21,325**	27,012

19 Other long term liabilities

	2020 AED'000	2019 AED'000
Deferred revenue	**21,851,900**	19,500,563
Advances for new connections	**8,094,457**	8,182,753
Retentions payable	**664,802**	678,363
	30,611,159	28,361,679

20 Trade and other payables

	2020 AED'000	2019 AED'000
Consumers' security deposits	**3,437,285**	3,267,084
Capital projects payables	**3,218,986**	3,019,769
Trade payables	**2,309,294**	2,035,913
Retentions payable	**1,696,034**	1,297,659
Deferred revenue	**855,240**	986,983
Advances for new connections	**899,384**	909,194
Accrual for staff benefits	**260,044**	138,207
Retirement benefit obligations (Note 17)	**12,399**	11,357
Other payables	**1,960,568**	2,011,942
	14,649,234	13,678,108

21 Related party transactions and balances

The Group transacts with its owner, joint ventures and entities controlled, jointly controlled or significantly influenced by the owner within the scope of its ordinary business activities. Since the Group is wholly owned by the Government of Dubai, these entities are jointly referred to as 'government related entities'.

The Group applies the exemption relating to government related entities under IAS 24 'Related Parties' and only discloses transactions and balances with government related entities which are individually or collectively significant.

To determine significance, the Group considers various qualitative and quantitative factors including whether transactions with related parties are conducted in the ordinary course of business.

21 Related party transactions and balances *(continued)*

Key management personnel and entities controlled by them are also related to the Group. Key management personnel of the Group comprise the directors and executive vice presidents (EVPs) of the Authority and directors of the subsidiaries.

Related party transactions

The material transactions and balances with related parties are disclosed below, except as disclosed in Note 7, 8,11, 22, 23, 24, 25, 26, 31 and Note 32 in these consolidated financial statements:

(a) *Sale of electricity and water*

In common with many other entities, the Group deals in the normal course of business with various Government entities in Dubai. The rates applied for these sales are at par with other customers of a similar nature.

Certain quantities of electricity and water sold to UAE nationals. The Group calculates the value of these quantities supplied at base rate and these amounts are settled by the Government of Dubai.

(b) *Purchase of goods and services*

In the normal course of business, the Group purchased fuel from entities owned by the Government of Dubai. During the year, the Group consumed fuel costs amounting to AED 6,454 million *(2019: AED 6,822 million)* from various entities.

During the year, the Group purchased water amounting to AED 39 million *(2019: AED 29 million)* from an entity under common control.

During the year, the Group contributed an amount of AED 35 million *(2019: AED 35 million)* to an organisation managed by the Group for purposes of promotion of clean energy and water conservation.

(c) *Transactions with banks owned by Government of Dubai*

DEWA transacts with various banks and financial institutions which are wholly or partially controlled by the Government of Dubai. All of the Group's transactions with such banks are on normal commercial terms. A portion of the cash and bank balances as disclosed in note 14 are on deposit with such banks.

(d) *Compensation to key management personnel*

	2020	2019
	AED'000	AED'000
Salaries and short term employee benefits	**65,854**	70,729
Post-employment benefits	**5,889**	3,351
	71,743	74,080

(e) *Board members' interests*

Other than remuneration paid to key management personnel, the Board members of the Authority had no beneficial interest in DEWA or its subsidiaries during 2020 and 2019.

21 Related party transactions and balances *(continued)*

Related party balances

	2020	2019
	AED'000	AED'000
Due from related parties		
Joint ventures	**592**	542

The amounts outstanding at year end are unsecured, interest free, payable on demand and will be settled in cash. No impairment charge has been recognised during 2020 and 2019 in respect of amounts owed by related parties. These balances are included in trade receivables (Note 11).

22 Revenue

	2020	2019
	AED'000	AED'000
Sale of electricity	**13,754,438**	14,443,482
Sale of water	**4,294,594**	4,498,142
District cooling	**2,247,170**	2,182,770
Others	**1,964,491**	1,762,592
	22,260,693	22,886,986

Others include:

- Handling fees amounting to AED 53 million *(2019: AED 53 million)* includes AED 50 million ss paid by government related entities to the Group for providing collection services.
- Amortisation of deferred revenue amounted to AED 865 million *(2019: AED 762 million).*

Revenue is net of fair value adjustment of AED 31 million *(2019: AED 76 million).*

During the year the Group has collected AED 2,744 million *(2019: AED 2,942 million)* on account of fuel surcharge, of which excess collection of AED 201 million *(2019: AED 219 million)* have been reversed from revenue and recorded as liability in regulatory deferral account credit balance (refer note 32).

22.1 Disaggregation of revenue

	Electricity		**Water**		**District cooling charges**		**Others**		**Total**	
Timing of revenue recognition	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000
Products and services transferre										
-at a point in time	**13,754,438**	14,443,482	**4,294,594**	4,498,142	**2,247,170**	2,182,770	**1,099,334**	1,000,157	**21,395,536**	22,124,551
-over time	**-**	-	**-**	-	**-**	-	**865.157**	762.435	**865.157**	762.435
	13,754,438	14,443,482	**4,294,594**	4,498,142	**2,247,170**	2,182,770	**1,964,491**	1,762,592	**22,260,693**	22,886,986

23 Cost of sales

	2020	2019
	AED'000	AED'000
Generation and desalination expenditures (Note 23.1)	**9,430,548**	9,716,755
Transmission and distribution expenditures (Note 23.2)	**4,098,044**	3,820,359
Purchase of power and water	**102,074**	46,744
Others	**551,056**	535,477
	14,181,722	14,119,335

23.1 Generation and desalination expenditures

	2020	2019
	AED'000	AED'000
Fuel costs	**6,454,173**	6,821,748
Depreciation (Note 7)	**1,972,666**	1,860,815
Depreciation – Right-of-use asset (Note 8)	**4,979**	4,582
Employee benefit expenses (Note 25)	**536,299**	517,047
Repairs and maintenance	**416,846**	472,556
Others	**45,585**	40,007
	9,430,548	9,716,755

23.2 Transmission and distribution expenditures

	2020	2019
	AED'000	AED'000
Depreciation (Note 7)	**2,466,794**	2,269,244
Employee benefit expenses (Note 25)	**1,437,882**	1,358,172
Repairs and maintenance	**151,433**	138,483
Others	**41,935**	54,460
	4,098,044	3,820,359

24 Administrative expenses

	2020	2019
	AED'000	AED'000
Employee benefit expenses (Note 25)	**1,574,649**	1,478,032
Repairs and maintenance	**399,005**	403,260
Depreciation (Note 7)	**285,319**	267,327
Depreciation – Right-of-use asset (Note 8)	**2,995**	2,038
Amortisation (Note 9)	**57,619**	66,560
Insurance	**61,531**	44,419
Provision for slow moving and obsolete inventory (Note 12)	**19,508**	7,869
Others	**631,176**	427,365
	3,031,802	2,696,870

Others include the reversal of an impairment of property, plant and equipment amounting to AED 54 million *(2019: AED 80 million)* relating to a subsidiary.

25 Employee benefit expenses

	2020 AED'000	2019 AED'000
Salaries	**2,588,505**	2,332,545
Retirement benefit obligations (Note 17)	**238,384**	227,036
Bonus	**230,948**	215,979
Other benefits	**490,993**	577,691
	3,548,830	3,353,251

Employee benefit expenses are allocated as detailed below:

	2020 AED'000	2019 AED'000
Cost of sales		
- Generation and desalination expenditure (Note 23.1)	536,299	517,047
- Transmission and distribution expenditure (Note 23.2)	1,437,882	1,358,172
Administrative expenses (Note 24)	1,574,649	1,478,032
	3,548,830	3,353,251

26 Finance income - net

	2020 AED'000	2019 AED'000
Finance costs		
Interest on bank and other borrowings	**(739,291)**	(813,403)
Interest on lease liabilities	**(1,146)**	(1,213)
Amortisation of borrowing costs	**(3,224)**	(5,582)
	(743,661)	(820,198)
Amounts capitalised (Note 7)	**475,695**	576,420
	(267,966)	(243,778)
Finance income		
Amortisation of financial liabilities	**(28,283)**	8,464
Interest income on short term bank deposits	**209,335**	430,773
Reversal of fair value adjustment for trade receivables	**58,427**	62,632
	239,479	501,869
Finance (Cost)/income - net	**(28,487)**	258,091

27 Net cash generated from operating activities

	Notes	**2020 AED'000**	2019 AED'000
Cash flows from operating activities			
Profit for the year		**5,306,338**	6,637,083
Adjustments for:			
Depreciation	*7, 8*	**4,732,753**	4,404,006
Amortisation	*9*	**57,619**	66,560
Provision for slow moving and obsolete inventories	*12*	**19,508**	7,869
Reversal of impairment of property, plant and equipment	*24*	**(53,529)**	(80,294)
Impairment of trade receivables	*11*	**87,969**	21,212
Deferred income	*22.1*	**(865,157)**	(762,435)
Retirement benefit obligations – gratuity	*17*	**124,973**	124,267
Retirement benefit obligations – pensions	*17*	**112,695**	102,769
Fair value adjustment		**31,399**	75,690
Share of loss from investment in joint ventures	*6*	**2,392**	2,467
Loss on sale of property, plant and equipment		**1,428**	513
Fair value adjustment to derivatives		**20,306**	3,801
Finance cost/income - net	*26*	**28,487**	(258,091)
		9,607,181	10,345,417
Payment for retirement benefit obligations – gratuity	*17*	**(36,581)**	(30,811)
Payment for retirement benefit obligations – pensions	*17*	**(111,784)**	(104,209)
Working capital adjustments:			
Inventories before movement in provision for slow moving and obsolete inventories		**(147,991)**	(45,260)
Other assets		**310,436**	(160,967)
Trade receivables before provision for impairment		**(1,402,379)**	(1,429,105)
Other financial assets at amortised cost		**(1,107,391)**	(344,730)
Trade and other payables		**1,174,483**	2,073,088
Net cash inflows generated from operating activities		**8,285,974**	10,303,423

28 Commitments

	2020 AED'000	2019 AED'000
Future commitments including capital expenditure	**24,204,812**	30,723,521

29 Financial instruments by category

Financial assets

	2020 AED'000	2019 AED'000
At fair value through profit or loss		
Derivative financial instruments (Note 30)	**4,655**	88,770
At amortised cost		
Trade receivables (Note 11)	**5,943,939**	5,430,074
Other financial assets at amortised cost (Note 13)	**2,767,099**	1,805,084
Cash and bank balances (Note 14)	**6,883,018**	11,778,208
	15,594,056	19,013,366

Financial liabilities

	2020 AED'000	2019 AED'000
At fair value through profit or loss		
Derivative financial instruments (Note 30)	**3,837,641**	1,755,754
At amortised cost		
Trade and other payables * (Note 20)	**12,882,211**	11,770,574
Other long term liabilities* (Note 19)	**664,802**	678,363
Borrowings (Note 16)	**18,799,382**	16,911,675
	32,346,395	29,360,612

* These do not include advances for new connections, deferred revenue and retirement benefit obligations as these are non-financial liabilities.

30 Derivative financial instruments

The Group is exposed to interest rate movements on various borrowings maturing between 2017 and 2042. Certain Group's subsidiaries have entered into a series of interest rate swaps for the duration of the borrowings to mitigate the risk of variation in future interest rates. These interest rate swaps were designated as cash flow hedges and were assessed to be highly effective. Net unrealised losses of AED 2,354 million *(2019: losses of AED 1,883 million)* relating to these hedging instruments is included in other comprehensive income.

The tables below show a summary of the hedged items, the hedging instruments and their fair values. The notional amounts indicate the amount outstanding at the year end.

Description of the hedged item	Hedging instrument	Notional amount AED'000	Positive fair value AED'000	Negative fair value AED'000
2020:				
Interest payments on floating rate loans	Interest rate swap	**13,533,670**	**4,655**	**3,837,641**
2019:				
Interest payments on floating rate loans	Interest rate swap	10,520,691	88,770	1,755,754

30 Derivative financial instruments *(continued)*

The following table presents the Group's derivative assets and liabilities that are measured at fair value:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2020				
Assets measured at fair value				
Derivative financial instruments	-	**4,655**	-	**4,655**
Liabilities measured at fair value				
Derivative financial instruments (non-current portion)	-	**3,825,387**	-	**3,825,387**
Derivative financial instruments (current portion)	-	**12,254**	-	**12,254**
31 December 2019				
Assets measured at fair value				
Derivative financial instruments	-	88,770	-	88,770
Liabilities measured at fair value				
Derivative financial instruments (non-current portion)	-	1,723,128	-	1,723,128
Derivative financial instruments (current portion)		32,626		32,626

Interest rate swaps were measured primarily using valuations provided by the financial institutions based on the observable spot exchange rates and the yield curves of the respective swap contracts and were categorised in Level 2 hierarchy.

31 Dividends

The Authority declared a dividend amounting to AED 1.5 billion in respect of the year ended 31 December 2019 *(2018: AED 3 billion)* and was approved by the Board of Directors at their annual meeting held on 2 February 2020. The dividend was paid during the period ended 31 December 2020.

During the period, EMPOWER declared a dividend of AED 400 million *(31 December 2018: AED 600 million)* in respect of year ended 31 December 2019 which was approved by the Board of Directors of EMPOWER. An amount of AED 120 million (31 December 2018: AED 60 million) was paid to the non-controlling interest as dividend.

32 Regulatory deferral account credit balance

The prices that can be charged to customers for electricity and water by the Group are subject to oversight and/or approval by the Supreme Council of Energy hence the Group is subject to rate regulation. The Supreme Council of Energy through its notification issued in 2010 has allowed the Group to recover the additional costs it incurs due to the escalation in fuel prices considering 2010 as the base year from its customers.

The Supreme Council of Energy is also controlled by Government of Dubai and it is a related party of the Group.

The Group has recognised AED 948 million as at 31 December 2020 *(2019: AED 747 million)* in excess of the actual increase in fuel costs incurred since 2010 till date.

The Group has elected to apply the requirements of IFRS 14 – 'Regulatory Deferral Accounts' and will continue to apply its current accounting policy for recognition, measurement and derecognition of this regulatory deferral account balance.

The movement in regulatory deferral account credit balance is detailed below:

	2020 **AED'000**	2019 AED'000
At 1 January	**747,046**	527,620
Excess collected during the year	**201,202**	219,426
At 31 December	**948,248**	747,046

33 COVID-19 Impact

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, or COVID-19, a global pandemic and recommended containment and mitigation measures worldwide. The business outlook for 2020 is significantly impacted by associated risks and uncertainties. There has been a significant reduction in movement and discretionary spending, impacting businesses and economy.

During the reporting period, the impact of the pandemic has evolved rapidly and to contain the virus, the governments and other authorities across the world, including the geographies where the Authority operates, imposed strict measures. These included restrictions on movement, group gatherings, travel bans, border closings, business closures, quarantines, stay-at-home, shelter-in-place orders, density limitations and social distancing measures. The shopping malls, hospitality, cinemas and leisure and entertainment have been impacted by the mandated closures to affect social distancing. Further, in line with H.H. The Ruler of Dubai directives in promoting and supporting the economy of Dubai, the Authority have provided 10% discount on electricity and water consumption bill for all consumer groups starting 12 March 2020 for a period of three months. As a result, the Authority has experienced reductions in income associated with consumption of electricity and water to these businesses. The majority of the Authority's business is consumer driven and the current situation has impacted the consumer confidence and purchasing power. Consequently, the Authority is experiencing reduction in income and revenues.

33 COVID-19 Impact *(continued)*

The full impact of COVID-19 remains uncertain and will be determined by factors that continue to evolve, including but not limited to: the success of support measures introduced by governments; the volume and velocity of the tourism trade; customer and tenant behavior and sentiment; the ability of the wider economy to recover; and the timing and manner of the easing of restrictions (such as lockdowns and social distancing).

34 Comparative figures

The previous year figures have been regrouped / restated wherever necessary, in order to conform to the current year presentation. The regrouping does not affect the previously reported net assets, total equity and the profit or loss and other comprehensive income.

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