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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 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**”) who are also: (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, as amended (the “**Order**”); (ii) 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 together “**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, 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 PSC, Merrill Lynch International (the “**Joint Global Coordinators**”) and EFG Hermes UAE Limited (acting in conjunction with EFG Hermes UAE LLC) (together with the Joint Global Coordinators, the “**Joint Bookrunners**”), Moelis & Company UK LLP DIFC Branch (the “**Independent Financial Adviser**”), the Company and the Selling Shareholders (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) 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; (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 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 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 US, 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.

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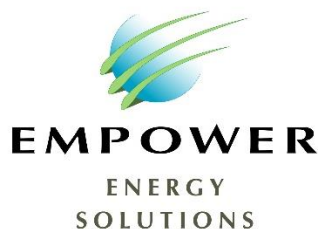
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THE DOCUMENT CONTAINS INFORMATION THAT IS SUBJECT TO COMPLETION AND CHANGE. NO OFFER OF SECURITIES WILL BE MADE AND NO INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THIS DOCUMENT ALONE, BUT ONLY ON THE BASIS OF THIS DOCUMENT AS FINALISED AND COMPLETED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

None of the Joint Bookrunners, the Independent Financial Adviser 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 Independent Financial Adviser 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 Independent Financial Adviser 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 Independent Financial Adviser are acting exclusively for the Company and the Selling Shareholders 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 Shareholders 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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(a public joint stock company incorporated in the Emirate of Dubai, United Arab Emirates, pursuant to Dubai Law No. (22) of 2022 and subject to Federal Decree Law No. 32 of 2021 concerning commercial companies, as amended)

**Global Offering of 1,000,000,000 Shares
Offer Price Range: AED 1.31 to 1.33 per Share**

1,000,000,000 ordinary shares with a nominal value of AED 0.10 each (the “Shares”) of Emirates Central Cooling Systems Corporation PJSC (the “Company or Empower”) are being offered in this global offering (the “Global Offering”) by the Company’s shareholders, Dubai Electricity and Water Authority PJSC (“DEWA”) and Emirates Power Investment LLC (“Emirates Power”, together with DEWA, the “Selling Shareholders”). The Selling Shareholders reserve the right to amend the size of the Global Offering at any time prior to the end of the subscription period at their 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 Shareholders (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, as amended (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 for the Shares to be listed on the Dubai Financial Market (the “DFM”) (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 15 November 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 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 “Sale of Shares” and “Transfer Restrictions”.

The Shares are offered by the Joint Bookrunners named herein on behalf of the Selling Shareholders 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 two business days 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 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.

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.

BofA Securities

Joint Global Coordinators and Joint Bookrunners
Citigroup Global Markets Limited

Emirates NBD Capital PSC

Joint Bookrunner
EFG Hermes

Independent Financial Adviser
Moelis & Company UK LLP DIFC Branch

This Offering Memorandum is dated 31 October 2022.

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 Independent Financial Adviser (as defined herein) or any person affiliated with the Joint Bookrunners or the Independent Financial Adviser 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 Shareholders, the Joint Bookrunners or the Independent Financial Adviser. 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 Shareholders, the Joint Bookrunners or the Independent Financial Adviser 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 Independent Financial Adviser 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 Independent Financial Adviser 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 Independent Financial Adviser 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 Shareholders, the Joint Bookrunners or the Independent Financial Adviser 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 Shareholders, the Joint Bookrunners or the Independent Financial Adviser 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 PSC (“**ENBD**”) and Merrill Lynch International (“**BofA Securities**”) have been appointed as joint global coordinators and joint bookrunners (the “**Joint Global Coordinators**”), and EFG Hermes UAE Limited (acting in conjunction with EFG Hermes UAE LLC) has been appointed as joint bookrunner (together with the Joint Global Coordinators, the “**Joint Bookrunners**”). Moelis & Company UK LLP DIFC Branch has been appointed as independent financial adviser (the “**Independent Financial Adviser**”). Each of ENBD and EFG Hermes UAE LLC is regulated by the Securities and Commodities Authority of the UAE (“**SCA**”), EFG Hermes UAE Limited is regulated by the Dubai Financial Services Authority, and each of Citi and BofA Securities is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority in the United Kingdom (“**UK**”). Citi, ENBD, BofA Securities and the Independent Financial Adviser are acting exclusively for the Company and the Selling Shareholders 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 Shareholders 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, each of 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 its own account 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, any of the Joint Bookrunners and any of their respective affiliates acting in such capacity. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) 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 Shareholders), 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 Shareholders. 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, 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 Shareholders, the Joint Bookrunners or the Independent Financial Adviser 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. 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 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. 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. 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 "*Sale of Shares*" 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 or 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 Global Coordinators 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, any Selling Shareholder 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 in a Relevant State 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 Global Coordinators has been obtained to each such proposed offer or resale.

The Company, the Selling Shareholders, the Joint Bookrunners and their respective affiliates, and others will rely (and the Company and the Selling Shareholders 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.

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 Global Coordinators 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, any Selling Shareholder or any Joint Bookrunner to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation and each person in the UK 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 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 persons who are qualified investors as defined under the UK Prospectus Regulation and who are: (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 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 offer no guaranteed income and no capital protection; and an investment in the Shares 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 Joint Bookrunners 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

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

The FSRA 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 FSRA 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 Abu Dhabi Global Market except on the basis than an offer is:

- (i) an “Exempt Offer” in accordance with the FSRA Financial Services and Markets Regulations (the FSMR) and Market Rules of the FSRA; 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 Global Offering 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 Rulebook; 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 of the DFSA Rulebook and who are not natural persons.

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, except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority 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.

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 foregoing. 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.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The historical financial information presented in this Offering Memorandum is based on the audited consolidated financial statements of Emirates Central Cooling Systems Corporation and its subsidiaries (together, the “**Group**”) as at and for the years ended 31 December 2020 (which includes the comparative financial information as at and for the year ended 31 December 2019) (the “**2020 Financial Statements**”) and 31 December 2021 (which includes the comparative financial information as at and for the year ended 31 December 2020) (the “**2021 Financial Statements**”, and together with the 2020 Financial Statements, the “**Annual Financial Statements**”).

The Annual Financial Statements were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board and have been audited by PricewaterhouseCoopers (Dubai Branch) (“**PwC**”) in accordance with International Standards on Auditing (“**ISAs**”) as stated in their independent auditor’s reports, which are included in this Offering Memorandum beginning on page F-1.

This Offering Memorandum also contains the unaudited interim condensed consolidated financial statements as at and for the three and six months ended 30 June 2022 (including the comparative financial information for the three months (unaudited and not reviewed) and six months (unaudited) ended 30 June 2021 and the related notes thereto (the “**H1 2022 Interim Financial Statements**”) and the unaudited interim condensed consolidated financial statements as at and for the three and nine months ended 30 September 2022 (including the unaudited and not reviewed comparative financial information for the three and nine months ended 30 September 2021) and the related notes thereto (the “**Q3 2022 Interim Financial Statements**” and, together with the H1 2022 Interim Financial Statements, the “**Interim Financial Statements**” and, together with the Annual Financial Statements, the “**Financial Statements**”). The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“**IAS 34**”). The Interim Financial Statements have been reviewed by PwC in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as stated in their review reports included herein.

Except as described below, or indicated otherwise in this Offering Memorandum, (i) the financial information of the Group in this Offering Memorandum as at and for the nine months ended 30 September 2022 and 30 September 2021, has been extracted from the Q3 2022 Interim Financial Statements; (ii) the financial information of the Group in this Offering Memorandum as at and for the six months ended 30 June 2022 and 30 June 2021, has been extracted from the H1 2022 Interim Financial Statements; (iii) the financial information of the Group in this Offering Memorandum as at and for the year ended 31 December 2021 has been extracted from the 2021 Financial Statements; and (iv) the financial information of the Group in this Offering Memorandum as at and for the years ended 31 December 2020 and 2019 has been extracted from the 2020 Financial Statements.

Comparability of Financial Information

Certain financial information as at and for the years ended 31 December 2020 and 31 December 2019 has been updated to conform to the presentation followed in the 2021 Financial Statements and hence differ from those included in the 2020 Financial Statements. These reclassifications are explained below:

- Impairment charges on trade receivables was presented as part of general and administrative expenses in the consolidated statement of comprehensive income as at 31 December 2020 but has been re-presented as a separate line item as Net impairment losses on financial assets in the consolidated statement of comprehensive income as at 31 December 2021;
- Short term deposits with a maturity of more than 3 months was presented as part of cash and cash equivalents in the consolidated statement of financial position as at 31 December 2020 but have been re-presented as a separate line item as term deposits in the consolidated statement of financial position as at 31 December 2021;

- Retentions payable was presented as part of trade and other payables in the consolidated statement of financial position as at 31 December 2020 but have been re-presented as a separate line item in the consolidated statement of financial position as at 31 December 2021; and
- Impairment reversal of project costs was presented as part of other income in the consolidated statement of comprehensive income for the year ended 31 December 2020 but has been re-presented as a separate line item in the consolidated statement of comprehensive income for the year ended 31 December 2021.

Other than the above reclassified line items which are extracted or derived from the 2021 Financial Statements, all other financial information relating to the year ended 31 December 2020 included elsewhere in this Offering Memorandum has been extracted or derived from the 2020 Financial Statements.

However, the financial information for the year ended 31 December 2019 has been extracted from the 2020 Financial Statements which were not updated to conform with the presentation used in the 2021 Financial Statements, and hence may not be directly comparable to the 2020 comparative financial information included in the 2021 Financial Statements.

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 that are not defined or recognised under, and thus not calculated and presented in accordance with IFRS, or any other generally acceptable accounting principles, including EBIT, Adjusted EBIT, EBIT margin, Adjusted EBIT margin, EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, ROE, Free cash flow, Net Debt, Net Debt to Adjusted EBITDA ratio, Cash flow conversion ratio, Dividend Payout Ratio, Fixed Charge, Fixed Charge to Revenue ratio, Fixed Charge to Adjusted EBITDA ratio, Capital Expenditure and Gearing Ratio (the “**Non-IFRS Measures**”). These Non-IFRS Measures are used by the Company to evaluate the efficiency of its operations and ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company.

As these Non-IFRS Measures are not standardised, these measures, by themselves, do not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. The Company has presented these Non-IFRS Measures because it believes these are helpful to investors and financial analysts in highlighting trends in the overall business of the Company.

None of the Non-IFRS Measures are a measurement of performance or liquidity under IFRS or any other generally accepted accounting principles and you should not consider EBIT, Adjusted EBIT, EBIT margin, Adjusted EBIT margin, EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, ROE, Free cash flow, Net Debt, Net Debt to Adjusted EBITDA ratio, Cash flow conversion ratio, Dividend Payout Ratio, Fixed Charge, Fixed Charge to Revenue ratio, Fixed Charge to Adjusted EBITDA ratio, Capital Expenditure and Gearing Ratio as an alternative to net income, operating profit or other financial measures determined in accordance with IFRS or other generally accepted accounting principles. Non-IFRS Measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our operating performance reported in accordance with IFRS.

The Non-IFRS Measures are management's responsibility and are based on management's review of its financial results and estimates; accordingly, the above information has not been audited or reviewed by PricewaterhouseCoopers (Dubai branch) or any audit firm, and are to be read in conjunction with the historical information presented, but is not intended to form part of the Company's statement of financial position or profit and comprehensive income up to the date hereof. Accordingly, prospective investors should not place undue reliance on the Non-IFRS Measures contained in this Offering Memorandum.

Some of the limitations of certain of the Non-IFRS Measures used by the Group are:

- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on the Group's debt;
- they do not reflect any cash income and certain other taxes that the Group may be required to pay in relation to such income;
- they are not adjusted for all cash income or expense items that are reflected in the Group's statements of cash flows;
- they do not reflect the impact of earnings or charges resulting from certain matters the Group considers not to be indicative of its ongoing operations;
- they may not fully take into account the impact of COVID-19 pandemic on the Group's financial performance;
- they do not reflect the Group's cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements.

The definition, method of calculation and rationale for the inclusion of Non-IFRS 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 net profit for the year / period plus Finance (income) / costs - net	Performance measure
Adjusted Earnings before interest and taxes (" Adjusted EBIT ")	Calculated as EBIT less impairment reversal of project cost, other income, share of profit of joint venture, interest earned on financial asset plus provision of credit losses, net impairment losses on financial assets and impairment charges on trade receivables	Performance measure
EBIT margin	Calculated as EBIT divided by revenue	Performance measure
Adjusted EBIT margin	Calculated as Adjusted EBIT divided by revenue	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 impairment reversal of project cost, other income, share of profit of joint venture, interest income on financial asset at amortised cost, plus provision of credit losses, impairment charges on trade receivables and net impairment losses on financial assets	Performance measure
EBITDA margin	Calculated as EBITDA divided by revenue	Performance measure

Non-IFRS financial measure	Definition and method of calculation	Rationale
Adjusted EBITDA margin	Calculated as Adjusted EBITDA divided by revenue	Performance measure
Return on equity (“ ROE ”)	Calculated as net profit for the year/period divided by shareholders’ equity	Performance measure
Free cash flow	Calculated as the Net cash generated from operating activities less Payment for property, plant and equipment, net of project accruals, retention payables to capex suppliers	Liquidity measure
Net Debt	Calculated as total bank borrowings less cash and cash equivalents and term deposits	
Net Debt to Adjusted EBITDA ratio	Calculated as Net Debt divided by Adjusted EBITDA	Liquidity measure
Cash flow conversion ratio	Calculated as the Net cash generated from operating activities divided by Adjusted EBITDA	Liquidity measure
Dividend Payout Ratio	Calculated as dividend paid divided by net profit for the year / period	Performance measure
Fixed Charge	Defined as demand charge revenue	Performance measure
Fixed Charge to Revenue ratio	Calculated as demand charge revenue divided by total revenue	Performance measure
Fixed Charge to Adjusted EBITDA ratio	Calculated as demand charge revenue divided by Adjusted EBITDA	Performance measure
Capital Expenditure	Defined as Payment for property, plant and equipment, net of project accruals, retention payables to capex suppliers plus acquisition of subsidiary	Liquidity measure
Gearing Ratio	Calculated as net borrowings divided by total capital, see “ <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital risk management</i> ”	Liquidity measure

Currency Presentation

The Group’s reporting currency is the UAE dirham. The dirham is the lawful currency of the UAE, and since 1997, 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, Economic and Industry Data

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 third parties. Statistics, data and other information relating to markets, market sizes, market shares, market positions and other economic and industry data pertaining to the Group's business and markets in this Offering Memorandum are based on published and publicly available data obtained from multiple third-party sources. The Group cannot assure you that any of the assumptions underlying any statements regarding the district cooling market are accurate or correctly reflect the Group or its competitors' position in such market. Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such data and statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, as well as information publically available related to the size of the market, including judgments about what types of products and transactions should be included in the relevant market. For example, the district cooling market described within this Offering Memorandum is generally characterised by companies offering district cooling services as a product and does not take into account district cooling services that are provided by individual building owners or developers which are not marketed to other customers. In addition, the value of comparisons of data or statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data or statistics. Accordingly, the market, economic and industry data and statistics and any other information from such third-party sources included in this Offering Memorandum should be viewed with caution and no representation or warranty is given by any person, including the Company, the Selling Shareholders or the Joint Bookrunners and their respective affiliates, as to their accuracy or completeness.

Certain statements regarding the district cooling market are not based on published statistical data or information obtained from third-parties, but are based on management's experience, internal studies of the market and estimates, and its own investigation of market conditions at the time of this Offering Memorandum. The Company believes these estimates to be accurate as of the dates indicated in this Offering Memorandum. However, this information may prove to be inaccurate because of the methods by which management obtained some of the data for these estimates or because this information cannot always be verified with complete certainty due to the limits on the availability and availability of raw data, statistics and other factors; and accordingly, neither the Company, the Selling Shareholder, the Joint Bookrunners and their respective affiliates nor any third-party sources can guarantee the accuracy or completeness of this information, estimates or data.

Unless otherwise specifically stated, the information in the "*Industry Overview*" is based on a report which has been prepared by FTI Consulting Gulf Limited ("**FTI**") and DC Pro Engineering ("**DC Pro**", together with FTI the "**Industry Consultants**", each an "**Industry Consultant**"), for the benefit of the Company in relation to the markets in which the Group operates. Information extracted from the Industry Consultants report which are referenced in this Offering Memorandum are referred to as the industry report (collectively, the "**Industry Report**"). Reliance by any party other than the Company on the contents of the Industry Report shall be at the party's own risk. The Company confirms that the data and other information extracted or derived from the Industry Report and any other third party information included herein has been accurately reproduced and that, as far as it 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. Each Industry Consultant makes no representation or warranty, expressed or implied, to any party with respect to the accuracy or completeness of the information attributable to such Industry Consultant contained in the Industry Report. The Industry Report was prepared on 6 October 2022 and, as such, addresses 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 then. The information and opinions expressed in the Industry Report are subject to change without notice and the Industry Consultants have no duty or responsibility to update the Industry Report.

As at the date of this Offering Memorandum, each Industry Consultant has given and not withdrawn their respective written consents for the use of each of their names, logos, statements, and market research and data supplied by them respectively to the Company in the manner and format set out in this Offering Memorandum.

The Industry Consultants relied on information provided by the Company as well as publicly sourced information for the Industry Report. Estimates and projections set out in this section are prepared based on the analysis performed by the Industry Consultants. They include research estimates founded in published official sources such as, but not limited to RSB, the Government, Dubai Statistics Centre, public reports from private utilities, Dubai Department of Economy and Tourism for FTI related sections and RSB, International District Energy Association, International Energy Agency, Dubai Electricity & Water Authority, UAE Government portal for DC Pro related sections.

The Industry Report contains information, estimates and data obtained or derived from a variety of public sources believed to be reliable, but the accuracy and completeness of such information, estimates and data is not guaranteed and has not been independently verified by the Company, the Industry Consultants, the Selling Shareholders, the Joint Bookrunners or their respective affiliates. Taking into consideration the “*Forecasts and Forward-Looking Statements*” section, whilst the members of the Board of Directors believe that the information, estimates and data in this Offering Memorandum obtained from third party sources, including the information, estimates and data obtained from the Industry Consultants, is information, estimates and data that may be relied upon, this information, estimates and data has not been independently verified by the Company, the Board of Directors, their advisors, the Selling Shareholders, the Joint Bookrunners or their respective affiliates. The Company notes that none of the Industry Consultants or other third-party sources, and none of the Joint Bookrunners, the Independent Financial Adviser or their respective affiliates, accepts any liability for the accuracy of any such information, estimates or data or any other third-party information, estimates or data included herein, and prospective investors are advised to consider such information, estimates and data with caution.

Shariah Compliance

Certain of the Group’s financing arrangements are Shariah-compliant and references in relation thereto in this Offering Memorandum to “interest”, “lender”, “borrower”, “repayment”, “loans”, “borrowings” or similar non-Shariah compliant terms in relation thereto should be interpreted as references to “profit”, “rental”, “finance costs”, “financier”, “obligor”, “payment”, “financings”, etc. as applicable.

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 it operates 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*", "*Business*" and "*Financial and Operational Targets*".

The 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 Shareholders 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 Shareholders, the Joint Bookrunners and the Independent Financial Adviser 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

Emirates Central Cooling Systems Corporation PJSC (the “**Company**” or “**Empower**”) was established on 23 November 2003 as a corporate entity pursuant to Dubai Law No. (10) of 2003 (“**Law No. 10**”), as amended by Dubai Law No. (3) of 2010 (“**Law No. 3**”) and commenced commercial operations on 15 February 2004.

On 14 October 2022, pursuant to Dubai Law No. (22) of 2022 (which repealed Law No. 10 and Law No. 3 and any other legislation to the extent that it contradicts the provisions of Dubai Law No. (22) of 2022) (“**Law No. 22**”), the Company was established in its current form, as a public joint stock company to succeed Emirates Central Cooling Systems Corporation.

The principal activities of the Company and its subsidiaries (the “**Group**”) are the provision of district cooling services (“**DCS**”), the management, operation and maintenance of central cooling plants and related distribution networks, and the production and selling of pre-insulated pipes and fittings.

Vision and mission

The Company’s vision is to be the world’s leading DCS provider by promoting sustainable and optimised use of energy resources to deliver reliable, cost-effective and environmentally friendly world-class DCS to achieve customer satisfaction, thereby creating long-term shareholder value.

District Cooling

District cooling is an efficient energy system for large-scale, high-density developments, such as business districts, airports, university campuses, residential towers, shopping malls and hospitals. The district cooling system relies on a centralised cooling plant that provides chilled water that is used to cool buildings within its connected network. The plant supplies chilled water through a network of underground-insulated pipes. For more information on district cooling, see “*Industry Overview—General Overview—High Level Overview of District Cooling Industry*”.

The Group provides DCS to various residential, commercial and mixed-use developments in Dubai and is the largest DCS provider in the world in terms of connected capacity, according to the International District Energy Association. The Group’s Pre-insulated Pipe segment is involved in manufacturing, and selling of pre-insulated pipes and fittings that relates to the expansion of the Group’s Chilled Water segment, which constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems, as well as distributes and sells chilled water for use in district cooling technologies. As at 31 December 2021, the Group had more than 76 district cooling plants and, subject to completing the announced proposed acquisition of 85% of the district cooling systems of the Dubai International Airport for AED 1.1 billion, which is expected to close by 31 December 2022 (“**Dubai International Airport District Cooling Acquisition**”), the Group will have 81 district cooling plants in its portfolio by the end of 2022, all of which are currently in Dubai and are providing exclusive DCS to several of Dubai’s key landmarks and developments, including the Dubai International Financial Centre (“**DIFC**”), Burj Al Arab, Dubai Healthcare City, Business Bay, Palm Jumeirah, Jumeirah Beach Residence (“**JBR**”), Ain Dubai & Bluewaters Island, Deira Waterfront, Jumeirah Lake Towers, Discovery Gardens, Ibn Batutta Mall, Jumeirah Village South, Dubai Land Residential Complex, Meydan and other areas across the Dubai. These iconic landmarks and developments demonstrate the diversity of the Group’s strategic assets across its well-balanced portfolio.

Furthermore, each of the Group’s district cooling plants is typically constructed using a modular asset strategy approach that allows for additional capacity to be added at a later date if required. As a result, the Group is able to spread its capital expenditure over future years in a measured capacity deployment based on project and development requirements. The Group also has the ability to mobilise temporary cooling solutions to deliver additional cooling load.

While the focus of the Group's growth strategy, in the short to medium term, is the Dubai market, the Group may consider, in its medium to long term plans, exploring international expansion, which may include the KSA, Qatar and other markets that have broad adoption, or potential for adoption, of DCS. 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 cooling air that is produced by chilled water and distributing it through an underground network of insulated pipes to buildings or homes. As such, district cooling offers a more energy efficient solution that utilises approximately half of the electricity consumption of traditional cooling for the same cooling output, therefore providing a more environmentally-friendly and sustainable cooling solution. Furthermore, the UAE residential real estate market is projected to grow at a CAGR of more than 4% during the period 2019 to 2025. Given the fact that the real estate landscape in the UAE and GCC region is characterised by high-rise buildings and high-density real estate which ultimately leads to a growing amount of aggregated demand for district cooling, DCS presents the most suited and advantageous solution to deliver and meet such growing demand in a cost effective manner. This is largely due to the fact that district cooling also takes advantage of the use of treated sewage effluent ("TSE") (in lieu of 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 increasingly attractive opportunity in the market, particularly for developers of new projects. The Group has a total of 9 thermal energy storage facilities across its network. See "*Industry—The District Cooling Industry*".

When entering into a new project with a master developer, the Group enters into a master development or concession agreement with the master developer. These customary agreements are long-term, with service exclusivity, with initial terms that typically commence on the date of the relevant agreement and expire 25 years or more after the full Site Demand Load (as defined herein) is delivered, with renewal terms and conditions that can be exercised for an indefinite number of periods. See "*Material Agreements—General—Master Development Agreements*". The Company has only delivered three full Site Demand Load contracted under its Master Development Agreements, meaning that the remaining term of the majority of the Master Development Agreements is 25 years or more. The Group currently has master development agreements in force for 23 developments, including agreements relating to the following locations (or developments within such locations): DIFC, JBR, Business Bay, Palm Jumeirah, Jumeirah Lake Towers, Discovery Gardens, International Media & Production Zone, Dubai Production City, Mirdiff, Al Khalil Gate (Al Quoz), Bluewaters, Deira Waterfront, Meydan and others. Apart from master development agreements, the Group also expands its service by entering into standalone agreements with building owners for buildings that are adjacent to concession or development areas. Similar to the Group's master development or concession agreements, the Group's standard building owner agreements are typically for 25 years or more, with service exclusivity.

The Group is targeting a market share of approximately 80% of the total connected capacity of the district cooling market in Dubai by the end of 2022 (subject to completing the Dubai International Airport District Cooling Acquisition) (Government of Dubai, August 2022). Connected capacity refers to the cooling capacity that is delivered to the customers under customer service agreements or concession agreements and contracted capacity refers to the cooling capacity signed with master developers and/or building owners under concession agreements and/or service agreements. The Group currently has a network of more than 369 kilometres of insulated pipes, 81 district cooling plants (subject to completing the Dubai International Airport District Cooling Acquisition, which will include five district cooling plants) and serves a connected capacity of approximately 1.4 million refrigeration tonnes ("RT") with a contracted capacity of approximately 1.5 million RT to more than 1,400 buildings with a diversified client portfolio consisting of (i) master developers, (ii) building owners, and (iii) more than 110,000 customers (including the recent acquisition of Nakheel) consisting of end-users (made up of corporate businesses, retail units and individuals such as apartment owners and tenants).

District Cooling: The Most Sustainable and Suitable Cooling Solution for the Region

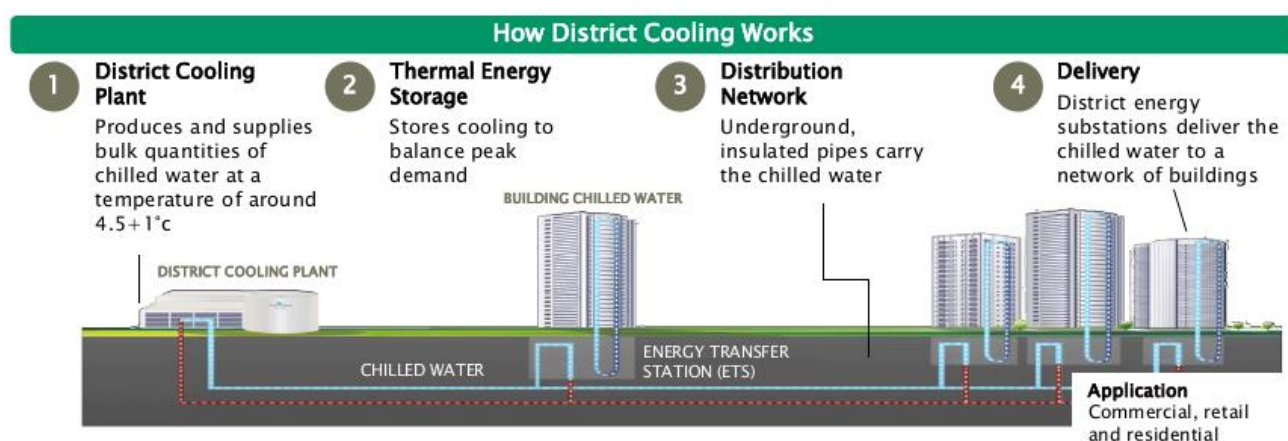
District cooling offers numerous advantages over traditional cooling in the GCC. This is because district cooling technology has inherent advantages for areas of high cooling density—densely populated areas with a heavy demand for air-conditioning. Some of these inherent advantages includes the following, which presents an attractive solution for many GCC countries seeking to urbanise and grow rapidly:

- **Higher Return on Investment:** District cooling has lower investment costs and operating costs than traditional air-cooled chillers. Additionally, the use of DCS results in approximately 50% reduction in the electricity consumption of the building owners due to the fact that DCS has the lowest energy

consumption amongst all cooling technologies (according to DC Pro Analysis, see “*Industry Overview*”), which can reduce energy used for cooling by up to 50% from utilising 0.9 kW to 1.0 kW of energy per RT, compared to 1.6 kW to 1.8 kW for traditional cooling methods. District cooling also has lower deterioration of equipment with a longer life cycle of 30 to 50 years (with the life cycle past 30 years generally possible through investments in maintenance and repair) compared to traditional air conditioners, which typically have a life cycle of 12 to 15 years.

- **Ideally Suited for Real Estate Development:** Cooling is an essential aspect of GCC real estate development. The real estate landscape in the UAE and GCC region, is characterised by high-rise buildings and high real estate density. The continued investments in infrastructure and increasing real estate density had led to a significant and growing amount of aggregated district cooling demand. Adoption of district cooling also results in freeing up significant spaces in buildings that could be put for alternate beneficial usage.
- **Sustainable Cooling Infrastructure and Social Role:** District cooling lowers carbon dioxide (“CO₂”) and other pollutants emissions due to the fact that it consumes up to 50% less electricity than traditional cooling methods. This means that further adoption of district cooling across the UAE and wider GCC is expected to lead to a reduction in power consumption and electricity system peak load, thus reducing overall tariffs for final consumer, which consequently contributes to the population’s purchasing power.
- **Low Maintenance and High Service Reliability:** The district cooling solution is efficient and more cost effective to operate and maintain than traditional cooling methods due to its reliance on next generation technology and advanced equipment. This means that district cooling can be operated around-the-clock with a reliable availability of 99.94% (District Cooling Best Practice Guide, IDEA 2008). Furthermore, by outsourcing cooling operations to the Group, developers are able to focus on their core business.

The diagram below briefly illustrates how district cooling works:



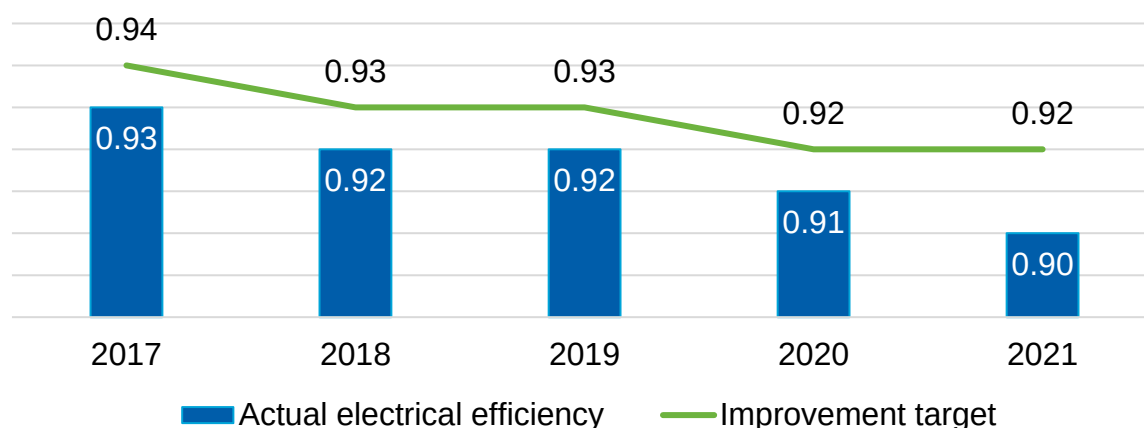
Competitive Strengths

Disruptor of Traditional Cooling Methods with Sustainable District Cooling

The Group has promoted the implementation of district cooling technology in the UAE, leading the market in deploying a more sustainable method to cool buildings. District cooling utilises water sourced from the existing water distribution network, combining the use of potable water and TSE.

Through centralised distribution of chilled water, district cooling can reduce energy used for cooling by up to 50% from utilising 0.9 kW to 1.0 kW of electricity per RT compared to 1.6 kW to 1.8 kW for traditional cooling methods. The Group has consistently outperformed its electrical efficiency improvement targets. In 2021, the Group estimates that it saved approximately 1.7 billion kWh compared to traditional cooling.

The table below sets out a breakdown of the Group's electrical efficiency and its improvement targets (measured in kW/RT) between 2017 and 2021:



Furthermore, district cooling enables more than 50% reduction of CO₂ and hazardous refrigerants when compared to traditional cooling, according to DC Pro Analysis. For further details, see “—The Group's ESG Initiatives”.

Regionally the hot desert climate in the UAE requires cooling as an essential aspect of real estate developments where district cooling's superior energy efficiency and emissions profiles, coupled with a longer life cycle (compared to traditional cooling methods) provides the most suitable cooling solution. With increasing higher density developments being constructed, district cooling has become more attractive due to its ability to aggregate cooling demand for an entire development. Most of the master developers have continued to outsource the provision of cooling to dedicated DCS providers to focus on their core business and manage capital expenditure for master developments.

The Group's distinctive operating model within the district cooling industry facilitates a differentiated offering compared to its competitors. By leveraging its large scale, the Group has developed into an integrated owner and DCS provider that utilises in-house operational expertise to achieve an industry standard for a low-cost base and roll-out of advanced digitalisation capabilities. For further details, see “—Principal Operations—Integrated DCS Provider”.

The Largest DCS Provider in the World and the Clear Leader in Dubai

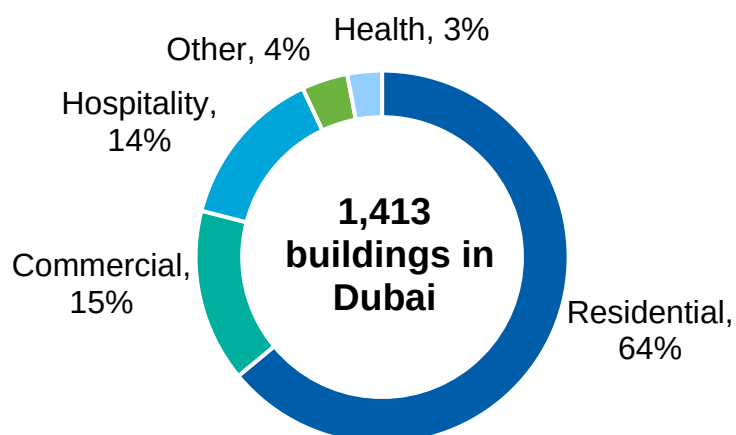
According to the International District Energy Association, the Group is currently the world's largest DCS provider and it is a clear leading player in the district cooling market in Dubai with a targeted market share of approximately 80% of the total connected capacity of the district cooling market in Dubai by the end of 2022 (Government of Dubai, August 2022), and more than 110,000 customers (including the recent acquisition of Nakheel and the Dubai International Airport District Cooling Acquisition), with the district cooling sectors' market penetration in Dubai forecast to grow from 25.6% in 2021 to 40% by 2030, as per the Dubai Integrated Energy Strategy 2030 (DC Pro Analysis). See “*Industry Overview—General Overview—Dubai's District Cooling Market*” for further details. The UAE had a total installed capacity of 3.3 million RT in 2021. In 2020, Dubai had a total contracted and installed capacity of 2.1 million RT and 2.3 million RT (DC Pro Analysis), respectively, with 844,000 RT of connected capacity to be added in the Dubai market over the next six years. As at 31 December 2021, the Group had a connected and contracted capacity of approximately 1.4 million RT and 1.5 million RT, respectively.

The Group has consistently grown its connected capacity over the years through both greenfield new developments like Business Bay as well as large notable acquisitions, such as the US\$500 million purchase of Palm District Cooling in 2013 (connected capacity of approximately 369,000 RT), which accounted for 36.4% of the Group's revenue in 2021, and the acquisition of Meydan in 2020 for AED 100 million (site capacity of approximately 382,000 RT). On 27 October 2021, the Company signed a heads of terms agreement with Dubai Aviation City Corporation in relation to the Dubai International Airport District Cooling Acquisition, which, upon completion, will add an additional connected capacity of approximately 70,000 RT to the Group's network.

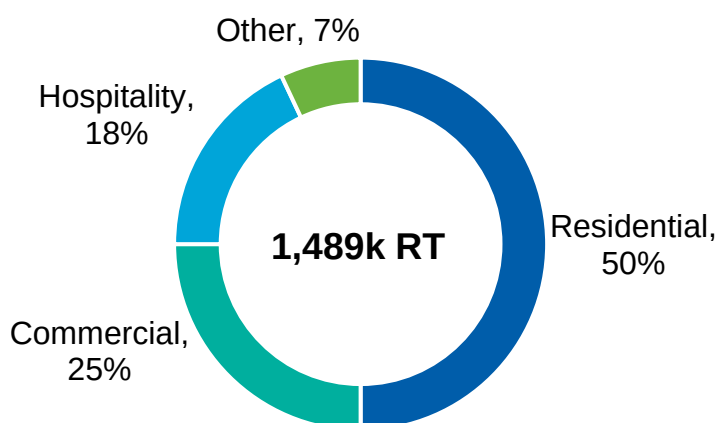
The Group will have 81 district cooling plants by the end of 2022 (subject to completing the Dubai International Airport District Cooling Acquisition) and is the sole and exclusive provider of DCS to several of Dubai's key landmarks and developments including the following:

- Business Bay, a commercial and business cluster covering more than 64 million square feet, which has a total contracted capacity of approximately 263,000 RT consisting of four cooling plants (with the potential to construct an additional two cooling plants) and connected capacity of approximately 229,000 RT;
- Meydan, a community designed to become an urban, vibrant and mixed-use district that incorporates hotels, a water park and the longest indoor ski slope in the world which has a total site capacity of approximately 382,000 RT; and
- Palm Jumeirah, a unique set of archipelago artificial islands shaped like a palm tree, which has a total contracted capacity of approximately 191,000 RT and connected capacity of approximately 190,000 RT.

The Group is a critical cooling infrastructure provider in Dubai to a large and diversified customer base of more than 110,000 customers (including the recent acquisition of the district cooling assets of Nakheel and the Dubai International Airport District Cooling Acquisition). As the exclusive DCS provider for several of Dubai's key landmarks and developments, the Group is able to cater to varied project types and customers. The Group provides DCS to core aspects of Dubai's economy, including residential, commercial, healthcare and hospitality buildings. In 2021, the Group provided DCS to 1,413 buildings. Of these 1,413 buildings, 64% were residential buildings, 15% were commercial buildings, 14% were hospitality buildings, 3% were health related buildings and the remaining 4% were other buildings. The Group expects its mix of DCS to be provided to a greater percentage of commercial buildings in the future in connection with and subject to completing the Dubai International Airport District Cooling Acquisition. The diagram below provides a breakdown of the types of buildings the Group served in 2021:

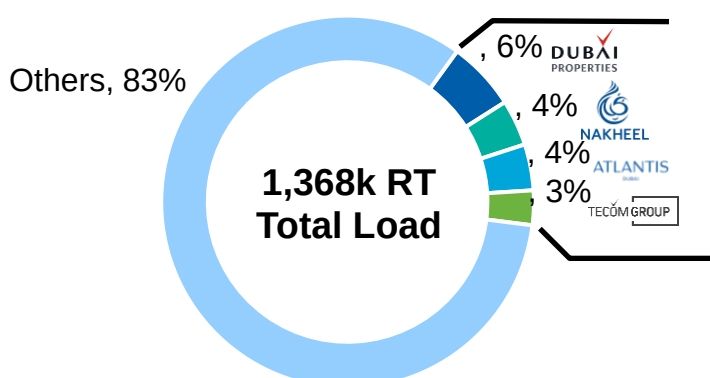


The diagram below provides a breakdown of the Group’s targeted connected capacity by types by the end of 2022:



Furthermore, the Group has established relationships with Dubai’s key master developers, leading to exclusive service provider rights to the connected area. The Group focuses on long-term service contracts, enabling it to maintain a large client base by being the sole DCS provider to certain connected areas and developments, which in turn ensures that the Group has ongoing business once developments are completed. These service contracts provide a secure and recurring revenue stream for the Group by ensuring that revenues are contracted in the long-term. The servicing exclusivity remains in force irrespective of any subsequent sale or lease of the contracted development. See “—Principal Operations—Chilled Water Segment—Client Portfolio”. As at 30 June 2022, the top 10 master developers of the Group represented 27.5% of the Group’s Chilled Water segment revenue and approximately 26% of the Group’s total load.

The diagram below sets out a breakdown of the Group’s total load split of master developers and consumers in 2021:



A Fast-growing District Cooling Market with Supportive Government Policies

Dubai has launched a number of initiatives to accelerate its clean energy transition and deliver its carbon neutrality ambitions. H. H. Sheikh Mohammed bin Rashid Al Maktoum issued in 2011 the “Dubai Integrated Energy Strategy 2030” to transform Dubai into a global centre for clean energy and expand its green energy. The Group plays a key role in Dubai’s green energy transition process, with district cooling forming a central pillar of the Dubai Integrated Energy 2030 plan, which sets a target of 40% of Dubai’s cooling being via DCS by 2030. The district cooling market in Dubai is expected to increase from 18% in 2019 to 40% by 2030 and it is expected to also contribute approximately 13% towards the demand side management (“**DSM**”) 2030 strategy target in electricity savings. For further details, see “Industry Overview—General Overview—Overview of

regulatory environment—Dubai’s General District Cooling Sector Policy Framework—Integrated Energy Strategy”.

The growth in connected capacity across the UAE is underpinned by strong growth in residential real estate units and hotel capacity in Dubai, which increased from approximately 686,500 residential units in 2019 to approximately 780,000 residential units in 2021 and from approximately 544 hotel units in 2019 to approximately 567 hotel units in 2021. Moreover, according to Knight Franck, Dubai’s residential real estate units and hotel units are expected to increase with a CAGR of 4.2% and 3.9%, respectively, between 2019 and 2025. For further details, see *“Industry Overview—General Overview—Trade, Real Estate and Tourism”*.

The Government in turn supported a dynamic and 100% green vision for Dubai with the “Dubai 2040 Urban Master Plan” that was 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% by 2040, as well as an increase in residents and daytime population to 5.8 million and 7.8 million, respectively, by 2040. The Government is also targeting an increase in its renewable energy share usage of 25% by 2030, with a longer-term target to achieve 100% clean energy by 2050. The Government expects to achieve this by the establishment of the Dubai Green Fund, which currently has a pledge of AED 100 billion.

Dubai has a solid macroeconomic fundamentals for district cooling due to (i) a resilient and healthy economy undergoing one of the fastest growth rates in the region, (ii) a healthy demographic profile composed of a growing population and continuous expat inflows, (iii) strong growth in the residential and real estate supply, with high density residential units favouring district cooling adoption, and (iv) a rapidly growing hotel capacity and a growing hospitality industry that is fast-recovering from the COVID-19 induced slowdown. In 2021, Dubai had a population of 3.5 million residents, which is expected to grow at a CAGR of 2.5% between 2019 and 2040. Furthermore, Dubai has a strong and healthy economic growth outlook, with GDP growing at 2.7% and 6.2% in 2019 and 2021, respectively, and a projected GDP growth of 5% by 2023. For more information on the macroeconomic outlook and key trends of Dubai, see *“Industry Overview—General Overview—Dubai Macroeconomic Outlook and Key Trends”*.

In addition to its ambition to host 400 global events per annum by 2025, the Government has taken other proactive steps to attract tourists and residents, which has placed Dubai as the third most preferred city to move to globally and the top travel destination for 2022. For example, Dubai has taken steps to increase its attractiveness to tourists and residents by creating several visa and residency schemes, being the first city in the world to reopen its borders to international travellers after a six-week lockdown resulting from the COVID-19 pandemic, and achieving a 100% COVID-19 vaccination rate. See *“Industry Overview—General Overview—Dubai Economic Initiatives”* for more information on the economic initiatives of Dubai.

In 2018, the District Energy in Cities Initiative from the UN Environment Programme named Dubai as a “Champion City” for its landmark district cooling projects. The UAE therefore has solid macroeconomic fundamentals for district cooling, making it a growth engine for the Group due to the UAE’s impressive GDP growth rate (which is expected to continue outperforming other GCC countries) and its positive demographic outlook for district cooling (with a growing population of expatriates and an increasing number of households). These macroeconomic fundamentals are expected to contribute to the increase in demand for DCS in the UAE and are expected to contribute to the Group’s continued growth.

Sustainability-Centric Business Model Enabling Dubai’s Energy Transition

The Group’s next generation cooling technology and its continued focus on recycling and reusing water, as well as its implementation of smart technologies to reduce cooling usage, has positioned the Group as a key enabler to meet Dubai’s ambitious targets to reduce water and energy usage. Robust governance and social impact are core to the Group’s strategy to deliver on the Group’s environmental focus. For further details, see *“—The Group’s ESG Initiatives”*.

Dubai’s Supreme Council of Energy has set ambitious targets to reduce annual electricity and water usage by 30% by 2030. In order to meet this ambitious target, the Government has outlined an 11-pillars DSM strategy, which includes initiatives to reduce electricity and water demand. For further details, see *“Industry Overview—Future growth opportunities—Growth Opportunities in Dubai”*.

A key pillar of the DSM's 2030 strategy is pillar four, relating to the implementation of efficient cooling solutions to reduce the electricity usage for cooling (with traditional air conditioning representing approximately 70% of total electricity consumption) by covering 40% of cooling demand through DCS by 2030. As the DCS provider with the largest market share in Dubai based on its connected capacity, the Group is positioned to be a key enabler to meeting this target. The Group estimates that in 2021 the Group contributed 1.7 billion kWh savings in electricity compared to what a traditional cooling operator would have provided the Groups cooling service. Dubai's DSM strategy reported annual savings of 6.4 billion kWh in 2021. Other contributions of the Group to the other pillars of the DSM's strategy include: (i) building retrofits to use DCS (including the most recently completed Jumeirah Emirates Towers and Jumeirah Beach Group Hotels, which include Burj Al Arab and Jumeirah Beach Hotel), (ii) changing consumer behaviour where the Group is pioneering the utilisation of smart metering systems for end-users, enabling more efficient tracking of DCS usage and (iii) management of recycled water. The Group is targeting to reduce its potable water use by increasing the number of cycles in its reverse osmosis system (which is up to 8.7 times) and increasing the use of TSE from 12% in 2021 to over 40% by the end of 2025.

In addition, the Group is focused on delivering social impact and contributing to its communities and employees by implementing a strong health and safety culture and an inclusive workforce and by being an active leader in the community. The Group has an inclusive workforce of more than 30 nationalities with women representing approximately 16% of management positions and approximately 21% of the Group's head office as of 31 December 2021 and a dedicated Emiratisation programme with approximately 33% Emirati representation in the head office in 2021. The Group has had zero lost time injury incidences from 2004 to 2019, one lost time injury in 2020 and zero lost time injury in 2021, which is reflective of the Group's strong health and safety measures and safety training programmes. Additionally, the Group has been recognised by the Dubai Chamber Sustainability Network with an Advanced CSR label, four times in a row.

Management and Operational Expertise with Next Generation Technology Disrupting Cooling

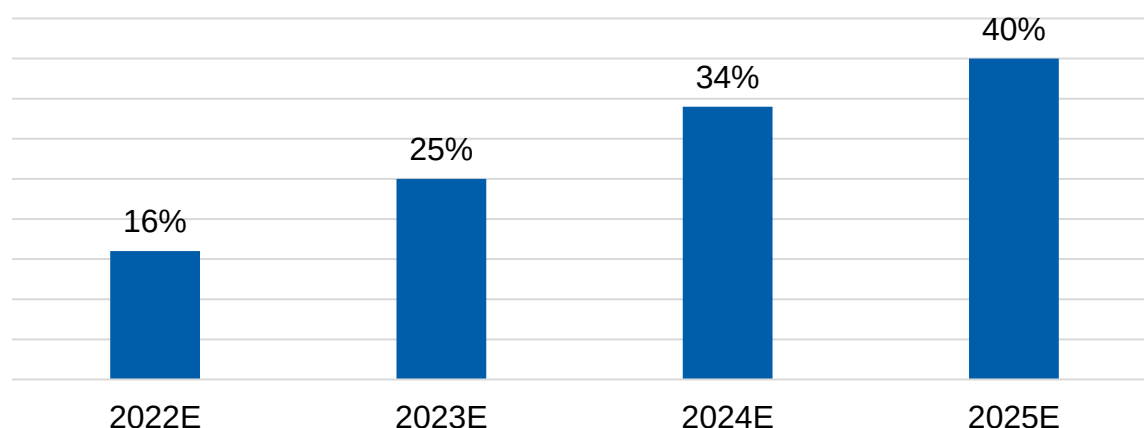
The Group's managerial and operational expertise, coupled with innovative technology solutions, has enabled it to continue to optimise its operations and continue to deliver operational improvements, resulting in cost savings and a disciplined capital expenditure programme.

The Group has developed an integrated end-to-end approach to its operations by adopting a low-cost modular approach to project design, incurring capital expenditure only when an incremental load is required. This is enabled by an in-house project management team that supports rapid project deployment capabilities. Once district cooling plants are operational, the Group utilises its 24/7 in-house plant operators to monitor all district cooling plants from its state-of-the-art command control centre ("CCC") that allow for the planning, execution and real time monitoring of its district cooling plants.

By deploying next generation technology, the Group has continued to introduce innovative efficiency-driven measures to consistently improve electrical and water efficiency, outperforming the Group's electrical and water efficiency targets year-on-year since 2017. As a result, the Group has continually optimised its costs by utilising decreasing levels of water and electricity. In 2021, the Group saved approximately AED 8.8 million from its continued improvement in electrical efficiency. The Group believes its current water efficiency key performance indicators ("KPIs") of 1.6 imperial gallon per RT, which has remained the same between 2017 and 2021, indicate an optimal level of water efficiency, with reverse osmosis treatment processes contributing to consistently lowering the water consumption when compared to standard district cooling industrial design that tend to have an average between 2 gallons per RT and 3 gallons per RT.

Furthermore, the Group continues to seek new methods to improve operational efficiency and minimise its cost profile. As one of the largest users of potable water in Dubai, the Group has sought methods to reduce and reuse water to achieve cost saving and contribute to Dubai's DSM strategy. The Group is liaising with the Dubai Municipality to continue developing the necessary infrastructure to be supplied with TSE. The Group has sought to minimise its use of potable water by improving the number of cycles of water in its system and by replacing potable water with TSE, which is 10 times cheaper. The Group is targeting to increase the use of TSE from an

expected 16% by the end of 2022 to 40% by the end of 2025. The below graph sets out the Group's targets for TSE usage:



Resilient, Predictable and High Growth Financial Profile, Supported by a Favourable Business Model

The Group has highly predictable and resilient cash flows, underpinned by robust commercial agreements, as well as a high growth financial profile backed up by long-term exclusivity agreements with some of the largest master developers in Dubai.

The Group has a tariff structure, which is secured by long-term contractual agreements, with initial terms that typically commence on the date of the relevant agreement and expire 25 years or more after the full Site Demand Load is delivered (see “*Material Agreements—General—Master Development Agreements*”), and underpinned by a large fixed charge component (which represented 37.9%, 38.2% and 37.9% of revenue for the years ended 31 December 2021, 2020 and 2019, respectively, and 77.5%, 74.6% and 78.2% of Adjusted EBITDA for the years ended 31 December 2021, 2020 and 2019, respectively). As result of the Group's long-term contractual agreements and large fixed charge component, it has highly predictable cash flows with low variability, which have driven stable Adjusted EBITDA margins of 48.9%, 51.3% and 48.4% for the years ended 31 December 2021, 2020 and 2019, respectively.

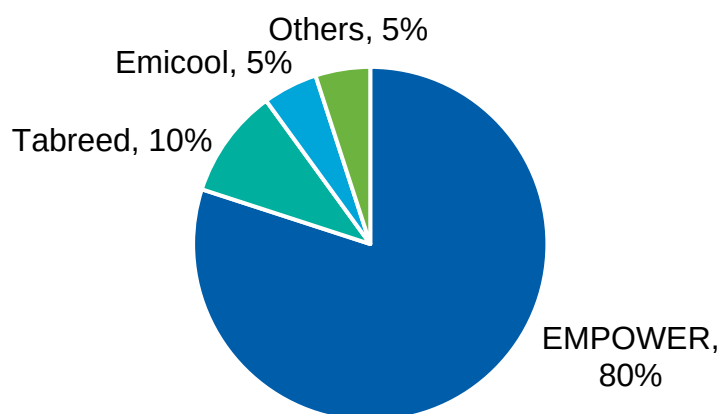
As an operator of critical infrastructure, the Group has been able to deliver strong revenue growth of 6.1% CAGR between 2019 and 2021 and 16.2% growth between 30 June 2021 and 30 June 2022, demonstrating a highly resilient revenue mix despite the COVID-19 pandemic. The Group's long-term contractual agreements with master developers and building owners provide the Group the sole and exclusive rights to provide DCS, securing a lucrative captive pool of demand.

With a moderate leverage profile, the Group has considerable headroom in its borrowing capacity to continue delivering both organic and inorganic capacity growth, which is supported by the highly predictable cash flows, which the Group believes will result in a high growth earnings profile and an attractive dividend pay-outs.

Strategy

The Group is Well-positioned to Capture Growth Opportunities in the UAE

The Group believes it is well positioned to capture growth opportunities in Dubai as a result of its strong market position, which is expected to rise to approximately 80% (subject to completing the Dubai International Airport District Cooling Acquisition) (Government of Dubai, August 2022) of the total connected capacity of Dubai by the end of 2022, and its significant scale as the largest district cooling platform globally according to the International District Energy Association. The chart below sets out a breakdown of Dubai's targeted market share by the end of 2022 (Government of Dubai, August 2022 and management estimates):

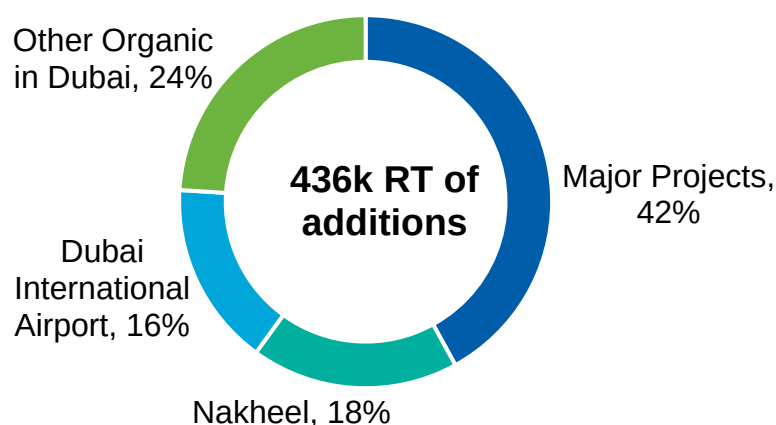


Leveraging its integrated business model, in-house operational expertise, contracts to operate as the exclusive DCS provider and operational capabilities the Group is focused on driving financial performance and growth through a combination of (i) organic and (ii) inorganic opportunities.

The Group's organic growth strategy will be driven by captive RT growth from existing master developments. The Group also has a number of additional organic growth opportunities derived on the back of existing networks and retrofitting adjacent buildings, as well as leveraging its position as preferred DCS provider for projects developed by the Dubai Holding group and Nakheel.

In the short term, the Group is targeting its growth strategy to provide significant growth in revenue of approximately 12% to 13% by the end of 2022 and a connected capacity, reflective of the acquisition of Nakheel's district cooling assets and the Dubai International Airport District Cooling Acquisition. The Group is targeting revenue growth of 6.5% to 7.5% in the medium term. It is targeting its connected capacity to reach at least 1.8 million RT by 2027, which is reflective of anticipated capacity increases from secured growth from its existing projects. Potential additional growth avenues could take the Group's RT capacity beyond its 2027 targets.

The Group provides DCS to several of Dubai's key landmarks and developments, including Business Bay, Jumeirah Village Circle and Meydan, where the Group has existing exclusivity arrangements with the master developers. The Group's connected capacity from 2019 to 2022 increased by 436,000 RT, representing a CAGR of 8.5% (which includes the growth anticipated from the Dubai International Airport District Cooling Acquisition). Of this connected capacity growth, 42% came from major projects (including Business Bay, Jumeirah Village, DIFC, DLRC and Jumeirah Lake Towers). The chart below sets out a breakdown of the Group's estimated capacity growth between 2019 and the end of 2022:



Furthermore, the Group is targeting to add approximately 370,000 RT of secured growth from its existing master developments to its connected capacity by 2027, meaning its connected capacity is targeted to reach at least 1.8 million RT by 2027. The Group also has potential additional growth avenues that could take the Group's RT connected capacity beyond its 2027 targets with such additional capacity expansions to potentially come from

(i) adjacent expansion and retrofitting of existing systems, (ii) new projects, master developments and vertical integration, (iii) inorganic opportunities, and (iv) international and regional expansion. See “—*Chilled Water Segment—Infrastructure Network*”.

The Group aims to deliver incremental growth by leveraging infrastructure at existing developments to expand its network to nearby and adjacent developments, building on the success of its expansion to Bluewaters Islands from the Groups’ Jumeirah Beach Residence development and Coca Cola Arena from its Business Bay development. The Group has also been increasingly exploring opportunities to expand by retrofitting older adjacent developments where it is commercially feasible, having successfully transitioned the Jumeirah Emirates Towers, which had its old cooling system replaced by installing an energy transfer station of total capacity of 5,000 RT that can be further upgraded to 6,000 RT. Other retrofitted developments of the Group include Madinat Jumeirah, Jumeirah Beach Hotel and the Burj Al Arab (with a contracted capacity of 20,000 RT) from traditional cooling to the Group’s DCS.

The Group’s has a successful track record of growth through acquisitions and will continue to explore further inorganic growth opportunities both domestically and regionally in the broader Middle East region. The Group has experienced strong growth in connected capacity since 2004, with connected capacity undergoing a 35% CAGR from 2004 to 2022, taking into account the recently signed heads of terms agreement with Dubai Aviation City Corporation in relation to the Dubai International Airport District Cooling Acquisition, which, upon completion, will add an additional connected capacity of approximately 70,000 RT to the Group’s network. The Group plans to leverage its deep expertise in acquisitions and relationships with financing banks and stakeholders to continue to complete transactions domestically as a market consolidator capitalising on the carve-out and monetisation of large-scale district cooling plants in the UAE. The Group is assessing potential markets for regional expansion, in the medium to long term and may explore other GCC markets including the KSA and Qatar along with markets like Egypt, that have broad adoption, or potential for adoption, of DCS. The Group believes its balance sheet flexibility, access to capital and regional operational expertise position it well to capitalise on potential acquisition targets. The Group’s internal rate of return (“**IRR**”) target in Dubai is in the high-single to low-double digit figures, and with respect to its regional expansion into GCC markets, the Group seeks to meet or exceed its IRR target subject to an appropriate risk spread. The Group’s IRR target does not take into account any leverage used to finance any acquisitions. The Group expects to continue to assess all regional expansion opportunities into GCC markets that are in line with its IRR targets and large scale.

The Group is targeting to achieve capacity growth from the Dubai International Airport District Cooling Acquisition (once completed), Business Bay, Dubai Land Residence Complex and Jumeirah Village South. The Group expects these developments, which are comprised primarily of corporate businesses, to further diversify its end-user mix towards an increasing number of corporate businesses that have longer hours of operations, such as the Dubai International Airport which requires 24/7 operational support. As a result of this, the Group targets to grow its equivalent full-load hour (“**EFLH**”) from approximately 1,500 in 2021 to more than 1,800 in the medium term. The Group is also targeting to reach at least 1.8 million RT of connected capacity by 2027 as a result of secured growth connected capacity (with a CAGR of 6.5% to 7.5%).

The Group’s Adjusted EBITDA margin was 48.4%, 51.3% and 48.9% in the years ended 31 December 2019, 2020 and 2021. The Group is targeting an EBITDA margin in the range of 48% to 50% in the medium term, driven by its strategy for organic and inorganic growth and its continued-focus on operational efficiencies.

Recent Developments

For a discussion of the Group’s results as at and for the nine months ended 30 September 2022 and other recent developments of the Group, see “*Recent Developments*”.

Risk Factors

Investing in and holding the Shares involve significant risk, including the following:

Risks Relating to the Group

- Any increase in the Group’s expected operating expenses, direct costs or capital expenditure could erode its operating margins and materially adversely affect its business, financial condition and results of operations

- The Group's revenue, profits and cash flows are currently entirely concentrated in Dubai
- The Group may face increasing competition in its existing market and in connection with its future expansion plan
- Changes in monetary or fiscal policies or inflation and increasing interest rates may materially adversely affect the Group's business, financial condition and results of operations
- The Group may not successfully execute its business strategy and operating plans or manage its anticipated growth
- The Group's strategy requires it to make substantial capital expenditure
- The Group may not meet its ESG targets or strategy, or may incur additional costs in connection with such strategies
- The Group's level of indebtedness and the terms of its indebtedness could materially adversely affect its business, liquidity position and ability to pay dividends
- The Group enters into long-term contracts with master developers and certain customers and any material changes to key terms in those contracts, defaults under those contracts or if there are arrangements for which there are no formal agreements could materially adversely affect the Group
- The Group's ability to enforce all of the provisions of its contracts may be limited in certain circumstances
- The Group may have the regulatory obligation to pay certain fees in connection with the change in status of certain of its lands upon completion of the Global Offering
- Cooling services tariffs charged by the Group must be approved by the Government and may not reflect the Group's cost of production
- The Group needs permits and licences to undertake its business operations and any revocation, cancellation or non-renewal of any of these permits or licences could have a material and adverse impact on its business
- The loss of one or more of the Group's significant master developers could have a material adverse effect on its business, financial condition and results of operations
- The Group is dependent on DEWA for its supply of electricity and water
- The Group faces various risks in the construction of new district cooling plants
- The Group's district cooling plants, pipelines and cooling infrastructure are purpose-built for master developers or building owners who may default under their contractual obligations with the Group
- 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 as a result of difficult market conditions or other reasons
- Unexpected equipment failures, or third-party damage to the Group's distribution networks, may disrupt the Group's ability to operate its district cooling plants
- The Group relies on its OT and its IT infrastructure, which may fail or be materially adversely affected by cyber crimes
- 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 or no experience in managing a publicly listed company
- The Group's operations may be materially adversely affected by natural disasters, climate change, terrorist attacks or other catastrophic events that are beyond the Group's control
- 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 may face occupational health and safety risks
- The Group's investments into new businesses and innovation, including those made through acquisitions, may not be successful or commercially viable
- The Group's business operation management systems may not be able to prevent all incidences of negligence or mistake
- The Group may face risks related to undetected errors or defects in products or solutions
- The Group relies on suppliers, manufacturers, service providers sub-contractors and other third parties
- The Group may be involved in litigation from time to time
- The Group is subject to adverse publicity and reputational risks, which make it vulnerable to negative customer perception and have an adverse economic impact or could lead to increased regulatory oversight or sanctions
- Non-compliance with sanctions, anti-money laundering, anti-bribery or anti-corruption laws, or any other applicable laws, could expose the Group to legal liability and affect its reputation, business, financial condition and results of operations
- The Group may infringe third-party intellectual property rights

Risks Relating to Dubai, the UAE and the MENA Region

- General economic, financial and political conditions, especially in Dubai, 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 in the future may be, materially adversely affected by lengthy periods of low crude oil prices
- Potentially prolonged 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 financial condition and results of operations
- The UAE's Emiratization 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

- DEWA, as a major shareholder, will maintain a controlling interest in the Group following completion of the Global Offering and the interests of the Selling Shareholders may not align with other shareholders and could otherwise have an impact on the Company
- Substantial sales of Shares by the Selling Shareholders or future issuances of Shares by the Group could depress the 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
- 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”	Emirates Central Cooling Systems Corporation PJSC, a public joint stock company incorporated in the Emirate of Dubai, UAE, pursuant to Law No. 22, which approved among other things, the share capital of the Company, and the Company’s articles of association. Upon completion of the Global Offering, the Company will be subject to the provisions of Law No. 22 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 Shareholders”	DEWA and Emirates Power. Immediately following completion of the Global Offering, DEWA and Emirates Power will continue to own at least 63% and 27%, respectively, of the Company’s issued and outstanding share capital assuming that the Selling Shareholders sell 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 PSC and Merrill Lynch International have been appointed as Joint Global Coordinators and Joint Bookrunners, and EFG Hermes UAE Limited (acting in conjunction with EFG Hermes UAE LLC) has been appointed as Joint Bookrunner.
“Global Offering”	1,000,000,000 ordinary shares are being offered in the Global Offering. All of the Shares are being sold by the Selling Shareholders. The Selling Shareholders reserve the right to amend the size of the Global Offering at any time prior to the end of the subscription period at their sole discretion. The net proceeds generated by the Global Offering (after base fees and discretionary fees are paid) will be received by the Selling Shareholders. The Company will not receive any proceeds from the sale of Shares by the Selling Shareholders other than reimbursement from the Selling Shareholders 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 60% of the total Shares offered in the Global Offering, or the Qualified Investor Offering, which shall not be reduced to less than 40% of the total Shares offered in the Global Offering.
“Qualified Investor Offering” .	90% 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 Global Coordinators, the Selling Shareholders and the Company are being offered in the DIFC Exempt Offer in the DIFC pursuant to an exemption from registration under the Markets Rules Module of the DFSA Rulebook, and in an ADGM Exempt Offer in the ADGM pursuant to an exemption from registration under the Markets Rules of the FSRA.

“UAE Retail Offer”	10% of the Shares are being offered in the UAE 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 (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 31 October 2022, the Company and the Selling Shareholders entered into cornerstone investor agreements (the “ Cornerstone Investor Agreements ”) with each of Abu Dhabi Pension Fund, Emirates NBD AM SPC on behalf of and for the account of the UAE Strategic Investment Fund 4 SP (a segregated portfolio) and Shamal Holding LLC (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 Selling Shareholders have agreed to sell, and procure the allotment and transfer of, Shares to the Cornerstone Investors from the Qualified Investor Offering at the offer price and in accordance with the commitments opposite each Cornerstone Investor’s name in the table set out in “ <i>Sale of Shares—Cornerstone Investors</i> ”. The aggregate commitments of all the Cornerstone Investors pursuant to the Cornerstone Investor Agreements are approximately AED 335.0 million. 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 21 November 2022 (or such other date as may be agreed between the Company and the Cornerstone Investors). Abu Dhabi Pension Fund has conditioned its participation as a Cornerstone Investor on the offer price being no higher than AED 1.33 per Share. For more information, see “ <i>Sale of Shares—Cornerstone Investors</i> ”.
“Shares”	The share capital consists of 10,000,000,000 ordinary shares, each with a nominal value of AED 0.10, which are fully paid, issued and outstanding. The Shares have the rights described under “ <i>Description of Share Capital</i> ”.
“Offer Price Range”	The offer price range is AED 1.31 to 1.33 per Share.
“Commencement of the Global Offering”	On or around 31 October 2022.
“Expected Pricing Date”	On or around 9 November 2022.
“Expecting Closing Date”	On or around 15 November 2022.
“Payment and settlement”	Payment for the Shares purchased in connection with the Qualified Investor Offering shall be made in AED. Purchasers will be required to make full payment for the Shares to the Joint Bookrunners for receipt by the Joint Bookrunners two business days 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 “*Sale of Shares*” 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 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 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, the business plan of the Company and additional growth avenues, at the discretion of the Board of Directors and subject to the approval from the shareholders in the General Assembly.

Subject to the foregoing, the Company intends to adopt a semi-annual dividend distribution policy and to pay dividends twice each fiscal year after the Global Offering in April and October of each year. The Company expects to pay a minimum dividend amount of AED 850 million per annum in the first two fiscal years following the Global Offering (April 2023 - October 2024). The Company expects to distribute its first dividend payment of a minimum of AED 425 million after the Global Offering, for the second half of 2022, by April 2023. After the October 2024 distribution, the Company expects to pay a sustainable dividend in line with the growth of the business.

In addition, prior to the Global Offering, on 26 September 2022 the Board of Directors approved a dividend payment of AED 2.9 billion to the Selling Shareholders which was paid on 29 September 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 Company’s business for operating expenses, financing expense and anticipated capital expenditures. In addition, the Company expects that the Board of Directors will also consider market conditions, the then current operating environment in the Company’s markets, and the Board of Directors’ outlook for the Company’s business. See “*Dividend Policy*”.

“Use of proceeds”

The net proceeds generated by the Global Offering (after base fees and discretionary fees are paid) will be received by the Selling Shareholders. The Group will not receive any proceeds from the Global Offering other than reimbursement from the Selling Shareholders for any expenses relating to the Global Offering. All expenses of the Global Offering (including base fees and any discretionary fees) will ultimately be borne by the Selling Shareholders. The Global Offering is being conducted, among other reasons, to allow the Selling Shareholders to sell part of their

respective shareholdings, while providing increased trading liquidity in the Shares and raising the Group's profile with the investment community, as discussed under "*Use of Proceeds*".

"Listing and trading"

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 Shareholders and the Joint Bookrunners (the "**Underwriting Agreement**"), the Company (including any of its subsidiaries and any person acting on its or its subsidiaries' behalf) 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 ordinary 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 any shares, in each case, whether any such transaction described in (i) or (ii) 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 described in (i) or (ii) above, in each case, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed.

Pursuant to the terms of the Underwriting Agreement, the Selling Shareholders (including any person acting on their behalf) have contractually agreed, for a period of 180 calendar days after Admission, not to: (i) directly or indirectly, 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 any ordinary shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for any ordinary shares or other shares of the Company, or request or demand 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 any ordinary shares or other shares of the Company; or (iii) publicly announce such an intention to effect any such transaction, whether any such transaction described in (i) or (ii) above is to be settled by delivery of shares or such other securities, in cash or otherwise, in each case, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed.

See “*Sale of Shares—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 Closing Date, 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 “ <i>Taxation</i> ”.
“General Information”	The security identification numbers of the Shares offered hereby are as follows: Shares ISIN: AEE01134E227
“Risk Factors”	You should read “ <i>Risk Factors</i> ” for a discussion of factors that you should consider carefully before deciding to invest in the Global Offering.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The summary historical financial information set forth below is based upon the Annual Financial Statements, which have been prepared in accordance with IFRS, and the Interim Financial Statements, which have been prepared in accordance with IAS 34.

Results in the Interim Financial Statements are not necessarily indicative of the results that can be expected for the full year. The summary historical financial information should be read in conjunction with the “Selected Historical Financial Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and the Financial Statements, including the related notes, included elsewhere in this Offering Memorandum.

Statement of profit or loss data

	Year ended 31 December			Six months ended 30 June	
	2019	2020*	2021	2021	2022
			(AED thousand)		
Revenue.....	2,189,340	2,255,115	2,463,874	993,114	1,154,257
Interest income on financial asset at amortised cost.....	-	-	-	-	9,251
Impairment reversal of project cost.....	-	53,529	32,328	-	-
Cost of sales	(1,220,327)	(1,216,084)	(1,394,449)	(520,411)	(615,175)
Gross profit	969,013	1,092,560	1,101,753	472,703	548,333
General and administrative expenses	(170,594)	(175,213)	(175,881)	(91,466)	(104,408)
Provision for expected credit losses / net impairment losses on financial assets.....	-	(13,823)	(8,568)	-	(7,395)
Other income.....	85,133	4,998	16,172	7,821	2,708
Operating profit	883,552	908,522	933,476	389,058	439,238
Finance income	7,226	4,618	11,633	4,665	11,836
Finance costs	(19,767)	(11,878)	(9,127)	(4,604)	(19,360)
Finance income/(costs) – net.....	(12,541)	(7,260)	2,506	61	(7,524)
Share of profit of joint venture	124	-	-	-	-
Net profit for the year / period.....	871,135	901,262	935,982	389,119	431,714
Other comprehensive income / (loss) for the year / period	-	2,281	460	1,406	(5,876)
Total comprehensive income for the year/period	871,135	903,543	936,442	390,525	425,838
Earnings per share					
Basic and diluted earnings per share**	0.9	0.9	0.9	0.4	0.4

*As explained in “Presentation of Financial Information—Compatibility of Financial Information” certain balances for the year ended 31 December 2020 have been extracted from the comparative column in the 2021 Financial Statements to conform with the presentation in the 2021 Financial Statements and hence may not be directly comparable to the financial information included in the 2020 Financial Statements. Whereas the financial information for the year ended 31 December 2019 have been extracted from the 2020 Financial Statements which were not updated to conform with the presentation in the 2021 Financial Statements.

** Earnings per share is calculated based on profit attributable to owners of the parent.

Statement of financial position data

	As at 31 December			As at 30 June
	2019	2020	2021	2022
			(AED thousand)	
Total non-current assets	6,223,776	6,789,744	7,774,283	7,784,147
Total current assets.....	646,595	1,442,849	1,769,433	2,699,395
Total assets	6,870,371	8,232,593	9,543,716	10,483,542
Total equity	4,273,707	4,794,750	5,430,892	5,356,730
Total non-current liabilities	786,023	1,651,680	1,455,516	1,338,007
Total current liabilities	1,810,641	1,786,163	2,657,308	3,788,805
Total liabilities	2,596,664	3,437,843	4,112,824	5,126,812
Total equity and liabilities	6,870,371	8,232,593	9,543,716	10,483,542

Statement of cash flow data

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
Cash flows from operating activities					
Profit for the year/period	871,135	901,262	935,982	389,119	431,714
<i>Adjustments for:</i>					
Depreciation / Depreciation on property, plant and equipment	255,054	284,960	304,965	148,850	157,091
Depreciation on right-of-use assets	6,620	7,017	6,187	3,172	2,320
Amortisation of intangible assets	-	-	400	-	6,078
Settlement / Amortisation of financial assets	-	-	739	-	11,232
Impairment reversal of project cost	(80,294)	(53,529)	(32,328)	-	-
Amortisation of borrowings arrangement fee / Amortisation of arrangement fee	1,582	1,510	1,599	754	2,041
Share of profit of joint venture	(124)	-	-	-	-
(Gain) / loss on disposal of property, plant and equipment	-	-	(27)	(14)	-
Impairment of trade receivables / Net impairment losses on financial assets / Provision for impairment of trade receivables	351	13,823	8,568	(236)	7,395
Provision for employees' end of service benefits	5,748	8,823	5,523	2,595	2,711
Interest on lease liability / liabilities	1,214	1,146	712	385	291
Interest on financial asset / Interest income earned on financial assets at amortised cost ...	-	-	(610)	-	(9,251)
Finance income	(7,226)	(4,618)	(11,023)	(4,665)	(11,836)
Finance costs net of arrangement fee / Finance costs	16,971	13,362	20,063	10,125	17,028
Government grant income	(2,780)	(2,780)	(2,780)	(1,390)	(1,390)
Operating cash flows before changes in working capital and payment of employees' end of service benefits	1,068,251	1,170,976	1,237,970	548,695	615,424
Changes in working capital:					
Inventories	(4,170)	6,771	8,063	(3,015)	1,556
Trade and other receivables, net of write-off of receivables to CAPEX suppliers / Trade and other receivables, net of write-off of receivables and advances to CAPEX suppliers / Trade and other receivables	(8,488)	(62,438)	6,022	(57,492)	(129,466)
Due from related parties	5,663	(11,715)	10,853	4,580	(9,353)
Trade and other payables, excluding project-related payables, project accruals and retention payables / Trade and other payables	(21,069)	(50,236)	37,527	(5,057)	165,003
Due to related parties / Due to related parties, net of dividends declared	(16,676)	(18,895)	67,041	144,337	(33,366)
Cash generated from operations	1,023,511	1,034,463	1,367,476	632,048	609,798
Payment of employees' end of service benefits..	(834)	(689)	(1,270)	(719)	(296)
Net cash inflow / generated from operating activities	1,022,677	1,033,774	1,366,206	631,329	609,502
Cash flows from investing activities					
Acquisition of subsidiary	-	-	(668,294)	-	-
Payment for property, plant and equipment, net of project accruals, retention payables and advances to CAPEX suppliers / Payment for property, plant and equipment, net of project accruals, retention payables to CAPEX suppliers / Purchase of property, plant and equipment, net of project cost accruals / Purchase of property, plant and equipment, net of project accruals	(676,661)	(775,473)	(571,580)	(315,008)	(220,895)
(Short term deposits (more than three months) invested) / (Short term deposits (more than three months) encashed / invested) / Short	-	(17,500)	(97,300)	(1,500)	(208,800)

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
term deposits (more than three months) redeemed.....					
Investment in financial assets at fair value through profit and loss	-	-	(100,000)	-	-
Finance income received / Interest received.....	7,226	4,618	11,023	4,665	11,836
Investment in financial assets at fair value through other comprehensive income / Financial asset acquired	-	(55,372)	-	-	-
Gain on disposal of property, plant and equipment / Proceeds from the disposal of property, plant and equipment.....	-	-	27	14	-
Net cash outflow from / used in investing activities	(669,435)	(843,727)	(1,426,124)	(311,829)	(417,859)
Cash flows from financing activities					
Proceeds from bank borrowings / Proceeds from bank borrowings net of arrangement fee	488,881	969,645	917,294	-	917,319
Repayment of bank borrowings / Repayment of borrowings	(69,789)	(69,789)	(253,047)	(84,349)	-
Dividends paid to Company's shareholders / Dividends paid	(470,000)	(330,000)	(400,300)	(400,300)	(500,000)
Lease payments / Payment of lease liabilities	(8,064)	-	-	(3,511)	(2,739)
Lease payment – Principal	-	(7,446)	(6,862)	-	-
Lease payment – Interest.....	-	(1,146)	(712)	-	-
Finance costs paid / Interest paid.....	(16,971)	(13,362)	(20,063)	(10,510)	(17,028)
Net cash inflow / generated from / (outflow) from / (used in) financing activities.....	(75,943)	547,902	236,310	(498,670)	397,552
Net (decrease)/increase in cash and cash equivalent.....	277,299	737,949	176,392	(179,170)	589,195
Cash and cash equivalents at the beginning of the year/period	53,948	331,247	1,069,196	1,069,196	1,245,588
Cash and cash equivalents at the end of the year/period.....	331,247	1,069,196	1,245,588	890,026	1,834,783

Statement of changes in equity data

	Capital	Statutory reserve	Other reserves	Retained earnings	Contributed capital	Total equity	Non-controlling interests	Total
	(AED thousand)							
At 1 January 2019	1,000,000	439,915	-	2,199,571	64,690	3,704,176	1,270	3,705,446
Adjustment from the adoption of IFRS 16.....	-	-	-	(2,874)	-	(2,874)	-	(2,874)
Adjusted balance as at 1 January 2019	1,000,000	439,915	-	2,196,697	64,690	3,701,302	1,270	3,702,572
Comprehensive income								
Profit for the year.....	-	-	-	870,602	-	870,602	533	871,135
Transactions with owners								
Transfer to statutory reserve..	-	60,085	-	(60,085)	-	-	-	-
Dividends declared	-	-	-	(300,000)	-	(300,000)	-	(300,000)
As at 31 December 2019	1,000,000	500,000	-	2,707,214	64,690	4,271,904	1,803	4,273,707

	Capital	Statutory reserve	Other reserve	Retained earnings	Contributed capital	Total equity	Non-controlling interests	Total
	(AED thousand)							
At 1 January 2020	1,000,000	500,000	-	2,707,214	64,690	4,271,904	1,803	4,273,707
Additions during the year /								
Land contribution...	-	-	-	-	17,500	17,500	-	17,500
Profit for the year.....	-	-	-	900,950	-	900,950	312	901,262
Other comprehensive income for the year	-	-	2,281	-	-	2,281	-	2,281
Dividends declared	-	-	-	(400,000)	-	(400,000)	-	(400,000)
At 31 December 2020	1,000,000	500,000	2,281	3,208,164	82,190	4,792,635	2,115	4,794,750

	Capital	Statutory reserve	Other reserve	Retained earnings	Contributed capital	Total equity	Non- controlling interests	Total
	<i>(AED thousand)</i>							
At 1 January 2021.....	<u>1,000,000</u>	<u>500,000</u>	<u>2,281</u>	<u>3,208,164</u>	<u>82,190</u>	<u>4,792,635</u>	<u>2,115</u>	<u>4,794,750</u>
Profit for the year.....	-	-	-	935,860	-	935,860	122	935,982
Other comprehensive income for the year	-	-	460	-	-	460	-	460
Dividends declared	-	-	-	(300,000)	-	(300,000)	(300)	(300,300)
At 31 December 2021	<u>1,000,000</u>	<u>500,000</u>	<u>2,741</u>	<u>3,844,024</u>	<u>82,190</u>	<u>5,428,955</u>	<u>1,937</u>	<u>5,430,892</u>

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 Emirates Central Cooling Systems Corporation PJSC (the “**Company**”) and its subsidiaries (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

Any increase in the Group’s expected operating expenses, direct costs or capital expenditure could erode its operating margins and materially adversely affect its business, financial condition and results of operations

The Group’s operating expenses include spares, repairs and maintenance costs, among others. While the Group schedules and performs regular maintenance (such as preventive maintenance, life cycle maintenance, among others), if it fails to correctly estimate the necessary amount of maintenance expenditure, if it is unable to undertake the required maintenance work or if the maintenance work is delayed significantly, it could materially adversely affect the Group’s operational and financial performance. Furthermore, the Group’s operating expenses are exposed to the rate of inflation, which has risen globally over the past few years, and may impact the Group’s performance and results. For example, the key driver for the increase in the Group’s operating expenses in connection with material and other costs between 2019 and 2021 was rising inflation. For further details on the Group’s operating expenses, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations— Results of operations – consolidated statement of profit or loss and other comprehensive income—Results of operations for the years ended 31 December 2019, 2020 and 2021—Cost of sales—Material and other costs*”. In addition, the development and expansion of the Group’s district cooling plants and network requires ongoing capital expenditure (see “*—The Group’s strategy requires it to make substantial long-term capital expenditure*”).

There is no assurance that the Group’s operating expenses, direct costs (including utility costs, which can be impacted by fuel prices) or capital expenditure, including those noted above, will not increase in the future or that the Group will be able to successfully pass any such increases in operating expenses or direct costs (including utility costs, which can be impacted by fuel prices) to its end-users. Any increases in operating expenses, direct costs (including utility costs, which can be impacted by fuel prices) or capital expenditure referred to above would reduce the Group’s operating margins and may have a material adverse effect on its business, financial condition and results of operations.

The Group’s revenue, profits and cash flows are currently entirely concentrated in Dubai

The Group currently relies entirely 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, as of 30 June 2022, the Group’s Dubai revenue accounted for 100% of its total revenue, and of this amount 27.4% was from entities owned or controlled by the Government. The ability of the Group’s customers in Dubai to perform their respective obligations under their contracts or commitments with the Group may be negatively affected by adverse economic or political developments in or affecting Dubai or the UAE, which in turn could have a material adverse effect on the Group’s results of operations. For example, a slowdown in economic growth in Dubai may result in less new developments, which could impact the Group’s revenue from new connections. In addition, the Group’s end-users may need additional time to repay their invoices. For further information, see “*—The Group’s counterparties may default on their contractual obligations as a result of difficult market conditions or other reasons*”. 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 expansion plans within Dubai, the Group's continued growth depends in part on its ability to service new developments or population growth, as well as the occupancy levels of the districts it serves, and a significant economic slowdown in Dubai or the wider UAE could reduce the number of new projects available to the Group.

The Group may face increasing competition in its existing market and in connection with its future expansion plans

The Group operates in an increasingly competitive environment. The Group's competitors include government-owned entities and entities which are owned by major regional property developers. Some of the Group's competitors outside of Dubai may have substantially greater financial, personnel, technical, marketing and other resources. As the Group seeks to expand to markets outside of Dubai (primarily in the UAE, the GCC region (notably in the KSA and Qatar) and other MENA countries such as Egypt), certain of its competitors may be able to leverage their knowledge and contacts in these markets more effectively than the Group. The Group'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 district cooling plants more rapidly, and undertake more extensive advertising and marketing than the Group.

The key market in which the Group operates is Dubai. In order for the Group to maintain itself in Dubai or establish itself in the other markets in which it seeks to operate as the district cooling partner of choice, it will need to, among other things: (i) maintain its market leading position in terms of connected capacity in Dubai and establish leading positions in terms of connected capacity in the markets in which it seeks to operate; (ii) continue to provide high quality, uninterrupted, reliable and cost-effective services to its customers; (iii) maintain strong relationships with master developers 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 resources. 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 the Group. Any failure by the Group to compete effectively, particularly if it is unable to maintain uninterrupted operations, it loses significant master developer relationships, it fails to win new business in the face of competition or it is unable to identify and exploit new opportunities, could result in a material adverse effect on the Group's business, financial condition and results of operations.

In relation to bidding competitively for new projects, the Group is exposed to a number of challenges, including the need to expend internal resources and incur costs in preparation for the bids. If the Group is unable to retain its qualified and experienced employees who work on competitive bidding processes, this could lead to a decreased capacity to pursue such competitive bidding processes, and therefore, the Group may not be able to pursue certain bid opportunities. See "*—The Group's business may be harmed if it fails to attract and retain qualified and experienced employees*" for more information regarding the importance of the Group's ability to attract and retain qualified and experienced employees. Furthermore, the challenges of the competitive bidding process may be enhanced when the Group bids for contracts in new markets where it does not have experience in the relevant competitive bidding process or where the Group may be subjected to new or differing regulations from its current operations. In addition, the nature of the bidding process is lengthy and varies by each jurisdiction. It can take the Group multiple submissions over a number of years to attract, obtain an award from, contract with and recognise the revenue from its district cooling plants, if the Group is successful at all. Failure for the Group to successfully compete in the competitive bidding processes to secure contracts with master developers may have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in monetary or fiscal policies or inflation and increasing interest rates may materially adversely affect the Group's business, financial condition and results of operations

Interest rate changes affect overall economic growth, which could affect the Group's business, financial condition and results of operations. Interest rate changes may also impact the Group's end-users' ability to pay and the ability of its suppliers to finance the production of parts and components necessary to build new district cooling plants. Increases in interest rates could materially adversely impact the Group's collection of receivables and create supply chain inefficiencies.

Central banks and other policy arms of many countries may take actions to vary the amount of credit available in an economy. The impact from a change in credit policies could negatively impact the customers and Dubai's economy, create supply chain inefficiencies and could materially adversely impact the Group's business. In addition, a change in credit policies may also impact the Group's ability to fund its capital expenditure to construct new district cooling plants and networks, which may impact its ability to meet demands and hence materially adversely affect the Group's business, financial condition and results of operations.

Recent inflationary pressures have led to increasing interest rates globally, which are expected to continue increasing in the short term. The Company recently entered into a new financing in AED, which has a floating interest/profit rate. For further information on the Company's new financing, see "*Material Agreements—Certain Financing Arrangements of the Group—Islamic and Conventional Facilities*". A portion of the Group's cash flow from operations must be dedicated to interest/profit payments on its indebtedness and is not available for other purposes, which amount would increase if prevailing interest rates rise since the Company's new financing has a floating interest/profit rate. Given the recent increasing interest rates globally, in the short term, the Company and the Group may face higher interest/profit rates in relation to the Company's new financing, and the Group would be required to allocate a higher portion of its cash flow from operations to its interest/profit payments on its indebtedness, which in turn could decrease the Group's profitability. See "*—The Group's level of indebtedness and the terms of its indebtedness could materially adversely affect its business, liquidity position and ability to pay dividends*". In addition, inflationary costs to manufacturing and supply chain inefficiencies, as well as its impact on the Group's operating expenses could also materially adversely affect the Group's business, financial condition and results of operations.

The Group may not successfully execute its business strategy and operating plans or manage its anticipated growth

The existing and future execution of the Group's strategic and operating plans, including its financial targets, will, to some extent, be dependent on external factors that it cannot control, such as the performance of the real estate sector in Dubai, which may impact the Group's planned growth and investments. The Group's strategic and operational plans and financial targets must be continually reassessed to seek to address the challenges and needs of its businesses. The failure to implement and execute the Group's strategic and operating plans and financial targets in a cost-effective and timely manner, or at all, realise the cost savings or other benefits or improvements associated with such plans or targets, or have financial resources to fund the costs associated with such plans or targets or to incur costs in excess of anticipated amounts, or sufficiently assess and reassess the plans or targets, could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the successful execution of the Group's business plan and achieving its financial targets will require effective management of its anticipated growth, which may include acquisitions (see "*—The Group's investments into new businesses and innovation may not be successful or commercially viable*"). Certain information presented by the Group assumes the completion of its acquisitions, including the Dubai International Airport District Cooling Acquisition (as defined below). See "*Business—Overview—District Cooling*" for further details on the information presented by the Group. To the extent that the Dubai International Airport District Cooling Acquisition is not completed, the Group's actual growth may differ from its currently anticipated growth and financial targets, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, while the Group has access to master developers and contract exclusivity (which provides visibility on incoming demand and other potential demand from additional expansions from these same developers), there can be no assurance that these aspects will enable the Group to accurately forecast demand. In the event the Group's estimates with respect to forecasted demand are inaccurate, the Group may not meet its financial targets during the periods anticipated or at all. In addition, certain of the Group's growth expectations are based on assumptions, projections and other growth metrics which are outside of the Group's control, including GDP growth in Dubai and population growth in Dubai. If these projections on which growth has been assumed do not result in additional customers, the Group's growth and financial targets may not be met.

In addition, the Group currently operates out of Dubai, with only limited international sales through its Pre-insulated Pipe segment. As part of the Group's strategy, it is assessing opportunities to further expand its

operations regionally, primarily in the UAE, the GCC region (notably in the KSA and Qatar) and other MENA countries such as Egypt, and establish new master developments, customers and business relationships. As the Group pursues such opportunities it will continue to face and may be subject to legal, political and regulatory requirements, as well as social and economic conditions that may be very different from those affecting it in its current operations. Furthermore, the management team, operational systems and internal controls currently in place or to be implemented may not be adequate for such growth, and the steps taken to hire personnel and to improve such systems and controls may not be sufficient.

In addition to these risks, the Group may face a number of other risks associated with its strategy and expanding its business activities regionally that may increase its costs, impact its ability to expand internationally and require significant management attention. These risks include, but are not limited to:

- difficulty in establishing, staffing and managing foreign operations;
- challenges in attracting and developing relationships with international master developers and other customers in target markets;
- preferences of foreign nations for domestically manufactured or assembled products, which may not be met by the Group's suppliers;
- the Group's ability to enforce contractual rights;
- transfer pricing risks;
- increased competition from DCS providers in other markets; and
- higher cost of doing business internationally.

If the Group is unable to grow as anticipated, manage its growth effectively or successfully integrate any acquisitions, it could have a material adverse effect on its business, financial condition and results of operations. For further information on the Group's key strategies and financial targets, see "*Business—Strategy*" and "*Financial and Operational Targets*".

The Group's strategy requires it to make substantial capital expenditure

In line with the Group's expansion strategy, the Group is targeting an average Capital Expenditure of AED 4 million to AED 6 million per k RT of additional in the medium term. The Group's capital expenditure plans include the construction of district cooling plants and networks and capital expenditure necessary for the operation of its business. The Group expects to fund its expected capital expenditure through its operational cash flows and borrowings. In the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, the Group incurred Capital Expenditure of AED 676.7 million, AED 775.5 million, AED 1,239.9 million and AED 220.9 million, respectively. For further information on the Group's expected capital expenditure, see "*Financial and Operational Targets*", "*Business—Strategy*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital expenditure*".

Although the Company and its subsidiaries are authorised to engage in any investment, borrowing, lending, or issuing guarantees or any other debt instruments, the Company intends to fund all long-term capital expenditure through its operational cash flows and borrowings and there can be no assurance that the Group will have sufficient operational cash flow or that borrowings will be available on favourable terms, or at all, to fund its capital expenditure. Furthermore, while the Group is controlled directly or indirectly by Government-related entities, its borrowings are not guaranteed by the Government. Any of the foregoing may have a material adverse effect on the Group's business, financial condition and results of operations.

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 such as seeking to have

carbon neutral district cooling plants by 2050, in accordance with its ambition to support Dubai's transition to a 100% clean energy economy by 2050. For information on the specific ESG targets, see "*Business—The Group's ESG Initiatives—ESG Targets*". As part of the Group's commitment to its ESG targets, the Group sources treated sewage effluent ("TSE") as supplied by the Dubai Municipality. The Group expects to increase its use of TSE from 12% in 2021 to more than 40% by the end of 2025, which it expects will have a positive impact on the Group's profitability given it is less expensive than potable water. To the extent the Group is not able to source TSE from the Dubai Municipality to the same scale it has done historically or at all, it may have an impact on the Group's ability to maintain its sustainability in connection with its ESG targets or require the Group to incur additional costs, which could have a material adverse impact of the Group's profitability.

In the event that the Group may not meet its ESG targets fully, partially or in a timely manner, it may adversely affect its ability to 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 non-fulfillment of these targets, the Group may face the risk of higher cost of capital by such financiers or investors, which may lead to a material adverse impact on the Company's business and reputation.

The Group's level of indebtedness and the terms of its indebtedness could materially adversely affect its business, liquidity position and ability to pay dividends

As of 30 June 2022, the Group had AED 748.9 million of Net Debt. The Group currently uses debt financing and plans to continue to use debt financing for its future operations and projects. The terms of the agreements governing the Group's indebtedness limit the circumstances in which it may incur additional indebtedness. However, the Group's indebtedness may increase from time to time in the future for various reasons, including fluctuations in operating results, capital expenditure and potential acquisitions or joint ventures or other investments or financing requirements. As a result, the risks normally associated with debt financing may materially adversely affect the Group's cash flows and liquidity as well as its business, financial condition and results of operation for various reasons, including the following:

- the Group's level of indebtedness may, together with the financial and other restrictive covenants in the agreements governing its indebtedness, significantly limit or impair its ability in the future to obtain financing, refinance any of the Group's indebtedness, sell assets or raise capital on commercially reasonable terms or at all, which could cause the Group to default on its obligations and materially impair its liquidity;
- a downgrade in the Group's credit rating (if any) could restrict or impede its ability to access the capital markets at attractive rates and increase its financing costs;
- the Group's level of indebtedness may increase the difficulty for it to repay its debt, including its ability to pay interest when due;
- the Group's level of indebtedness may reduce its flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;
- a portion of the Group's cash flow from operations must be dedicated to interest payments on its indebtedness and is not available for other purposes, which amount would increase if prevailing interest rates rise;
- the Group's level of indebtedness may place it at a competitive disadvantage relative to the competitors that have lower leverage or greater financial resources than it has and may restrict it from pursuing its strategy (including acquisitions) or exploiting certain business opportunities; and
- the Group's level of indebtedness could make it more vulnerable to downturns in general economic or industry conditions or in its business.

In addition, the instruments governing the Group's indebtedness contain a number of restrictive covenants. For further information on the restrictive covenants, see "*Material Agreements—Certain Financing Arrangements of the Group*". Furthermore, prevailing interest rates or other factors at the time of refinancing, including the possible reluctance of creditors to make commercial loans, as a result of extreme market and economic

conditions such as those caused by the COVID-19 pandemic or otherwise, or to invest in operations in developing markets, could also result in higher interest rates, and the increased interest expense could, in the longer term, have a materially adverse effect on the Group's ability to service its debt and to complete its capital expenditure plans, which in turn may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group enters into long-term contracts with master developers and certain customers and any material changes to key terms in those contracts, defaults under those contracts or if there are arrangements for which there are no formal agreements could materially adversely affect the Group

The Group's contracts with master developers and certain customers typically extend for over 25 years and provide for four sources of revenue: (i) consumption charge revenue, (ii) demand charge revenue, and (iii) 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 than indicated, they are charged a fee), connection charge revenue and disconnection charge revenue. For further information on these sources of revenue, see "*Business—Principal Operations—Chilled Water Segment—Tariff Structure*". In addition, the Group uses a composite rate, which is a single rate for both consumption and demand charges, for certain new projects recently acquired from Nakheel PJSC, which are under long-term contracts of over 30 years and generally automatically renewable. For example, in garden apartments a single rate per square foot is charged as demand, which also includes the consumption charge, and in garden view villas a single rate per ton of refrigeration hour ("TRh") consumed is charged as consumption, which also includes the demand charge. Therefore, in such projects, any change in occupancy levels may impact the Group's financial performance.

To date, the Group has generally been successful in applying these charges in line with the 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 master developers or certain 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 master developers or certain customers may also seek to challenge certain provisions of the contractual terms which they have agreed to.

In the past, in connection with the COVID-19 pandemic and pursuant to directives issued by the Supreme Council of Energy in 2020, the Group provided one-off discounts to end-users (as a result of DEWA's one-off discounts on its water and electricity charges, which the Group was obligated to pass on to its end-users) as mandated by the Government and gave its end-users additional time to repay their invoices. For further information, see "*—The Group's counterparties may default on their contractual obligations as a result of difficult market conditions or other reasons*". In the future, this risk may be exacerbated at certain times by poor economic performance, including periods of inflation, measures introduced in relation to any further outbreaks of COVID-19 or another pandemic or when a master developer or certain customers 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 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 the Group 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.

In addition, the Group has in the past, and may in the future, negotiate contracts with master developers that are not fully executed and therefore do not constitute formal master development agreements. For example, prior to entering into an exclusivity and framework agreement with Dubai Holding LLC ("**Dubai Holding**") on 23 October 2022 for certain sites of certain Dubai Holding group entities (see "*Material Agreements—Exclusivity and Framework Agreement*"), the Group provided DCS and had constructed assets on such sites without formal master development agreements in place (although it had building owner agreements in place for such sites). To the extent that any of the master developers who have not entered into formal master development agreements with the Group in the future decide to replace the Group as their DCS provider or enter into master development agreements on unfavourable terms (which substantially differ from the Group's standard master development agreement), the Group's business, financial condition and results of operations could be materially adversely affected.

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

A significant proportion of the Group's projects are developed by Government entities or companies that are controlled directly or indirectly by the Government. See *"Related Party Transactions—Relationship with Entities under Common Control of the Government"*. 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 the Group contracts with dispute the contractual terms they have agreed, it may be difficult for the Group to enforce those terms as a result of sovereign immunity and other considerations. Should such a risk materialise with one or more Government counterparties, the Group's revenue, cash flow, profitability and reputation could be materially adversely affected.

The Group may have the regulatory obligation to pay certain fees in connection with the change in status of certain of its lands upon completion of the Global Offering

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) and lands relating to certain Dubai Holding group entities (see *"Related Party Transactions—Relationship with Dubai Holding—Land"*), the lands owned by the Group are lands granted by the Government.

Pursuant to Article 4 of Decree No. (4) of 2010 Regulating the Transfer of Title to Granted Industrial and Commercial Land in the Emirate of Dubai, the beneficiary of granted industrial or commercial land who transfers ownership of such land to its name has to pay a transfer of ownership fee of 30% ("**30% Fee**") of such land's market value as determined by the Dubai Land Department ("**DLD**") at the time of ownership transfer. All of the Group's granted land will be subject to the potential 30% Fee, which represents substantially all of the Group's existing land. The DLD may determine that the Global Offering (although not leading to an ownership transfer of the granted land) could still trigger the payment by the Group of the 30% Fee as a result of changes to the ultimate beneficial owners of the Company following the completion of the Global Offering. In connection with the possibility of such 30% Fee being imposed on the Group, the Selling Shareholders and the Company entered into an irrevocable guarantee agreement on 23 October 2022 pursuant to which the Selling Shareholders, severally (on a pro rata basis relative to their shareholding in the Company) unconditionally and irrevocably guaranteed in favour of the Company the full payment and discharge of all future liabilities (including any penalties) of the Company in relation to the 30% Fee ("**Irrevocable Guarantee**"). For further information, see *"Material Agreements—Irrevocable Guarantee Agreement"*.

In the event the payment of the 30% Fee is triggered, if one or more of the Selling Shareholders do not provide the Irrevocable Guarantee and the 30% Fee remains unpaid by the Group (which the DLD in turn considers as an evasion of fees), the DLD would be entitled to impose a penalty of up to double the amount of the 30% Fee in accordance with Executive Council Resolution No. (30) of 2013. Furthermore, if the 30% Fee and/or the penalty becomes payable, and one or more of the Selling Shareholders do not fulfil their commitments under the Irrevocable Guarantee and this is paid by the Group, this could have a material adverse effect on the Group's financial performance or its ability to pay dividends. Any of the foregoing which could result in a material adverse effect on the Group's business, financial condition and results of operations.

Cooling services tariffs charged by the Group must be approved by the Government and may not reflect the Group's cost of production

The Group substantially generates its revenue from the sale of cooling services to its customers in Dubai and therefore its revenue is dependent upon the tariffs charged to its end-users for the consumption of cooling services.

The Supreme Council of Energy, a governmental body established to regulate the water and energy sector in Dubai is responsible for approving any proposed tariff revisions for DCS, including capacity charges, consumption charges and other charges (such as connection charges, low Delta T charges, excess demand, deposit, among others). See *"Regulation—Supreme Council of Energy"* for more information on the Supreme Council of Energy's objectives, powers and tariff approval and *"Business—Principal Operations—Chilled Water Segment—Tariff Structure"* for more information on the Group's tariff structure.

In addition to the approval of any proposed tariff revisions, the Supreme Council of Energy has the authority to mandate discounts to be provided to end-users. For example, pursuant to directives issued by the Supreme

Council of Energy in 2020, the Group provided one-off discounts to its end-users (as a result of DEWA's one-off discounts on its water and electricity charges, which the Group was obligated to pass on to its end-users) during the year ended 31 December 2020 amidst the COVID-19 pandemic, as well as an additional special discount provided to certain quarantine centres, which together were equal in total to AED 21.5 million.

The last tariff increase was approved in 2003 (see “*Business—Principal Operations—Chilled Water Segment—Tariff Structure*”), and there can be no assurance that the Government will agree to any increase to the Group's tariffs proposed to it by the Board of Directors in the future. Furthermore, the Regulatory and Supervisory Bureau for the Electricity and Water Sector (“**RSB**”) published further regulations for district cooling providers in connection with tariffs on 14 July 2022. Pursuant to the new regulatory regime, any proposed change to the Group's pricing structure will be subject to the review and approval of the RSB. If operating costs rise in connection with the new regulatory regime or otherwise and the Group is unsuccessful in procuring an entitlement to increase its 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 expenditures exceeds its revenue, which could result in a material adverse effect on the Group's business, financial condition and results of operations.

The Group needs permits and licences to undertake its business operations and any revocation, cancellation or non-renewal of any of these permits or licences could have a material and adverse impact on its business

The Group needs permits issued by relevant government agencies, such as the RSB, environmental and civil defence agencies, and generic commercial and industrial licences to operate its district cooling plants. The Group must comply with certain restrictions and conditions to maintain its permits and licences. For example, the Company's subsidiaries that provide DCS (Empower Snow LLC and Palm District Cooling LLC) are required to obtain permits from the RSB. On 20 October 2022 and 21 October 2022, Empower Snow LLC and Palm District Cooling LLC, respectively, received their permits from the RSB to provide DCS. Given that the Company is currently ultimately beneficially owned by the Government, it is not currently required to hold such permit from the RSB. However, following its conversion into a public joint stock company and the completion of the Global Offering, the Company will also be required to obtain such permit from the RSB. As of the date of this Offering Memorandum, the Company has not been issued a permit by the RSB. To the extent the Company is unable to obtain such permit from the RSB soon after the Global Offering, the Company could be exposed to penalties of AED 65,000 for providing DCS without a permit and such penalties could be doubled if its permit application has not been approved within one year from the date of the previous penalty pursuant to article 15 of the Executive Council Resolution No. (6) of 2021, Regulating the Provision of District Cooling Services in the Emirate of Dubai (“**Executive Council Resolution No. (6) of 2021**”) and could have a material adverse effect on its business, financial condition and results of operations. If the Group fails to comply with any of the conditions required for obtaining and maintaining its permits and licences, its permits and licences could be cancelled or revoked, or the renewal of its permits or licences, upon expiry of their original terms, may be delayed, which could materially adversely impact the Group's business, financial condition and results of operations.

The loss of one or more of the Group's significant master developers could have a material adverse effect on its business, financial condition and results of operations

For the year ended 31 December 2021, the Group's three biggest master developers, Dubai Properties LLC, Nakheel PJSC and the Atlantis hotel accounted for 5.5%, 3.7% and 3.5%, respectively, (compared to 5.7%, 6.4% and 3.3%, respectively, for the six months ended 30 June 2022) of the Group's revenue.

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

The Group is dependent on DEWA for its supply of electricity and water

The Group depends solely on the supply of electricity and water from DEWA, its major shareholder, for its district cooling plants, and there are no written supply agreements between the Company and DEWA. The Group procures electricity and water from DEWA on an arm's length basis, at standard commercial rates. DEWA is the only electricity and water supplier in Dubai, so to the extent their operations are impacted by way of outages, disruptions or otherwise, it would also have an impact on the Group's operations.

There can be no assurance that electricity and water supplies will be sufficient to meet all of the Group's energy requirements in the future or that DEWA will be able to meet all of the Group's forecasted electricity and water demands. Further, if the supply of electricity or water to any of the Group's district cooling plants is interrupted for a material period, the Group's ability to operate that district cooling plant and provide DCS could be materially adversely affected. As a result, in addition to any lost revenue, the Group's cost of production may increase, which may result in a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces various risks in the construction of new district cooling plants

The Group plans to construct new district cooling plants in the medium term. One of the principal risks faced by the Group when constructing a new district cooling plant is the construction of one or more buildings to which the district cooling plant is to be connected, in the event such is delayed or simply not completed for any reason. In this case, whilst the Group generally has certain take or pay contractual terms where cooling charges are required to be paid regardless of the progress of the construction of buildings or whether chilled water is actually being used by the end-user, in practical terms, the Group's ability to enforce such terms may be limited, particularly if the master developer or building owner becomes insolvent or the construction ceases. As a result, the Group may not receive any revenue, or may receive less than the originally anticipated revenue, from the district cooling plant until completion is achieved by the master developer or building owner and the master developer or building owner begins to receive revenues from its building, development or project.

When constructing a new district cooling plant, the Group faces a number of other risks, including:

- requirements to make significant capital expenditure without receiving cash flow from the project concerned until future periods;
- possible shortage of cash to fund construction and capital improvements and the related possibility that financing for such construction and capital improvements may not be available to the Group on suitable terms or at all;
- delays in obtaining, or a failure to obtain, all necessary governmental and regulatory permits, approvals and authorisations, including right of way permits, which are integral to the installation of the water pipes used in district cooling;
- fraud, theft, misappropriation or other improper activities by the Group's suppliers, sub-contractors, service providers, designers, engineers, customers or its own employees;
- an inability to complete projects on schedule or within budget; and
- non-availability of infrastructure for the plant, including electricity and water utility and blowdown infrastructure.

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 any other reason. 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 district cooling plants, the Group requires delivery and assembly of a range of technical equipment. The Group cannot provide any assurance that it 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 the Group's suppliers in the performance of their contractual commitments, or inability of its suppliers to meet those commitments,

unavailability of components and equipment, or failure of components and equipment to meet the Group'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 would materially adversely impact the Group's business, financial condition and results of operations.

The Group's district cooling plants, pipelines and cooling infrastructure are purpose-built for master developers or building owners who may default under their contractual obligations with the Group

The Group builds its district cooling plants, pipelines and cooling infrastructure to meet the demands of master developers and building owners in specific locations. If a master developer or building owner 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 master developers or building owners, or purposes, which may require the Group to write-off the value of the assets involved. Alternative master developer or building owner may not have a similar creditworthiness, proximity to the existing plant, capacity needs or high density demand for cooling. Even if alternative master developers or building owners 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 master developer or building owner could be fully recovered, which again may require the Group to make impairments against the relevant assets. Furthermore, in the event of a sale of a project, or a building, to an alternative master developer or building owner, the Group may need to restructure the contract with and may be subject to new terms. These factors could materially adversely affect the Group's profitability in any period.

In addition, while the Group has put in place measures to seek to manage such risks, when constructing a new district cooling plant the Group may complete a plant, but the construction of the buildings to which the district cooling plant is due to be connected is 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 master developer or building owner becomes insolvent or the construction ceases. As a result, the Group may not receive any revenue, or may receive less than the originally anticipated revenue, from the district cooling plant until completion is achieved by the master developer or building owner and the master developer or building owner begins to receive revenues from its building, development or project.

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

The Group's long-term strategy is to expand its district cooling portfolio. The Group designs, builds, owns, operates and maintains its district cooling plants at its own cost. 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. For further information on the construction risks, see "*—The Group may face risk in the construction of new district cooling plants*". In addition, the Group may face a risk with contract renewals or terminations in the event of a material change to an existing project, building, or future master development.

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 district cooling in accordance with 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 as a result of difficult market conditions or other reasons

The Group enters into contracts with master developers, contractors, sub-contractors, architects, engineers, operators, suppliers and other service providers in connection with the development and construction of its district cooling plants 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 counterparties may allocate some of the risk of delays or failure to the master developers or contractors through the use of performance bonds, the Group may be unable to seek indemnification from its master developers or 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. In addition, the Group is subject to counterparty risk in relation to insurance companies and banks, with whom funds are kept on deposits.

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 district cooling, mostly from corporate end-users (partially offset by an increase in consumption from residential end-users), 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.

Pursuant to directives issued by the Supreme Council of Energy in 2020, the Group also provided one-off discounts across all of its end-users during the year ended 31 December 2020 amidst the COVID-19 pandemic (as a result of DEWA's one-off discounts on its water and electricity charges, which the Group was obligated to pass on to its end-users), as well as an additional special discount provided to certain quarantine centres, which together were equal in total to AED 21.5 million. Although the discounts had impacted the Group's cash flow, the Group was still able to achieve and surpass its financial targets 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 district cooling in accordance with demand and may result in a material adverse effect on the Group's reputation, business, financial condition and results of operations.

Unexpected equipment failures, or third-party damage to the Group's distribution networks, may disrupt the Group's ability to operate its district cooling plants

Interruptions in the production capabilities of one or more of the Group's district cooling plants could reduce the Group's revenue and profit for the affected period. The Group's district cooling plants are also subject to the risk of catastrophic loss due to unanticipated events. Each of the Group'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, failures or aging infrastructure. Furthermore, assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditure or property damage, and in safety, environmental and public health impacts.

The Group deploys SCADA technology, and a majority of the Group's district cooling plants across Dubai are connected to its centrally located Command Control Centre, which monitors the operations of all of its district cooling plants remotely and observes the associated network 24 hours a day, seven days a week. Network failures and equipment defects are alerted immediately, allowing a dedicated team to address them. From time to time, there have been instances of short-term outages and disruptions that have affected the Group's end-users. Notwithstanding the above, the Group has in the past, and could in the future, experience inoperability or reduced production capabilities in one or more of its district cooling plants due to equipment failure. In particular, the failure of Group's operations and maintenance team to identify systems failures (such as (i) chiller shutdowns caused by power supply faults or shorts, or overcurrent or voltage issues, or (ii) compress surges and chiller trips) in the Group's major assets at an early stage could lead to a higher number of failures, lower reliability and availability of its district cooling plants, a less sustainable portfolio and increased spending on maintenance.

In addition, damage to any of the Group'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 or services to the end-users.

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 the Group's operations. The indemnification under the Group's insurance may not be sufficient to cover such losses. In addition, a long-term disruption could harm the Group's reputation and result in a loss of customers, which could materially adversely affect the Group.

The Group relies on its OT and its IT infrastructure, which may fail or be materially 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, supervisory control centres, data processing, data acquisition, data centres and monitoring systems. 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 district cooling 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 end-user-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 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 cybercrimes.

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 condition and results of operations. For more information on the Group's IT infrastructure, see "*Business—Information Technology*".

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 IT 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 employees in the engineering and technical fields remain in high demand in Dubai, and there is significant competition for these employees. 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 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 or no experience in managing a publicly listed company

Some of the Group's senior management have limited or no experience in managing a publicly listed company and complying with the specific laws and regulations pertaining to public companies listed in the UAE. While the Group has historically sought to operate in accordance with robust internal policies and procedures, the regulatory oversight, compliance and reporting obligations imposed on publicly listed 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 that meets or exceeds legal and regulatory requirements for a publicly listed 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 and results of operations.

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

The Group's business operations could be adversely affected or disrupted by impacts of climate change (such as, rising sea levels), natural disasters (such as, earthquakes or tsunamis, among others) or other potentially catastrophic events, as well as interruptions or shortages in the supply of utilities (such as water and electricity) that could disrupt the Group's operations and are beyond its control. The frequency and severity of natural disasters have increased in the past decade due to abnormal environmental and climate-related changes. There can be no assurance that its business operations will not be disrupted by the damage caused by any of the foregoing.

The Group may also be exposed to the effects of man-made disasters including major accidents and incidents, international and regional armed conflicts, hostilities, criminal acts and terrorist attacks, all of which are beyond the Group's control. The continued threat of terrorist activity and other acts of war, or hostility, have significantly increased the risk of political, economic and social instability in the UAE. It is possible that acts of terrorism may occur in the UAE and such acts of terrorism could be directed against the Group's property and personnel. Although the Group has not experienced any significant property losses, or material adverse effects on its results of operations or financial condition as a result of terrorism and regional political instability or war, no assurance can be given that the Group will not be affected by such events in the future.

While the Group seeks to take precautions against natural and man-made disasters, maintains disaster recovery strategies and purchases levels of insurance coverage that it regards as commercially appropriate, should any damage occur and be substantial, the Group could incur losses and damages not recoverable under its insurance policies, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

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. 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 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 27001:2013, see "*Business—Health and Safety*". 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 applicable environmental regulations in the UAE, there can be no assurance that the Group will be fully compliant at all times in the future. Any incidents of environmental damage may result in disruption to the Group's services, projects and operations, 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 such 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 Dubai Municipality. The Dubai Municipality has very wide powers which include the implementation and enforcement of environmental regulations. For further information, see "*Regulation—Environmental Regulation*". Although the Group does not currently expect the Dubai Municipality 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, have in the past and could result in the future in 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 occurrence of any of such events may have a material adverse effect on the Group's business, financial condition and results of operations.

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 Group's district cooling plant operations expose its employees to a wide range of hazards, including electrical lines, heavy equipment, mechanical failures, transportation accidents, fires, industrial accidents and adverse weather conditions, and expose the Group to the risk of damage to equipment and property. Any of the foregoing may have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, one risk that has been associated with wet cooling towers in the past in countries outside the UAE is the presence of legionella bacteria which can cause legionnaire's disease. The Group takes appropriate steps to manage this risk in compliance with Government regulations and to date no material levels of such bacteria have been detected in its wet cooling towers. Nevertheless, an outbreak of legionnaire's disease would impact the operations of the relevant district cooling plant and could potentially cause personal injury or death to employees or members of the public, which in turn would result in additional liability or loss for the Group and would have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

Health and safety hazards have in the past and could in the future 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. In addition, if serious accidents or fatalities occur (or the Group's safety record were to deteriorate), in particular due to employees not having the proper permit-to-work or not complying with health and safety regulations, the Group may be restricted from undertaking certain operations, which could have an impact on the Group's profitability. While the Group regularly reviews its health and safety procedures and efforts to help ensure a strong health and safety record, the occurrence of such incidents in the Group's business could result in significant liabilities, employee turnover, increased costs or harm its ability to perform under its contracts or enter into new contracts with customers, any of which could adversely impact the Group's business, financial condition and results of operations.

The Group's investments into new businesses and innovation, including those made through acquisitions, 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 partly untested or in very early stages, as part of its growth strategies. These investments are related to the Group's core business or the business of established subsidiaries.

Although the Group does not believe that the technology it has implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organisations, the technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on the Group's business, financial condition and results of operations.

In addition, the Group expects to expand its operations with additional acquisitions. For example, on 27 October 2021, the Company signed a heads of terms agreement with Dubai Aviation City Corporation and Dubai Airports Corporation ("**Heads of Terms**") in relation to the announced proposed acquisition of 85% of the district cooling systems of Dubai International Airport (the "**Dubai International Airport District Cooling Acquisition**"). The Heads of Terms is non-binding and represents an agreement between the parties to cooperate and negotiate in good faith to enter into transaction documents establishing the Dubai International Airport District Cooling Acquisition. For further information, see "*Material Agreements—Heads of Terms Agreement with Dubai Airport*". As of the date of this Offering Memorandum, although the Company expects to complete the Dubai International Airport District Cooling Acquisition soon after the Global Offering, there are no definitive agreements in place in connection with such acquisition and it remains yet to be completed. With respect to the Group's additional acquisitions, the Group may be unable to identify or complete prospective acquisitions (such as the Dubai International Airport District Cooling Acquisition) for many reasons, including competition from other potential acquirers, the effects of consolidation in the Group's sector and potentially high valuations of acquisition targets. If the Group is unable to identify suitable targets or complete acquisitions, it may not be able to maintain a significant market share and hence leading position. There can be no assurances that these investments or acquisitions will be successful or commercially viable and the failure of any such investments or acquisitions may have an adverse effect on the Group's business, financial condition and results of operations.

To the extent that the Group completes acquisitions, it may be unsuccessful in integrating acquired companies with existing operations, or the integration may be more difficult or more costly than anticipated. Some of the risks that may affect the Group's ability to integrate or realise anticipated benefits from acquired companies, businesses, or assets include those associated with:

- unexpected losses of key employees of the acquired company;
- conforming the acquired company's standards, processes, procedures, and controls with the Group's operations;
- ability to connect acquired assets to the Group's infrastructure and the requirement to expand or extend existing infrastructure
- coordinating new product and process development;
- increasing capacity at acquired district cooling plants;
- a decrease in demand for capacity from the acquired assets;
- increasing complexity from combining operations;
- increasing the scope, geographic diversity and complexity of the Group's operations;
- difficulties in consolidating facilities and transferring processes and know-how;
- diversion of management's attention from other business concerns; and
- actions the Group may take in connection with acquisitions, such as:
 - using a significant portion of the Group's available cash;

- incurring significant debt;
- incurring or assuming contingent liabilities, known or unknown, including potential lawsuits, infringement actions, or similar liabilities;
- incurring impairment charges related to goodwill or other intangibles; and
- facing regulatory inquiries or actions.

In addition, the Group has in the past and may in the future make acquisitions where the long-term contracts of the acquired company are less favourable than the terms used by the Group in its general form of customer contracts (including standard terms and conditions with end-users or master development agreements or concession agreements with master developers or building owners, as applicable) or where the cost of operating the acquired assets are higher than the Group's existing assets, which has in the past and could in the future lower the Group's EBITDA margin. While the Group evaluates existing customer contracts prior to entering into any acquisitions, the terms in such customer contracts may not be as profitable to the Group as the contracts the Group has entered into through organic growth. The market price of the Group's Shares could be adversely affected if the effect of any acquisitions on its consolidated financial results is dilutive or is below the market's or financial analysts' expectations, or if there are unanticipated changes in the business or financial performance of the acquired or combined company. Any failure to successfully integrate acquired businesses may disrupt the Group's business and adversely impact the Group's business, financial condition and results of operations.

The Group's business operation management systems may not be able to prevent all incidences of negligence or mistake

The Group's management systems, which cover matters including district cooling plant operation, quality, costs, health, safety and environmental protection, financial results and performance management information are essential to the effective management, progress, reliability, safety and profit margins of its operations. In particular, the reliability of the Group's services is critical to the success of its business. Accordingly, the Group must maintain effective control systems for its business operations. Effective control depends on various factors, including the mechanism of its control system, management of the individual district cooling plants, provision of sufficient training to its employees and its ability to ensure that employees adhere to its control policies and guidelines. Any negligence or mistake in operating its control systems could subject the Group to contractual and other claims. Any such claims, regardless of outcome, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations.

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

The Group's products or solutions 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 expenditure 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, financial condition and results of operations.

The Group relies on suppliers, manufacturers, service providers sub-contractors and other third parties

In order to operate and manage its business, the Group relies on products and services provided by third parties, primarily suppliers and sub-contractors. 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 master developers and building owners. If the Group loses access to third-party products, margins tighten on its third-party 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 sub-contractors 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, financial condition and results of operations.

The Group may be involved in litigation from time to time

The Group is currently and expects to continue to be party to legal or administrative proceedings, contract disputes or liability claims, and the Group is currently named as a defendant in legal proceedings, whether related to contractual disputes or other factors, in connection with the services that it undertakes in the ordinary course.

Any litigation, pending, threatened or future claims against the Group and subsequent liability, warranty obligations, and other liabilities which, to the extent not covered by any applicable insurance or which exceeds such insurance limits, could result in a financial loss and, accordingly, adversely impact the Group. In addition, litigation can be lengthy to pursue, is expensive and may divert management's attention from operating the business in the ordinary course. In cases where one or more of the Group's master developers are in default or are otherwise delaying payments, enforcement, whether through litigation or negotiation, may not provide a timely remedy to enable the Group to meet its debt service requirements. There is also no certainty of a successful outcome and any unsuccessful litigation, whether as plaintiff or defendant, could result in reputational damage which could adversely impact the Group's business, financial condition and results of operations.

The Group is subject to adverse publicity and reputational risks, which make it vulnerable to negative customer perception and have an adverse economic impact or could lead to increased regulatory oversight or sanctions

The Group's business and operations have a large direct and indirect customer base and, as a result, it is exposed to public criticism regarding, among other things, the reliability of DCS, and the amount, timeliness, accuracy and format of bills that are provided for such services. Furthermore, while the Group has developed and implemented internal controls, policies and procedures designed to prevent or mitigate employee misconduct or misconduct by third parties, including agents, such controls, policies and procedures may not be effective in and may be difficult to monitor and enforce with third parties and agents. For example, it is not always possible to identify and deter misconduct or errors by the Group's employees or third parties and the precautions the Group takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. The discovery of misconduct or fraudulent activities by any of the Group's employees or third parties could result in significant negative publicity in relation to such misconduct and harm the Group's reputation and brand.

Adverse publicity and negative customer sentiment arising out of these and other incidents may render customers (such as master developers), legislatures and other governing bodies, regulatory authorities and government officials less likely to view the Group in a favourable light, and may cause it to be susceptible to less favourable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements. Unfavourable publicity could lead to adverse regulatory and economic outcomes, including the enactment of more stringent laws and regulations governing the Group's operations, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

Non-compliance with sanctions, anti-money laundering, anti-bribery or anti-corruption laws, or any other applicable laws, could expose the Group to legal liability and affect its reputation, business, financial condition and results of operations

The Group's business activities may be subject to sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"), the U.S. Department of State, the U.S. Department of Commerce, the United Nations Security Council, the European Union or Her Majesty's Treasury, as well as anti-money laundering, anti-bribery and anti-corruption laws, and any other applicable laws. While the Group maintains a set of know-your-customer guidelines and seeks to comply with all applicable laws, there is no certainty that all of the Group's employees, agents, contractors or collaborators, or those of its affiliates, will comply at all times with the Group's compliance policies or all applicable laws and regulations, particularly given the high level of complexity of these laws. Violations of these laws and regulations could result in fines, reputational harm to the Group, implementation of compliance programs, prohibitions on the conduct of its business and criminal sanctions against the Group, its officers or its employees. Any such violations could include prohibitions that could materially damage the Group's reputation, brand, ability to attract and retain employees, and the Group's business, financial condition and results of operations.

The Group may infringe third-party intellectual property rights

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 licences relating to various aspects of these licences or to seek new licences for existing or new platforms or other products or services. There can be no assurance that the necessary licences would be available on commercially acceptable terms, if at all. Third parties may terminate their licences 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 licences with the Group. The loss of, or inability to obtain, certain third-party licences or other rights or to obtain such licences 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, financial condition and results of operations.

In addition, licences 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 licences by the Group, for example by not obtaining the correct number of licences or exceeding the scope of such licences, could lead to substantial costs to the Group due to any fines or penalties imposed under the terms of those licences, which would have an adverse effect on the Group's business, financial condition and results of operations.

Risks Relating to Dubai, the UAE and the MENA Region

General economic, financial and political conditions, especially in Dubai, 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 where the Group conducts all of its operations, may have a material adverse effect the Group's business, financial condition and results of operations. An adverse change in the credit rating of the UAE, decline 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 and/or cost pressures

that could negatively and adversely impact the Group's business, financial condition and results of operations. 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 in the future may 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 their 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 COVID-19 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.

Potentially prolonged 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 the KSA 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 financial condition and results of operations

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, financial condition and results of operations.

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 be effective in the UAE for financial years commencing on or after 1 June 2023. Businesses with an accounting reference date of 31 December will become subject to this new tax from 1 January 2024. 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 an 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

DEWA, as a major shareholder, will maintain a controlling interest in the Group following completion of the Global Offering and the interests of the Selling Shareholders may not align with other shareholders and could otherwise have an impact on the Group

DEWA, which is 82% owned by the Government (making it the ultimate beneficial owner of the Company) and currently owns 70% of the shares of the Company, will continue to be a major shareholder of the Group following completion of the Global Offering. DEWA will hold approximately 63% of the Company's share capital following completion of the Global Offering (assuming that the Selling Shareholders sell 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 three members of the board of directors (the "**Board of Directors**" or "**Board**") and determine the outcome of votes at general meetings of shareholders of the Group (other than in any cases where the Selling Shareholders 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. (22) of 2022. While the support of the Selling Shareholders has historically helped to drive and encourage the Group's success, the interests of the independent members of the Board of Directors and those of the Group's Selling Shareholders, may from time to time not be aligned with regards to certain of the Group's strategic or commercial objectives, and in addition there can be no assurance that the Selling Shareholders' interests will coincide with the interests of the Group or all purchasers of the Shares.

Furthermore, DEWA's significant Share ownership 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 Shareholders 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 Shareholders following the completion of the Global Offering or any future issuances of Shares by the Group may significantly reduce the share price. The Selling Shareholders and the Company have agreed in the Underwriting Agreement to certain restrictions on their 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 "*Sale of Shares—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 30 June 2022, there were 70 companies with securities traded on the DFM (including Nasdaq Dubai) with a total market capitalisation of approximately AED 527 billion. The DFM had a total regular average daily trading volume of AED 16 million as of 30 June 2022. 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 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.

In addition, any decision to declare and pay dividends in the future will be made at the discretion of the shareholders in the general assembly upon recommendation 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 and the shareholders in the general assembly 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, pursuant to the Articles of Association, 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 in the following cases: (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 net proceeds generated by the Global Offering (after base fees and discretionary fees are paid) will be received by the Selling Shareholders. The Group will not receive any proceeds from the Global Offering other than reimbursement from the Selling Shareholders for any expenses relating to the Global Offering. All expenses of the Global Offering (including base fees and any discretionary fees) will ultimately be borne by the Selling Shareholders. The Global Offering is being conducted, among other reasons, to allow the Selling Shareholders to sell part of their respective shareholdings, while providing increased trading liquidity in the Shares and raising the Group's profile with the investment community.

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 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, the business plan of the Company and additional growth avenues, at the discretion of the Board of Directors and subject to the approval from the shareholders in the General Assembly.

Subject to the foregoing, the Company intends to adopt a semi-annual dividend distribution policy and to pay dividends twice each fiscal year after the Global Offering in April and October of each year. The Company expects to pay a minimum dividend amount of AED 850 million per annum in the first two fiscal years following the Global Offering (April 2023 - October 2024). The Company expects to distribute its first dividend payment of a minimum of AED 425 million after the Global Offering, for the second half of 2022, by April 2023. After the October 2024 distribution, the Company expects to pay a sustainable dividend in line with the growth of the business.

In addition, prior to the Global Offering, on 26 September 2022 the Board of Directors approved a dividend payment of AED 2.9 billion to the Selling Shareholders which was paid on 29 September 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 Company's business for operating expenses, financing expense and anticipated capital expenditures. In addition, the Company expects that the Board of Directors will also consider market conditions, the then current operating environment in the Company's markets, and the Board of Directors' outlook for the Company's business.

CAPITALISATION

The tables should be read together with “*Presentation of Financial Information*”, “*Selected Historical Financial 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 30 September 2022. Total capitalisation is calculated as the sum of the total equity, current and non-current borrowings.

	<u>As at 30 September 2022</u> <i>(AED thousand)</i>
Cash and bank balances	1,157,375
Debt	
Borrowings - non-current	4,488,891
Borrowings - current	-
Total borrowing	4,488,891
Equity	
Share capital	1,000,000
Statutory reserve	500,000
Other reserves	(811)
Retained earnings	1,175,984
Contributed capital	82,190
Non-controlling interest	2,019
Total equity	2,759,382
Total capitalisation	7,248,273

SELECTED HISTORICAL FINANCIAL INFORMATION

The selected historical financial information set forth below is based upon the Annual Financial Statements, which have been prepared in accordance with IFRS, and the Interim Financial Statements, which have been prepared in accordance with IAS 34.

Results in the Interim Financial Statements are not necessarily indicative of the results that can be expected for the full year. The selected historical financial information should be read in conjunction with the “Summary Historical Financial Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and the Financial Statements, including the related notes, included elsewhere in this Offering Memorandum.

Statement of profit or loss data

	Year ended 31 December			Six months ended 30 June	
	2019	2020*	2021	2021	2022
			(AED thousand)		
Revenue.....	2,189,340	2,255,115	2,463,874	993,114	1,154,257
Interest income on financial asset at amortised cost.....	-	-	-	-	9,251
Impairment reversal of project cost.....	-	53,529	32,328	-	-
Cost of sales	(1,220,327)	(1,216,084)	(1,394,449)	(520,411)	(615,175)
Gross profit	969,013	1,092,560	1,101,753	472,703	548,333
General and administrative expenses	(170,594)	(175,213)	(175,881)	(91,466)	(104,408)
Provision for expected credit losses / net impairment losses on financial assets.....	-	(13,823)	(8,568)	-	(7,395)
Other income.....	85,133	4,998	16,172	7,821	2,708
Operating profit	883,552	908,522	933,476	389,058	439,238
Finance income	7,226	4,618	11,633	4,665	11,836
Finance costs	(19,767)	(11,878)	(9,127)	(4,604)	(19,360)
Finance income/(costs) – net.....	(12,541)	(7,260)	2,506	61	(7,524)
Share of profit of joint venture	124	-	-	-	-
Net profit for the year / period.....	871,135	901,262	935,982	389,119	431,714
Other comprehensive income / (loss) for the year / period	-	2,281	460	1,406	(5,876)
Total comprehensive income for the year/period	871,135	903,543	936,442	390,525	425,838
Earnings per share					
Basic and diluted earnings per share**	0.9	0.9	0.9	0.4	0.4

*As explained in “Presentation of Financial Information—Compatibility of Financial Information” certain balances for the year ended 31 December 2020 have been extracted from the comparative column in the 2021 Financial Statements to conform with the presentation in the 2021 Financial Statements and hence may not be directly comparable to the financial information included in the 2020 Financial Statements. Whereas the financial information for the year ended 31 December 2019 have been extracted from the 2020 Financial Statements which were not updated to conform with the presentation in the 2021 Financial Statements.

** Earnings per share is calculated based on profit attributable to owners of the parent.

Statement of financial position data

	As at 31 December			As at 30 June
	2019	2020	2021	2022
			(AED thousand)	
Total non-current assets	6,223,776	6,789,744	7,774,283	7,784,147
Total current assets.....	646,595	1,442,849	1,769,433	2,699,395
Total assets	6,870,371	8,232,593	9,543,716	10,483,542
Total equity	4,273,707	4,794,750	5,430,892	5,356,730
Total non-current liabilities.....	786,023	1,651,680	1,455,516	1,338,007
Total current liabilities	1,810,641	1,786,163	2,657,308	3,788,805
Total liabilities	2,596,664	3,437,843	4,112,824	5,126,812
Total equity and liabilities	6,870,371	8,232,593	9,543,716	10,483,542

Statement of cash flow data

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
Cash flows from operating activities					
Profit for the year/period	871,135	901,262	935,982	389,119	431,714
<i>Adjustments for:</i>					
Depreciation / Depreciation on property, plant and equipment	255,054	284,960	304,965	148,850	157,091
Depreciation on right-of-use assets	6,620	7,017	6,187	3,172	2,320
Amortisation of intangible assets	-	-	400	-	6,078
Settlement / Amortisation of financial assets	-	-	739	-	11,232
Impairment reversal of project cost	(80,294)	(53,529)	(32,328)	-	-
Amortisation of borrowings arrangement fee / Amortisation of arrangement fee	1,582	1,510	1,599	754	2,041
Share of profit of joint venture	(124)	-	-	-	-
(Gain) / loss on disposal of property, plant and equipment	-	-	(27)	(14)	-
Impairment of trade receivables / Net impairment losses on financial assets / Provision for impairment of trade receivables	351	13,823	8,568	(236)	7,395
Provision for employees' end of service benefits	5,748	8,823	5,523	2,595	2,711
Interest on lease liability / liabilities	1,214	1,146	712	385	291
Interest on financial asset / Interest income earned on financial assets at amortised cost ...	-	-	(610)	-	(9,251)
Finance income	(7,226)	(4,618)	(11,023)	(4,665)	(11,836)
Finance costs net of arrangement fee / Finance costs	16,971	13,362	20,063	10,125	17,028
Government grant income	(2,780)	(2,780)	(2,780)	(1,390)	(1,390)
Operating cash flows before changes in working capital and payment of employees' end of service benefits	1,068,251	1,170,976	1,237,970	548,695	615,424
Changes in working capital:					
Inventories	(4,170)	6,771	8,063	(3,015)	1,556
Trade and other receivables, net of write-off of receivables to CAPEX suppliers / Trade and other receivables, net of write-off of receivables and advances to CAPEX suppliers / Trade and other receivables	(8,488)	(62,438)	6,022	(57,492)	(129,466)
Due from related parties	5,663	(11,715)	10,853	4,580	(9,353)
Trade and other payables, excluding project-related payables, project accruals and retention payables / Trade and other payables	(21,069)	(50,236)	37,527	(5,057)	165,003
Due to related parties / Due to related parties, net of dividends declared	(16,676)	(18,895)	67,041	144,337	(33,366)
Cash generated from operations	1,023,511	1,034,463	1,367,476	632,048	609,798
Payment of employees' end of service benefits..	(834)	(689)	(1,270)	(719)	(296)
Net cash inflow / generated from operating activities	1,022,677	1,033,774	1,366,206	631,329	609,502
Cash flows from investing activities					
Acquisition of subsidiary	-	-	(668,294)	-	-
Payment for property, plant and equipment, net of project accruals, retention payables and advances to CAPEX suppliers / Payment for property, plant and equipment, net of project accruals, retention payables to CAPEX suppliers / Purchase of property, plant and equipment, net of project cost accruals / Purchase of property, plant and equipment, net of project accruals	(676,661)	(775,473)	(571,580)	(315,008)	(220,895)
(Short term deposits (more than three months) invested) / (Short term deposits (more than three months) encashed / invested) / Short	-	(17,500)	(97,300)	(1,500)	(208,800)

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
term deposits (more than three months) redeemed.....					
Investment in financial assets at fair value through profit and loss	-	-	(100,000)	-	-
Finance income received / Interest received.....	7,226	4,618	11,023	4,665	11,836
Investment in financial assets at fair value through other comprehensive income / Financial asset acquired	-	(55,372)	-	-	-
Gain on disposal of property, plant and equipment / Proceeds from the disposal of property, plant and equipment.....	-	-	27	14	-
Net cash outflow from / used in investing activities	(669,435)	(843,727)	(1,426,124)	(311,829)	(417,859)
Cash flows from financing activities					
Proceeds from bank borrowings / Proceeds from bank borrowings net of arrangement fee	488,881	969,645	917,294	-	917,319
Repayment of bank borrowings / Repayment of borrowings	(69,789)	(69,789)	(253,047)	(84,349)	-
Dividends paid to Company's shareholders / Dividends paid	(470,000)	(330,000)	(400,300)	(400,300)	(500,000)
Lease payments / Payment of lease liabilities	(8,064)	-	-	(3,511)	(2,739)
Lease payment – Principal	-	(7,446)	(6,862)	-	-
Lease payment – Interest.....	-	(1,146)	(712)	-	-
Finance costs paid / Interest paid.....	(16,971)	(13,362)	(20,063)	(10,510)	(17,028)
Net cash inflow / generated from / (outflow) from / (used in) financing activities.....	(75,943)	547,902	236,310	(498,670)	397,552
Net (decrease)/increase in cash and cash equivalent	277,299	737,949	176,392	(179,170)	589,195
Cash and cash equivalents at the beginning of the year/period	53,948	331,247	1,069,196	1,069,196	1,245,588
Cash and cash equivalents at the end of the year/period.....	331,247	1,069,196	1,245,588	890,026	1,834,783

Statement of changes in equity data

	Capital	Statutory reserve	Other reserves	Retained earnings	Contributed capital	Total equity	Non-controlling interests	Total
	(AED thousand)							
At 1 January 2019	1,000,000	439,915	-	2,199,571	64,690	3,704,176	1,270	3,705,446
Adjustment from the adoption of IFRS 16.....	-	-	-	(2,874)	-	(2,874)	-	(2,874)
Adjusted balance as at 1 January 2019	1,000,000	439,915	-	2,196,697	64,690	3,701,302	1,270	3,702,572
Comprehensive income								
Profit for the year.....	-	-	-	870,602	-	870,602	533	871,135
Transactions with owners								
Transfer to statutory reserve..	-	60,085	-	(60,085)	-	-	-	-
Dividends declared	-	-	-	(300,000)	-	(300,000)	-	(300,000)
As at 31 December 2019	1,000,000	500,000	-	2,707,214	64,690	4,271,904	1,803	4,273,707
	Capital	Statutory reserve	Other reserve	Retained earnings	Contributed capital	Total equity	Non-controlling interests	Total
	(AED thousand)							
At 1 January 2020	1,000,000	500,000	-	2,707,214	64,690	4,271,904	1,803	4,273,707
Additions during the year /								
Land contribution...	-	-	-	-	17,500	17,500	-	17,500
Profit for the year.....	-	-	-	900,950	-	900,950	312	901,262
Other comprehensive income for the year	-	-	2,281	-	-	2,281	-	2,281
Dividends declared	-	-	-	(400,000)	-	(400,000)	-	(400,000)
At 31 December 2020	1,000,000	500,000	2,281	3,208,164	82,190	4,792,635	2,115	4,794,750

	Capital	Statutory reserve	Other reserve	Retained earnings	Contributed capital	Total equity	Non- controlling interests	Total
	<i>(AED thousand)</i>							
At 1 January 2021.....	<u>1,000,000</u>	<u>500,000</u>	<u>2,281</u>	<u>3,208,164</u>	<u>82,190</u>	<u>4,792,635</u>	<u>2,115</u>	<u>4,794,750</u>
Profit for the year.....	-	-	-	935,860	-	935,860	122	935,982
Other comprehensive income for the year	-	-	460	-	-	460	-	460
Dividends declared	-	-	-	(300,000)	-	(300,000)	(300)	(300,300)
At 31 December 2021	<u>1,000,000</u>	<u>500,000</u>	<u>2,741</u>	<u>3,844,024</u>	<u>82,190</u>	<u>5,428,955</u>	<u>1,937</u>	<u>5,430,892</u>

RECENT DEVELOPMENTS

The financial performance for the nine months ended 30 September 2022 set forth below is based upon Q3 2022 Interim Financial Statements, which have been prepared in accordance with IAS 34.

Results in the Q3 2022 Interim Financial Statements are not necessarily indicative of the results that can be expected for the full year. The financial performance for the nine months ended 30 September 2022 should be read in conjunction with the Financial Statements, including the related notes, included elsewhere in this Offering Memorandum.

This recent developments 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".

Financial performance for the nine months ended 30 September 2022

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

Results of operations for the nine months ended 30 September 2021 and 2022

The following table sets forth the Group's consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2021 and 2022.

	Nine months ended 30 September		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Revenue.....	1,806,782	2,073,074	14.7
Interest income on financial asset at amortised cost.....	-	13,927	100.0
Cost of sales	(1,019,837)	(1,177,688)	15.5
Gross profit	786,945	909,313	15.5
General and Administrative expenses	(136,244)	(153,611)	12.7
Provision for credit losses	236	(7,395)	(3,233.5)
Other income.....	9,373	4,812	(48.7)
Operating profit	660,310	753,119	14.1
Finance costs	(6,698)	(45,249)	575.6
Finance income	6,572	24,172	267.8
Finance income/(costs) – net.....	(126)	(21,077)	16,627.8
Net profit for the period.....	660,184	732,042	10.9
Other comprehensive income:			
Other comprehensive (loss)/income for the period.....	1,125	(3,552)	(415.7)
Total comprehensive income for the period	661,309	728,490	10.2
Profit for the period attributable to			
Owners of the Parent	660,107	731,960	10.9
Non-controlling interests	77	82	6.5
	660,184	732,042	10.9
Total comprehensive income for the period attributable to			
Owners of the Parent	661,232	728,408	10.2
Non-controlling interest	77	82	6.5
	661,309	728,490	10.2
Earnings per share			
Basic and diluted earnings per share	0.7	0.7	-

The Group's revenue for the nine months ended 30 September 2022 increased by 14.7% or AED 266.3 million from AED 1,806.8 million in 2021 to AED 2,073.1 million in 2022. This increase was witnessed across the Chilled Water segment and the Pre-insulated Pipe segment: (i) Chilled Water revenues increased by 14.6% or AED 263.1 million, driven by increased demand for district cooling services, which increased the Group's

demand charge and consumption charge revenue; and (ii) Pre-insulated Pipe revenues increased by 62.9% or AED 3.2 million.

The Group's cost of sales for the nine months ended 30 September 2022 increased by 15.5% or AED 157.9 million from AED 1,019.8 million in 2021 to AED 1,177.7 million in 2022. This increase was primarily driven by increased operational activity in the period, which corresponded to the increases in revenue.

The Group's general and administrative expenses for the nine months ended 30 September 2022 increased by 12.7% or AED 17.4 million. This increase was due to increases in staff costs (on account of an increase in the number of employees from 904 at the end of the nine months ended 30 September 2021 to 1,052 at the end of the nine months ended 30 September 2022), depreciation charged for the period in 2022 and partially offset by decreases in communication expense and advertising and marketing expense.

The Group's net finance costs increased by 16,627.8% or AED 21.0 million from AED 0.1 million for the nine months ended 30 September 2021 to AED 21.1 million for the nine months ended 30 September 2022, this increase was due to substantially increased finance cost (575.6% or AED 38.6 million) on account of additional borrowings acquired by the Group in March 2022 and September 2022. The Group's total borrowings as at 30 September 2021 was AED 1,987.9 million compared to AED 4,488.9 million as at 30 September 2022. Additionally, the Group's finance income increased by 267.8% or AED 17.6 million, due to increase in short-term bank deposit placements and increase in average interest rate of 0.78% to 1.59%.

Consolidated statement of financial position

Financial position as at 30 September 2022 and 31 December 2021

The following table presents the Group's consolidated financial position as at 30 September 2022 and 31 December 2021.

	As at 31 December	As at 30 September	Increase/(Decrease)
	2021	2022	December 2021- September 2022
	(AED thousand)		(%)
Assets			
Non-current assets			
Property, plant and equipment	7,032,991	6,978,831	(0.8)
Right-of-use assets	13,412	11,764	(12.3)
Investment properties	-	72,859	100.0
Intangible assets	364,296	355,179	(2.5)
Investment in a joint venture	307	307	-
Financial assets at amortised cost	305,164	302,055	(1.0)
Financial assets at fair value through other comprehensive income	58,113	53,278	(8.3)
Total non-current assets	7,774,283	7,774,273	0.0
Current assets			
Inventories	27,018	39,985	48.0
Trade and other receivables	274,498	441,100	60.7
Due from related parties	3,618	16,571	358.0
Financial assets at amortised cost	3,911	4,100	4.8
Financial assets at fair value through profit or loss	100,000	100,000	0.0
Term deposits	114,800	12,100	(89.5)
Cash and cash equivalents	1,245,588	1,145,275	(8.1)
Total current assets	1,769,433	1,759,131	(0.6)
Total assets	9,543,716	9,533,404	(0.1)

Equity and liabilities**Equity**

Capital.....	1,000,000	1,000,000	-
Statutory reserve	500,000	500,000	-
Other reserves	2,741	(811)	(129.6)
Retained earnings.....	3,844,024	1,175,984	(69.4)
Contributed capital.....	82,190	82,190	-
Non-controlling interests	1,937	2,019	4.2
Total equity	5,430,892	2,759,382	(49.2)

Liabilities**Non-current liabilities**

Bank borrowings.....	987,666	4,488,891	354.5
Government grant	370,890	309,033	(16.7)
Provision for employees' end of service benefits	49,703	51,534	3.7
Retentions payable	35,318	24,336	(31.1)
Lease liabilities	11,939	10,682	(10.5)
Total non-current liabilities	1,455,516	4,884,476	235.6

Current liabilities

Trade and other payables	1,485,009	1,676,570	12.9
Due to related parties	166,287	207,381	24.7
Bank borrowings.....	1,000,219	-	100.0
Government grant	2,780	3,170	14.0
Lease liabilities	3,013	2,425	(19.5)
Total current liabilities	2,657,308	1,889,546	(28.9)
Total liabilities.....	4,112,824	6,774,022	64.7
Total equity and liabilities.....	9,543,716	9,533,404	(0.1)

The Group's total assets decreased by 0.1% or AED 10.3 million from AED 9,543.7 million as at 31 December 2021 to AED 9,533.4 million as at 30 September 2022. This decrease was primarily due to a decrease in current assets in connection with decreases in term deposits, partially offset by increases in inventories and trade and other receivables. The Group's non-current assets remained stable at AED 7,774.3 million as at 31 December 2021 and as at 30 September 2022, given that the increases in investment properties were offset by decreases in property, plant and equipment and other non-currents assets. The Group's property, plant and equipment decreased by 0.8% or AED 54.2 million as at 30 September 2022, primarily on account of an AED 59.4 million reversal relating to land returned (disposed of) by the Group, see "—Land" below.

The Group's total liabilities increased by 64.7% or AED 2,661.2 million from AED 4,112.8 million as at 31 December 2021 to AED 6,774.0 million as at 30 September 2022. This increase was primarily on account of new facilities entered into by the Group subsequent to 31 December 2021. The Group entered into a conventional term loan facilities and standard (long/short) commodity Murabaha Shariah compliant facilities on 26 September 2022, see "*Material Agreements—Certain Financing Arrangements of the Group—Islamic and Conventional Facilities*" and "*—Islamic and Conventional Facilities*" below.

The Group's total equity decreased by 49.2% or AED 2,671.5 million, from AED 5,430.9 million as at 31 December 2021 to AED 2,759.4 million as at 30 September 2022. This decrease was primarily due to decreases in other reserves and retained earnings. The Group's retained earnings decreased by 69.4% or AED 2,668.0 million, from AED 3,844.0 million as at 31 December 2021 to AED 1,175.9 million as at 30 September 2022, on account of higher dividends paid in the nine months ended 30 September 2022, amounting to AED 3,400.0 million compared to AED 400.3 million in the year ended 31 December 2022. The Group's other reserves decreased due to the Group incurring other comprehensive loss of AED 3.6 million for the nine months ended 30 September 2022, compared to an income of AED 0.5 million for the year ended 31 December 2021.

Condensed consolidated interim statement of cash flows

The following table sets forth certain information about the Group's cash flows for the nine months ended 30 September 2021 and 2022.

	Nine months ended 30 September		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Net cash inflow from operating activities	1,006,115	1,086,166	7.9
Net cash outflow from investing activities.....	(422,721)	(238,573)	(43.6)
Net cash outflow from financing activities	(495,219)	(947,906)	91.4
Net (decrease)/increase in cash and cash equivalents	88,175	(100,313)	(213.8)
Cash and cash equivalents, beginning of the period	1,069,196	1,245,588	16.5
Cash and cash equivalents, end of the period.....	1,157,371	1,145,275	(1.0)

The Group's net cash inflow from operating activities increased by 8.0% or AED 80.1 million from AED 1,006.1 million in 2021 to AED 1,086.2 million in 2022. This increase was primarily driven by higher income generated in the period.

The Group's net cash outflow from investing activities decreased by 43.6% or AED 184.1 million from AED 422.7 million in 2021 to AED 238.6 million in 2022. This decrease was primarily due to increases in short-term deposits (more than three months) redeemed and interest received, partially offsetting outflow to purchase of property, plant and equipment, net of project cost accruals in the period.

The Group's net cash outflow from financing activities increased by 91.4% or AED 452.7 million from AED 495.2 million in 2021 to AED 947.9 million in 2022. This increase was primarily driven by higher dividends paid and the repayment of bank borrowings, partially offset by increased proceeds of bank borrowings in connection with new facilities entered into by the Group in the period. The Group's dividend paid for the nine months ended 30 September 2022 increased by 749.4% or AED 2,999.7 million, from AED 400.3 million in 2021 to AED 3,400.0 million in 2022. The Group made an interim dividend payment of AED 2.9 billion (see "Dividend Policy") and a final dividend payment of AED 500.0 million (relating to the year ended 31 December 2021) to the Selling Shareholders in the nine months ended 30 September 2022.

Key performance indicators

Non-IFRS Measures

Certain key Non-IFRS Measures such as Adjusted EBIT, EBIT margin, Adjusted EBIT margin, EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, Cash flow conversion ratio, Net Debt and Net Debt to Adjusted EBITDA ratio have been presented below to reflect changes for the nine months ended 30 September 2022.

The following tables sets forth the Group's key Non-IFRS Measures for the nine months ended 30 September 2021 and 2022.

EBIT, EBITDA, EBIT margin and EBITDA margin

	Nine months ended 30 September	
	2021	2022
	(AED thousand)	
Net profit for the period.....	660,184	732,042
Finance costs - net.....	126	21,077
EBIT	660,310	753,119
Depreciation	228,372	233,657
Amortisation.....	-	9,117
EBITDA	888,682	995,893
EBITDA margin	49.2%	48.0%
EBIT margin	36.5%	36.3%

Adjusted EBIT and Adjusted EBIT margin

	Nine months ended 30 September	
	2021	2022
	(AED thousand)	
EBIT	660,310	753,119
Other income	(9,373)	(4,812)
Provision for credit losses	(236)	7,395
Interest earned on Financial Asset.....	-	(13,927)
Adjusted EBIT	650,701	741,775
Adjusted EBIT margin	36.0%	35.8%

Adjusted EBITDA and Adjusted EBITDA margin

	Nine months ended 30 September	
	2021	2022
	(AED thousand)	
EBITDA	888,682	995,893
Other income		
<i>Government grant and others</i>	(9,373)	(4,812)
Provision for expected credit loss.....	(236)	7,395
Interest earned on Financial Asset.....	-	(13,927)
Adjusted EBITDA	879,073	984,549
Adjusted EBITDA margin	48.7%	47.5%

Cash flow conversion ratio

	Nine months ended 30 September	
	2021	2022
	(AED thousand)	
Net cash provided by operating activities.....	1,006,115	1,086,166
Adjusted EBITDA	879,073	984,549
Cash flow conversion ratio	114.5%	110.3%

Net Debt to Adjusted EBITDA ratio

	As at 30 September 2022
	(AED thousand)
Total Borrowings	4,488,891
Cash and cash equivalent	(1,145,275)
Term Deposits	(12,100)
Net Debt	3,331,516
Adjusted EBITDA	984,549
Net Debt to Adjusted EBITDA ratio	3.4

Key operational performance indicators

The following table sets forth the Group's key operational performance indicators for the nine months ended 30 September 2021 and 2022.

Key operational performance indicators	Nine months ended 30 September	
	2021	2022
Cooling Delivered (RTh)	1,515.3	1,658.7
Connected Capacity (RT)	1,251,758	1,344,878
EFLH – Average Load	1,211	1,233

Business Highlights

Some of the Group's business highlights for the three months ended 30 September 2022 include: (i) the Group started its operation of the fourth district cooling plant in the Business Bay region, which has a total production capacity of 50,000 RT; (ii) the Group's chief executive officer, Mr. Bin Shafar, was appointed for the fourth consecutive time to the board of directors of the International District Energy Association; (iii) Empower Snow LLC's connected load amounting to 77,261 RT was fully reflected in the Group's revenue during the period; (iv) a new loan of AED 5.5 billion was secured, of which AED 4.5 billion was drawn down on 29 September 2022 (see "*Material Agreements—Certain Financing Arrangements of the Group—Islamic and Conventional Facilities*" and "*—Islamic and Conventional Facilities*" below); and (v) an existing facility of USD 793 million was repaid in the three months ended 30 September 2022.

In addition, the Group made an interim dividend payment of AED 2.9 billion (see "*Dividend Policy*") and a final dividend payment of AED 500.0 million (relating to the year ended 31 December 2021) to the Selling Shareholders in the nine months ended 30 September 2022.

Islamic and Conventional Facilities

On 26 September 2022, the Company entered into conventional term loan facilities (the "**Conventional Facilities**") and standard (long/short) commodity Murabaha Shariah compliant facilities (the "**Islamic Facilities**") for an amount of AED 5.5 billion with Emirates NBD Capital Limited as initial conventional mandated lead arranger, initial Islamic mandated lead arranger, bookrunner and coordinator; Emirates NBD Bank (P.J.S.C.) as underwriter, original conventional bank, original Islamic participant, conventional facility agent, investment agent and global agent, and Palm District Cooling LLC as guarantor (the "**Facilities**"). The Facilities provide an: (i) AED 1,375,000,000 term loan facility; (ii) AED 1,375,000,000 term loan facility; (iii) AED 1,375,000,000 commodity murabaha facility; and (iv) AED 1,375,000,000 commodity murabaha facility. The Facilities will be available for the purpose of: the repayment, payment, settlement or netting of amounts owing under or in connection with certain existing facilities; and/or the Company's general corporate purposes (including, but not limited to, dividend recapitalisation and fees, costs and expenses in connection to the Facilities). The Facilities are governed by English law and are subject to the arbitration (LCIA Rules, Dubai

International Financial Centre seat). For further information on the Facilities, see “*Material Agreements—Certain Financing Arrangements of the Group—Islamic and Conventional Facilities*”.

Cornerstone Investor Agreements

On 31 October 2022, the Company and the Selling Shareholders entered into cornerstone investor agreements (the “**Cornerstone Investor Agreements**”) with each of Abu Dhabi Pension Fund, Emirates NBD AM SPC on behalf of and for the account of the UAE Strategic Investment Fund 4 SP (a segregated portfolio) and Shamal Holding LLC (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 Selling Shareholders have agreed to sell, and procure the allotment and transfer of, Shares to the Cornerstone Investors from the Qualified Investor Offering at the offer price and in accordance with the commitments opposite each Cornerstone Investor’s name in the table set out in “*Sale of Shares—Cornerstone Investors*”. The aggregate commitments of all the Cornerstone Investors pursuant to the Cornerstone Investor Agreements are approximately AED 335.0 million. 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 21 November 2022 (or such other date as may be agreed between the Company and the Cornerstone Investors). Abu Dhabi Pension Fund has conditioned its participation as a Cornerstone Investor on the offer price being no higher than AED 1.33 per Share. For more information, see “*Sale of Shares—Cornerstone Investors*”.

Land

Certain district cooling assets of the Group with a total net book value of AED 280.2 million as at 30 September 2022 are developed on plots of lands owned by related parties. During the three months ended 30 September 2022, the Group adjusted the values for 11 plots of land (amounting to AED 59.4 million), out of which eight plots had assets constructed on them. For further information, see note 6 of the Q3 2022 Interim Financial Statements.

The Group is currently in discussions with Dubai Holding group entities to enter into long-term lease agreements related to these plots. The long-term lease agreements are expected to be entered into at a nominal value. As and when a lease agreement is signed at nominal value, the Group will engage a third-party independent valuer to determine the fair value of the lease agreement, which will be reflected as an equal increase in assets, and equity of the Group. The relevant assets will be amortised over the contractual term of the leases, which is a non-cash item.

Master Land Agreement with Dubai Holding

The Company entered into a master land agreement with Dubai Holding on 23 October 2022, whereby the Company and Dubai Holding agreed to negotiate to enter into lease agreements relating to eight plots the Company had previously recognised in its accounts and which were reversed in the accounts for the three months ended 30 September 2022, see “*Related Party Transactions—Relationship with Dubai Holding—Land*”. For further information, see note 6 of the Q3 2022 Interim Financial Statements.

Exclusivity and Framework Agreement

The Company entered into an exclusivity and framework agreement with Dubai Holding on 23 October 2022 (the “**Exclusivity and Framework Agreement**”), in relation to certain sites owned by master developers owned and controlled by Dubai Holding. Pursuant to the Exclusivity and Framework Agreement, Dubai Holding acknowledged, on behalf of itself and each master developer, that the Company has a right to occupy and access the sites identified therein and that it shall continue to have free and full access to the sites for the purposes of providing DCS and constructing DCS plants on such sites. The Exclusivity and Framework Agreement grants the Company the exclusive right (subject to customary carve-outs) to provide DCS within the relevant master developments for the term of the Exclusivity and Framework Agreement. The Company has agreed to, and Dubai Holding shall procure that each master developer will, negotiate and, subject to agreement of the terms, enter into master development agreements in respect of each of the identified sites as soon as reasonably practicable following the date of the Exclusivity and Framework Agreement. On entry into a master development agreement in respect of a site, the Exclusivity and Framework Agreement would terminate in

respect of such site. The Exclusivity and Framework Agreement will otherwise terminate after 25 years from the date of signing.

Irrevocable Guarantee Agreement

The Company entered into an irrevocable guarantee agreement with the Selling Shareholders on 23 October 2022, whereby the Selling Shareholders agreed, severally, on a pro rata basis relative to their shareholding in the Company, to unconditionally and irrevocably guarantee all future liabilities (including any penalties) of the Company arising from the 30% Fee that may be levied by the DLD as a result of the change to the ultimate beneficial ownership of the Company's Government granted lands that results from the Global Offering, see *“Risk Factors—Risks Relating to the Group—The Group may have the regulatory obligation to pay certain fees in connection with the change in status of certain of its lands upon completion of the Global Offering”*.

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 as at, and for the six months ended 30 June 2021 and 2022 should be read in conjunction with the information set out in "Presentation of Financial and Other Information", "Summary Financial Information", "Selected Financial Information" and the 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. See "Recent Developments" for a discussion of the Group's results as at and for the nine months ended 30 September 2022. The discussion includes forward-looking statements that reflect the current view of our management and involves risks and uncertainties. See "Information Regarding 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.

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 Historical Financial Information", the Financial Statements and the related notes thereto included elsewhere in this Offering Memorandum. This management's discussion is based upon the Group's Annual Financial Statements, which have been prepared in accordance with IFRS and Interim Financial Statements which have been prepared in accordance with IAS 34.

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".

Overview

The Group is currently organised into two major operating segments.

Chilled Water

The Chilled Water segment constructs, owns, assembles, installs, operates and maintains cooling and air conditioning systems. It distributes and sells chilled water for use in district cooling technologies. The portion of the Group's revenue generated from the Chilled Water segment amounted to 99.7%, 99.6%, 99.7%, 99.9% and 99.8% for the years ended 31 December 2021, 2020 and 2019 and for the six months ended 30 June 2022 and 2021 respectively.

Pre-insulated Pipe

The Pre-insulated Pipe segment is involved in manufacturing, assembly and selling activities relating to the Pre-insulated Pipes. The portion of the Group's revenue generated from the Pre-insulated Pipe segment amounted to 0.3%, 0.4%, 0.3%, 0.1% and 0.2% for the years ended 31 December 2021, 2020 and 2019 and for the six months ended 30 June 2022 and 2021 respectively.

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 considered below.

Revenue growth

The Group's revenue is generated from district cooling services provided to its customers in Dubai and sales of pre-insulated pipes.

Tariffs for district cooling services are approved by the Board of Directors of the Group, subject to regulatory standards for setting tariffs, see further "Regulation—Supreme Council of Energy".

The Group's revenue is mainly generated through fixed demand charges for connected capacity and variable consumption charges based on amount of cooling delivered to respective customers. For further information on these sources of revenue, see “*Business—Principal Operations—Chilled Water Segment—Tariff Structure*”.

Set forth below are the tables showing the connected capacity (Refrigerated tonnes (“RT”)), cooling delivered (Refrigerated tonnes per Hour (“RTh”)) of district cooling sold and equivalent full load hours (“EFLH”) – Average load for the periods presented, as well as the percentage change between these periods. The Group's connected capacity grew at a CAGR of 8.9% over 2019 to 2021, adding an average of 100,000 RT over that same period.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
			(%)
Connected Capacity (RT).....	1,248,984	1,388,109	11.1
Cooling Delivered (RTh)	721,498,567	782,225,877	8.4
EFLH – Average load	582	584	0.3

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
				(%)	(%)
Connected Capacity (RT).....	1,153,837	1,228,276	1,367,599	6.5	11.3
Cooling Delivered (RTh).....	1,717,864,348	1,727,959,163	2,044,826,834	0.6	18.3
EFLH – Average load	1,557	1,451	1,575	(6.8)	8.5

Set forth below are the tables showing the Group's revenue broken down by type for the periods presented, as well as the percentage change between these periods. The Group's consumption charges grew in-line with the Group's connected capacity growth (despite a reduction in 2020 driven by the Covid-19 pandemic, which recovered in 2021. In 2021, increases in consumption charges were driven by increased utilities cost, which consequently drove higher revenues (with the increases in revenue related to such higher utilities costs reflecting pass thru revenue to DEWA). The Group's demand charges represent fixed tariff charges based on contractually agreed upon demand load. In each of the years ended 31 December 2019, 2020 and 2021, the Group's demand charge represented 37.9%, 38.2% and 37.9%, respectively, of the Group's revenue.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Demand Charges	457,233	499,585	9.3
Consumption Charges	455,555	543,490	19.3
Other	80,326	111,183	38.4
Revenue	993,114	1,154,258	16.2

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
	(AED thousand)			(%)	(%)
Demand Charges	828,799	862,471	933,787	4.1	8.3
Consumption Charges	1,119,729	1,097,920	1,291,909	(1.9)	17.7
Other	240,811	294,724	238,179	22.4	(19.2)
Revenue	2,189,340	2,255,115	2,463,874	3.0	9.3

The Group expects demand for cooling services and insulated pipes to continue to increase, due to the Dubai International Airport District Cooling Acquisition (expected to be completed by the end of 2022) and other acquisition opportunities, capacity additions in existing concessions, adjacent expansions and retrofitting, and additional capacity increases at new master developments driven by real GDP growth, expected growth in real estate development in Dubai resulting from growth in infrastructure and population of Dubai including the temporary residents and visitors.

Further, the Group expects revenue growth in 2023 to be driven by an increase in the connected capacity on existing projects and further by an increase in customers reflecting the full-year impact of the acquisition of Dubai International Airport District Cooling Acquisition.

For further information about the Group's revenue targets for 2022 and the medium term, see "*Financial and Operational Targets*".

Utilities costs

For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, utilities costs comprised 72.6%, 69.6%, 70.5%, 59.7% and 66.9% of the Group's cost of sales, respectively.

The Group's utilities costs comprise of costs related to purchase of water and electricity, including water, electricity and fuel surcharge charges paid to DEWA. These costs are variable in nature and are directly linked to consumption revenue. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 electricity accounted for 82.7%, 82.2%, 81.3%, 81.8% and 83.7%, respectively, and water and other utility costs accounted for 17.3%, 17.8%, 18.7%, 18.2% and 16.3%, respectively.

DEWA supplies the Group with water and electricity required for its operations and Dubai municipality provides the Group with TSE. The costs for these utilities are measured through metres installed in plant rooms and are positively affected by increased operational efficiencies.

The trend in the quantity of water and electricity consumed has been consistent with the growth in demand for cooling services. DEWA is the exclusive provider of electricity and water in Dubai and is a secure and reliable utility provider for the Group. The Group is also expanding its usage of recycled water, because it is cost efficient (cheaper by 10 times in base tariff compared to DEWA potable water) and environment friendly, and it is targeting TSE to account for 40% of the Group's water usage by 2025. While the Group's expectation is to obtain cost savings from increased use of TSE, the EBITDA margin is expected to remain stable at 48% to 50% in the medium term, due to similar levels of utility cost incurred by the Group, as the cost savings from the increased usage of the TSE would be offset by increased consumption due to changing customer mix (such as the Dubai International Airport, which requires 24/7 operational support) in the medium term.

	Year ended 31 December			Six months ended 30 June		Increase/(Decrease)		
						Year ended 31 December	Six months ended 30 June	
	2019	2020	2021	2021	2022	2019- 2020	2020-2021	2021- 2022
	<i>(AED thousand)</i>						<i>(%)</i>	
Electricity charges	733,067	695,708	799,274	254,371	344,340	(5.1)	14.9	35.4
Makeup water, waste water and diesel charges	152,940	150,901	184,246	56,568	67,232	(1.3)	22.1	18.9
Utilities cost	886,007	846,609	983,520	310,939	411,573	(4.4)	16.2	32.4
Electricity charges	82.7%	82.2%	81.3%	81.8%	83.7%	-	-	-
Makeup water, waste water and diesel charges	17.3%	17.8%	18.7%	18.2%	16.3%	-	-	-

Costs related to employment

In order to maintain operations, the Group requires a significant number of employees, the Group is especially dependent on its skilled and experienced management team. The main cost driver for employment cost is the number of people employed by the Group in any period, this drives salaries expense, staff benefits and provision for end of service benefits.

For the six months ended 30 June 2022, the Group had over 1,000 employees. This is expected to increase in 2023, as the Group expects to increase manpower to accommodate future capacity expansions, as well as undertake regular increments to salaries and employee benefits of existing staff, consequently increasing staff costs in future periods. Incremental increases to cost of employment on account of increases in manpower are expected to be minimal at approximately 1% increase on average per year over future periods (for the year ending 31 December 2021 through to the medium term) because employee increases are expected to be predominantly for low-cost employees.

The Group's employment cost is split between cost of sales and general and administrative expenses. The discussion here focuses on movement in total employment cost.

The Group's costs related to employment increased for the six months ended 30 June 2022 by 9.9% or AED 8.4 million from AED 84.8 million for the period in 2021 to AED 93.2 million for the period in 2022. This increase was on account of regular increases in manpower and salary increments.

The Group's costs related to employment decreased for the year ended 31 December 2021 by 1.2% or AED 2.1 million, from AED 174.4 million in 2020 to AED 172.3 million in 2021. The decrease was driven by a lower charge to the Group's provision for employee end of service benefits.

The Group's costs related to employment increased for the year ended 31 December 2020 by 6.6% or AED 10.9 million, from AED 163.6 million in 2019 to AED 174.4 million in 2020. The increase was driven by increases in manpower and annual salary increments.

The tables below set out the principal components of staff costs during the six months ended 30 June 2021 and 2022 and during the years ended 31 December 2019, 2020 and 2021.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Salaries.....	52,668	59,074	12.2
Staff Benefits.....	29,493	31,376	6.4
End of Service Benefits.....	2,595	2,711	4.5
Total	84,756	93,161	9.9
Number of employees as of period end.....	874	1,025	17.3

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
	(AED thousand)			(%)	
Salaries.....	101,220	106,590	106,968	5.3	0.4
Staff Benefits.....	56,597	59,015	59,856	4.3	1.4
End of Service Benefits.....	5,748	8,823	5,523	53.5	(37.4)
Total	163,565	174,428	172,347	6.6	(1.2)
Number of employees as of year end.....	818	877	929	7.2	5.9

Seasonality

The Group's sales are seasonal. Generally, demand for district cooling in Dubai is up to nearly three 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 district cooling. As a result of the seasonality of sales, the Group's revenue and operating profit tend to be highest in the third quarter of the year. Furthermore, typically approximately two thirds of the Group's consumption revenue is generated in the second half of the year.

Key performance indicators

The Group uses several key performance metrics internally to review the Group's financial and operational performance. These metrics are called key performance indicators ("KPIs") and are comprised of the Non-IFRS Measures and key operational performance indicators which are analysed below.

Non-IFRS Measures

The Non-IFRS Measures have been assessed, including EBIT, Adjusted EBIT, EBIT margin, Adjusted EBIT margin, EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, ROE, Free cash flow, Net Debt, Net Debt to Adjusted EBITDA ratio, Cash flow conversion ratio, Dividend Payout Ratio, Fixed Charge, Fixed Charge to Revenue ratio, Fixed Charge to Adjusted EBITDA ratio, Capital Expenditure and Gearing Ratio. These Non-IFRS Measures do not have a standardised definition and other companies may calculate them differently. Therefore, the Non-IFRS 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 Group believes that the projected Non-IFRS Measures are useful as an additional tool to help the Group and investors make informed decisions.

The following tables set forth the Group's key Non-IFRS Measures for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

EBIT, EBITDA

The following table sets forth the Group's EBIT and EBITDA for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Years ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
Net profit for the year / period.....	871,135	901,262	935,982	389,119	431,714
Finance (income) / costs - net.....	12,541	7,260	(2,506)	(61)	7,524
EBIT	883,676	908,522	933,476	389,058	439,238
Depreciation	261,673	291,977	311,152	152,023	159,411
Amortisation.....	-	-	400	-	6,078
EBITDA	1,145,349	1,200,499	1,245,028	541,081	604,727

EBITDA margin

The following table sets forth the Group's EBITDA margin for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
Revenue.....	2,189,340	2,255,115	2,463,874	993,114	1,154,257
EBITDA	1,145,349	1,200,499	1,245,028	541,081	604,727
EBITDA margin	52.3%	53.2%	50.5%	54.5%	52.4%

Adjusted EBIT

The following table sets forth the Group's Adjusted EBIT for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Years ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
EBIT	883,676	908,522	933,476	389,058	439,238
Impairment reversal of project cost*	(80,294)	(53,529)	(32,328)	-	-
Other income*					
Government grant and Others.....	(4,839)	(4,998)	(16,172)	(7,821)	(2,708)
Share of profit of joint venture	(124)	-	-	-	-
Provision for credit losses / net impairment losses on financial assets / impairment charges on trade receivables	351	13,823	8,568	-	7,395
Interest earned on Financial Asset.....	-	-	-	-	(9,251)
Adjusted EBIT	798,770	863,818	893,544	381,237	434,674

*As explained in "Presentation of Financial Information—Compatibility of Financial Information" certain balances for the year ended 31 December 2020 have been extracted from the comparative column in the 2021 Financial Statements to conform with the presentation in the 2021 Financial Statements and hence may not be directly comparable to the financial information included in the 2020 Financial Statements. Whereas the financial information for the year ended 31 December 2019 have been extracted from the 2020 Financial Statements which were not updated to conform with the presentation in the 2021 Financial Statements. The reconciliation of Adjusted EBIT has presented the 2019 information on the same basis as that presented in the 2020 Financial Statements to assist comparability. In the 2019 Financial Statements, there was no impairment reversal of project cost separately presented, which were reported in the 2019 Financial Statements as Other Income, with Other Income totalling AED 85.1 million.

EBITDA and Adjusted EBITDA

The following table sets forth the Group's EBITDA and Adjusted EBITDA for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Years ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
			(AED thousand)		
Net profit for the year / period.....	871,135	901,262	935,982	389,119	431,714
Finance income / (costs) - net.....	12,541	7,260	(2,506)	(61)	7,524
Depreciation	261,673	291,977	311,152	152,023	159,411
Amortisation.....	-	-	400	-	6,078
EBITDA	1,145,349	1,200,499	1,245,028	541,081	604,727
Impairment reversal of project cost*	(80,294)	(53,529)	(32,328)	-	-
Other income*					
Government grant and Others.....	(4,839)	(4,998)	(16,172)	(7,821)	(2,708)
Share of profit of joint venture	(124)	-	-	-	-
Provision for expected credit loss / net impairment losses on financial assets / impairment charges on trade receivables.....	351	13,823	8,568	-	7,395
Interest earned on Financial Asset.....	-	-	-	-	(9,251)
Adjusted EBITDA	1,060,443	1,155,795	1,205,096	533,260	600,163

*As explained in "Presentation of Financial Information—Compatibility of Financial Information" certain balances for the year ended 31 December 2020 have been extracted from the comparative column in the 2021 Financial Statements to conform with the presentation in the 2021 Financial Statements and hence may not be directly comparable to the financial information included in the 2020 Financial Statements. Whereas the financial information for the year ended 31 December 2019 have been extracted from the 2020 Financial Statements which were not updated to conform with the presentation in the 2021 Financial Statements. The reconciliation of Adjusted EBITDA has presented the 2019 information on the same basis as that presented in the 2020 Financial Statements to assist comparability. In the 2019 Financial Statements, there was no impairment reversal of project cost separately presented, which were reported in the 2019 Financial Statements as Other Income, with Other Income totalling AED 85.1 million.

Adjusted EBIT margin

The following table sets forth the Group's Adjusted EBIT margin for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
			(AED thousand)		
Revenue.....	2,189,340	2,255,115	2,463,874	993,114	1,154,257
Adjusted EBIT	798,770	863,818	893,544	381,237	434,674
Adjusted EBIT margin	36.5%	38.3%	36.3%	38.4%	37.7%

Adjusted EBITDA margin

The following table sets forth the Group's Adjusted EBITDA margin for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
			(AED thousand)		
Revenue	2,189,340	2,255,115	2,463,874	993,114	1,154,257
Adjusted EBITDA	1,060,443	1,155,795	1,205,096	533,260	600,163
Adjusted EBITDA margin.....	48.4%	51.3%	48.9%	53.7%	52.0%

Return on equity

The following table sets forth the Group's ROE for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
Net profit for the year / period.....	871,135	901,262	935,982	389,119	431,714
Total equity	4,273,707	4,794,750	5,430,892	4,884,975	5,356,730
ROE	20.4%	18.8%	17.2%	8.0%	8.1%

Free cash flow

The following table sets forth the Group's Free cash flow for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
Net cash generated from operating activities.....	1,022,677	1,033,774	1,366,206	631,329	609,502
Payment for property, plant and equipment, net of project accruals, retention payables to capex suppliers	(676,661)	(775,473)	(571,580)	(315,008)	(220,895)
Free cash flow	346,016	258,301	794,626	316,321	388,607

Net Debt to Adjusted EBITDA ratio

The following table sets forth the Group's Net Debt to Adjusted EBITDA ratio as at 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022.

	Year ended and as at 31 December			Six months ended and as at 30 June
	2019	2020	2021	2022
	(AED thousand)			
Adjusted EBITDA	1,060,443	1,155,795	1,205,096	600,163
Total bank borrowings	420,674	1,322,039	1,987,885	2,907,243
Less: Cash and cash equivalents.....	(331,247)	(1,069,196)	(1,245,588)	(1,834,783)
Less: Term deposits.....	-	(17,500)	(114,800)	(323,600)
Net Debt	89,427	235,343	627,497	748,860
Net Debt to Adjusted EBITDA ratio.....	0.1x	0.2x	0.5x	1.2x

Cash flow conversion ratio

The following table sets forth the Group's Cash flow conversion ratio for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Years ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(AED thousand)				
Net cash provided by/ (used in) operating activities	1,022,677	1,033,774	1,366,206	631,329	609,502
Adjusted EBITDA.....	1,060,443	1,155,795	1,205,096	533,260	600,163
Cash flow conversion ratio.....	96.4%	89.4%	113.4%	118.4%	101.6%

Dividend Payout Ratio

The following table sets forth the Group's Dividend Payout Ratio for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Years ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
			(AED thousand)		
Dividends paid to shareholders / Dividends paid .	470,000	330,000	400,300	400,300	500,000
Net profit for the year / period.....	871,135	901,262	935,982	389,119	431,714
Dividend Payout Ratio	54.0%	36.6%	42.8%	102.9%	115.8%

Fixed Charge to Revenue ratio

The following table sets forth the Group's Fixed Charge to Revenue ratio for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Years ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
			(AED thousand)		
Demand Charge Revenue.....	828,799	862,471	933,787	457,233	499,585
Revenue.....	2,189,340	2,255,115	2,463,874	993,114	1,154,257
Fixed Charge to Revenue ratio	37.9%	38.2%	37.9%	46.0%	43.3%

Fixed Charge to Adjusted EBITDA ratio

The following table sets forth the Group's Fixed Charge to Adjusted EBITDA ratio for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

	Years ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
			(AED thousand)		
Demand Charge Revenue.....	828,799	862,471	933,787	457,233	499,585
Adjusted EBITDA.....	1,060,443	1,155,795	1,205,096	533,260	600,163
Fixed Charge to Adjusted EBITDA ratio	78.2%	74.6%	77.5%	85.7%	83.2%

Key operational performance indicators

The following table sets forth the Group's key operational performance indicators for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
Cooling delivered (RTh in million).....	1,718	1,728	2,045	721	782

Description of Key Line Items

Revenue

The Group's revenue includes revenue from district cooling services net of discounts provided during the period and sale of pre-insulated pipes. Revenue from district cooling services is the dominant source of the Group's revenue. It is derived through long-term concession agreements. These contracts typically provide revenue through the following charges:

- Demand and consumption charges comprising of available capacity and variable output provided to customers
 - demand charges are fixed tariff charges based on contractually agreed upon demand load. These charges are paid regardless of usage and cover fixed costs incurred in the process of setting up infrastructure capable to servicing the concession agreements; and

- consumption charges are based on metered usage of the Group's customers. These charges typically cover variable costs of operation with utility costs, such as water and electricity and other charges.
- Other revenue includes event-based charges such as connection charge, temperature surcharge, disconnection charges and others.

Cost of sales

The Group's cost of sales is comprised of costs that have been incurred for the provision of district cooling services together with the production of insulated pipes. These costs include utility costs, depreciation attributable to operations, cost of material and staff costs.

General and administrative expenses

General and administrative expenses of the Group principally include staff costs, depreciation of property, plant and equipment and right of use assets used for administrative purposes, communication expenses and directors' remuneration.

Provision for credit losses

Provision for credit losses is an estimation of potential losses that the Group might experience on its trade receivables due to increase in credit risk. These potential losses were presented as net impairment losses on financial asset for the year ended 31 December 2021 and impairment charges on trade receivables for the year ended 31 December 2020, see "*Presentation of Financial and Other Information*".

Other income

Other income principally includes income from Government grants and other miscellaneous income. Government grants represent the value of land provided to the Group at no cost from the Government. The Group's miscellaneous income includes damage penalties, rental income from car parks in district cooling plants, telecommunication towers installed in premises owned by the Group and sale of scrap among others.

Net finance costs

Net finance costs comprise of finance costs including interest expense on the bank and other borrowings, interest on lease liabilities, interest expenses capitalised and finance income comprising of interest income on short term bank deposits, interest income on financial asset at fair value through other comprehensive income ("**FVTOCI**") and interest income on call account with banks.

Other comprehensive (loss)/income

The Group's other comprehensive income represents the fair value changes of the Group's investment in Tier 1 Capital Certificate ("**Bonds**") issued at par value and recognised at fair value through other comprehensive income.

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

Results of operations for the six months ended 30 June 2021 and 2022

The following table sets forth the Group's consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Revenue	993,114	1,154,257	16.2
Interest income on financial asset at amortised cost	-	9,251	100.0
Cost of sales	(520,411)	(615,175)	18.2
Gross profit	472,703	548,333	16.0
General and Administrative expenses	(91,466)	(104,408)	14.1
Provision for expected credit losses	-	(7,395)	(100.0)
Other income	7,821	2,708	(65.4)
Operating profit	389,058	439,238	12.9
Finance costs	(4,604)	(19,360)	320.5
Finance income	4,665	11,836	153.7
Finance income/(costs) – net	61	(7,524)	(12,434.4)
Net profit for the period	389,119	431,714	10.9
Other comprehensive income:			
Other comprehensive (loss)/income for the period	1,406	(5,876)	(517.9)
Total comprehensive income for the period	390,525	425,838	9.0
Profit for the year attributable to			
Owners of the Parent	389,058	431,646	10.9
Non-controlling interests	61	68	11.5
	389,119	431,714	10.9
Total comprehensive income for the period attributable to			
Owners of the Parent	390,464	425,770	9.0
Non-controlling interest	61	68	11.5
	390,525	425,838	9.0
Earnings per share			
Basic and diluted earnings per share	0.4	0.4	-

Revenue

The Group's revenue for the six months ended 30 June 2022 increased by 16.2% or AED 161.1 million, from AED 993.1 million for the period in 2021 to AED 1,154.3 million for the period in 2022. The increase was due to increases in the district cooling revenue stream on account of an 11.1% increase in connected capacity from 1,248,984 RT for the six months ended 30 June 2021 to 1,388,109 RT for the six months ended 30 June 2022 and was partially offset by decreases in revenue from sales of pre-insulated pipes.

Revenue by segments

The following table presents the breakdown of the Group's revenue for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Chilled Water	991,601	1,153,098	16.3
Pre-insulated Pipe	1,513	1,159	(23.4)
Total Revenue	993,114	1,154,257	16.2

Chilled Water

The Group's Chilled Water segment includes the revenue from demand, consumption and other revenues. The Group's Chilled Water revenue for the six months ended 30 June 2022 increased by 16.3% or AED 161.5 million from AED 991.6 million for the period in 2021 to AED 1,153.1 million for the period in 2022. This increase was primarily due to the Group entering into new concession agreements with master developers, building owners or customers, thereby increasing the Group's revenue from demand, consumption and other revenues.

Pre-insulated Pipe

Revenue from the Pre-insulated Pipe segment are based on orders received by ELIPS. The Group's Pre-insulated Pipe revenue for the six months ended 30 June 2022 decreased by 23.4% or AED 0.4 million from AED 1.5 million for the period in 2021 to AED 1.2 million for the period in 2022. This decrease was primarily due to a decrease in sales volumes on account of the delay and postponement of certain projects during the six months ended 30 June 2022.

Cost of sales

The Group's consolidated cost of sales for the six months ended 30 June 2022 increased by 18.2% or AED 94.8 million from AED 520.4 million for the period in 2021 to AED 615.2 million for the period in 2022. The increase was driven by and was commensurate to an increased provision of district cooling service and higher output of chilled water.

Cost of sales by segments

The following table presents the Group's segmental cost of sales for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Chilled Water.....	517,979	613,334	18.4
Pre-insulated Pipe.....	12,033	9,184	(23.7)
Elimination	(9,601)	(7,343)	(23.5)
Cost of sales	520,411	615,175	18.2

Chilled Water

The Group's consolidated cost of sales attributable to the chilled water segment for the six months ended 30 June 2022 increased by 18.4% or AED 95.4 million from AED 518.0 million for the period in 2021 to AED 613.3 million for the period in 2022. This increase is primarily due to increased demand and provision of district cooling services.

Pre-insulated Pipe

The Group's consolidated costs of sales attributable to the pre-insulated pipe segment decreased by 23.7% or AED 2.8 million primarily due to decreased operational activity in the sales of pre-insulated pipe business.

Cost of sales by type

The following table presents the Group's cost of sales breakdown by type of expenditures for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Utilities costs	310,939	411,573	32.4
Depreciation.....	148,193	154,776	4.4
Depreciation on property, plant and equipment.....	145,869	153,540	5.3
Depreciation on right-of-use assets	2,324	1,236	(46.8)
Staff costs	18,549	18,201	(1.9)
Amortisation of intangible asset.....	-	6,078	100.0
Materials	977	700	(28.4)
Others.....	41,753	23,847	(42.9)
Cost of sales	520,411	615,175	18.2

Utilities costs

The Group's utility costs for the six months ended 30 June 2022 increased by 32.4% or AED 100.6 million, from AED 310.9 million for the period in 2021 to AED 411.6 million for the period in 2022. The increase was

due to an increase in the cost of water and electricity payments to DEWA and an increase in the fuel surcharge. Both increases were driven by increases in operational activity.

Depreciation

The Group's depreciation for the six months ended 30 June 2022 increased by 4.4% or AED 6.6 million from AED 148.2 million for the period in 2021 to AED 154.8 million for the period in 2022. This increase was mainly due to additional depreciation on capitalisation of completed district cooling plants during the six months ended 30 June 2022 compared to the prior period.

Staff costs

The Group's staff costs for the six months ended 30 June 2022 were stable, marginally decreasing by 1.9% or AED 0.3 million, from AED 18.5 million for the period in 2021 to AED 18.2 million for the period in 2022. This marginal decrease was due to a change in the proportion of staff costs allocated between cost of sales and general and administrative expenses driven by the change in compensation and staff mix in both the periods.

Materials

The Group's materials costs for the six months ended 30 June 2022 decreased by 28.4% or AED 0.3 million from AED 1.0 million for the period in 2021 to AED 0.7 million for the period in 2022. This decrease was due to a decrease in operational activity in the Pre-insulated Pipe operating segment, this is commensurate to the decrease in revenue generated from the Pre-insulated Pipe segment.

Others

Other operating expenses comprises of freight and transportation charges, repair and maintenance, rental charges on leased equipment, consumables and insurance on plant and equipment.

The Group's other operating expenses for the six months ended 30 June 2022 decreased by 42.9% or AED 17.9 million from AED 41.8 million for the period in 2021 to AED 23.8 million for the period in 2022. This decrease was primarily due to a cost reversal during the six months ended 30 June 2022 resulting from equipment rentals.

Interest income on financial assets at amortised cost

For the six months ended 30 June 2022, the Group recorded an interest income on financial asset at amortised cost of AED 9.3 million compared to nil for the six months ended 30 June 2021. The financial assets at amortised cost represent receivables from Nakheel PJSC in relation to the acquisition of Empower Snow LLC in December 2021.

General and administrative expenses

The following table presents the Group's general and administrative expenses broken down by type of expenditures for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	<i>(AED thousand)</i>		<i>(%)</i>
Staff costs	66,207	74,960	13.2
Depreciation on property, plant and equipment	2,981	3,551	19.1
Directors' remuneration	3,125	3,125	-
Consultancy	1,906	2,412	26.5
Communication expenses	7,050	5,531	(21.5)
Depreciation on right-of-use asset	849	1,084	27.7
Advertising and marketing expenses	608	1,354	122.7
Rent	258	263	1.9
Business Travel	-	37	100.0
Others	8,482	12,091	42.5
General and Administrative expenses	91,466	104,408	14.1

The Group's general and administrative expenses for the six months ended 30 June 2022, increased by 14.1% or AED 12.9 million, from AED 91.5 million for the period in 2021 to AED 104.4 million for the period in 2022. This increase was primarily due to increases in (i) staff costs, on account of increases in manpower to

maintain sufficient capacity for the Group's increased operations, and salary increments, (ii) increases in depreciation was due to additions to building, computer equipment and furniture and fixtures employed for administrative and general purposes, (iii) increases in marketing and advertising expenses primarily due to the Group's increased spending on public relations, sponsorship expenses and other marketing expenses in an attempt to attract more business, evident by the Group's increase in revenue. Increases in general and administrative expenses were partially offset by decreases in communication expenses driven by the completion of the majority of structural operating expenses related to communication facilities in various plant rooms and command control centre leading to the reduction in the communication expenses.

Provision of credit losses

For the six months ended 30 June 2022, the Group recorded a provision for credit losses of AED 7.4 million compared to nil for the six months ended 30 June 2021. The Group made a provision of credit losses to account for an increase in concentration risk due to an increase in accumulation of trade receivables owed by, and attributable to, three of the Group's customers.

Other income

For the six months ended 30 June 2022, the Group's other income decreased by 65.4% or AED 5.1 million from AED 7.8 million for the period in 2021 to AED 2.7 million for the period in 2022. The decrease in other income was due to decreases in the Group's miscellaneous income, including scrap sales, partially offset by increases in rental income from telecommunication towers and reversal of past provisions.

Operating profit

The Group's operating profit for the six months ended 30 June 2022 increased by 12.9% or AED 50.2 million, from AED 389.1 million for the six months ended 30 June 2021 to AED 439.2 million for the six months ended 30 June 2022. This increase was primarily due to an increase in the provision of district cooling services, which in turn increased the Group's overall revenues. As consumption of chilled water increased in the six months ended 30 June 2022, the Group's operating profit increased as a direct result of increased revenues.

Net finance costs

The table below set outs the net finance costs incurred by the Group for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	<i>(AED thousand)</i>		<i>(%)</i>
Finance costs			
Interest on lease liabilities	(385)	(291)	(24.4)
Interest expenses on bank borrowings	(10,879)	(20,315)	86.7
Interest expenses capitalised	6,660	1,246	(81.3)
Total finance costs	(4,604)	(19,360)	320.5
Finance income			
Interest income on short term bank deposits	3,339	11,048	230.9
Interest income on financial asset at FVTOCI	992	-	(100.0)
Interest income on call account with banks	334	788	136.0
Total finance income	4,665	11,836	153.7
Net finance income/(cost)	61	(7,524)	(12,434.4)

Net finance costs for the six months ended 30 June 2022 increased by AED 7.6 million from net finance income of AED 0.1 million in 2021 to net finance costs of AED 7.5 million in 2022. The Group's finance cost increased by 320.5% or AED 14.8 million as a result of an increase in interest expenses on bank borrowings driven by an increase in the Group's bank borrowings from AED 1,238.4 million as at 30 June 2021 to AED 2,907.2 million as at 30 June 2022. The Group's finance income increased by 153.7% or AED 7.2 million as a result of an increase in interest income on short term deposits driven by an increase in short term bank deposits from AED 755.8 million as at 30 June 2021 to AED 1,901.2 million as at 30 June 2022.

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 recognise any taxation expense, whether deferred or actual.

Other comprehensive (loss)/income

The Group's consolidated other comprehensive (loss)/income for the six months ended 30 June 2022 decreased by AED 7.3 million from an income of AED 1.4 million in 2021 to a loss of AED 5.9 million in 2022. The decrease was driven by change in the fair value of the Bonds.

Results of operations for the years ended 31 December 2019, 2020 and 2021.

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 and for the six months ended 30 June 2021 and 2022.

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousand)			(%)
Revenue.....	2,189,340	2,255,115	2,463,874	3.0	9.3
Cost of sales	(1,220,327)	(1,216,084)	(1,394,449)	(0.3)	14.7
Impairment reversal of project cost	-	53,529	32,328	100.0	(39.6)
Gross profit	969,013	1,092,560	1,101,753	12.7	0.8
General and Administrative expenses	(170,594)	(175,213)	(175,881)	2.7	0.4
Net impairment losses on financial assets	-	(13,823)	(8,568)	100.0	(38.0)
Other income.....	85,133	4,998	16,172	(94.1)	223.6
Operating profit	883,552	908,522	933,476	2.8	2.7
Finance costs	(19,767)	(11,878)	(9,127)	(39.9)	(23.2)
Finance income	7,226	4,618	11,633	(36.1)	151.9
Finance income/(costs) – net.....	(12,541)	(7,260)	2,506	(42.1)	(134.5)
Share of profit of joint ventures.....	124	-	-	(100.0)	-
Net profit for the year	871,135	901,262	935,982	3.5	3.9
Other comprehensive income:					
Other comprehensive income for the year	-	2,281	460	100	(79.8)
Total comprehensive income for the year	871,135	903,543	936,442	3.7	3.6
Profit for the year attributable to					
Owners of the parent	870,602	900,950	935,860	3.5	3.9
Non-controlling interests.....	533	312	122	(41.5)	(60.9)
	871,135	901,262	935,982	3.5	3.9
Total comprehensive income for the year attributable to					
Owners of the parent	870,602	903,231	936,320	3.7	3.7
Non-controlling interests.....	533	312	122	(41.5)	(60.9)
	871,135	903,543	936,442	3.7	3.6
Earnings per share					
Basic and diluted earnings per share	0.9	0.9	0.9	-	-

Revenue

The Group'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 reflected the resilience of the diversified portfolio of projects and sectors, enabling the Group to report a growth in revenue despite difficulties faced during the COVID-19 pandemic. This growth was partially offset by discounts provided to COVID-19 quarantine centres and pass-through discounts received on utility charges for a certain period, to various consumer groups.

For the year ended 31 December 2021, the Group's revenue 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 consumer groups and led to a rise in hospitality and commercial activities impacting demand for services and revenues generated by the Group.

Revenue by segments

The following table presents the breakdown of the Group'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 thousand)			(%)	
Chilled Water	2,182,770	2,247,170	2,456,586	3.0	9.3
Pre-insulated Pipe.....	6,570	7,945	7,288	20.9	(8.3)
Total Revenue	2,189,340	2,255,115	2,463,874	3.0	9.3

Chilled Water

The Group's Chilled Water revenues 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 an increase in connected capacity from 1,153,837 RT for the year ended 31 December 2019 to 1,228,276 for the year ended 31 December 2020 and increased consumption of cooling services across all sectors during the period. This increase was partially offset by the discounts provided by the Group during the year amounting to AED 21.5 million. These discounts were mainly provided to COVID-19 quarantine centres and included pass through discounts received on utility charges from March 2020 to June 2020, to various consumer groups. The Group also experienced an increase in load connections during the year.

For the year ended 31 December 2021, the Group's Chilled Water revenues 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 returning in the industrial and commercial sectors to pre-pandemic levels and increase in connected capacity. As a result, the Group saw an increase in demand and consumption charges. The Group did not provide any COVID-19 related discounts in 2021.

Pre-insulated Pipe

The Group's Pre-insulated Pipe revenue for the year ended 31 December 2020 increased by 20.9% or AED 1.4 million from AED 6.6 million in 2019 to AED 7.9 million in 2020. This increase was primarily due to increased production of pipes in response to increased demand resulting from increased development projects in the region.

The Group's Pre-insulated Pipe revenue for the year ended 31 December 2021 decreased by 8.3% or AED 0.6 million, from AED 7.9 million in 2020 to AED 7.3 million in 2021. This decrease was primarily due to the decline in new projects occurring as a result of the impact of the COVID-19 pandemic. Due to the global pandemic, the construction of new developments decreased during the period, in turn reducing the pre-insulated pipe revenue.

Cost of sales

The Group'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 resulting from growing operational efficiencies of plant rooms and discounts received amidst COVID-19 pandemic. This decrease was partially offset by the rise in operating and staff costs in 2020. Since the cost of sales is directly linked to consumption revenue, when consumption dropped in 2020, the cost of sales also decreased due to the COVID-19 pandemic restrictions.

For the year ended 31 December 2021, the Group's cost of sales increased by 14.7% or AED 178.4 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 consumption charge revenue due to the growth in demand in 2021 along with further increases 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 in 2021, consumption-driven revenue increased and as a result, the Group's cost of sales increased as well.

Cost of Sales by Segments

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

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
	(AED thousand)			(%)	
Chilled Water	1,212,572	1,207,312	1,386,517	(0.4)	14.8
Pre-insulated Pipe.....	45,308	29,108	25,113	(35.8)	(13.7)
Elimination.....	(37,553)	(20,336)	(17,181)	(45.8)	(15.5)
Cost of sales.....	1,220,327	1,216,084	1,394,449	(0.3)	14.7
Chilled Water as a percentage of cost of sales ...	99.4%	99.3%	99.4%	-	-
Pre-insulated Pipe as a percentage of cost of sales.....	3.7%	2.4%	1.8%	-	-
Elimination as a percentage of cost of sales	(3.1%)	(1.7%)	(1.2%)	-	-

Chilled Water

The Group's consolidated cost of sales attributable to the Chilled Water segment for the year ended 31 December 2020 slightly decreased by 0.4% or AED 5.3 million from AED 1,212.6 million for the period in 2019 to AED 1,207.3 million for the period in 2020. This slight decrease was on account of the Group maintaining relatively stable operations during the COVID-19 pandemic as a result the Group's operational level was similar with prior periods and costs decreased as a result of discounts received by the Group.

The Group's consolidated cost of sales attributable to the Chilled Water segment for the year ended 31 December 2021 increased by 14.8% or AED 179.2 million from AED 1,207.3 million for the period in 2020 to AED 1,386.5 million for the period in 2021. This increase was commensurate with increases in the Group's revenue and reflected improvements in economic conditions in the region in which the Group operates. The Group was able to profitably operate during the COVID-19 pandemic on account of its diversified portfolio of projects.

Pre-insulated Pipe

The Group's consolidated costs of sales attributable to the Pre-insulated Pipe segment decreased by 35.8% or AED 16.2 million for the year ended 31 December 2020 from AED 45.3 million for the period in 2019 to AED 29.1 million for the period in 2020 and further decreased by 13.7% or AED 4.0 million for the year ended 31 December 2021 from AED 29.1 million for the period in 2020 to AED 25.1 million for the period in 2021. These decreases were due to decreased operational activity in the sales of pre-insulated pipe business, exacerbated in 2020 due to the COVID-19 pandemic.

Cost of sale by type

The following table presents the Group's cost of sales broken down by type of 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 thousand)			(%)	
Utilities costs	886,007	846,609	983,520	(4.4)	16.2
Depreciation	252,086	283,631	303,646	12.5	7.1
Depreciation on PPE	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 intangible asset	-	-	400	-	100.0
Material and other costs	46,784	47,489	68,913	1.5	45.1
Materials	3,674	5,191	4,421	41.3	(14.8)
Others	43,110	42,298	64,492	(1.9)	52.5
Cost of sales	1,220,327	1,216,084	1,394,449	(0.3)	14.7

Utility costs

The Group'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 pandemic. The Group's utility cost is directly linked to its consumption revenue. As such, the decreases in the charges related to electricity and water in 2020 are mirrored in the decrease of consumption charge revenue for the Group. Lower utility cost in 2020 was also on account of the Group's continuous focus on increasing operational efficiencies of plant rooms (including demand flow optimisation and the EM Smart initiative). Additionally, as a Government initiative, discounts of AED 12.0 million were given on electricity and water services as relief to customers, which was one of the drivers of the reduced utility costs for the year ended 31 December 2020.

For the year ended 31 December 2021, the Group'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 resulting from 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 as compared to the previous year in line with the demand.

Material and other costs

The Group'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 the Group expanded and started serving additional buildings, there was an increase in the operating expenses as a direct result of this expansion. Additionally, 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 45.1% or AED 21.4 million from AED 47.5 million in 2020 to AED 68.9 million in 2021. This increase was due in large part to the growth and expansion of the Group during the period, which led to an increase in operating expenses incurred. Additionally, inflation increased for the period, resulting in higher operating expenses.

Staff costs

The Group'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, The Group'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 the Group's staffing requirements during the period.

Depreciation

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 the transfer of completed district cooling infrastructure (plants and networks) from capital working progress to plant, equipment and machinery amounting to AED 989.0 million during 2020.

For the year ended 31 December 2021, 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 primarily due to transfers to plant, equipment and machinery from capital work-in-progress amounting of AED 404.9 million incurred during the year 2021 and annual depreciation for capital expenditure incurred in 2021.

Impairment reversal of project cost

Prior to its acquisition by the Company, PDC had impaired costs relating to projects (Jumeirah Village), and the Company had impaired costs relating to projects (Head office building and Midriff plant) that did not develop as anticipated. During 2017, the Group commenced services to the Jumeriah Village project, this resulted in a reduction of impairment of pipe network costs. Accordingly, as at 31 December 2020, the Company assessed the reversal of impairment corresponding to the upcoming building in Jumeirah Village Project and reversed AED 53.5 million during 2020 (2019: AED 80.3 million).

Shoring and foundation work has resumed construction of Mirdiff plant and Head Office building and an assessment was performed to determine the recoverable amount of the following assets. The assessment was performed by the engineering department after analysing the work that can be utilised and will not have to be undertaken again. This was further supported by additional data secured related to forecast revenue which will eventually recover the impaired project cost. The calculations use cash flow projections based on financial budgets and a discount rate of 4%. Accordingly, the Group had reversed an impairment which amounted to AED 32.3 million during 2021.

General and Administrative expenses

The following table presents the Group's general and administrative expenses broken down by type of 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 thousand)			(%)	
Staff costs.....	128,115	136,073	134,377	6.2	(1.2)
Impairment charges on trade receivables	351	-	-	(100.0)	-
Depreciation on PPE	7,549	6,308	5,944	(16.4)	(5.8)
Directors' remuneration	6,250	6,250	6,250	-	-
Communication expenses.....	3,785	5,260	4,254	39.0	(19.1)
Depreciation – Right-of-use assets.....	2,038	2,038	1,562	-	(23.4)
Advertising and marketing expenses.....	4,019	1,580	4,054	(60.7)	156.6
Rent	637	738	498	15.9	(32.5)
Others	17,850	16,966	18,942	(5.0)	11.6
General and administrative expenses	170,594	175,213	175,881	2.7	0.4

The Group's general and administrative expenses for the year ended 31 December 2020, increased by 2.7% or AED 4.6 million, from AED 170.6 million in 2019 to AED 175.2 million in 2020. This increase was primarily due to an increase in staff costs driven by an increase in compensation and benefits paid to existing staff and increase in headcount by 59 additional employees and increases in IT related expenses. These increases were partially offset by decreases in depreciation of PPE, on account of fully depreciated fixed assets in 2020.

For the year ended 31 December 2021, the Group's administrative expenses slightly increased by 0.4% or AED 0.7 million, from AED 175.2 million in 2020 to AED 175.9 million, in 2021. This increase was mainly due to the increase in advertising and marketing expenses which was part of the Group's initiative to enhance business recovery in the period. This increase was partially offset by a decrease in depreciation primarily due to fewer additions to right of use assets, when compared to 2020, as well as decreases in staff costs and communication expenses.

Net impairment losses on financial assets

For the year ended 31 December 2020, the Group's net impairment losses on financial assets increased by AED 13.5 million from AED 0.4 million in 2019 to AED 13.8 million in 2020. This increase was due to increases in allowances for doubtful debts caused in large part by the financial crisis during the COVID-19 pandemic.

The Group's provision for expected credit losses decreased by 38.0% or AED 5.3 million from AED 13.8 million in 2020 to AED 8.6 million in 2021. This decrease was primarily due to the financial recovery of the overall economy and the Groups' customers post the COVID-19 pandemic related lockdowns which led to a reduction in credit risks across all sectors as compared to 2020.

Other income

For the year ended 31 December 2020, the Group's other income decreased by 94.1% or AED 80.1 million from AED 85.1 million in 2019 to AED 5.0 million in 2020. The movement in other income in 2020 was primarily due to the reclassification of impairment reversal of project cost amounting to AED 80.3 million in 2019, see "*Presentation of Financial and Other Information*". Additionally, the Group reported higher incomes from scrap sale in 2020 which was partially offset by a decrease in rentals from telecommunication towers.

Other income for the year ended 31 December 2021 increased by 223.6% or AED 11.2 million from AED 5.0 million in 2020 to AED 16.2 million in 2021. The increase was primarily due to increases in miscellaneous income, income from scrap sales and rental income from telecommunication towers.

Operating profit

The Group's operating profit for the year ended 31 December 2020 increased by 2.8% or AED 25.0 million, from AED 883.5 million in 2019 to AED 908.5 million in 2020. The increase was primarily driven by increases in revenue and decreases in costs of sales, partially offset by increases in general and administrative expenses.

For the year ended 31 December 2021, the Group's operating profit increased by 2.7% or AED 25.0 million from AED 908.5 million in 2020 to AED 933.5 million in 2021. This increase was primarily due to increases in operational activities and the resulting increase in revenue and was partially offset by higher costs.

Net finance costs

The table below sets out the net finance costs incurred by the Group for the years ended of 31 December 2019, 2020 and 2021.

	Year ended 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
	(AED thousand)			(%)	
Finance costs					
Interest on lease liabilities	(1,214)	(1,146)	(712)	(5.6)	(37.9)
Interest expenses on bank borrowings.....	(18,553)	(14,871)	(21,662)	(19.8)	45.7
Interest expenses capitalised	-	4,139	13,247	-	220.1
Total finance costs	(19,767)	(11, 878)	(9,127)	(39.9)	(23.2)
Finance income					
Interest income on short-term bank deposits	7,226	3,418	7,255	(52.7)	112.3
Interest income on financial asset at FVTOCI ...	-	661	2,644	-	300.0
Interest income on call account with banks	-	539	624	-	15.8
Interest on income earned on financial assets at amortised cost	-	-	610	-	-
Interest income on financial asset at fair value through profit or loss ("FVTPL")	-	-	500	-	-
Total finance income	7,226	4,618	11,633	(36.1)	151.9
Net finance income/(cost)	(12,541)	(7,260)	2,506	(42.1)	134.5

Net finance costs for the year ended 31 December 2020 decreased by 42.1% or AED 5.3 million from AED 12.5 million in 2019 to of AED 7.3 million in 2020. The decrease was primarily driven by a decrease in finance costs, which was partially offset by the impact of lower finance income. The Group's finance costs decreased by 39.9% or AED 7.9 million, primarily due to decreases in LIBOR rates charged on bank borrowings and increase in interest expenses capitalised relating to portion of borrowing attributable to the construction of

fixed asset. The Group's finance income decreased by 36.1% or AED 2.6 million, from AED 7.2 million in 2019 to AED 4.6 million in 2020, mainly driven by a decrease in the interest income on short term bank deposits resulting from a decrease in short term bank deposit interest rates per annum.

Net finance costs for the year ended 31 December 2021 increased by 134.5% or AED 9.8 million from a net finance cost of AED 7.3 million in 2020 to a net finance income of AED 2.5 million in 2021. This increase was primarily driven by an increase in finance income and decrease in finance cost.

The Group's finance cost decreased by 23.2% or AED 2.8 million from AED 11.9 million in 2020 to AED 9.1 million in 2021. This decrease was primarily driven by an increase in interest expenses capitalised, representing the capitalisation of a portion of borrowing costs relating to the new bridge loan facility the Group obtained in 2021 which was partially offset by the increase in the interest expenses on borrowings primarily driven by an increase in the Groups' borrowings from AED 1,322.0 million in 2020 to AED 1,987.9 million in 2021.

The Group's finance income increased by 151.9% or AED 7.0 million, from AED 4.6 million in 2020 to AED 11.6 million in 2021, due to an increase in interest income on short term bank deposits resulting from an increase in short term bank deposit from AED 876.5 million as at 31 December 2020 to AED 1,115.5 million as at 31 December 2021. Additionally, the Group's interest income on financial assets at FVTOCI increased by 300% or AED 2.0 million due to the investment in Bonds at the end of 2020 resulting in interest income for a shorter period in 2020 as opposed to the full year of interest income in 2021.

Share of profit of joint venture

For the year ended 31 December 2019, the Group recorded AED 0.12 million income from a joint venture in a utilities sector company, Utilities Management LLC.

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 recognise any taxation expense, whether deferred or actual.

Other comprehensive income

The Group did not record any other comprehensive income for the year ended 31 December 2019. The Group's consolidated other comprehensive income for the year ended 31 December 2021 decreased by 79.8% or AED 1.8 million from AED 2.3 million in 2020 to AED 0.46 million in 2021. The fair value of the financial asset at FVTOCI increased by 0.8% or AED 0.5 million from AED 57.7 million as at 31 December 2020 to AED 58.1 million as at 31 December 2021.

Consolidated statement of financial position

Financial position as at 30 June 2022 and 31 December 2021.

The following table presents the Group's consolidated financial position as at 30 June 2022 and 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
Assets			
Non-current assets			
Property, plant and equipment.....	7,032,991	6,996,477	(0.5)
Right-of-use assets.....	13,412	12,912	(3.7)
Intangible assets.....	364,296	358,218	(1.7)
Financial assets at amortised cost.....	305,164	303,066	(0.7)
Financial assets at fair value through other comprehensive income	58,113	54,120	(6.9)
Investment Properties	-	59,047	100.0
Investment in a joint venture.....	307	307	-
Total non-current assets	7,774,283	7,784,147	0.1
Current assets			
Inventories	27,018	25,462	(5.8)
Trade and other receivables.....	274,498	398,551	45.2
Due from related parties	3,618	12,971	258.5
Financial assets at amortised cost.....	3,911	4,028	3.0
Financial assets at fair value through profit or loss	100,000	100,000	-
Term deposits	114,800	323,600	181.9
Cash and cash equivalents.....	1,245,588	1,834,783	47.3
Total current assets	1,769,433	2,699,395	52.6
Total assets	9,543,716	10,483,542	9.8
Equity and liabilities			
Equity			
Capital.....	1,000,000	1,000,000	-
Statutory reserve.....	500,000	500,000	-
Other reserves	2,741	(3,135)	(214.4)
Retained earnings	3,844,024	3,775,670	(1.8)
Contributed capital	82,190	82,190	-
Non-controlling interests.....	1,937	2,005	3.5
Total equity	5,430,892	5,356,730	(1.4)
Liabilities			
Non-current liabilities			
Bank borrowings	987,666	883,716	(10.5)
Government grant	370,890	369,110	(0.5)
Provision for employees' end of service benefits	49,703	54,001	8.6
Retentions payable.....	35,318	20,114	(43.0)
Lease liabilities	11,939	11,066	(7.3)
Total non-current liabilities	1,455,516	1,338,007	(8.1)
Current liabilities			
Trade and other payables.....	1,485,009	1,625,929	9.5
Due to related parties.....	166,287	132,921	(20.1)
Bank borrowings	1,000,219	2,023,527	102.3
Government grant	2,780	3,170	14.0
Lease liabilities	3,013	3,258	8.1
Total current liabilities	2,657,308	3,788,805	42.6
Total liabilities	4,112,824	5,126,812	24.7
Total equity and liabilities	9,543,716	10,483,542	9.8

Non-current assets

Property, plant and equipment

The following table shows the gross book value, accumulated depreciation and carrying amount of the Group's property, plant and equipment assets as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
Land	494,282	491,746	(0.5)
Plant, Equipment and Machinery	8,032,967	8,540,010	6.3
Buildings.....	70,037	69,893	(0.2)
Furniture and Fixtures	16,776	17,380	3.6
Leasehold Improvements	11,490	11,356	(1.2)
Computer equipment	40,902	41,995	2.7
Vehicles	6,914	8,775	26.9
Capital work in progress.....	842,741	455,531	(45.9)
Gross book value.....	9,516,109	9,636,686	1.3
Land	-	-	-
Plant, Equipment and Machinery	2,358,259	2,511,799	6.5
Buildings.....	29,012	30,359	4.6
Furniture and Fixtures	15,725	16,213	3.1
Leasehold Improvements	10,821	10,708	(1.0)
Computer equipment	33,831	35,376	4.6
Vehicles	5,649	5,933	5.0
Capital work in progress.....	29,821	29,821	-
Accumulated depreciation	2,483,118	2,640,209	6.3
Land	494,282	491,746	(0.5)
Plant, Equipment and Machinery	5,674,708	6,028,211	6.2
Buildings.....	41,025	39,534	(3.6)
Furniture and Fixtures	1,051	1,167	11.0
Leasehold Improvements	669	648	(3.1)
Computer equipment	7,071	6,619	(6.4)
Vehicles	1,265	2,842	124.7
Capital work in progress.....	812,920	425,710	(47.6)
Total net book amount	7,032,991	6,996,477	(0.5)

The property, plant and equipment of the Group includes land, plant, equipment and machinery, buildings, furniture and fixtures, leasehold improvements, computer equipment, vehicles and capital work in progress. Net book value of the property, plant and equipment of the Group as at 30 June 2022 decreased by 0.5% or AED 36.5 million from AED 7,033.0 million as at 31 December 2021 to AED 6,996.5 million as at 30 June 2022. This decrease was primarily due to additions across all asset classes, except building and leasehold improvements, as described below.

- (i) Net book value of plant, equipment and machinery as at 30 June 2022 increased by 6.2% or AED 353.5 million from AED 5,674.7 million as at 31 December 2021 to AED 6,028.2 million as at 30 June 2022. This increase was primarily due to transfers from capital work-in progress amounting to AED 508.6 million relating to completion and capitalisation of four additional district cooling projects. This was partially offset by the increase in depreciation for the period and transfer of AED 1.6 million to investment properties regarding properties no longer designated for use by the Group in its business operations for the provision of district cooling.
- (ii) Net book value of land as at 30 June 2022 decreased by 0.5% or AED 2.5 million from AED 494.3 million as at 31 December 2021 to AED 491.7 million as at 30 June 2022. This decrease was solely due to the transfer of a corresponding amount to investment properties, in relation to the head-quarter project no longer designated for use in the Group's business operations for the provision of district cooling services.
- (iii) Net book value of buildings of the Group as at 30 June 2022 decreased by 3.6% or AED 1.5 million from AED 41.0 million as at 31 December 2021 to AED 39.5 million as at 30 June 2022. This decrease was primarily due to depreciation charged for the period on

buildings and partially offset by the reversal of additions recorded in prior periods, in relation to the construction of the EMP warehouse, amounting to AED 0.1 million.

- (iv) Net book value of furniture and fittings of the Group as at 30 June 2022 increased by 11.0% or AED 0.1 million from AED 1.1 million as at 31 December 2021 to AED 1.2 million as at 30 June 2022. This increase was primarily due to additions of AED 0.6 million made to furniture and fittings during the period ended 30 June 2022, partially offset by depreciation charged in the period.
- (v) Net book value of leasehold improvements of the Group as at 30 June 2022 decreased by 3.1% or AED 0.02 million from AED 0.7 million as at 31 December 2021 to AED 0.6 million as at 30 June 2022. This decrease was due to reversal of additions recorded in prior periods, in relation to improvement on the Hitec Interiors building, amounting to AED 0.1 million during the period and reduction in accumulated depreciation by AED 0.1 million.
- (vi) Net book value of computer equipment of the Group as at 30 June 2022 decreased by 6.4% or AED 0.5 million from AED 7.1 million as at 31 December 2021 to AED 6.6 million as at 30 June 2022. This decrease was primarily due to an increase in depreciation charged during the period ended 30 June 2022 partially offset by additions of AED 1.1 million to computer equipment during the period ended 30 June 2022.
- (vii) Net book value of vehicles of the Group as at 30 June 2022 increased by 124.7% or AED 1.6 million from AED 1.3 million as at 31 December 2021 to AED 2.8 million as at 30 June 2022. This increase was primarily due to additions of AED 1.9 million to vehicles during the period ended 30 June 2022.
- (viii) Capital work in progress of the Group as at 30 June 2022 decreased by 47.6% or AED 387.2 million from AED 812.9 million as at 31 December 2021 to AED 425.7 million as at 30 June 2022. This decrease was primarily due to transfers to plant, equipment and machinery and investment properties totalling AED 563.6 million, which was partially offset by additions of AED 176.3 million, relating to cost incurred in the construction of district cooling plant and networks pertaining to ongoing projects in Dubai, including developments in Business Bay, Jumeriah Village, DIFC and the headquarters project.

Right of Use Assets

The following table shows the gross book value, accumulated depreciation and carrying amount of the Group's right of use assets as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
Equipment	27,242	27,242	-
Buildings	5,994	7,814	30.4
Gross Book Value	33,236	35,056	5.5
Equipment	14,186	15,422	8.7
Buildings	5,638	6,722	19.2
Accumulated Depreciation	19,824	22,144	11.7
Equipment	13,056	11,820	(9.5)
Buildings	356	1,092	206.7
Net Book Value	13,412	12,912	(3.7)

The Group's right of use assets comprises of equipment and buildings. The Group mainly leases equipment for a period of 15 years with an extension option and a building it utilises as its head office for a period of one year (Construction of a new head office for the Group is underway and is expected to be completed prior to the expiry of the one year). Equipment represents semi-permanent plant equipment rented from DEWA.

As at 30 June 2022, the Group's right of use assets decreased by 3.7% or AED 0.5 million from AED 13.4 million as at 31 December 2021 to AED 12.9 million as at 30 June 2022. This decrease was primarily due to depreciation charges on equipment and buildings during the period partially offset by additions to the Group's leased buildings amounting to AED 1.8 million.

Investment Properties

In 2021, the Group began construction on its headquarters project, which will consist of two towers and surrounding areas, that will be solely used by the Group. During the six months ended 30 June 2022, management revisited its occupation plan and concluded the Group would occupy only one tower along with its related common area. As a result, the carrying amount of the other tower and the related areas was transferred to investment properties from property, plant and equipment.

As at 30 June 2022 the Group recognised investment properties of AED 59.0 million compared to nil as at 31 December 2021. This recognition was primarily due to transfers to investment properties from different asset classes under property, plant and equipment namely land, capital work in progress and plant, equipment and machinery.

Intangible assets

The following table presents a summary of the Group's intangible assets as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021 (AED thousand)	As at 30 June 2022 (AED thousand)	Increase/(Decrease) December 2021- June 2022 (%)
At the beginning of year/period	-	364,296	100.0
Additions during the year/period.....	364,696	-	(100.0)
Amortisation during the year/period	(400)	(6,078)	1,419.5
At the ending of the year/period	<u>364,296</u>	<u>358,218</u>	<u>(1.7)</u>

The Group's intangible assets represent the excess consideration paid by the Group for completing the acquisition of Empower Snow LLC through an agreement with its parent company Nakheel PJSC, entered on 18 August 2021 and later amended on 16 December 2021. The concession agreement would be for a period of 30 years, with the Company retaining the exclusive right for providing district cooling services to the customers. As at 31 December 2021, the intangible assets of AED 364.3 million generated from the excess consideration paid for the right to charge users of the district cooling services under the transaction for a period of 30 years.

As at 30 June 2022, the Group's intangible assets decreased by 1.7% or AED 6.1 million from AED 364.3 million as at 31 December 2021 to AED 358.2 million as at 30 June 2022. This decrease was mainly due to the amortisation of the intangible asset for the six months ended 30 June 2022.

Financial Assets at Amortised Cost

The following table presents a summary of the Group's financial assets at amortised cost as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021 (AED thousand)	As at 30 June 2022 (AED thousand)	Increase/(Decrease) December 2021- June 2022 (%)
At the beginning of the year/period.....	-	309,075	100.0
Additions during the year/period.....	309,204	-	(100.0)
Interest earned during the year/period.....	610	9,251	1,416.6
Settlement during the year/period	(739)	(11,232)	1,419.9
At the ending of the year/period	<u>309,075</u>	<u>307,094</u>	<u>(0.6)</u>
Less: Current Portion.....	(3,911)	(4,028)	3.0
Non-Current Portion	305,164	303,066	(0.7)

The Group's financial assets at amortised cost, represents receivables from Nakheel PJSC, an entity under common control, in relation to the acquisition of Empower Snow LLC.

The Group's financial assets at amortised cost decreased by 0.6% or AED 2.0 million from AED 309.1 million as at 31 December 2021 to AED 307.1 million as at 30 June 2022. This decrease was primarily due to increased settlements or amounts paid during the period offsetting the increase in interest earned during the period. The increases in settlement paid and interest earned was due to the Group only recognising these amounts for the period 16 December 2021 to 31 December 2021, compared to recognising for the six months ended 30 June 2022 as at 30 June 2022.

Financial Assets at Fair Value through Other Comprehensive Income

The following table presents a summary of the Group's financial assets at fair value through other comprehensive income as at 30 June 2022 and 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
At the beginning of year/period.....	57,653	58,113	0.8%
(Loss) / gain during the year/period	460	(3,993)	(968.0%)
At the ending of the year/period.....	58,113	54,120	(6.9%)

Financial assets at fair value through other comprehensive income pertains to an investment in 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 reported financial assets measured at FVTOCI at AED 58.1 million as at 31 December 2021 due to the investments in Bonds. As a result of the fair value losses during the period, reported carrying amount as at 30 June 2022 decreased by 6.9% or AED 4.0 million from AED 58.1 million as at 31 December 2021 to AED 54.1 million as at 30 June 2022.

Investment in joint venture

The Group's investment in joint venture represents the Group's 50% ownership in Utilities Management LLC. The carrying value has remained stable at AED 0.3 million as at 30 June 2022 and as at 31 December 2021.

Current assets

Inventories

The Group's inventories comprise of consumables and repair spares and pre-insulated pipes.

Inventories as at 30 June 2022 decreased by 5.8% or AED 1.6 million from AED 27.0 million for the period in 2021 to AED 25.5 million for the period in 2022. This decrease was primarily due to a decrease in inventory utilised within the Group's Pre-insulated Pipe segment due to lower sales activity in the period. The decrease in spares and consumables represents the impact of the Group's new enhanced maintenance and amount of inventory utilised in the period.

Trade and other receivables

The following table presents a summary of the Group's trade and other receivables as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) 2021-2022
	(AED thousand)		(%)
Trade receivables	180,659	260,812	44.4
Less: Provision for expected credit losses.....	(56,832)	(64,227)	13.0
Accrued revenues.....	27,069	76,328	182.0
Other receivables	10,216	14,659	43.5
Advance to contractors and suppliers.....	99,285	101,267	2.0
Prepayments.....	14,101	9,712	(31.1)
Totals.....	274,498	398,551	45.2

The Group's trade and other receivables primarily comprise of trade receivables less provisions for credit losses, accrued revenue, advances to contractors and suppliers, prepayments and other receivables.

Trade receivables and other receivables as at 30 June 2022 increased by 45.2% or AED 124.1 million from AED 274.5 million for the period in 2021 to AED 398.6 million for the period in 2022. The increase resulted from (i) increases in accrued revenue due to the acquisition of Empower Snow's receivables which are expected to be billed in the subsequent period and remained unbilled revenue as at 30 June 2022, (ii) increases in trade receivables on account of increased billing in the month of June due to comparatively warmer climate pushing consumption charges up which have not been paid as at 30 June 2022. The increases in trade receivables were partially offset by increases in provision for credit losses.

Financial assets at amortised Cost

For discussion on the current and non-current portions of financial assets at amortised cost see “—Financial assets at amortised cost—Non-current assets”.

Financial assets at fair value through profit or loss

The following table presents a summary of the Group's financial assets at fair value through profit or loss as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
Investment in National Bonds	100,000	100,000	-

During the year 2021, the Group made an investment of AED 100.0 million in debt instruments recognised at fair value through profit or loss (“**National Bonds**”) for a tenure of one year. As of 30 June 2022, the National Bonds have fair value approximates to the carrying value. There was no change in the amount and fair value of the investment in the two periods.

Cash and cash equivalents

The following table presents a summary of the Group's cash and bank balances as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
Cash in hand.....	589	589	-
Cash at bank.....	244,286	256,594	5.0
Short term bank deposits –3 months and less.....	1,000,713	1,577,600	57.6
Total cash and cash equivalents	1,245,588	1,834,783	47.3

Cash and cash equivalents of the Group comprise of cash in hand, cash in bank and short term bank deposits.

Cash and cash equivalents as at 30 June 2022 increased by 47.3% or AED 589.2 million from AED 1,245.6 million as at 31 December 2021 to AED 1,834.8 million as at 30 June 2022. This increase was primarily due to cash inflow on account of increased borrowings partially offset by cash outflow for purchase of property, plant and equipment, higher dividend paid in the period and decreased net cash flow from operating activity. (see “— Consolidated Statement of Cash Flows”).

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

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
Cash and bank.....	1,360,388	2,158,383	58.7
Less: short term deposits more than 3 months	(114,800)	(323,600)	181.9
Total cash and cash equivalents	1,245,588	1,834,783	47.3

Term Deposits

The following table presents a summary of the Group's term deposits with original maturity greater than three months as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	<i>(AED thousand)</i>		<i>(%)</i>
Short term deposits more than 3 months	114,800	323,600	181.9

The Group's term deposits as at 30 June 2022 increased by 181.9% or AED 208.8 million from AED 114.8 million in 2021 to AED 323.6 million in 2022 primarily due to additional investment to utilise surplus cash during the period.

Equity

Share Capital

The Group's share capital as at 30 June 2022 and as at 31 December 2021 has remained stable at AED 1,000.0 million, of which AED 700.0 million was contributed by DEWA and AED 300.0 million was contributed by Tecom Investments FZ LLC ("TECOM"). On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power, an indirect subsidiary of Dubai Holding, through the Decree No. 19 of 2022 issued by the Ruler of Dubai.

Statutory reserve

As required by the Decree of the Company and the articles of association of the subsidiaries, 10.0% of profits for the year are required to be transferred to statutory reserve. The Company and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50.0% of the issued capital. During 2019, an amount of AED 60.0 million was transferred to meet the AED 500.0 million requirement (50.0% of share capital). The reserve is not available for distribution.

The Group's statutory reserve as at 30 June 2021 and as at 30 June 2022 remained stable at AED 500 million.

Other reserves

The Group's other reserves represent the cumulative changes in fair value of debt instruments. The Group's other reserves as at 30 June 2022 decreased by 214.4% or AED 5.9 million from a positive balance of AED 2.7 million as at 31 December 2021 to a negative balance of AED 3.1 million as at 30 June 2022. This decrease was primarily due to fair value losses incurred on the Group's financial assets measured at fair value through other comprehensive income.

Retained Earnings

The Group's retained earnings represents accumulated profits net of dividends paid. The Group's retained earnings decreased by 1.8% or AED 68.4 million from AED 3,844.0 million as at 31 December 2021 to AED 3,775.7 million as at 30 June 2022, due to reduced profits for the six months ended 30 June 2022 and higher dividends (AED 300.3 million for the year ended 31 December 2021 and AED 500.0 million for the six months ended 30 June 2022).

Contributed Capital

The Group's contributed capital represents land granted by the Government. The appraised value of the land is treated as capital contributed from shareholders as the Company is an entity controlled by DEWA, whose majority shareholder (82% ownership) is the Government. The Group's contributed capital remained stable at AED 82.2 million as at 30 June 2022 and 31 December 2021.

Non-current liabilities

Bank Borrowings

The following table presents a summary of the Group's bank borrowings as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
Term loan	1,994,747	2,912,985	46.0
Unamortised loan cost.....	(6,862)	(5,742)	(16.3)
Total	1,987,885	2,907,243	46.2
Less: current portion.....	(1,000,219)	(2,023,527)	102.3
Non-current portion.....	987,666	883,716	(10.5)

The Group's borrowings comprise of various loan facilities taken by the Group. Borrowings as at 30 June 2022 increased by 46.2% or AED 919.4 million from AED 1,987.9 million as at 31 December 2021 to AED 2,907.2 million as at 30 June 2022. This increase was primarily due to the new bridge loan facility taken by the Group on 29 March 2022 to finance the Dubai International Airport District Cooling Acquisition with Dubai Islamic Bank PJSC, a related party. This facility amounts to USD 250 million (AED 918.1 million) and has a tenor of one year. The amount was drawn down in full on 31 March 2022.

Lease Liabilities

The following table presents a summary of the Group's lease liabilities as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
At the beginning of the period/year	20,744	14,952	(27.9)
Additions during the period/year.....	1,070	1,820	70.1
Repayment during the period/year	(6,862)	(2,448)	(64.3)
At the ending of the period/year.....	14,952	14,324	(4.2)
Less: current portion.....	(3,013)	(3,258)	8.1
Non-current portion.....	11,939	11,066	(7.3)

The Group's lease liabilities as at 30 June 2022 decreased by 4.2% or AED 0.6 million from AED 15.0 million as at 31 December 2021 to AED 14.3 million as at 30 June 2022. This decrease was primarily due to lease payments made by the Group during the period, relating to an extension on the lease for the Group's head office.

Government Grant

The following table presents a summary of the Group's government grant as at 30 June 2022 and 31 as at December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
At the beginning of the period/year	376,450	373,670	(0.7)
Recognised during the period/year	(2,780)	(1,390)	(50.0)
At the ending of the period/year.....	373,670	372,280	(0.4)
Less: current portion.....	(2,780)	(3,170)	14.0
Non-current portion.....	370,890	369,110	(0.5)

Government grants received prior to 23 November 2009 are recognised as income over the useful life of the plant constructed on the granted land. The current portion represents the expected release of government grants for the plants currently in operation and those expected to be completed during the next year. The actual amount released may vary due to delays in completion of construction and commencement of the operations of these plants.

The Group's government grants decreased by 0.4% or AED 1.4 million from AED 373.7 million as at 31 December 2021 to AED 372.3 million as at 30 June 2022. This decrease represents the amount recognised during the year and charged to the income statement under other income.

Provision for employees' end of service benefits

The following table presents a summary of the Group's non-current retirement benefits obligations as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
At the beginning of the period/year	45,450	49,703	9.4
Charge for the period/year	5,523	4,594	(16.8)
Payments	(1,270)	(296)	(76.7)
At the ending of the period/year	49,703	54,001	8.6

Employees' end of service benefits relates to provision for gratuity or end of service benefits and pension made by the Group.

Provisions for employees' end of service benefits as at 30 June 2022 increased by 8.6% or AED 4.3 million from AED 49.7 million as at 31 December 2021 to AED 54.0 million as at 30 June 2022. This increase was primarily due to the incremental period for which gratuity has been accrued, salary increments and low attrition, and is commensurate with increases in staff costs.

Retentions Payable

The following table presents a summary of the Group's non-current portion of retention payables as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
Retentions payable	35,318	20,114	(43.0)

Retentions payable relate to amounts withheld as a security guarantee for work performed by the contractors on various construction projects. Agreements with the contractors stipulates a Defect Liability Period ("DLP"), which is generally 730 days or two years from the final completion of the work by the contractor. The withheld amount is released and settled by the Group with the respective contractors at the end of the DLP.

The Group's retentions payable (non-current portion) as at 30 June 2022 decreased by 43.0% or AED 15.2 million from AED 35.3 million as at 31 December 2021 to AED 20.1 million as at 30 June 2022. This decrease was primarily due to the change in the maturity profile of the payables due to of the passage of time.

Current liabilities

Trade and other payables

The following table presents a summary of the Group's trade and other payables as at 30 June 2022 and as at 31 December 2021.

	As at 31 December 2021	As at 30 June 2022	Increase/(Decrease) December 2021- June 2022
	(AED thousand)		(%)
Refundable customers' security deposits	381,590	404,790	6.1
Deferred revenue	335,556	334,614	(0.3)
Project cost accruals	339,088	289,743	(14.6)
Project payables	110,536	123,105	11.4
Retentions payable	99,554	97,043	(2.5)
Other liabilities	254,003	396,748	56.2
	1,520,327	1,646,043	8.3
Less: Non-current portion retentions payable	(35,318)	(20,114)	(43.0)
Current Portion	1,485,009	1,625,929	9.5

The Group's trade and other payables comprise refundable security deposits from customers, project payables, other liabilities along with the current portion of retentions payable, deferred revenue and project cost accruals.

Trade and other payables as at 30 June 2022 increased by 8.3% or AED 125.7 million from AED 1,520.3 million as at 31 December 2021 to AED 1,646.0 million as at 30 June 2022. This increase was primarily due to an increase in refundable customers' security deposits from customers mainly resulting from higher capacity connected to new customers in 2022 and an increase in project payables mainly due to ongoing constructions works on upcoming projects. The overall increase was partially offset by a decrease in payments primarily due to contractors not yet billed.

Bank Borrowings

For discussion on the current and non-current portions of bank borrowings see “—*Bank borrowings—Non-current assets*”.

Government Grant

For discussion on the current and non-current portions of government grant see “—*Government grant—Non-current assets*”.

Lease Liabilities

For discussion on the current and non-current portions of lease liabilities see “—*Lease liabilities—Non-current assets*”.

Financial position for the years ended 31 December 2019, 2020 and 2021

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 thousand)			(%)	
Assets					
Non-current assets					
Property, plant and equipment	6,199,101	6,713,255	7,032,991	8.3	4.8
Right-of-use assets	24,368	18,529	13,412	(24.0)	(27.6)
Intangible assets	-	-	364,296	-	100.0
Financial assets at amortised cost	-	-	305,164	-	100.0
Financial assets at fair value through other comprehensive income	-	57,653	58,113	100.0	0.8
Investment in a joint venture	307	307	307	-	-
Total non-current assets	6,223,776	6,789,744	7,774,283	9.1	14.5
Current assets					
Inventories	41,852	35,081	27,018	(16.2)	(23.0)
Trade and other receivables	270,740	306,601	274,498	13.2	(10.5)
Due from related parties	2,756	14,471	3,618	425.1	(75.0)
Financial assets at amortised cost	-	-	3,911	-	100.0
Financial assets at fair value through profit or loss	-	-	100,000	-	100.0
Term deposits	-	17,500	114,800	100.0	556.0
Cash and cash equivalents	331,247	1,069,196	1,245,588	222.8	16.5
Total current assets	646,595	1,442,849	1,769,433	123.1	22.6
Total assets	6,870,371	8,232,593	9,543,716	19.8	15.9
Equity and liabilities					
Equity					
Capital	1,000,000	1,000,000	1,000,000	-	-
Statutory reserve	500,000	500,000	500,000	-	-
Other reserves	-	2,281	2,741	100.0	20.2
Retained earnings	2,707,214	3,208,164	3,844,024	18.5	19.8
Contributed capital	64,690	82,190	82,190	27.1	-
Non-controlling interests	1,803	2,155	1,937	19.5	(10.1)
Total equity	4,273,707	4,794,750	5,430,892	12.2	13.3
Liabilities					
Non-current liabilities					
Bank borrowings	352,397	1,154,860	987,666	227.7	(14.5)
Government grant	376,450	373,670	370,890	(0.7)	(0.7)
Provision for employees' end of service benefits	37,316	45,450	49,703	21.8	9.4
Retentions payable	-	63,105	35,318	100.0	(44.0)
Lease liabilities	19,860	14,595	11,939	(26.5)	(18.2)
Total non-current liabilities	786,023	1,651,680	1,455,516	110.1	(11.9)
Current liabilities					
Trade and other payables	1,584,291	1,410,809	1,485,009	(11.0)	5.3
Due to related parties	148,141	199,246	166,287	34.5	(16.5)
Bank borrowings	68,277	167,179	1,000,219	144.9	498.3
Government grant	2,780	2,780	2,780	-	-
Lease liabilities	7,152	6,149	3,013	(14.0)	(51.0)
Total current liabilities	1,810,641	1,786,163	2,657,308	(1.4)	48.8
Total liabilities	2,596,664	3,437,843	4,112,824	32.4	19.6
Total equity and liabilities	6,870,371	8,232,593	9,543,716	19.8	15.9

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 thousand)			(%)	
Land	476,782	494,282	494,282	3.7	-
Plant, Equipment and Machinery	6,661,403	7,633,115	8,032,967	14.6	5.2
Buildings	70,709	70,709	70,037	-	(1.0)
Furniture and Fixtures	14,947	15,803	16,776	5.7	6.2
Leasehold Improvements	10,905	10,936	11,490	0.3	5.1
Computer equipment	37,767	39,638	40,902	5.0	3.2
Vehicles	6,095	6,337	6,914	4.0	9.1
Capital work in progress	836,347	658,167	842,741	(21.3)	28.0
Gross book value	8,114,955	8,928,987	9,516,109	10.0	6.6
Land	-	-	-	-	-
Plant, Equipment and Machinery	1,802,923	2,064,333	2,358,259	14.5	14.2
Buildings	23,393	26,221	29,012	12.1	10.6
Furniture and Fixtures	13,900	14,799	15,725	6.5	6.3
Leasehold Improvements	10,471	10,656	10,821	1.8	1.5
Computer equipment	30,500	32,297	33,831	5.9	4.7
Vehicles	4,846	5,277	5,649	8.9	7.0
Capital work in progress	29,821	62,149	29,821	108.4	(52.0)
Accumulated depreciation	1,915,854	2,215,732	2,483,118	15.7	12.1
Land	476,782	494,282	494,282	3.7	-
Plant, Equipment and Machinery	4,858,480	5,568,782	5,674,708	14.6	1.9
Buildings	47,316	44,488	41,025	(6.0)	(7.8)
Furniture and Fixtures	1,047	1,004	1,051	(4.1)	4.7
Leasehold Improvements	434	280	669	(35.5)	138.9
Computer equipment	7,267	7,341	7,071	1.0	(3.7)
Vehicles	1,249	1,060	1,265	(15.1)	19.3
Capital work in progress	806,526	596,018	812,920	(26.1)	36.4
Total net book amount	6,199,101	6,713,255	7,032,991	8.3	4.8

Net book value of the property, plant and equipment of the Group as at 31 December 2020 increased by 8.3% or AED 514.2 million from AED 6,199.1 million in 2019 to AED 6,713.3 million in 2020. This increase was primarily due to additions and transfers to all major asset classes except buildings as described below.

- (i) Net book value of land as at 31 December 2020 increased by 3.7% or AED 17.5 million from AED 476.8 million in 2019 to AED 494.3 million in 2020. This increase was solely due to two plots of land the Group received from Meydan City Corporation. One plot contained an already constructed district plant which had been acquired during the year, while the other plot is vacant.
- (ii) Net book value of plant, equipment and machinery increased by 14.6% or AED 710.3 million from AED 4,858.5 million in 2019 to AED 5,568.8 million in 2020. This increase primarily resulted from the transfer of completed district cooling plants to plant, equipment and machinery from capital working progress amounting to AED 989.0 million, partially offset by disposals of AED 17.2 million.
- (iii) Net book value of buildings decreased by 6.0% or AED 2.8 million from AED 47.3 million in 2019 to AED 44.5 million in 2020. This decrease was solely due to depreciation charged for the period.
- (iv) Net book value of furniture and fixtures remained relatively stable at AED 1.0 million in 2019 and 2020. In 2020, the Group made additions of AED 0.9 million which was offset by depreciation charged in the period.

- (v) Net book value of leasehold improvements decreased by 35.5% or AED 0.2 million from AED 0.4 million in 2019 to AED 0.3 million in 2020. This decrease was primarily due to depreciation charged for the period and offset by additions of AED 0.03 million made to leasehold improvements during the period.
- (vi) Net book value of computer equipment remained stable at AED 7.3 million in 2019 and 2020. In 2020, the Group made additions of AED 1.9 million which was offset by depreciation charged in the period.
- (vii) Net book value of vehicles of the Group as at 31 December 2020 decreased by 15.1% or AED 0.2 million from AED 1.2 million in 2019 to AED 1.1 million in 2020. This decrease was primarily due to depreciation charged for the period partially offset by additions of AED 0.4 million to vehicles made during the period.
- (viii) Net book value of capital work in progress as at 31 December 2020 decreased by 26.1% or AED 210.5 million from AED 806.5 million in 2019 to AED 596.0 million in 2020. This decrease was primarily due to the transfer of AED 989.0 million relating to completed district cooling plants to plant, equipment and machinery, partially offset by additions of AED 724.9 million made to capital work in progress. The offset related to various projects including Deira Waterfront Development, the Group's head office and Meydan as well as AED 53.5 million recorded as an impairment reversal relating to impaired costs previously recorded in relation to the Jumeriah village project.

Net book value of property, plant and equipment as at 31 December 2021 increased by 4.8% or AED 319.7 million from AED 6,713.3 million in 2020 to AED 7,033.0 million in 2021. This increase primarily resulted from additions and transfers to all major asset classes except buildings as further described below.

- (i) Net book value of land of the Group as at 31 December 2021 and 2020 remained constant at AED 494.3 million.
- (ii) Net book value of plant, equipment and machinery increased by 1.9% or AED 105.9 million from AED 5,568.8 million in 2020 to AED 5,674.7 million in 2021. This increase was primarily due to the transfer of completed district cooling plants to plant, equipment and machinery from capital work-in progress amounting to AED 404.9 million, partially offset by disposals of AED 5.1 million and depreciation charged for the period.
- (iii) Net book value of buildings as at 31 December 2021 decreased by 7.8% or AED 3.5 million from AED 44.5 million in 2020 to AED 41.0 million in 2021. This decrease was primarily due to a difference reported in contractual amounts on building construction capitalised in prior periods compared to the actual amount billed to the Group on such construction projects. This difference of AED 0.7 million reversed additions recognised in prior periods.
- (iv) Net book value of furniture and fixtures remained relatively stable at AED 1.0 million in 2020 and 2021. In 2021, the Group made additions of AED 1.0 million which was offset by depreciation charged during the period.
- (v) Net book value of leasehold improvements increased by 138.9% or AED 0.4 million from AED 0.3 million in 2020 to AED 0.7 million in 2021. This increase was primarily due to additions of AED 0.6 million made to leasehold improvements, partially offset by depreciation charged during the period.
- (vi) Net book value of computer equipment decreased by 3.7% or AED 0.3 million from AED 7.3 million in 2020 to AED 7.1 million in 2021. This decrease was primarily due to depreciation charged during the period partially offset by additions of AED 1.3 million made to computer equipment.
- (vii) Net book value of vehicles increased by 19.3% or AED 0.2 million from AED 1.1 million in 2020 to AED 1.3 million in 2021. This increase was primarily due to additions of AED 0.7 million made to vehicles partially offset by depreciation charged during the period.

- (viii) Net book value of capital work in progress as at 31 December 2020 increased by 36.4% or AED 216.9 million from AED 596.0 million in 2020 to AED 812.9 million in 2021. This increase was primarily due to additions of AED 589.5 million made to capital work in progress relating to projects in Business Bay, and headquarters and AED 32.3 million recorded as impairment reversal, partially offset by transfer of AED 404.9 million relating to completed district cooling plants to plant, equipment and machinery.

Right of Use Assets

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

	As at 31 December		Increase/(Decrease)		
	2019	2020	2021	2020-2019	2021-2020
		(AED thousand)		(%)	
Equipment	26,064	27,242	27,242	4.5	-
Buildings	4,924	4,924	5,994	-	21.7
Gross Book Value	30,988	32,166	33,236	3.8	3.3
Equipment	4,582	9,561	14,186	108.7	48.4
Buildings	2,038	4,076	5,638	100.0	38.3
Accumulated Depreciation	6,620	13,637	19,824	106.0	45.4
Equipment	21,482	17,681	13,056	(17.7)	(26.2)
Buildings	2,886	848	356	(70.6)	(58.0)
Net Book Value	24,368	18,529	13,412	(24.0)	(27.6)

As at 31 December 2020, the Group right of use assets decreased by 24.0% or AED 5.8 million from AED 24.4 million as at 31 December 2019 to AED 18.5 million as at 31 December 2020. This decrease was primarily due to depreciation charges of AED 7.0 million on equipment and buildings during the period partially offset by additions to the Group's leased equipment amounting to AED 1.2 million.

As at 31 December 2021, the Group right to use assets decreased by 27.6% or AED 5.1 million from AED 18.5 million as at 31 December 2020 to AED 13.4 million as at 31 December 2021. This decrease was primarily due to depreciation charges of AED 6.2 million on equipment and buildings during the period partially offset by additions to the Group's leasehold buildings amounting to AED 1.1 million.

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	2020-2019	2021-2020
		(AED thousand)		(%)	
At the beginning of year.....	-	-	-	-	-
Additions during the year.....	-	-	364,696	-	100.0
Amortisation during the year.....	-	-	(400)	-	(100.0)
At the ending of the year.....	-	-	364,296	-	100.0

As at 31 December 2021, the Group's intangible assets amounted to AED 364.3 million compared to nil in 2020. The additions to intangible assets during the year ended 31 December 2021 represents the excess consideration paid by the Company for the right to charge the customers for the district cooling services (see "Intangible assets—Financial position as at 30 June 2022 and 31 December 2021"). Amortisation for the period amounts to AED 0.4 million relating to the period 16 December 2021, being the date of acquisition of the Nakheel district cooling assets, to 31 December 2021.

Financial Assets at Amortised Cost

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

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2020-2019	2021-2020
	(AED thousand)			(%)	
At the beginning of the period/year	-	-	-	-	-
Additions during the period/year	-	-	309,204	-	100.0
Interest earned during the period/year	-	-	610	-	100.0
Settlement during the period/year	-	-	(739)	-	(100.0)
At the ending of the year/period	-	-	309,075	-	100.0
Less: Current Portion	-	-	(3,911)	-	(100.0)
Non-Current Portion	-	-	305,164	-	100.0

As at 31 December 2021, the Group's financial assets at amortised cost amounted to AED 309.1 million compared to nil as at 31 December 2020. This increase was solely due to the acquisition of Empower Snow LLC in December 2021. The Group did not recognise any financial assets at amortised cost in 2020 and 2019.

Financial Assets at Fair Value through Other Comprehensive Income

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

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2020-2019	2021-2020
	(AED thousand)			(%)	
Financial assets at fair value through other comprehensive income	-	57,653	58,113	100.0	0.8

The Group reported financial assets measured at FVTOCI at AED 57.7 million as at 31 December 2020 following the Group's investment in Bonds. As a result of the fair value gains during the period of AED 0.5 million, the reported carrying amount as at 31 December 2021 increased by 0.8% or AED 0.5 million from AED 57.7 million to AED 58.1 million as at 31 December 2021. The Group did not record any financial assets at FVTOCI income in 2019.

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 thousand)			(%)	
Spares and consumables for district cooling services	25,361	26,809	19,248	5.7	(28.2)
Pre-insulated pipes	16,491	8,272	7,770	(49.8)	(6.1)
Total	41,852	35,081	27,018	(16.2)	(23.0)

The Group's inventories as at 31 December 2020 decreased by 16.2% or AED 6.8 million from AED 41.9 million in 2019 to AED 35.1 million in 2020. This decrease was primarily driven by decrease in sales activities in the Pre-insulated Pipe segment thereby requiring lower inventory levels to be maintained. This decrease was partially offset by increases in spares and consumables used in the Chilled Water segment. Operational activity in the Chilled Water segment was maintained despite the COVID-19 pandemic.

The Group's inventories as at 31 December 2021 decreased by 23.0% or AED 8.1 million from AED 35.1 million in 2020 to AED 27.0 million in 2021. This decrease was primarily due to the maximisation of production capacity, therefore creating the need to maintain lower levels of inventory.

Trade and other receivables

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

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
	(AED thousand)			(%)	
Trade receivables.....	135,610	193,275	180,659	42.5	(6.5)
Less: Provision for credit losses	(34,441)	(48,264)	(56,832)	40.1	17.8
Accrued revenues	20,606	19,576	27,069	(5.0)	38.3
Other receivables.....	8,122	10,278	10,216	26.5	(0.6)
Advance to contractors / suppliers.....	129,453	116,699	99,285	(9.9)	(14.9)
Prepayments	11,390	15,037	14,101	32.0	(6.2)
Totals	270,740	306,601	274,498	13.2	(10.5)

Trade receivables and other receivables as at 31 December 2020 increased by 13.2% or AED 35.9 million from AED 270.7 million in 2019 to AED 306.6 million in 2020. This increase was primarily due to reduced collections of receivables as a result of the Group's strategy of leniency during the COVID-19 pandemic towards its customers. Due to the increase in trade receivables the Group increased the loss allowance provision, see "Provision for credit losses Results of operations for the six months ended 30 June 2021 and 2022".

For the year ended 31 December 2021, trade receivables decreased by 10.5% or AED 32.1 million from AED 306.6 million in 2020 to AED 274.5 million in 2021. This decrease was primarily due to improvement in overall economic environment in the region in which the Group operates and consequently increased collection of receivables from the Group's customers.

Financial Assets at Amortised Cost

For discussion on the current and non-current portions of financial assets at amortised cost see "—Financial assets at amortised cost —Non-current assets".

Financial Assets at fair value through profit or loss

The following table presents a summary of the Group's financial assets at fair value through profit or loss as at 31 December 2019, 2020 and 2021.

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
	(AED thousand)			(%)	
Investment in National Bonds	-	-	100,000	-	100.0

During the year 2021, the Group made an investment of AED 100.0 million in National Bonds for a tenure of one year. The Group did not record financial assets at fair value through profit or loss for the years 2020 and 2019.

Cash and cash equivalents and term deposits

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 thousand)			(%)	
Cash at bank	156,247	210,196	244,875	34.5	16.5
Short term bank deposits – less than three months	175,000	859,000	1,000,713	390.9	16.5
Total cash and cash equivalents	331,247	1,069,196	1,245,588	222.8	16.5

Cash and cash equivalents as at 31 December 2020 increased by 222.8% or AED 738.0 million from AED 331.2 million in 2019 to AED 1,069.2 million in 2020. This increase was primarily due to increase in net cash

generated from financing on account of higher proceeds from borrowings and lower dividend paid, partially offset by increases in net cash used in investing due to higher payment for property, plant and equipment. (see “— Consolidated Statement of Cash Flows”).

The Group’s cash and cash equivalents as at 31 December 2021 increased by 16.5% or AED 176.4 million from AED 1,069.2 million in 2020 to AED 1,245.6 million in 2021. This increase was primarily due to increased net cash generated from operating activities partially offset by an increase in net cash used in investing activities on account of higher short term deposits and investments in financial assets at fair value through profit and loss and a decrease in net cash generated from financing activities mainly due to higher repayments on bank borrowings and higher dividends paid. (see “— Consolidated Statement of Cash Flows”).

Term Deposits

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

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousand)			(%)
Short term deposits more than 3 months	-	17,500	114,800	100.0	556.0

The Group’s short term deposits as at 31 December 2021 increased by 556.0% or AED 97.3 million from AED 17.5 million in 2020 to AED 114.8 million in 2021 due to additional investments to utilise surplus cash during the period.

Equity

Share Capital

The Group’s share capital as at 31 December 2019, 2020 and 2021 remained stable at AED 1,000.0 million, of which AED 700.0 million was contributed by DEWA and AED 300.0 million was contributed by TECOM. On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power, an indirect subsidiary of Dubai Holding, through the Decree No. 19 of 2022 issued by the Ruler of Dubai.

Statutory reserve

The Group’s statutory reserve as at 31 December 2019, 2020 and 2021 remained stable at AED 500.0 million.

Other reserves

The Group’s other reserves as at 31 December 2020 amounted to AED 2.3 million in 2020 from nil in 2019. As at 31 December 2021, the Group’s general reserve increased by 20.2% or AED 0.5 million to AED 2.7 million in 2021. This increase was primarily due to fair value gains on the Group’s financial assets measured at FVTOCI.

Retained Earnings

The Group’s retained earnings as at 31 December 2020 increased by 18.5% or AED 501.0 million from AED 2,707.2 million as at 31 December 2019 to AED 3,208.2 million as at 31 December 2020, primarily due to higher profits added for the year ended 31 December 2020 and reduction in transfers to statutory reserves as further contributions are not being made by the Group as compared to 2019, which was partially offset by higher dividends paid in 2020.

The Group’s retained earnings as at 31 December 2021 increased by 19.8% or AED 635.9 million from AED 3,208.2 million as at 31 December 2020 to AED 3,844.0 million as at 31 December 2021, primarily due to higher profits added for the year ended 31 December 2020, partially offset by higher dividends paid in 2020.

Contributed Capital

The Group contributed capital increased by 27.1% or AED 17.5 million as at 31 December 2020, from AED 64.7 million in 2019 to AED 82.2 million in 2020. This difference represents the value of two plots of land the Group received from Meydan City Corporation.

The Group's contributed capital remained constant as at 31 December 2021 and 2020 at AED 82.2 million.

Non-current liabilities

Bank Borrowings

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

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousand)		(%)	
Term loan	429,726	1,329,582	1,994,747	209.4	50.0
Unamortised loan cost.....	(9,052)	(7,543)	(6,862)	(16.7)	(9.0)
Total	420,674	1,322,039	1,987,885	214.3	50.4
Less: current portion.....	(68,277)	(167,179)	(1,000,219)	144.9	498.3
Non-current portion.....	352,397	1,154,860	987,666	227.7	(14.5)

Bank borrowings as at 31 December 2020 increased by 214.3% or AED 901.4 million from AED 420.7 million in 2019 to AED 1,322.0 million in 2020. This increase was primarily due to the Group drawing down the undrawn portion of the AED 1,469 million (USD 400 million) syndicated loan facility entered into 13 December 2018, in order to fund capital expenditures in the period. For the year ended 31 December 2020, the proceeds from bank borrowings net of arrangement fee amounts to AED 969.6 million.

Bank borrowings as at 31 December 2021 increased by 50.4% or AED 665.8 million from AED 1,322.0 million in 2020 to AED 1,987.9 million in 2021. This increase was primarily due to the Group entering into a new bridge loan facility amounting to AED 918 million (USD 250 million) on 14 October 2021, partially offset by the repayment of bank borrowing during 2021.

Government Grant

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

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2019-2020	2020-2021
		(AED thousand)		(%)	
At the beginning of the period/year	382,010	379,230	376,450	(0.7)	(0.7)
Recognised during the period/year.....	(2,780)	(2,780)	(2,780)	-	-
At the ending of the period/year.....	379,230	376,450	373,670	(0.7)	(0.7)
Less: current portion.....	(2,780)	(2,780)	(2,780)	-	-
Non-current portion.....	376,450	373,670	370,890	(0.7)	(0.7)

The Group's government grants decreased by 0.7% or AED 2.8 million as at 31 December 2020 and 31 December 2021. This decrease represents the amounts recognised during each year and charged to the statement of comprehensive income under other income.

Provision for employees' end of service benefits

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 thousand)		(%)	
At the beginning of the period/year	32,402	37,316	45,450	15.2	21.8
Charge for the period/year.....	5,748	8,823	5,523	53.5	(37.4)
Payments	(834)	(689)	(1,270)	(17.4)	84.3

At the ending of the period/year.....	37,316	45,450	49,703	21.8	9.4
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Provisions for employees' end of service benefits as at 31 December 2020 increased by 21.8% or AED 8.1 million from AED 37.3 million in 2019 to AED 45.5 million in 2020. This increase was primarily due to an increase in the charge for the year due to an increase in manpower and the recognition of incremental benefits accrued to employees for an incremental year, partially offset for payments made by the Group during the period.

The Group's provision for employees' end of service benefits as at 31 December 2021 increased by 9.4% or AED 4.3 million from AED 45.5 million in 2020 to AED 49.7 million in 2021 was primarily due to lower charge in the year due to a change in actuarial assumption. The Group revised the salary increment assumption to 4.5% in 2021 from 5.0% in 2020. The Group's also recorded a higher number of leavers compared to new joiners in 2021.

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
	<i>(AED thousand)</i>			<i>(%)</i>	
At the beginning of the period/year	32,057	27,012	20,744	(15.7)	(23.2)
Additions during the period/year	1,804	1,178	1,070	(34.7)	(9.2)
Repayment during the period/year	(6,849)	(7,446)	(6,862)	8.7	(7.8)
At the ending of the period/year.....	27,012	20,744	14,952	(23.2)	(27.9)
Less: current portion.....	(7,152)	(6,149)	(3,013)	(14.0)	(51.0)
Non-current portion.....	19,860	14,595	11,939	(26.5)	(18.2)

The Group's lease liabilities as at 31 December 2020 decreased by 23.2% or AED 6.3 million from AED 27.0 million as at 31 December 2019 to AED 20.7 million as at 31 December 2020. For the year ended 31 December 2021 the Group's lease liabilities decreased by 27.9% or AED 5.8 million from AED 20.7 million as at 31 December 2020 to AED 15.0 million as at 31 December 2021. The decreases in both periods were primarily due to lease payments made by the Group during the period partially offset by additions to equipment in 2020 and the extension of the head office lease in 2021 under right to use assets.

Retentions Payable (non-current portion)

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

	As at 31 December		Increase/(Decrease)		
	2019	2020	2021	2019-2020	2020-2021
	<i>(AED thousand)</i>			<i>(%)</i>	
Retentions payable	-	63,105	35,318	(100.0)	(44.0)

The Group did not recognise a non-current portion of retention payable separately as at 31 December 2019, with the entirety of retention payable maturing within a year. The Group recorded non-current retentions payable as at 31 December 2020 amounting to AED 63.1 million, reflecting increases in retentions owed to contractors as the Group undertook new construction projects.

The Group's retentions payable (non-current portion) as at 31 December 2021 decreased by 44.0% or AED 27.8 million from AED 63.1 million as at 31 December 2020 to AED 35.3 million as at 31 December 2021. This decrease was due to the changing maturity profile of the Group's retention payables, with payables being reflected in the current portion.

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 thousand)			(%)	
Refundable customers' security deposits	323,218	340,875	381,590	5.5	11.9
Deferred revenue	351,208	296,031	335,556	(15.7)	13.4
Project cost accruals	410,018	295,099	339,088	(28.0)	14.9
Project payables	103,028	148,786	110,536	44.4	(25.7)
Retentions payable	92,894	101,914	99,554	9.7	(2.3)
Other liabilities	303,925	291,209	254,003	(4.2)	(12.8)
	1,584,291	1,473,914	1,520,327	(7.0)	3.1
Less: Non-current portion retentions payable.....	-	(63,105)	(35,318)	(100.0)	(44.0)
Current Portion	1,584,291	1,410,809	1,485,009	(11.0)	5.3

Trade and other payables as at 31 December 2020 decreased by 11.0% or AED 173.5 million from AED 1,584.2 million in 2019 to AED 1,410.8 million in 2020. This decrease was primarily due to decreases in unbilled amount due to contractors reflected in project accruals and decreases in deferred revenue on account increase in connection of loads during the period towards settling the deferred revenue opening balance, partially offset increases by unpaid contractor invoices reflected in project payables.

The Group's trade and other payables as at 31 December 2021 increased by 5.3% or AED 74.2 million from AED 1,410.8 million in 2020 to AED 1,485.0 million in 2021. This increase was primarily due to increases in (i) refundable customers' security deposits on account of higher capacity connected to new customers, and (ii) increases in deferred revenue on account of increased billing for new contracted capacities. This increase in trade and other payables was partially offset by decreases in project payables due to settlement of payables relating to completed construction projects and decreases in other liabilities on account of decreases in other accrued expenses resulting from decreased power rental cost for equipment partially offset by increase in accrued water, electricity and salaries expenses.

Bank Borrowings

For discussion on the current and non-current portions of bank borrowings see “—Bank borrowings—Non-current assets”.

Government Grant

For discussion on the current and non-current portions of government grant see “—Government grant—Non-current assets”.

Lease Liabilities

For discussion on the current and non-current portions of lease liabilities see “—Lease liabilities—Non-current assets”.

Condensed Consolidated Interim Statement of Cash flows

The following table sets forth certain information about the Group's cash flows for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June	
	2021	2022
	(AED thousand)	
Net cash inflow from operating activities	631,329	609,502
Net cash outflow from investing activities	(311,829)	(417,859)
Net cash inflow/ (outflow) from financing activities	(498,670)	397,552
Net increase / (decrease) in cash and cash equivalent	(179,170)	589,195
Cash and cash equivalents, beginning of the period	1,069,196	1,245,588
Cash and cash equivalents, end of the period	890,026	1,834,783

Net cash inflow from operating activities

The following table sets forth the Group's net cash used in operating activities for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Cash flows from operating activities			
Profit for the period	389,119	431,714	10.9
Adjustments for:			
Depreciation on property, plant and equipment.....	148,850	157,091	5.5
Depreciation on Right-of-use asset.....	3,172	2,320	(26.9)
Impairment of trade Receivables.....	(236)	7,395	3,233.5
Settlement of Financial assets	-	11,232	100.0
Amortisation of Intangible assets	-	6,078	100.0
Gain / (loss) on disposal of property, plant and equipment	(14)	-	100.0
Amortisation of borrowings arrangement fee	754	2,041	170.7
Provision for employees' end of service benefits	2,595	2,711	4.5
Interest on lease liability.....	385	291	(24.4)
Interest on financial asset	-	(9,251)	(100.0)
Finance income	(4,665)	(11,836)	153.7
Finance cost net of arrangement fee	10,125	17,028	68.2
Government grant income	(1,390)	(1,390)	-
Operating cash flows before changes in working capital and payment of employees' end of service benefits.....	548,695	615,424	12.2
Changes in working capital:			
Inventories.....	(3,015)	1,556	151.6
Trade and other receivables.....	(57,492)	(129,466)	125.2
Due from related parties	4,580	(9,353)	(304.2)
Trade and other payables.....	(5,057)	165,003	3,362.9
Due to related parties.....	144,337	(33,366)	(123.1)
	632,048	609,798	(3.5)
Payment of employees' end of service benefits.....	(719)	(296)	(58.8)
Net cash inflow/ (outflow) from operating activities.....	631,329	609,502	(3.5)

For the six months ended 30 June 2022, the Group's net cash generated from operating activities decreased by 3.5% or AED 21.8 million from AED 631.3 million in 2021 to AED 609.5 million in 2022. This decrease was primarily due to a 106.7% or AED 89.0 million decrease in working capital from a positive net working capital of AED 83.4 million in 2021 to a negative net working capital of AED 5.6 million as at 2022, primarily due to an increase in trade receivables and a decrease in net related parties balance (mainly driven by a reduction in amount due to DEWA as at 30 June 2022), which was partially offset by the higher operating income for the period in 2022.

Net cash outflow from investing activities

The following table sets forth the Group's net cash used in investing activities for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Purchase of property, plant and equipment, net of project cost accruals	(315,008)	(220,895)	(29.9)
Short term deposits (more than 3 months) invested.....	(1,500)	(208,800)	13,820.0
Interest received	4,665	11,836	153.7
Gain on disposal of property, plant and equipment	14	-	(100.0)
Net cash outflow from investing activities.....	(311,829)	(417,859)	34.0

For the six months ended 30 June 2022, the Group's net cash outflow from investing activities increased by 34.0% or AED 106.0 million from AED 311.8 million for the six-month ended 30 June 2021 to AED 417.9 million for the six-month ended 30 June 2022. This increase was due to an increase in short term deposits invested as compared to 2021, and partially offset by lower capital expenditure spending towards new

and existing district cooling plants. The Group also generated higher interest received on account of the increase in term short term deposits.

Net cash inflow/(outflow) from financing activities

The following table sets forth the Group's net cash used in financing activities for the six-months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	<i>(AED thousand)</i>		<i>(%)</i>
Proceeds from bank borrowings net of arrangement fee	-	917,319	100.0
Repayment of borrowings	(84,349)	-	100.0
Lease payments	(3,511)	(2,739)	(22.0)
Dividend Paid.....	(400,300)	(500,000)	24.9
Interest Paid.....	(10,510)	(17,028)	62.0
Net cash inflow / (outflow) from financing activities	(498,670)	397,552	(179.7)

For the six months ended 30 June 2022, the Group's net cash inflow from financing activities increased by 179.7% or AED 896.2 million from a net cash outflow of AED 498.7 million in 2021 to a net cash inflow AED 397.6 million in 2022. This increase was driven by higher proceeds from borrowing amount to AED 917.3 million, relating to the Group's unsecured US\$250 million mudaraba agreement, to support capital expenditure and dividend payments during the period.

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
	<i>(AED thousand)</i>		
Net cash generated from operating activities.....	1,022,677	1,033,774	1,366,206
Net cash used in investing activities.....	(669,435)	(843,727)	(1,426,124)
Net cash (used in)/generated from financing activities.....	(75,943)	547,902	236,310
Net increase in cash and cash equivalent.....	277,299	737,949	176,392
Cash and cash equivalents at the beginning of the year.....	53,948	331,247	1,069,196
Cash and cash equivalents at the end of the year	331,247	1,069,196	1,245,588

Net cash generated from operating activities

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

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2020-2019	2021-2020
	<i>(AED thousand)</i>			<i>(%)</i>	
Operating activities					
Profit for the year	871,135	901,262	935,982	3.5	3.9
Adjustments for:					
Depreciation on property, plant and equipment ...	255,054	284,960	304,965	11.7	7.0
Depreciation on Right-of-use asset	6,620	7,017	6,187	6.0	(11.8)
Amortisation of Financial assets	-	-	739	-	(100.0)
Amortisation of Intangible assets	-	-	400	-	(100.0)
Impairment reversal of project cost	(80,294)	(53,529)	(32,328)	(33.3)	(39.6)
Share of profit of joint venture	(124)	-	-	(100.0)	-
Provision for impairment of trade receivables / Net impairment losses on financial assets	351	13,823	8,568	3,838.2	(38.0)
Gain / (loss) on disposal of property, plant and equipment.....	-	-	(27)	-	(100.0)
Provision for employees' end of service benefits	5,748	8,823	5,523	53.5	(37.4)
Amortisation of arrangement fee	1,582	1,510	1,599	(4.6)	5.9
Interest on lease liabilities	1,214	1,146	712	(5.6)	(37.9)
Interest income earned on financial asset at	-	-	(610)	-	(100.0)

amortised cost					
Finance income	(7,226)	(4,618)	(11,023)	(36.1)	138.7
Finance cost.....	16,971	13,362	20,063	(21.3)	50.2
Government grant income	(2,780)	(2,780)	(2,780)	-	-
Operating cash flows before payment of employees' end of service benefits and changes in working capital	1,068,251	1,170,975	1,237,970	9.6	5.7
<u>Changes in working capital:</u>					
Inventories.....	(4,170)	6,771	8,063	(262.4)	19.1
Trade and other receivables, net of write-off of receivables to CAPEX suppliers	(8,488)	(62,438)	6,022	635.6	(109.6)
Due from related parties.....	5,663	(11,715)	10,853	(306.9)	(192.6)
Trade and other payables, excluding project-related payables, project accruals and retention payables	(21,069)	(50,236)	37,527	138.4	(174.7)
Due to related parties, net of dividends declared..	(16,676)	(18,895)	67,041	13.3	(454.8)
Cash generated from operations	1,023,511	1,034,463	1,367,476	1.1	32.2
Payment of employees' end of service benefits....	(834)	(689)	(1,270)	(17.4)	84.3
Net cash generated from operating activities...	1,022,677	1,033,774	1,366,206	1.1	32.2

The Group's net cash generated from operating activities for the year ended 31 December 2020 increased by 1.1% or AED 11.1 million from AED 1,022.7 million in 2019 to AED 1,033.8 million in 2020. This increase was due to higher operating cash flows before changes in working capital driven by higher operating income for the year supported by the ability of the Group's diversified portfolio of sectors and projects to withstand the impact of the COVID-19 pandemic. This increase was partially offset by a decrease in net working capital due to higher trade and other receivables and lower trade payables.

For the year ended 31 December 2021, the Group's net cash generated from operating activities increased by 32.2% or AED 332.4 million from AED 1,033.8 million in 2020 to AED 1,366.2 million in 2021. This increase was due to an increase in operating cash flows before changes in working capital driven by improving economic conditions following recovery from the COVID-19 pandemic and further supported by a positive net working capital on account of decrease in trade and other receivables and lower levels of inventory and increase in trade and other payables. These increases were slightly offset by increases in payment of employee's end of service benefits and exclusion of higher finance income from the operating cash flows before working capital changes.

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.

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2020-2019	2021-2020
		(AED thousand)		(%)	
Acquisition of subsidiary	-	-	(668,294)	-	(100.0)
Payment for property, plant and equipment, net of project accruals, retention payables to capex suppliers.....	(676,661)	(775,473)	(571,580)	14.6	(26.3)
Investments in financial assets at fair value through profit and loss	-	-	(100,000)	-	(100.0)
Short term deposit (more than three months) encashed / invested.....	-	(17,500)	(97,300)	100.0	456.0
Finance income received.....	7,226	4,618	11,023	(36.1)	138.7
Proceeds from disposal of property, plant and equipment.....	-	-	27	-	100.0
Investments in financial assets at fair value through other comprehensive income / Financial assets acquired.....	-	(55,372)	-	(100.0)	100.0
Net cash used in investing activities	(669,435)	(843,727)	(1,426,124)	26.0	69.0

The Group's net cash used in investing activities for the year ended 31 December 2020 increased by 26.0% or AED 174.3 million from AED 669.4 million in 2019 to AED 843.7 million in 2020. This increase in the cash used in investing activities was due to increases in capital expenditure during the period, with additions to capital

work-in-progress and other asset classes. In addition, the Group also invested AED 55.4 million in Bonds and AED 17.5 million in short term deposits during the year ended 31 December 2020.

For the year ended 31 December 2021, the Group's net cash used in investing activities increased by 69.0% or AED 582.4 million from AED 843.7 million in 2020 to AED 1,426.1 million in 2021. The additional investments undertaken by the Group in the year ended 31 December 2021 include the acquisition of Empower Snow LLC resulting in a cash outflow of AED 668.3 million and an investment of AED 100.0 million in National Bonds. This was further supported by increased investment in short term deposits, partially offset by increased finance income received during the period and comparatively lower capital expenditure.

Net cash (used in) / generated from financing activities

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

	As at 31 December			Increase/(Decrease)	
	2019	2020	2021	2020-2019	2021-2020
	(AED thousand)			(%)	
Proceeds from bank borrowings net of arrangement fee / Proceeds from bank borrowings	488,881	969,645	917,294	98.3	(5.4)
Repayment of bank borrowings.....	(69,789)	(69,789)	(253,047)	-	262.6
Lease payment – principal.....	-	(7,446)	(6,862)	(100.0)	(7.8)
Lease payment – interest.....	-	(1,146)	(712)	(100.0)	(37.9)
Payments of lease liabilities	(8,064)	-	-	100.0	-
Dividend paid to shareholders.....	(470,000)	(330,000)	(400,300)	(29.8)	21.3
Finance costs paid	(16,971)	(13,362)	(20,063)	(21.3)	50.1
Net cash (used in) / generated from financing activities	(75,943)	547,902	236,310	821.5	(56.9)

The Group's net cash generated from financing activities for the year ended 31 December 2020 increased by 821.5% or AED 623.8 million from AED 75.9 million net cash outflow from financing activities in 2019 to AED 547.9 million net cash inflow from financing activities in 2020. This increase in cash inflow from financing activities was primarily driven by higher proceeds from bank borrowings due to the Group undertaking a drawdown from the unutilised portion of the unsecured US\$400 million term loan facility. The Group also paid lower dividends in 2020 as compared to 2019.

For the year ended 31 December 2021, the Group's net cash generated from financing activities decreased by 56.9% or AED 311.6 million from AED 547.9 million in 2020 to AED 236.3 million in 2021. This was primarily due to higher repayments of bank borrowing and increases in dividend payments in 2021 as compared to 2020. The Group also reported lower cash inflow from bank borrowings in 2021.

Related party transactions and balances

Related parties include the shareholders, key management personnel, subsidiaries, joint venture, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence. The Group has availed the exemption as per para 25 of IAS 24 Related Party Disclosure and considers the entities (other than disclosed below) are under common control of Government as non-related.

The following table sets forth the Group's related party transactions and balances for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June	
	2021	2022
	(AED thousand)	
Services rendered/(received) to entities under common control of shareholders		
Dubai Properties LLC	61,581	65,464
Meraas Holding LLC	8,227	17,779
Jumeirah Group LLC	19,830	20,333
Tecom Investments FZ LLC*	26,347	27,584
Global Village Dubai LLC.....	313	317
	116,298	131,477

Dividend to Shareholders	300,000	500,000
Services received from shareholder		
DEWA.....	309,749	408,719
Services received from entities under common control of Ultimate Parent		
Finance cost from Emirates NBD PJSC	2,671	7,740
Key Management Remuneration		
Board of Directors Remuneration	3,125	3,125
Compensation of Key Management Personnel	2,549	2,786
Number of Key Management Personnel	1	1

* On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power, an indirect subsidiary of Dubai Holding, through the Decree No. 19 of 2022 issued by the Ruler of Dubai.

	As at 31 December 2021	As at 30 June 2022
Due from related parties		
<i>Entities under common control of shareholder</i>		
Jumeriah Group LLC	2,085	5,264
Tecom Investments FZ LLC	-	4,726
Meraas Holding LLC	1,494	2,931
Others	39	50
	3,618	12,971
Due to related parties		
Shareholder		
DEWA.....	153,599	118,134
<i>Entities under common control of shareholder</i>		
Dubai Properties LLC	2,828	7,498
Dubai Holding LLC	3,708	3,727
Tecom Investments FZ LLC	668	-
<i>Others</i>		
Board of Directors.....	5,050	3,125
Others.....	434	437
	166,287	132,921

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

	As at 31 December		
	2019	2020	2021
Services rendered to entities under common control of shareholder		<i>(AED thousand)</i>	
Dubai Properties LLC	121,004	131,835	160,070
Meraas Holding LLC	-	64,341	32,285
Jumeirah Group LLC	62,378	39,927	46,833
Tecom Investments FZ LLC	59,929	62,389	53,697
Global Village Dubai LLC.....	710	640	707
	244,021	299,132	293,592
Dividend to Shareholders	470,000	330,000	400,300
Services received from shareholder			
DEWA.....	(879,495)	(805,585)	(974,879)
Services received from entities under common control of Ultimate Parent			
Finance cost from Emirates NBD PJSC		3,341	6,903
Key Management Remuneration			
Board of Directors Remuneration	6,250	6,250	6,250

Compensation of Key Management Personnel	12,166	12,198	13,192
Number of Key Management Personnel.....	1	1	1

* On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power, an indirect subsidiary of Dubai Holding, through the Decree No. 19 of 2022 issued by the Ruler of Dubai.

	As at 31 December 2021		
	2019	2020	2021
Due from related parties		(AED thousand)	
<i>Entities under common control of shareholder</i>			
Others	2,756	14,471	3,618
Due to related parties			
<i>Shareholders</i>			
Dubai Electricity and Water Authority PJSC	58,985	142,879	153,599
Tecom Investments FZ LLC	25,395	41,636	668
	84,380	184,515	154,267
<i>Entities under common control of shareholder</i>			
Dubai Properties LLC	54,975	2,064	1,605
Dubai Holding LLC	3,708	3,708	3,708
	58,683	5,772	5,313
<i>Others</i>			
Board of Directors.....	5050	5050	5050
Others.....	28	3,909	1,657
	148,141	199,246	166,287

The Group transacts with various banks and financial institutions which are wholly or partially controlled by the Government. 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.

Subsidiaries and joint ventures

The following table provides an overview of each of the Group's subsidiary and joint ventures as of 30 June 2022.

Name	Location	Principal business activity	Group effective ownership 2021	Investment type
ELIPS	UAE	Manufacturing of pre-insulated pipes, mainly for district cooling	97.0%	Subsidiary
PDC	UAE	Establishing and operating district cooling projects and providing air conditioning, ventilator and refrigeration services	99.9%	Subsidiary
Palm Utilities LLC	UAE	Establishing and operating district cooling projects and providing air conditioning, ventilator and refrigeration services	99.5%	Subsidiary
Empower FM LLC	UAE	Installations of equipment, installations and supply for air conditioning, ventilation and purification systems, repairs and maintenance	100%	Subsidiary
Empower Engineering & Consultancy LLC	UAE	Consultancy services for project development	100%	Subsidiary
Empower Snow LLC	UAE	Establishing and operating district cooling projects and providing air-conditioning, ventilation and refrigeration services	100%	Subsidiary

ELIPS was established during the year 2007 with the Company having a 51% shareholding and Logstor Holding, Denmark having a 49% shareholding. During 2012, the Company increased its shareholding in ELIPS to 97%, diluting Logstor Holding, Denmark's interest to 3%.

During 2013, the Company acquired a 99.5% interest in Palm Utilities LLC and a 99.9% interest in its subsidiary Palm District Cooling LLC.

During 2020, the Company established two subsidiaries, namely Empower FM LLC and Empower Engineering & Consultancy LLC with a 100% shareholding in each.

During 2021, the Group acquired 100% of the shares of Empower Snow LLC (previously known as Snow LLC), a company providing DCS for various projects developed and owned by Nakheel. In 2021, the Group's cash expense in connection with the acquisition of Empower Snow LLC amounted to AED 668.3 million.

Liquidity and capital resources

The Group's primary liquidity requirements are to complete ongoing development projects, mainly the construction and expansion of new and existing district cooling plants, undertake acquisitions in subsidiaries, make payment towards meeting financing obligations and the payment of dividends.

The Group's primary source of financing is from equity, with support from debt from a syndicate of banks. During the periods 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 and 30 June 2022, the Group had AED 1,987.9 million and AED 2,907.2 million of outstanding indebtedness, respectively.

Material borrowings

The following is a description of the Group's outstanding material borrowings as at 31 December 2019, 2020 and 2021 and as at 30 June 2022.

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	(AED thousand)			
Non-current				
Term loan	352,397	1,154,860	987,666	883,716
Current				
Term loan	68,277	167,179	1,000,219	2,023,527
Total borrowings	420,674	1,322,039	1,987,885	2,907,243

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

Off-balance sheet arrangements and operating lease commitments

The Group's off-balance sheet arrangements as at 31 December 2019, 2020 and 2021 and as at 30 June 2021 and 2022 primarily comprised of capital commitments. For details of the Group's off-balance sheet arrangement and operating lease commitments refer to note 24 in the H1 2022 Interim Financial Statements, note 35 in 2021 Financial Statements and note 27 in the 2020 Financial Statements.

Capital expenditure

The Group's capital expenditures comprise of payment for property, plant and equipment, net of project accruals, retention payables to capex suppliers representing organic capital expenditure and acquisition of subsidiaries representing inorganic capital expenditure.

The following table provides a breakdown of the capital expenditure of the Group by segment for the six months ended 30 June 2021 and 2022.

	Six months ended 30 June		Increase/(Decrease)
	2021	2022	2021-2022
	(AED thousand)		(%)
Purchase of property, plant and equipment, net of project cost accruals	315,008	220,895	(29.9)
Capital Expenditure	315,008	220,895	(29.9)

The following table provides a breakdown of the capital expenditure 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 thousand)			(%)	
Acquisition of subsidiary	-	-	668,294	-	100.0
Payment for property, plant and equipment, net of project accruals, retention payables and advances to CAPEX suppliers / Payment for property, plant and equipment, net of project accruals, retention payables to CAPEX suppliers	676,661	775,473	571,580	14.6	(26.3)
Capital Expenditure	676,661	775,473	1,239,874	14.6	59.9

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

Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management in accordance with approved policies by the Board of Directors.

This section presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout the consolidated financial statement for the six months ended 30 June 2022 and 2021, and the years ended 31 December 2021, 2020 and 2019.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include bank borrowings, term deposits, financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss and lease liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's exposure to market risk arises from:

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group does not have any significant

foreign currency exposure, as the majority of the transactions are denominated in AED or currencies pegged to AED.

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 those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market.

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet either as at FVTOCI or at FVTPL. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Diversification of the portfolio is conducted in accordance with the limits set by the group.

The Group's investment in FVTOCI is publicly traded on the DFM. The Group has no significant exposure to price risk on FVTPL as it is based on a fixed price index.

Amounts recognised in profit or loss and other comprehensive income

The amounts recognised in profit or loss and other comprehensive income in relation to the various investments held by the Group are disclosed.

Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (borrowings and lease liabilities). The Group's main interest rate risk arises from borrowings with variable rates as all borrowings of the Group are variable which expose the Group to cash flow interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its consolidated statement of financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. The Group monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The Group does not hedge its exposure to interest rate risk.

At 31 December 2021, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 4.7 million (2020: AED 4.9 million, 2019: AED 5.1 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Further, at 31 December 2021, if interest rates on lease liability had been 1% higher/lower with all other variables held constant, post-tax profit for the year ended 31 December 2021 would have been lower by AED 0.1 million (2020: AED 0.2 million, 2019: AED 0.9 million) mainly as a result of higher interest expense and would have been higher by AED 0.2 million (2020: AED 0.3 million, 2019: AED 1.0 million) mainly as a result of lower interest expense.

Credit risk

The Group has seven types of financial assets which are exposed to credit risk:

- cash at bank and short term bank deposits
- trade receivables
- due from related parties
- financial assets at amortised cost
- FVTOCI
- FVTPL
- all other financial assets

Deposits for district cooling services are collected from customers before the provision of any services and are held as security in order to mitigate credit risk in case of default by customers.

Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a good rating are accepted.

For trade receivables and due from related parties, if customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings.

The Group's investments in equity instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Impairment of financial assets:

Financial assets at amortised cost

The Group recognised a financial asset during the year through the acquisition of Empower Snow LLC from Nakheel, a related party. The financial asset arose from the minimum demand load commitment by Nakheel in the Master Concession Agreement. The following table discloses the changes in credit loss allowance and gross carrying amount for the financial asset between the beginning and the end of the reporting period.

	Credit loss allowance			Gross carrying value		
	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL for SICR)	Stage 3 (Lifetime ECL for credit impaired)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL for SICR)	Stage 3 (Lifetime ECL for credit impaired)
Financial asset at amortised cost						
At 1 January 2021.....	-	-	-	-	-	-
Movements with impact on credit loss allowance charge for the year						
New originated or purchased.....	-	-	-	309,204	-	-
Total impact with impact on credit loss charge during the year	-	-	-	309,204	-	-
Repayment during the year.....	-	-	-	(739)	-	-
Unwinding of interest income during the year.....	-	-	-	610	-	-
As 31 December 2021	-	-	-	309,075	-	-

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and unearned revenues have been grouped based on shared risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Cash at bank and short term bank deposits

The Group seeks to limit its credit risk to banks by only dealing with reputable banks, and independently rated parties with a minimum of investment grade ratings are accepted. No impairment provision was required on cash and cash equivalents as credit risk was considered minimal.

Financial assets at fair value through profit and loss and fair value through other comprehensive income

Financial assets at FVTPL cost and FVTOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. The Group considers low credit risk for the following investments as they are held with reputable institutions.

All other financial assets

For all other financial assets, the Group recognises expected credit losses when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default. No impairment provision was required on other financial assets as credit risk was considered minimal.

Due from related parties

While due from related parties balances are also subject to the impairment requirement of IFRS 9, the Group did not identify any impairment loss.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will 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.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below summarises the Group's financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the table are the contractual discounted cash flows. Balances due within twelve months equal their carrying amounts, as the ultimate amounts to be realised are not significantly different from the carrying amounts.

	Total	Less than 1 year	Between 1 to 5 years	More than 5 years
		<i>(AED thousand)</i>		
As at 31 December 2021				
Bank borrowings (including interest)	2,047,967	1,022,808	1,025,159	-
Trade and other payables (excluding deferred revenues)	1,184,771	1,184,771	-	-
Lease liabilities	14,952	3,013	5,383	6,556
Due to related parties	166,287	166,287	-	-
	3,413,977	2,376,879	1,030,542	6,556

	Total	Less than 1 year	Between 1 to 5 years	More than 5 years
		<i>(AED thousand)</i>		
As at 31 December 2020				
Bank borrowings (including interest)	1,403,595	190,162	1,213,433	-
Trade and other payables (excluding deferred revenues)	1,177,883	1,177,883	-	-
Lease liabilities	20,744	6,149	6,864	7,731
Due to related parties	199,246	199,246	-	-
	2,801,468	1,573,440	1,220,297	7,731

Subsequent to the previous year-end, the Group obtained a new bank loan (which is disclosed in Note 16 of Interim Financial Statements). For further information, see “*Material Agreements—Certain financing arrangements of the Group*” and “*Capitalisation*”.

Compared to the previous year-end, there have been no other material change in the contractual undiscounted cash outflows for financial liabilities during the period.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the Gearing Ratio. This ratio is calculated as net borrowings divided by the total capital. Net borrowings is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net borrowings.

The Gearing Ratios as at 31 December 2019, 2020 and 2021 and 30 June 2022 were as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	(AED thousand)			
Total borrowings	420,674	1,322,039	1,987,885	2,907,243
Less: cash and cash equivalents	(331,247)	(1,069,196)	(1,245,588)	(1,834,783)
Net borrowings.....	89,427	252,843	742,297	1,072,460
Total equity (excluding non-controlling interests)	4,271,904	4,792,635	5,428,955	5,354,725
Total capital.....	4,361,331	5,045,478	6,171,252	6,427,185
Gearing Ratio	2.1%	5.0%	12.0%	16.7%

The Group manages the risk by closely monitoring the Gearing Ratio.

Fair value estimation

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and bank balances, trade and other receivables (excluding prepayments) and due from related parties. Financial liabilities consist of trade and other payables (excluding deferred revenue), bank borrowings and due to related parties.

As at 31 December 2021, 2020 and 2019 and 30 June 2022 and 2021, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realised at their current carrying values within twelve months from the date of the consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary 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.

When measuring the fair value of an asset or 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).

INDUSTRY OVERVIEW

Unless otherwise specifically stated, the information set forth below is based the Industry Report which has been prepared by the Industry Consultants, for the benefit of the Company in relation to the markets in which the Group operates. See “Market, Economic and Industry Data”.

General Overview

Centralised cooling, referred to as district cooling, is a relatively new technology to the Middle East but one which is seen more and more as the preferred cooling solution to be employed in densely populated areas. In this context, the information set forth below seeks to illustrate the steady growth of district cooling systems in the region, paying particular attention to Dubai and the essential role that the Company play in the provision of district cooling services.

Dubai is one of seven emirates who make up the federation of the UAE—a country which is best described as one that plays a significant role in the Middle East region and more broadly on the world stage. For a country with some 10 million people, it leads the way in the Arab world on a wide range of benchmarks. These include digital services, the building of nuclear power plants, space exploration, the operation of one of the busiest ports in the world (Jebel Ali in Dubai), and the tallest building in the world at Burj Khalifa (Dubai). Dubai is a main gateway for trade, commerce, tourism and all forms of goods and services and Dubai is a key contributor to these achievements and for the most part is seen as the prime mover in developing many of these initiatives.

It is against this impressive backdrop that the Company operates, through the provision of essential DCS to the majority of district cooling-suitable Dubai developments, thereby facilitating comfortable living in an otherwise high-temperature environment. Of particular note is the Company’s targeted district cooling market share for the Emirate of Dubai of approximately 80% of total connected capacity by the end of 2022 (subject to completing the Dubai International Airport District Cooling Acquisition), as reported by the Government in August 2022. During 2021, the Company connected Dubai’s most iconic projects with DCS, most notably Marsa Al Arab, One Za’abeel, The Residences Dorchester Collection, Uptown and Wasl 1 and many other buildings. In addition, in high-density building developments district cooling technology exhibits inherent advantages over traditional air-cooled systems and is a more attractive proposition for these types of developments, which are numerous and are illustrated below. Further, major benefits of centralised cooling systems relate to the saving of up to 50% of energy consumption for an equivalent cooling output compared with traditional cooling systems, thereby reducing CO₂ emissions. Finally, the technology provides load-shifting benefits through thermal storage applications, allowing a more optimal and flatter demand curve for DEWA, who are the sole electricity provider to the Company.

The Company is the largest district cooling operator in Dubai and as referenced by the International District Energy Association the largest in the world. While the Company continues to expand its customer base, it has also been active in improving the energy efficiency of its operations. Such centralised cooling systems suit the overall building model of Dubai, given the development of high-density projects.

While growth in the district cooling market for Dubai is of high importance, acceptance of district cooling systems elsewhere illustrates a growing confidence in district cooling over other more traditional forms of chilling. Currently, various sources mentioned below indicate a CAGR of over 9% in the GCC region between 2022 and 2030 and factors driving this market are described below. In reflecting this level of growth, the Dubai district cooling share of the cooling market has demonstrated substantial levels of penetration from 18% in 2016 to a figure of 25.6% in 2021, as reported by RSB. In addition, the current Dubai Integrated Energy Strategy seeks to increase the share of district cooling to 40% of the cooling market by 2030, paving the way for future growth in the district cooling sector.

Dubai Macroeconomic Outlook and Key Trends

Introduction to Dubai and its economy

The Emirate of Dubai is located on the eastern coast of the Arabian Peninsula and it is considered an important hub for trade and tourism and operates as a centre of trade flows in the Middle East. Dubai is the second wealthiest Emirate in the UAE (after Abu Dhabi) in terms of nominal GDP. The Emirate has established a diversified economy including key sectors such as retail and wholesale activities, tourism, hospitality, transport,

financial services, insurance, manufacturing, and real estate. Collectively, these contribute substantially towards Dubai's GDP, listed as AED 386 billion (USD 105 billion) at the end of 2021 witnessing a 6.2% growth compared to the end of 2020 (Dubai Statistics Center, 2022).

Further, the UAE have introduced various policies to attract and retain talent, foreign investment and present the UAE as an attractive opportunity such as:

- **Reforms in visa status:** The UAE cabinet ministers have announced a wide range of visa reforms such as the golden visa, long-term stay visa, freelance visa, remote work visa and other related reforms to retain and attract top talent and skill sets, increase competitiveness and flexibility of the job market and boost investment opportunities within the UAE
- **Ease of conducting business:** As per World Bank's 'Doing Business 2020 report', UAE is ranked sixteenth in the global ranking from 190 countries and emerged as the leading nation in the MENA region (The National News, 2019). Further, the UAE also announced recent amendments in the commercial company's law there by allowing foreign investors 100% company ownership. Lastly, as of 1 January 2022, UAE implemented the new working week (Monday to Friday) aligning itself with global markets to facilitate international business.

While COVID-19 outbreak affected economies and livelihoods in unprecedented ways, the city demonstrated resilience and was one of the first cities globally to re—open its international borders to tourists in 2020 (CNN Travel, 2020). Further, the government's proactive initiative to combat the spread of the virus and deployment of vaccination resulted in the UAE population to have the highest vaccination rates globally.

Table 1. Dubai Demographic Indicators

Indicators	unit	2017	2018	2019	2020	2021
Resident Population.....	m persons	3.0	3.2	3.4	3.4	3.5
Of which expatriates.....	m persons	2.7	2.9	3.1	3.1	3.2
YoY population growth.....	%	10.3%	7.3%	5.1%	1.6%	2.0%
Daytime population	m persons	4.2	4.4	4.6	4.4	4.5
International visitors.....	m persons	15.8	15.9	16.7	5.5	7.3

Source: (Dubai Statistics Center, 2022)

Note: Daytime population includes a total of population permanently residing in Dubai and workers residing outside Dubai, as well as temporary residents (tourists, sailors, and other visitors). International visitors include visitors who spend one night at least in Dubai including Air, Land & Sea Visitors, excluding UAE residents, Local Emiratis and Aircrews & marines

Table 2. Dubai Macro—Economic Indicators (Limited Selection)

Indicators	unit	2017	2018	2019	2020	2021
Nominal GDP	current USD billion	113	115	119	104	n.a.
Nominal GDP	AED billion	414	424	436	382	n.a.
GDP per capita.....	current USD	37,906	36,178	35,405	30,525	—
Real GDP	AED billion	393	401	412	363	386
Real GDP growth	%	3.1%	2.1%	2.7%	(11.8%)	6.2%
Inflation rate	%	2.1%	1.5%	(3.0%)	(3.0%)	(2.2%)
FDI per year (billion).....	USD billion	7.4	10.5	n.a.	6.7	7.1
Unemployment Rate.....	%	0.5%	0.5%	0.5%	n.a.	n.a.

Source: (Dubai Statistics Center, 2022), (Dubai FDI, 2022). Monetary values in USD were calculated with an exchange rate of 1USD = 3.6725 AED

Table 3. Dubai's Top 7 Sectors for Economic Output at Constant Prices

Indicator	unit	2017	2018	2019	2020	2021
Wholesale & retail trade, vehicle repair	%	26.4	26.3	26.5	26.8	26.2
Transportation & warehousing.....	%	12.2	12.3	12.5	12.4	12.6
Financial & insurance activities	%	10.2	10.0	9.7	10.6	10.2
Manufacturing	%	9.4	9.0	8.8	9.4	9.4
Real estate activities	%	6.8	7.1	7.4	6.6	6.9
Construction.....	%	6.2	6.4	6.3	6.5	6.6
Public Administration.....	%	5.1	5.0	4.9	4.9	5.0
Accommodation and Food services .	%	4.9	5.0	5.0	4.8	5.0
Total GDP Covered	%	81.1	81.0	81.1	82.0	81.9

The strong and steady growth of Dubai's economy observed in the years prior to the impact of COVID-19, is expected to continue further as the public economic outlook predicts a growth rate of close to 5% in 2022 and 2023 (The Economist, 2022). The growth rate for 2022 is consistent with the observed growth in the first quarter of 2022, which was listed as 5.9% YoY (Dubai Statistics Center, 2022). In the short term, The Economist projects Dubai to grow above the average of the UAE which the IMF forecasts to grow at around 4.2% in 2022 and 3.8% in 2023 (International Monetary Fund, 2022).

The promoted range of economic initiatives (as elaborated within 4.1.2) is anticipated to stimulate growth and attract additional visitors and residents to Dubai. As a result, Dubai's government anticipates the population will reach 5.8 million by 2040 according to their 2040 Master Urban Plan (The National News, 2022), which would mean an increase of 65% compared to the total population registered in 2021 (3.5 million). If the 5.8 million inhabitants' goal is achieved by 2040, then this relates to an average growth rate of 2.7% over the next 19 years.

Table 4. Future evolution of explanatory variables (2022—2026)

Indicator	Unit	2022	2023	2024	2025	2026
Dubai's GDP growth	%	5.0%	5.0%	n.a.	n.a.	n.a.
UAE's GDP growth	%	4.2%	3.8%	3.7%	3.9%	4.0%
Population growth	%	2.7%	2.7%	2.7%	2.7%	2.7%

Source: Population growth rates were obtained from Dubai Statistic Centre. Dubai GDP's growth rates for 2022—2023 are from (The Economist, 2022). The growth rates for UAE come from the (International Monetary Fund, 2022). The IMF has updated its forecast for 2022 and 2023 after the current increase in oil prices. NB: Fitch Solutions forecast the UAE's real GDP growth will accelerate from an estimated 3.4% in 2021 to 4.6% in 2022. (Fitch Solutions, n.d.)

Dubai's economic initiatives

In the mid-1990s, with a decline in oil production, Dubai sought to diversify its economy and was very successful in doing so. Dubai is now recognised as a hub for real estate, tourism, and trade. It is seen as one of the premier financial capitals in the Middle East. Moreover, economic innovation has continued with key recent initiatives launched to support growth, innovation and sustainability which include:

- **Dubai Integrated Energy Strategy 2030** (Announced - 2010): An initiative deployed in 2011 to set the strategic direction of Dubai towards securing sustainable supply of energy and enhancing demand efficiency (water, power & transportation fuel) (Supreme Council of Energy, 2021).
- **Dubai Demand Side Management Strategy 2030** (Announced - 2013): Supreme Council of Energy developed its demand side management strategy to deliver 30% annual savings in water and electricity by 2030 compared to BAU consumption (Supreme Council of Energy, n.d.).
- **Expo 2020** (Announced - 2013): This global event that ran over a six-month period (1 October 2021 to 31 March 2022) where over 24 million visitors were recorded. According to a report commissioned by Dubai Chamber of Commerce, the revenue per available room ("RevPAR") in Dubai in January 2022 increased to AED 460 compared to AED 293 in January 2021, marking an increase of 56.3% and outperforming Milan, the host city for Expo 2015, which recorded RevPAR of 54.5% in 2015 (Gulf Business, 2022).
- **Dubai Plan 2021** (Announced – 2014): An initiative focused on holistic and complementary services with people and society at the epicentre (Dubai Plan, 2014).
- **Dubai Green Mobility Strategy 2030** (Announced - 2016): An initiative launched by the Dubai Supreme Council on Energy to encourage use of electric vehicles and reduce carbon emissions by 16% by 2021 (Supreme Council of Energy, 2021).
- **Dubai Industrial Strategy 2030** (Announced - 2016): An initiative seeking to increase the sector's contribution towards Dubai's GDP. The industrial sector is expected to grow by an additional AED18 billion by 2030 creating 27,000 jobs with exports forecast to increase by AED16 billion. Investment in research and development is expected to increase by AED700m by 2030. Further, 75 initiatives have been identified and is projected to generated AED 160 billion by 2030 (Government of UAE, 2021).

- **Area 2071** (Announced - 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 in the UAE (AREA 2071, 2022).
- **Dubai 10X** (Announced - 2017): An initiative aimed at “positioning Dubai 10 years ahead of all other world cities” places strategic focus on innovative technology and disruptive solutions (Dubai 10X, 2022).
- **Dubai Clean Energy Strategy 2050** (Announced - 2017): An initiative pledged by Dubai to increase its use of clean energy sources to 100% by 2050 and to reach net-zero emissions by the same year (Arabian Business, 2022). The strategy also aims to make Dubai a global centre for a green economy and clean energy applications (Anon., 2021).
- **Dubai Future District** (Announced - 2019): An initiative with a dedicated fund of USD 272m (Department of Economy and Tourism, 2021) to support the development of the future economy.
- **Dubai 2040 Urban Master plan** (Announced - 2021): A comprehensive plan to develop Dubai’s sustainable urban development (Government of UAE, 2022).
- **Digital Dubai** (Announced - 2021): An initiative aimed to develop and oversee the implementation of policies and strategies governing matters pertaining to Dubai’s information technology, data, digital transformation, and cyber-security to achieve the vision to make Dubai a global leading digital economy (Digital Dubai, 2020).
- **Dubai Metaverse Strategy** (Announced - 2022): The strategy aims to convert Dubai into one of the world’s top 10 metaverse economies as well as global hub for a metaverse community (Government of Dubai Media Office, 2022).
- **Dubai Global** (Announced - 2022): An initiative seeking to establish 50 integrated commercial representative offices for Dubai in five continents worldwide in the coming years. The aim is to position Dubai as a leading business hub globally with an objective to globalise national companies, attract global investments and add new markets to global business lines. (Emirates News Agency, 2022).

Trade, Real Estate and Tourism

Trade

Wholesale and retail trade continues to be the highest contributor towards the GDP amounting AED 98.3 million in 2021 (AED 92 million in 2020) (Dubai Statistics Center, 2021).

Dubai’s foreign trade activities are conducted either from Dubai mainland (called direct trade hereafter) or through free zones (free-trade zones). From 2006 until 2018, Dubai’s total trade in goods (direct trade and free zones) grew at an average rate of 8% per annum (Dubai Economic Department, 2019), almost twice the rate of nominal GDP growth. Prime Minister of the UAE and ruler of Dubai announced a target of USD 544 billion non-oil trade by 2025 (Zawya, 2020). This growth slowed during the pandemic in 2020, which caused total foreign trade to drop to USD 321 billion (Dubai Customs, 2020). This represented a decrease of 14% from 2019, which stood at USD 373 billion (Dubai Customs, 2019). 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 Media Office, 2021).

Airborne trade accounted for 47% of trade in 2020 with a value of USD 152 billion (Dubai Customs, 2020). Dubai’s flagship airline carrier, Emirates Airlines was ranked as the fourth largest cargo airline in 2020 handling 9,569m cargo tonne-kilometres (IATA, 2021). 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 Media Office, 2021).

Seaborne trade accounted for 36% of trade in 2020 with a value of USD 115 billion. Dubai’s Port of Jebel Ali is the world’s largest man-made deep-water harbour. With more than 8,000 companies from more than 100 countries, the port sustains 135,000 jobs and attracts 23% of Dubai’s foreign direct investment. It was also

ranked the eleventh busiest port in the world in 2020 in terms of volume handled with 13.5 million TEU (World Shipping Council, 2020).

Land borne trade made up the remaining 17% with a value of USD 55.7 billion (Dubai Customs, 2020). 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 Media Office, 2021).

Recently, the Dubai International Chamber's Board of Directors approved a new strategy for the next three years (2022 to 2024) with an aim to support a USD 544 billion foreign trade goal built on improving the current business environment, attracting foreign investment and international companies, growing Dubai's digital economy and supporting member companies with global expansion (Dubai Media office, 2022).

Commodity Trade Index

The Dubai Multi Commodities Centre, in addition to a range of responsibilities publishes a Commodity Trade Index illustrating the relative position of the UAE compared with other leading trading nations. The Commodity Trade Index looks at a range of factors important to commodity trade including individual sub-indicators. The data underlying the indicators are taken from sources such as the World Bank or the United Nations. The UAE is placed second on the Commodity Trade Index, matching its performance in 2020, despite performing relatively better than USA for both commodity endowment factors and institutional factors. In particular, the UAE has the top score for commodity endowment factors, driven by its large natural supply of oil. The UAE has scored top for this pillar of the index in every iteration of the Commodity Trade Index (DMCC, 2022).

Real estate

The real estate sector has been one of the key contributors towards Dubai's GDP with some years witnessing growth exceeding 14% YoY. In 2021, the real estate sector contributed (at constant price) 6.9% compared to 6.6% in 2020 towards the GDP witnessing a growth rate of 20.1% YoY (Dubai Statistics Center, 2021).

According to a recent Q1 posting by Zawya Publications, 2021 saw the breaking of a 12-year high with the highest value of real estate sold since 2009 with sales transactions worth USD 41 billion. On an annual basis, 2021 when compared to 2020 showed an increase of 74.8% in sales transaction volume and an increase of 110.2% in value (Zawya, 2022).

Further, in 2021, 59.6% of all transactions recorded were for secondary (previously owned but ready to re-sell)/ready (available to move in) properties and 40.4% were for off-plan properties. With respect to volume of sales transactions, off-plan market transactions were 24,761 properties worth a total of USD 12.4 billion and the secondary market recorded 36,480 property transactions worth a total of USD 28.7 billion. This is the highest secondary real estate sales transaction value since 2008 (Zawya, 2022).

In addition, the Dubai market has witnessed an increase in luxury home sales (defined as greater than USD10m) from January to September 2021 recording 54 sales, the highest number on record. The previous record of 31 was set in 2015.

The number of housing units across all types has witnessed a CAGR of 5% over the past five years. Apartments continue to constitute almost 80% followed by villas at 17% on average of the total housing options. 2020 witnessed a change in consumer patterns with people opting to move to larger spaces. Apartment units year on year growth dropped to 7% in 2020 compared to 12% in the previous year's whereas villas have observed a consistent growth rate of 8% year on year from 2019 to 2020, compared to increase in growth rate of 16% achieved in 2018 (Dubai Statistics Center, 2022).

Further, based on the analysis carried out by Knight Frank, the residential forecast indicates almost 80% of new launches is associated with apartments, indicating higher density growth which is more suited to the application of district cooling systems. Please refer to sections within this "*Industry Overview*" for further analysis carried out covering both Dubai and the Company's market for district cooling.

Table 5. Housing units (Urban and Rural) by type from 2017 to 2021

Type of Building	2017		2018		2019		2020		2021		CAGR**
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	
Apartment.....	255	432,023	843	484,845	5,187	537,417	6,009	575,157	343	617,553	9%
Villa.....	3,959	92,263	5,748	105,504	7,993	112,552	12,823	117,712	1,005	137,521	10%
Attached to Villa.....	1	384	1	591	1	615	1	612	-	611	12%
Arabic House.....	391	6,980	389	6,786	396	5,583	396	5,498	65	5,692	-6%
Part of Arabic House.....	-	659	-	735	-	745	-	727	-	705	2%
Room/Rooms.....	983	8,490	984	9,427	1,245	9,360	1,353	9,370	842	9,832	3%
Collective** Housing.....	122	3,263	153	4,107	158	4,028	163	4,065	55	4,194	6%
Other***.....	647	657	621	634	584	616	1,076	597	476	1,199	6%
Total.....	6,358	544,719	8,739	612,629	15,564	670,916	21,821	713,738	2,786	777,307	9%

Source: (Dubai Statistics Center, 2022)

*Rural areas' definition and boundaries is updated based on Dubai Urban Plan 2040

** Includes laborers and employees camps

*** Includes (Caravan)

****CAGR includes both Rural and Urban

Table 6. Completed buildings (urban and rural*) by type from 2017 to 2021

Type of Building	2019		2020		2021	
	Rural	Urban	Rural	Urban	Rural	Urban
One-Storey.....	1,147	1,052	1,197	1,079	729	1,466
Multi-Storey.....	72	14,172	84	14,631	24	15,142
Private Villa.....	2,138	40,605	2,500	41,809	1,000	44,430
Investment Villa.....	5,855	71,947	10,323	75,903	5	93,091
Arabic House.....	396	5,583	396	5,498	65	5,682
Public.....	NA	NA	550	10,006	235	10,699
Commercial.....	538	9,867	NA	NA	NA	NA
Industrial.....	10	1,045	12	1,062	4	1,108
Other**.....	807	4,894	1,309	4,932	614	5,744
Total.....	10,963	149,165	16,371	154,920	2,676	177,372

Source: (Dubai Statistics Center, 2022)

*Rural areas' definition and boundaries is updated based on Dubai Urban Plan 2040

** Includes labourers and employees camps

*** Includes (Caravan)

Table 7. Buildings under construction by type from 2017 to 2021

Type of Building*	2017	2018	2019	2020	2021
Private Villas.....	6,253	6,027	5,351	5,165	5,642
Investment Villas.....	18,753	7,170	4,341	3,732	3,855
Industrial.....	666	602	558	497	494
Public.....	823	836	823	816	810
Multi—Storey.....	2,356	2,035	1,652	1,309	1,082
Total.....	28,851	16,670	12,725	11,519	11,883

Source: (Dubai Statistics Center, 2022)

Buildings that are supervised by Dubai Municipality and still under construction to the end of that period.

Villas, due to their low—density layout, are typically not considered the target market for district cooling networks.

In 2022, the Dubai real estate market has continued to maintain momentum from 2021 with a total of 43.2k transactions worth AED 115 billion witnessing YoY growth of nearly 60% in terms of sales volume and 87.8% in terms of sales value (Zawya, 2022). In addition, Dubai is also attracting high net worth individuals to the region and witnessing an increase in luxury home sales including recording its highest ever sale of a single home priced at AED 280 million (Khaleej Times, 2022).

The secondary market for sales transactions also continues to dominate the real estate market with an almost 80/20 split between apartments and villa/townhouses with a steady growth capturing the largest transactions by 58.6% in terms of volume and 66.3% in terms of value (Emirates News Agency, 2022).

Forward looking analysis – Residential market including drivers

From historic data published by the Dubai Statistics Centre, over the past five year period, apartments have constituted an average of 80% of the total housing units. In a report published by Knight Frank in the autumn of 2021, they have forecasted an additional 125,000 units of residential units entering the housing market by 2025 of which 80% (100,000 units) will be apartments.

The below data reflects publicly available information regarding launches of units and indicated a ‘bow wave’ of launches which will likely exhibit a longer-term flatter completion date over the next five years. As is often the case, a launch is the very start of the process and progress is often dependent on pre-construction sales.

Analysis carried out by Knight Frank in the autumn of 2021, recorded 22,500 units under construction over 2021 and 2022.

Indicator	Unit	2021	2022	2032	2024	2025
Launches	Units	28,000	77,000	15,000	3,000	2,000

It is anticipated that 15 areas will deliver roughly 60% of the expected supply until 2025.

Table 8. Number of Dubai areas representing 60% of supply

Area	Apartments	Villas
Business Bay	9,050	-
Downtown Dubai	8,025	-
Dubai Creek Harbour	7,800	-
Meydan One	7,800	-
Jumeirah Village Circle.....	7,100	50
Akoya Oxygen.....	2,800	4,000
District Seven.....	4,900	300
Jumeirah Lake Towers	3,900	
Dubai Hills Estate.....	3,000	1,000
International City.....	3,400	
Dubai Harbour.....	3,100	50
Palm Jumeirah	2,200	
Arjan.....	3,050	
Al Furjan	1,500	600
Shobha Hartland.....	2,100	100

Source: (Knight Frank, 2021)

Forward looking analysis – Commercial market

The commercial market has witnessed an upward movement in sales and increased demand in the first half of 2022 with an 89% increase in sales value and 38 % increase in units sold compared to the first half of 2021. With effective COVID-19 management and the re-opening of borders, both retail and office spaces have seen an increase in the number of transactions by 64% in retail spaces and 19% in offices spaces in H1 2022 compared to H1 2021(CRC Property, 2022)

Business Registration and Licensing

The Emirate of Dubai witnessed an increase in business registrations and licensing applications by 33% for H1/2022 of business registrations and licensing compared to H1/2021 of which new business licenses issued in H1 2022 saw a growth of 25% compared to H1/2021 (Gulf Business, 2022). Early 2022 witnessed tech giant Meta opening its new regional headquarters in Dubai which is intended to serve the MENA region supporting over 3 billion users.

Post success of Expo 2020, Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai announced Expo City Dubai that is intended to be the city of the future with housing, businesses, and leisure facilities. The city intends to retain 80% of its infrastructure including 120 LEED-certified buildings (Gulf News, 2022). The city is already attracting commercial tenants including becoming the headquarters for leading organisations such as DP World, Siemens, as well as start-ups and SMEs.

Tourism

Dubai has established itself as a tourist hotspot in recent years with its modern architecture (home to the tallest building in the world - Burj Khalifa), its diverse shopping experiences, beaches, night life, fine dining, and recurring events. Dubai ranked first in the Tripadvisor’s 2022 Travellers’ Choice Awards as the most popular tourist destination in the world (Trip Advisor, 2022).

Despite challenges associated with COVID-19, Dubai International Airport terminal reopened to international tourists after nearly four months of closure due to the pandemic lockdown (CNBC, 2020). Dubai demonstrated the resilience of its tourism industry by sustaining a growing market share of global travel, from 1.1% in 2018 to 1.4% in 2020 (Department of Economy and Tourism, 2021). Following the global trend, Dubai registered a decrease in the number of passengers due to the pandemic in 2020. However, the choice of tourists to visit Dubai shows great resilience. Dubai's airport remained the most attractive international airport for international visitors in the world in 2021 for the eighth consecutive year accounting for 29.1 million international passengers (Dubai Airports, 2022).

Different initiatives have been introduced in the past years, such as the five-year multi-entry visa for employees of multinational companies and the Virtual Working and Retire in Dubai. Dubai effectively managed the pandemic as one of the first destinations in the world to close, then open, and remain open. Its early initiative to lead the global tourism recovery restored travel confidence and positioned the city as one of the safest destinations (Khaleej Times, 2022).

Historically, the number of hotel rooms has risen from 51,000 in 2010 (BBC, 2010) to 113,000 by 2021 (Dubai Statistics Center, 2022). However, the investment is relevant not only due to the volume, but also in the quality of Dubai's hotel experience. While the number of total hotels has increased by 17% between 2017 and 2021, this growth has been focused on deluxe-quality hotels. 4-star and 5-star hotels have increased by 44% in the period, making up to 57% of the total hotels available in Dubai in 2021 (Dubai Statistics Center, 2022).

Together with the growth of hotel infrastructure, hotel occupancy rates have also increased from 70% in 2010 to 75% by 2018. In 2021, despite the worldwide travel restrictions occupancy rates stood at an average of 66% during 2021, an occupancy rate higher than other popular destinations such as New York (60%), London (46%), Paris (43%), Madrid (42%), Sydney (38%) and Rome (34%) (Consultancy-me.com, 2022). Dubai opened to international travel before other countries lifted their restrictions. As a result, the data for 2021 shows a significant recovery compared to 2020, but still below the levels shown in pre COVID-19. Nevertheless, the latest information shows that hotels are recovering pre COVID-19 levels during 2022, as seen in the second quarter.

Tourism represents a sustainable 5% of GDP between 2017 and 2021 (see Table 3) and generates more than 210,000 jobs each year (Dubai Statistics Center, 2022).

The sustainable contribution of Dubai's tourism sector to its economy is based on the consistent behaviour of its visitors and tourists undertaking long stays in Dubai. International tourists visiting Dubai have stayed at least a week on average in the last 5 years. In 2021, the average length of international visitors was 9.6 days, close to the level during the COVID-19 restrictions in 2020 and recording a 30% increase between 2021 and 2017. In addition, tourists exhibit a consistent level of expenditure while staying in Dubai's hotels. Hotels with 1 to 3 stars had the highest occupancy rate in Dubai between 2017-2020, leading to lower average daily accommodation expenses, averaging AED 441 per night in this period. However, the increased occupancy in the 4-star and 5-star categories (more marked in percentage terms than the one of 1-3 star hotels) resulted in an increase in the average expense to AED 658 in 2021, which means a 34% increase with respect to the highest previous record in 2017 (AED 492) (Dubai Statistics Center, 2022).

The number of nights booked in Dubai's hotels is aligned with the occupation of hotels, that were significantly impacted by the COVID-19 pandemic. The number of booked room nights decreased 36% in 2020 compared to 2019. However, the indicator recovered levels close to pre-COVID-19 in 2021 reaching 31.5 million booked room nights sitting only 2% below 2019's, the most successful year in Dubai's history on this indicator. The same trend is shown in the number of hotel guests, as 12.4 people stayed in Dubai's hotels (Department of Economy and Tourism, 2021).

Forward looking analysis – Tourism

Policy targets and development plans aim to increase tourism further in the future. In November 2021, Dubai's Crown Prince announced that Dubai was targeting growth in the number of tourists to reach 25 million in 2025 (Reuters, 2021). Dubai has also cited its ambition as part of the Dubai Tourism Vision 2025 to become the most visited city in the world by 2025 targeting 25 million visitors by 2025 (Department of Economy and Tourism, 2019). Over the last decade Dubai has seen the number of visitors rise from 6.9 million in 2007 (Government of Dubai, 2019) to 16.7 million in 2019 (see Table 1), growing in 142% in this period.

Hotel expansion

The hospitality sector continues to increase with an influx of tourists to Dubai. According to TOPHOTELPROJECTS available data (as of January 2022), 34 new hotels are scheduled for opening throughout 2022 with another 11 launches planned for 2023 and 29 more projects planned for 2024 and beyond.

Despite the impact of COVID-19 in terms of travel restrictions in 2021 a 32% increase in the number of international visitors to Dubai was recorded giving a total of 7.3 million (see Table 1). Reaching the objective requires Dubai to have an average 36% growth rate between 2022 and 2025. However, Dubai may achieve this target since the number of visitors in the first quarter of 2022 was half of the total in 2021, with a total of 3.9 million visitors, and with the expectation to maintain the observed growth through the whole 2022 (Dubai Statistics Center, 2022), (Dubai Media Office, 2022).

Furthermore, the city's tourism infrastructure is to be transformed over the next two decades according to 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% (Government of UAE, 2022).

Dubai's COVID-19 response

The UAE's response to the Covid-19 pandemic centred on a rapid vaccination rollout programme, the establishment of numerous testing facilities, the implementation of safety standards for tourism and retail establishments, affordable PCR testing and digitising personal COVID-19 related information. As of June 2022, UAE completed their vaccine inoculation campaign and achieved 100 % vaccination rate to all eligible residents compared to 61% of the global population (Our World in Data, 2022).

Further, as per Bloomberg's COVID-19 Resilience Ranking as of June 2022, the UAE ranked second out of 53 economies where the virus is being handled most effectively with the least social and economic upheaval.

High Level Overview of District Cooling Industry

What is District Cooling

District Cooling is a highly efficient form of cooling system that typically cools high-density populated areas in city district and may be used for low-density villas and townhouses. The district cooling system is comprised of three major components:

- Centralised district cooling chilled water plant room housing main cooling equipment required for the process where chilled water is produced at typical temperatures of 4.4 to 5.5 Deg. C. Typical equipment used in central plants are: water cooled chillers, TES, cooling towers, pumps, electrical switchgears, transformers, plant control centre, etc.
- Distribution network made of two-ways pre-insulated pipes typically underground or as part of utility tunnels transferring chilled water to customer.
- Energy Transfer Station that separates the central external network from the building's internal network and typically installed at each large building or group of small buildings, villas and townhouses.

Figure 1. Typical District Cooling System



Benefits of District Cooling & TES

Due to the hot and humid weather conditions most of the year in the GCC, the GCC countries are highly dependent on cooling systems that need to be available and reliable around the year making cooling a critical utility for the residents and businesses. Cooling is an important consumer of electricity which explains that across the GCC, around 60% to 70% of building peak electricity load and up to 50% of the building annual energy is consumed by air conditioning equipment.

GCC countries have today one of the highest environmental footprints per capita in the world in terms of peak electric load/capita, carbon emissions/capita and annual power consumption/capita. With the global move to reduce carbon emissions and preserve the environment, it is essential to adopt energy efficient, environmentally friendly solutions to meet the future expected growth in the UAE and the wider GCC. The energy transition in the region is further pushed by the Dubai government itself, which is keen, through numerous initiatives, to go a step further and ahead of the world in terms of Net-zero targets.

Being a more environmentally friendly and efficient solution, the district cooling industry is playing a vital role curbing power consumption related to air conditioning which is aligned with Dubai's Vision "Towards a Carbon Neutral City". In addition, district cooling schemes can offer numerous technical, commercial, and environmental benefits to the government and end-users.

The following table is a summary of the environmental footprint and key energy indicators in the GCC and the different parts of the world as per the International Energy Agency 2019 data:

Table 9. Environment Footprint by Country or Region

Country	Population (Million)	CO2 Emissions (Million tons)	CO2 Emissions (Ton CO2/capita)	Electricity Consumption (TWh)	Electric Consumption (MWh/capita)
UAE	9.7	178.0	18.2	131.4	13.5
KSA	34.1	495.2	14.5	354.5	10.3
Qatar.....	2.8	86.9	30.7	47.1	16.6
Kuwait.....	4.21	89.4	21.3	68.4	16.3
Oman.....	4.9	69.0	13.9	34.6	7.0
Iraq.....	39.3	138.2	3.5	51.5	1.3
Egypt.....	100.4	225.5	2.3	160.4	1.6
China.....	1,398	9,919.1	7.1	7,201.8	5.1
USA	329	4,285.9	13.0	4,055.5	12.3
India	1,359	2,310.0	1.7	1,349.3	1.0
World	7,673	33,621.5	4.4	25,027.3	3.3

District Cooling systems are up to 50% more efficient in power consumption than the conventional air conditioning systems especially when combined with thermal storage which is why they have been a great contributor to the UAE Vision that sets the strategic direction of the country towards securing sustainable energy supply and enhancing demand efficiency for power and water.

Benefits of district cooling

District cooling systems serve a wide variety of types of buildings, including offices, residential buildings, hotels, hospitals and clinics, retail stores and shopping malls, schools, labour accommodations, warehouses, industrial applications, sports arenas, and many more.

Over the past decades, District Cooling's penetration rates in different cities around the world has significantly increased due to the benefits it offers to customers, developers, and environment.

Customer Benefits

- **Comfort:** Comfort is the ultimate purpose of air conditioning. District energy systems can help keep people more comfortable by use of industrial-grade equipment and control systems to provide a consistent chilled water temperatures year-round leading to accurate indoor temperature and humidity control. Moreover, buildings are quieter because there is no heavy equipment generating vibration and noise, visual pollution, making tenants happier and allowing them to be more productive.
- **Flexibility:** The pattern and timing of cooling requirements in a building vary depending on building use and weather. With building individual systems, meeting energy requirements during low load off peak periods can be challenging and costly. With district energy, and due to diversity and capacity of systems connected to a common system, these needs can be met easily and cost-effectively whenever they occur.
- **Reliability:** District energy uses reliable industrial grade equipment and control systems with sufficient redundancy in availability of equipment serving multiple consumers and is often staffed with professional operators around the clock. A survey conducted by International District Energy Association shows that district energy systems have a documented reliability exceeding 99.94% which is significantly higher than any other system (District Cooling Best Practice Guide, IDEA 2008).

Developer Benefits

District cooling when planned properly can lead to significant capital and operating cost savings to developers. Developers can highly benefit from load diversity between different connections and different type of uses leading to reduction in overall capital costs associated with installed equipment and infrastructure costs in addition to significant reduction in internal electrical distribution costs.

In addition, district cooling systems uses industrial grade equipment selected with high efficiency running at optimal operating points year-round compared to individual systems running at less optimal levels to meet part load conditions mandated by buildings' load behaviour. Moreover, district cooling systems are typically designed with water cooled technology leading to significant reduction in energy consumption associated with building cooling or heating (up to 50% reduction in peak power demand and annual energy consumption based on technology selected) in addition to reduced annual O&M costs associated with centralised plant, longer equipment life, less failure frequencies and reduced number of staff needed.

District cooling also offers economies of scale to implement more efficient and advanced technologies such as:

- TES, which can further reduce peak power demand, save energy, enhance reliability and reduce capital expenses for both the utility and its customers,
- trigeneration via natural gas generation plant, heat recovery and absorption chillers,
- integration with wastewater treatment infrastructure through use of TES for condenser cooling, and

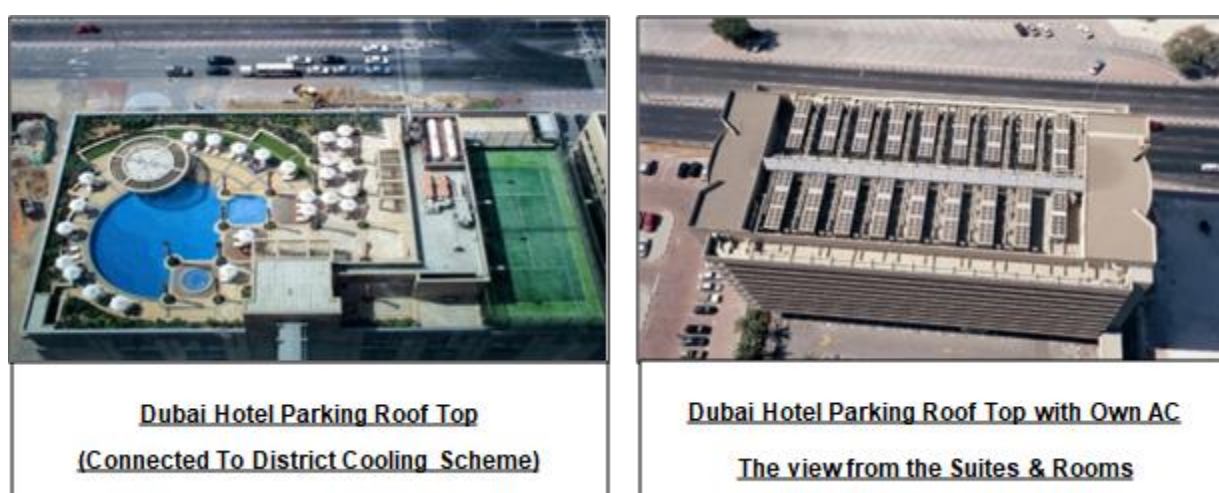
- use of seawater for condenser cooling either for makeup water in cooling towers or for direct condenser cooling.

For the real estate developer, district cooling reduces capital risk because no capital is tied up in the building for cooling equipment. Operating risks associated with operation and maintenance of building cooling equipment are eliminated, with more predictable costs. In a competitive real estate market, buildings that consistently provide superior comfort will attract and keep tenants and maintain a higher market value.

The Developer will also have a benefit of reducing the construction time that is required to complete the buildings/development by eliminating the activities of the delivery, installation, testing and commissioning of the cooling equipment.

Moreover, developers will largely benefit from spaces normally provided for cooling equipment within buildings that can be utilised for other commercial purposes; for example, the ability to better utilise rooftop space.

Figure 2. Typical Parking Roof with or without district cooling



Infrastructure Benefits

The benefits that district energy offers in relation to power demand and annual energy are key advantages of the technology to curb infrastructure requirements and costs associated with any project.

District cooling reduces power demand in new development up to 50% depending on the type of district cooling technology used. Therefore, implementation of district cooling in any project can lead to significant reduction in capital costs associated with electrical distribution costs (primary substations, transmission lines, feeders, secondary substations, etc.) in addition to significant annual energy savings with reduction in prime input energy and carbon emissions as illustrated in the following table comparing prime energy input and carbon emissions for district cooling systems with thermal storage as compared to traditional cooling options.

Table 10. Impact of district cooling on Prime Energy Input and Carbon Emissions

HVAC System Type	Cooling Capacity	Power Connected	Power Consumption	Input Primary Energy (HHV)			
	Ton	KW	kWh / Yr	Million BTU / Yr	000' Ton CO2 / Yr	Equiv. Oil Barrel / Day	% Reduction
							Base
Traditional AC System	10,000	16,000	48,000,000	636,145	34.01	311	
District Cooling System with Thermal Storage	10,000	6,800	23,400,000	310,120	16.58	152	(51.3 %)

Source: DC Pro Analysis

Environmental Benefits

District cooling can help the environment by increasing energy efficiency and reducing environmental emissions, including air pollution, carbon dioxide emissions, heat emission and ozone destroying refrigerants.

- **Energy efficiency:** district energy reduces energy consumption up to 50% compared to traditional cooling options. A substantial portion of energy savings results from the fact that almost all district cooling systems use water to cool the chiller condensers, an inherently more efficient process than conventional air conditioners.
- **Reduce the Emission of CO₂:** Reduction in energy consumption leads directly to significant reduction in carbon emissions associated with cooling and heating of any project. As illustrated in above table, the district cooling plants reduce the carbon emissions by more than 50% compared to traditional AC system.
- **Heat emission:** Conventional air conditioners expel heat while cooling indoors. No heat emissions in district cooling systems.
- **Refrigerant control and monitoring:** with diversified loads, district energy leads to reduced capacity of installed equipment required for a project and consequently reduced refrigerant charge. In addition, industrial grade equipment used, and advanced refrigerant management and control systems implemented in district cooling plants significantly reduce volumes of refrigerants leaked to the atmosphere.

Benefits of TES in District Cooling System

Cold TES has a long history of successful use in air-conditioning and process cooling applications, for many decades in many parts of the world. Generally, cooling is stored during off-peak times (typically nights and weekends) at times when cooling loads are low and excess chiller plant capacity is available; and the stored cooling is subsequently discharged during on-peak times (typically daytime) when cooling loads are high and when there may be a shortage of available chiller plant capacity and/or higher costs for operating chiller plant equipment.

TES system capacity is measured in ton-hrs (the product of tons of cooling discharge capacity by the hours of available discharge at that rate of tons). Most cold TES systems in the GCC use chilled water storage.

There are many hundreds of chilled water (or fluid) TES installations with sizes ranging from 15,000 to 100,000 ton-hrs per installation. Chilled water TES utilises field-erected tanks that have an inherent and dramatic economy-of scale. Thus, chilled water TES is well suited to larger cooling applications such as District Cooling or campuses, though it is sometimes used in smaller applications as well. Chilled water TES is the dominant choice in large campus or district cooling applications.

Most systems (in nature and man-made) have some type of storage. But the electric power grid has no economical means of directly storing electricity for extended periods. Cold TES provides an economical means of providing indirect energy storage of electricity, whether used on the demand-side (in customer TES installations) or on the supply-side (in utility Combustion Turbine Inlet Air Cooling systems with TES).

Thermal energy storage provides significant benefits to both utilities and DCS providers in terms of capital and operating costs associated, peak demand electric power and profile required for the cooling systems during the day.

Typical TES benefits for DCS providers include:

- Reduces peak electric demand
- Reduces on-peak energy use
- Reduces operating energy costs
- Improves system flexibility and reliability

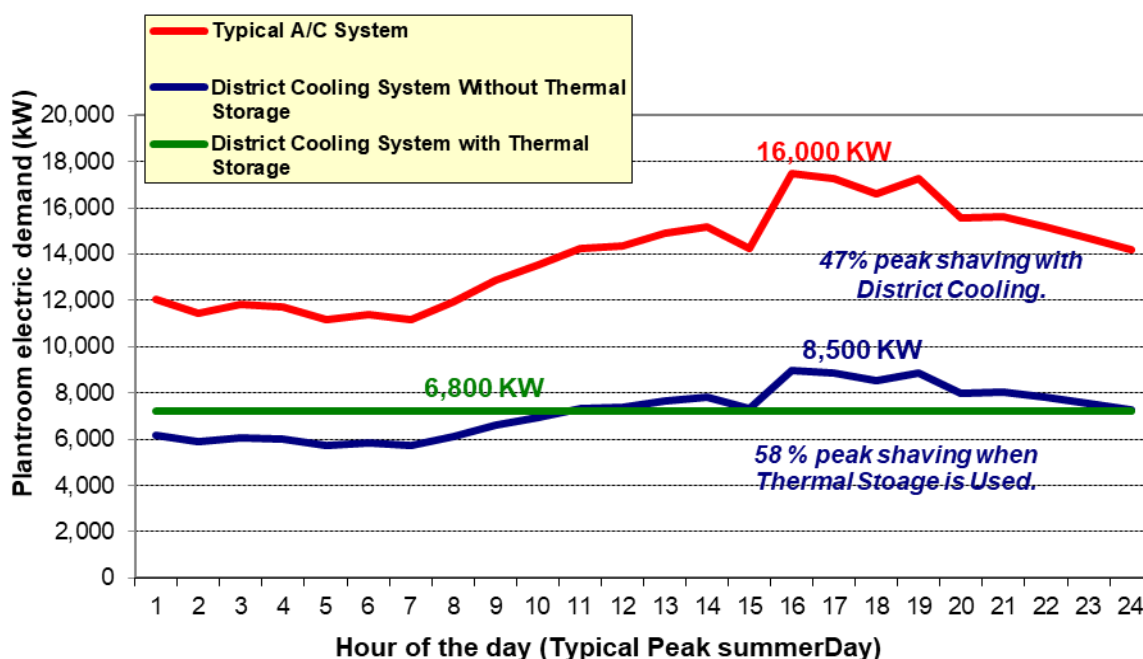
- Reduces water consumption
- Reduces capital costs
- Provides emergency cooling
- Provides dual-use as fire protection.

Typical TES benefits for electric utilities include:

- Reduces peak electric demand
- Reduces on-peak energy use
- Increases off-peak electricity use
- Levels the electric load demand curve
- Reduces the need for additional peak generating capacity
- Reduce water consumption
- Shifts load from the least efficient, most polluting, marginal daytime power plants to the more efficient, less polluting, marginal off-peak power plants.

Cooling storage systems spread the generation of cooling over a longer period than non-storage systems resulting in almost constant electric demand during the day thus shaving the peak demand associated with non-storage systems; an impact that is desirable for any electric utility company. Thermal energy storage will level the electric demand throughout the day thus eliminating the variation in cooling electric demand between day and night. This will reduce the on peak demand load on the utility and will increase the off-peak demand load. Figure below demonstrates the difference in daily electric demand for conventional A/C systems, district cooling with and without chilled water TES. As shown in the figure, district cooling will reduce the peak demand by 47% than conventional A/C systems. With TES, electric demand load will be constant throughout the day with additional 20% reduction to yield a total of 58% reduction in peak electric load associated with cooling.

Figure 3. Electric Power Demand Reduction of a Typical 10,000 RT Plant



Thermal energy storage will also offer DCS providers significant advantages in terms of capital and running costs of the project by reducing the required chiller capacity and associated equipment. Chilled water TES can

reduce the capital costs of district cooling schemes by around 10% depending on the scale of the project. In addition to that, due to the reduction in peak power demand of the plant room, DCS providers will benefit from reduced connection fees to the utility. Moreover, TES will keep the chillers fully loaded all the time thus running at optimum efficiency which will improve the annual plant consumption by 7% to 10 % in case of chilled water TES tank.

Due to the large benefits offered by thermal storage systems to utilities and DCS providers, and as an essential step taken by DEWA in minimising water and electricity consumption in the emirate of Dubai, the Executive Council of Dubai issued the Executive Order No. 27 in 2008 which mandates the use of thermal storage systems for all district cooling plants in Dubai larger than 10,000 tons capacity.

High level overview on the regional (Middle Eastern) district cooling industry

UAE is the leader in the region in implementation of large-scale district cooling schemes used for the purpose of providing chilled water services for residential, retail and commercial sectors. The proven environmental, technical, and financial benefits of the district cooling technology pushed other GCC countries and cities to follow the footsteps of the UAE where numerous district cooling schemes were implemented in KSA, Qatar, Oman, Kuwait and Bahrain in the past two decades.

High Level View for UAE district cooling Market

In UAE, the estimated installed district cooling plants' capacity is around 3.3 million Tons of refrigeration (DC Pro Analysis). The main DCS providers in UAE are:

- the Company,
- National Central Cooling Company PJSC (Tabreed),
- Emirates District Cooling LLC (Emicool),
- Emaar District Cooling LLC (EDC),
- International Holding Company (IHC Utilities), and
- South Energy DWC (SE).

District cooling plants in UAE are mainly serving residential, commercial and retail sectors, labour camps, airports, military establishments, theme parks, industrial applications, hospitals, universities, and schools.

High Level View for KSA district cooling Market

In KSA, the estimated installed district cooling plants' capacity is around 1.9 million Tons of refrigeration (DC Pro Analysis). The main district cooling providers in KSA are:

- Saudi Tabreed,
- Dalkia, and
- City Cool.

The majority of the district cooling plants currently installed in KSA are serving airports, universities, hospitals, shopping malls, hotels, and pilgrims' establishments.

High Level View for Qatar district cooling Market

In Qatar, the estimated installed district cooling plants' capacity is around 900,000 Tons of refrigeration out of which 200,000 Tons are planned for cooling of FIFA 2022 stadiums (DC Pro Analysis). The main district cooling providers in Qatar are:

- Qatar Cool, and
- Marafeq Qatar

District cooling schemes in Qatar are mainly serving the residential commercial and retail sectors airport, Qatar university, FIFA 2022 stadiums, internal security forces, hotels, and hospitals.

High Level View for Oman district cooling market

In Oman, the estimated installed district cooling plants' capacity is around 160,000 Tons of refrigeration (DC Pro Analysis).

The main district cooling provider in Oman is Tabreed Oman.

District cooling schemes in Oman are mainly serving Muscat and Salalah airports, Al Mouj development which is considered the first commercial application of district cooling in Oman, Oman international exhibition centre, shopping malls, military bases and establishments.

High Level View for Kuwait district cooling market

In Kuwait, the subsidised electricity rates create a challenge for district cooling schemes to be feasible. Nevertheless, several district cooling schemes, or central water-cooled systems exists in Kuwait that are mainly serving universities, international airport, shopping malls and hospitals with an estimated installed district cooling scheme's capacity of around 200,000 Tons of refrigeration (DC Pro Analysis). With recent plans to reduce subsidies on electricity rates in Kuwait, it is expected that the country will witness larger applications for district cooling schemes that has already been noticed in the past 2 years.

High Level View for Bahrain district cooling market

In Bahrain, the estimated installed district cooling plants' capacity is around 35,000 Tons of refrigeration (DC Pro Analysis). Tabreed Bahrain is the main district cooling provider in Bahrain operating a 22,800 RT district cooling plant with sea water cooling.

District cooling schemes in Bahrain are mainly serving the Bahrain Financial Harbour, Bahrain World Trade Center, retail and commercial applications.

The below table indicates a high-level summary for district cooling market in the main GCC region:

Table 11. Existing district cooling Installed Capacity in GCC Region

Country	Estimated District Cooling Systems Installed Capacity	Estimated district cooling Scheme Contract Value
UAE	3,300,000	7.5
KSA.....	1,900,000	5.2
Qatar.....	900,000	2.3
Kuwait.....	200,000	0.5
Oman.....	160,000	0.4
Bahrain	35,000	0.1

Source: DC Pro Analysis

Estimated district cooling scheme contract value includes estimated contracted value for the district cooling assets (main district cooling plant, network, energy transfer stations' cold side, design, and construction management costs).

District Cooling Industry in Dubai Vs. Other Key Countries (GCC Market)

Cooling is Dubai's major energy use and so any strategy intended to raise energy efficiency will have to tackle cooling – both efficiency in its supply and in its use. The UAE can be described as having one of the most matured District Cooling industries in the region in terms of usage (penetration rate) and technological advancement.

The Dubai District Cooling market currently has the highest penetration rate, against standard cooling systems, in the region. Regulatory and Supervisory Bureau Dubai (RSB) estimated the district cooling market share by

18% and central water-cooled systems by 7% in a study prepared and published by in 2016 which increased to 23% in 2021 based on RSB annual report published in 2020. Overall district cooling penetration rate in the UAE is estimated by 15% followed by Qatar with an estimated district cooling penetration rate of 9.1%, and KSA with an estimated district cooling penetration rate of 3.4% (DC Pro Analysis).

The table below indicates the district cooling estimated penetration rates in Dubai and other GCC region based on data collected in different GCC countries:

Table 12. District Cooling Estimated Penetration Rates in Dubai versus other GCC Countries

Description	Unit	Dubai	UAE	Qatar	KSA	Oman	Kuwait
Peak Electric Load.....	MW	9,240	28,000	8,200	63,000	6,700	14,420
Total Cooling Actual Peak*	Ton	4,106,700	12,000,000	3,280,000	25,200,000	2,680,000	6,820,000
District Cooling Actual Peak*	Ton	1,050,000	1,800,000	300,000	850,000	75,000	90,000
District Cooling Penetration Rate*	%	25.6	15.0	9.1	3.4	2.8	1.3

Source: DC Pro Analysis

* Estimated

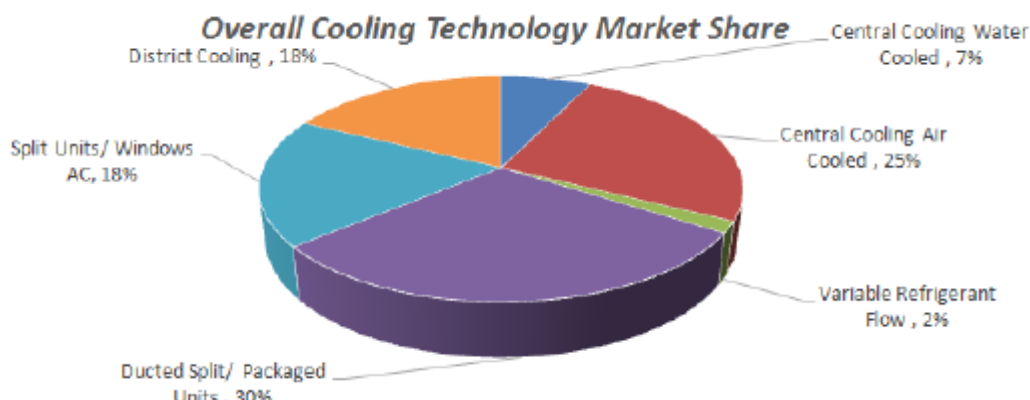
Dubai's District Cooling Market

Cooling in Dubai is achieved mainly by five main technologies:

- District Cooling or central water-cooled chiller plants
- Central air-cooled chiller plants
- Variable refrigerant flow
- Ducted split/package units
- Split units/window AC

Based on the study published by RSB in 2016, the estimated market share of each technology based on survey with industry experts is represented below:

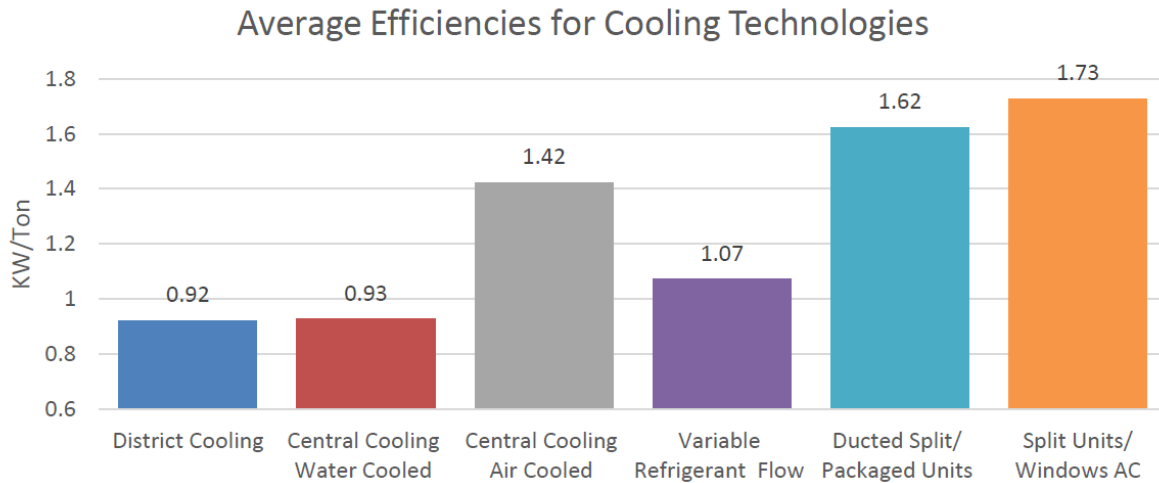
Figure 4. Cooling Technology Market Share



Source: RSB, 2016

RSB conducted a study to calculate the efficiency of the different cooling technologies. Based on the study published by RSB in 2016, measurements were taken over several months and weather conditions were considered to develop annual average efficiencies for each of the technologies with site testing chosen so that actual performance could be assessed. These results were then compared with the efficiency of district cooling systems (inclusive of network losses) as shown below.

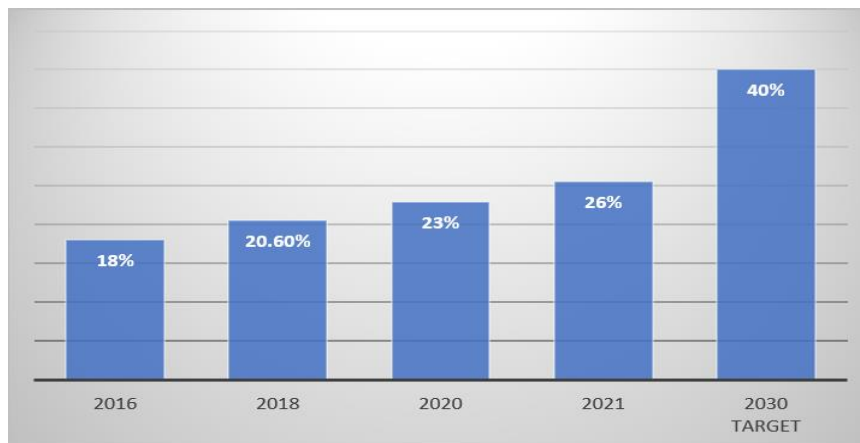
Figure 5. Average Efficiencies for Cooling Technologies



Source: RSB, 2016

Based on the annual report published by RSB in 2020, the district cooling market penetration has increased to 23 % in 2020 and is estimated by more than 25.6% by end of 2021 based on DC Pro data and analysis which shows a steady increase towards the target 40% penetration by 2030 set by Dubai's government. Below figures shows the increase in district cooling market penetration based on published data by RSB in 2016, 2018 and 2020 and based on DC Pro Analysis's data and analysis in 2021:

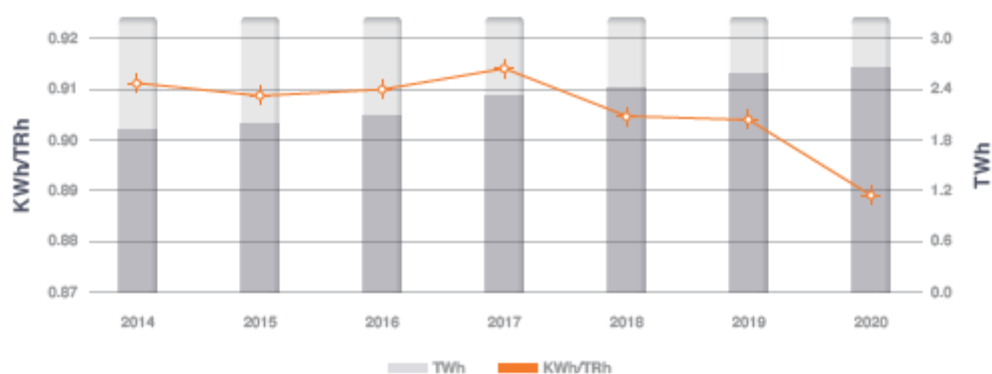
Figure 6 District Cooling Historical & Planned Penetration Rates



Source: RSB 2020, DC Pro Analysis

Based on RSB's annual report published in 2020, Efficiency of district cooling plants has also improved to lower than 0.90 KWh/TRh which is the best recorded efficiency since 2014 as demonstrated in below figure:

Figure 7 Historical Electrical Efficiency & Consumption of district cooling Plants



Source: RSB Annual Report, 2020

There are several major district cooling providers in Dubai, mainly:

- the Company,
- National Central Cooling Company PJSC (Tabreed),
- Emirates District Cooling (Emicool),
- Emaar District Cooling (EDC), and
- South Energy DWC (SE)

Several plants or central water-cooled systems also exist in the city that are owned and operated by real estate developers or other operating companies serving specific developments or projects such as Majid Al Futtaim and Meraas. It should be noted that the acquisitions that took place in the industry in the past years encouraged several real estate developers and central water-cooled plant owners to outsource cooling services by selling their existing assets thus creating a growth potential to convert existing systems into a revenue generating district cooling business. This was evident in the completed or ongoing acquisitions of district cooling assets in Dubai in the past years.

The estimated installed district cooling systems' capacity in Dubai is around 2.3 million Tons of refrigeration with an estimated value of 5.2 billion USD (including cost of design and construction of district cooling assets) which constitutes around 70% of the total capacity existing in the UAE (DC Pro Analysis). Annual revenues generated by district cooling schemes operating in Dubai are estimated by around 1 billion USD based on available connected capacity in the city. Some plants are under commissioning, commissioned recently or serving future loads and thus full utilisation of the existing district cooling capacity has not been fully realised. This creates a potential for an increase in chilled water sale revenues by utilising existing capacity to serve new planned or unplanned customers and connections within the concession areas.

The Company has the largest market share (measured by connected capacity) in the district cooling market in Dubai serving majority of key prestigious developments in Dubai.

District cooling is used in Dubai for various applications and type of use including residential applications (both for high density and low-density developments), commercial and retail applications, universities and schools, hospitals, hotels, airports, theme parks, etc. Table below includes an estimation for district cooling market share by segment based on cooling capacity:

Table 13. District Cooling Market Share by Segment

Type	% Market Share
Residential.....	51.0
Commercial.....	22.0
Hospitality.....	17.7
Retails & Malls.....	4.7
Metro Stations.....	2.8
Healthcare.....	1.0
Educational Institutions.....	0.6
Others.....	0.2

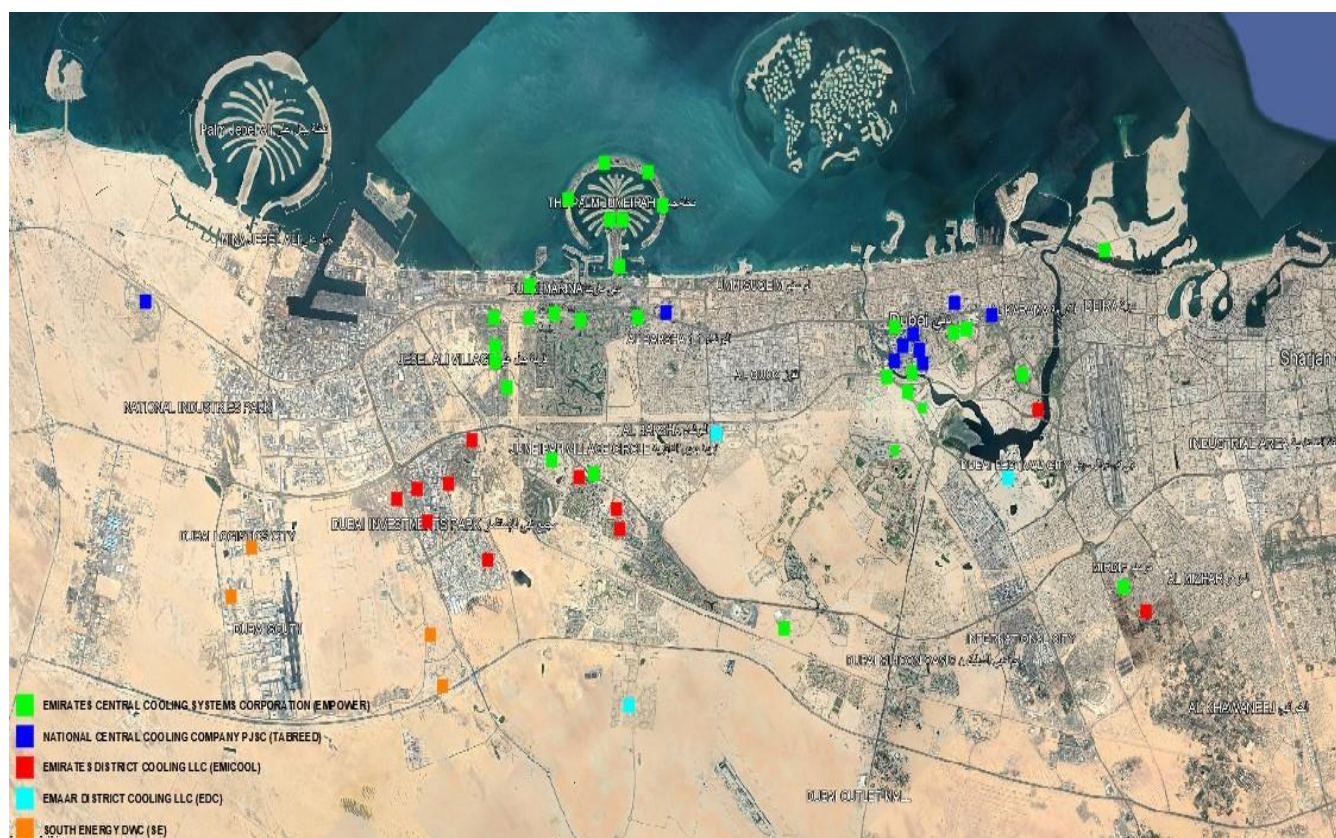
Source: DC Pro Analysis

There are several key developments and landmarks that are served by district cooling in Dubai. A list of key projects and developments where DCS are provided is shown in figure below. Figure 11 created by DC Pro, Dubai's District Cooling Map, shows locations of the major district cooling plants in Dubai to provide a clear idea about the district cooling coverage in the city:

Figure 8. Key Dubai Developments Where DCS are Provided

Dubai International Airport (DXB)	AI Maktoum International Airport	EXPO 2020	Museum of the Future	The Palm Jumeirah
				
Dubai International Financial Centre	Burj Khalifa and the Downtown	Burj Al Arab and Madinat Jumeirah	Zabeel One	Discovery Gardens & Ibn Battuta mall
				
Dubai Parks & Resorts	Dubai Hills Estate & Dubai Hills Mall	Dubai Healthcare City	Dubai Creek Harbour	Emaar Beach front
				
Jumeirah Beach Residence	Jumeirah Lake Tower	Jumeirah Village South	Dubai Metro	Dubai Investment Park
				
Motor City & Sport City	Business Bay	Al Barsha Heights	La Mer	Ghorroob Mirdif
				
Mirdif Hills	BlueWaters	Dubai Design District	Dubai Production City	Dubai Land Residence Complex
				

Figure 9. Dubai Major District Cooling Schemes



The Company's district cooling market

The Company's current market

The Company is the largest player in the district cooling market recording a market share of 80% as reported by the Government. During 2021, the Company connected several key projects in Dubai with district cooling services, most notably Marsa Al Arab, One Za'abeel, The Residences Dorchester Collection, Uptown and Wasl1 and many other buildings, bringing the Company's share of the district cooling market in Dubai to 80%. As at the date of the Industry Report, the Company's management estimates also placed its district cooling Dubai connected capacity market share at 80% in August 2022, which assumes the Dubai International Airport District Cooling Acquisition, which are currently pending and subject to closing and other conditions. The Company's growth and current market positioning is built on its development as a subsidiary of the State—owned electricity and water utility, DEWA. The Company has also grown consolidating other district cooling providers, and currently operate under different brands.

Currently, the Company own and operate 40 different district cooling projects and expect 3 new projects. Each project comprises a network of interconnected pipelines that provide cooling energy to nearby buildings, normally built within the same real estate development. The Company provides cooling energy to each project from one, or potentially multiple, centralised facilities. In general, the Company retain exclusivity to provide DCS to the building in those real estate developments, and deploys additional cooling capacity as the projects develops.

The Company is present in all the main market segments in the industry (residential, commercial, hospitality; malls and retail, healthcare, educational institutions and). Dubai has large real estate developments that typically comprise of different types of buildings within the same area and buildings with mixed use. As a result, the same district cooling distribution network covers different types of segments, each having their own cooling needs. The Company manages the installation of cooling facilities and their operation to meet these different cooling demands.

The residential sector is the largest market for the Company, making up half of the Company's 1.5 million RT total contracted capacity in 2021. Commercial buildings and the hospitality sectors jointly make up most of

the remaining contracted capacity. In 2021, the Company added a new market segment through the acquisition of the DA Cool project, providing cooling energy to Dubai's International airport. Table 10 below breakdowns weight of different market segments in the Company's contracted capacity.

Table 14. The Company's market segments

Client Segment	2019	2020	2021	Average
Residential.....	50.2%	51.1%	50.3%	50.5%
Commercial.....	24.8%	24.6%	21.6%	23.6%
Hotel.....	20.2%	19.5%	17.2%	19.0%
Malls & Retail.....	2.3%	2.2%	4.1%	2.9%
Healthcare.....	1.3%	1.3%	1.1%	1.2%
Educational institutions.....	1.1%	1.2%	1.1%	1.1%
Airport.....	0.0%	0.0%	4.4%	1.5%
Others.....	0.2%	0.2%	0.1%	0.1%
Total load (k Tr).....	1,311	1,369	1,501	

Source: The Company (2022)

These segments' cooling needs can be characterised by the intensity of the use of cooling capacity (load factor), the simultaneity between the demand of different users and the amount of contracted capacity per user. These indicators drive the operation of the district cooling activity. Given the same amount of contracted capacity, healthcare is the segment that demands more cooling energy, while the malls and retail segments require the installation of more cooling capacity. Individual residential users contract low capacities, so they require more client services activities than other segments. Table 11 characterises the Company's main market segments.

Table 15. Characteristics of main market segments

Client Segment	Load factor (%)	Simultaneity factor (%)	Contr. Capacity per building (TR)
Residential.....	14	92	785
Commercial.....	16	89	1,552
Hotel.....	21	96	1,920
Malls & Retail.....	7	100	3,615
Healthcare.....	23	86	1,164
Educational institutions.....	12	70	1,515
Airport.....	-	-	69,740
Others.....	28	100	519
Total.....	15	88	1,110

Source: The Company (2022)

According to the Company's historical information, the segments that have mostly grown are residential and educational institutions, each segment recording an increase of 17% between 2019 and 2021.

Connected Capacity is the key measure of the contribution of each market segment to the Company results. Consistent with the industry standards, the Company charges a two-part tariff to its clients. A capacity charge, that tend to be similar for all clients and reflect the cost of the company's infrastructure and a variable charge for the energy consumed.

Expected growth of the Company

The Company's future development can build on its existing market position and strength. The Company retains exclusivity to provide DCS around most of its existing district cooling projects. These real estate developments have not reached their maximum demand potential. They continue to grow and require additional capacity of cooling energy, as new buildings are added, and occupancy of existing buildings increases.

Most of the coming years' capacity addition is likely to come from these developments. This organic growth will come either from clients that have required phasing capacity additions over time to match their expected demand, or from new buildings under development with different levels of contractual commitments. The Company also forecasts some additional capacity contracting from existing clients that have not yet committed

to specific volumes. The Company also anticipates some new projects will materialise in the coming years, adding additional growth potential.

Further, in the longer term, the Company intends to exhaust the maximum potential of existing sites, that by some estimates could double their connected capacity. This potential is mainly concentrated across the latest projects, such as Meydan, Jumeirah Village south or the Dubai International Airport (subject to completing the Dubai International Airport District Cooling Acquisition). For these growth opportunities however, contractual commitments as yet are not in place for the development of additional buildings, or the contracting of additional cooling capacity. Lastly, Dubai's continued development is projected to provide additional opportunities to develop completely new district cooling projects.

District cooling technology has inherent advantages for areas of high cooling density in densely populated areas with a heavy demand for air-conditioning. By pooling the demand for cold air in dense urban areas, district cooling is more cost efficient over the long term than conventional cooling options at the individual building level (Booze&Co, 2012). This advantage explains the linkage between building projects density and the suitability of district cooling systems indicating that as Dubai build more densely populated areas district cooling systems will be the preferred choice over other air-cooling schemes.

The Industry Consultants anticipate the Company's growth to mirror the overall growth of the district cooling industry in Dubai. The Company is currently the largest market player and can rely on the continued development of existing projects, alongside its financial and operational strength. The overall growth rate of Dubai's district cooling market is below the 9% expected for the Middle East. This result is consistent with the higher existing penetration rate of district cooling in Dubai. The Industry Consultants also anticipate a balanced growth of cooling demand across all segments, since the Company's distribution networks usually connect to different client segments within the same area.

Key Sector Drivers

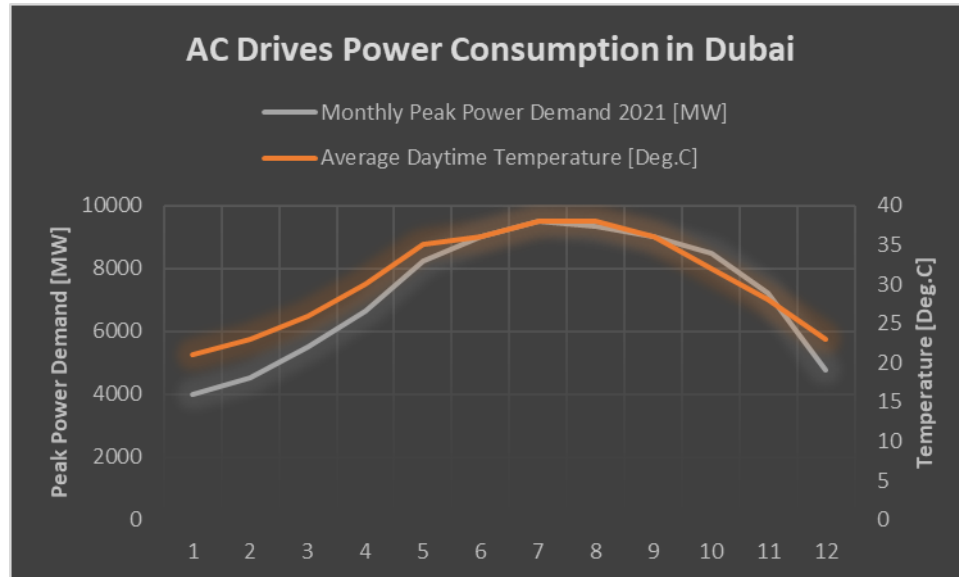
It is projected that the district cooling sector in the GCC will continue to grow in the next few decades. In a recent study, Global Market Insights states that the Middle East district cooling market recorded revenues exceeding USD 5 billion in 2021 and is projected to grow at a CAGR of over 9% between 2022 and 2030. The factors driving this growth in district cooling market in the GCC are economic, social, demographical, and environmental.

Climate

Air conditioning is a necessity and not a luxury in the GCC. High ambient temperatures sometimes exceed 50°C in the summer, with high relative humidity. The below image shows the close correlation between average monthly ambient temperature and monthly peak power demand in Dubai which is a clear indication on the impact of cooling on overall power consumption in the region. The power demand data is determined from Dubai Annual Statistics Report for the year 2021, and the ambient temperature is based on monthly average daytime temperatures recorded in Dubai International Airport.

The hot and humid climate in Dubai combined with the city's drive towards energy efficiency and carbon neutrality mandates the use of the most efficient cooling technology currently available.

Figure 10. Air Conditioning Drives Seasonal Change in Electricity Consumption

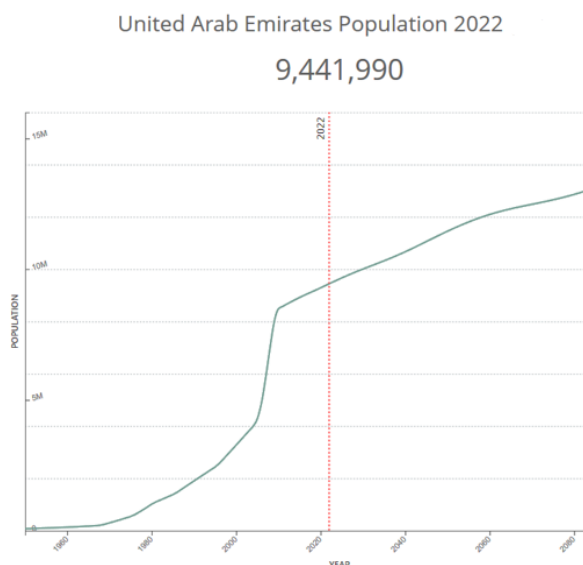


Source: DEWA Annual Statistics Report 2021 & Weather Data

Demographic Factor

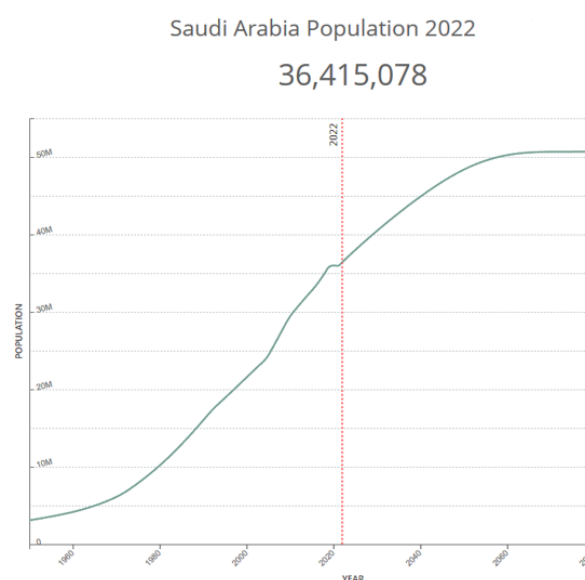
The population in the GCC has been growing steadily since the discovery of the area riches of oil and gas in the 20th century. The population of the KSA grew nine times from 1960 (4 million) till 2022 (36.4 million) and is still projected to increase to 45 million by the year 2040. The population rise during the 20th century was even more dramatic in the UAE. The UAE population increased from 130,000 in 1960 to around 9.4 million in 2022 and is still expected to reach around 11 million by the year 2040 (source: world population review, 2022). This has a direct impact on the expected growth in cooling demand in the GCC's hot and humid climate.

Figure 11. Population Growth in UAE & KSA



Source:

<https://worldpopulationreview.com/countries/united-arab-emirates-population>



Source:

<https://worldpopulationreview.com/countries/saudi-arabia-population>

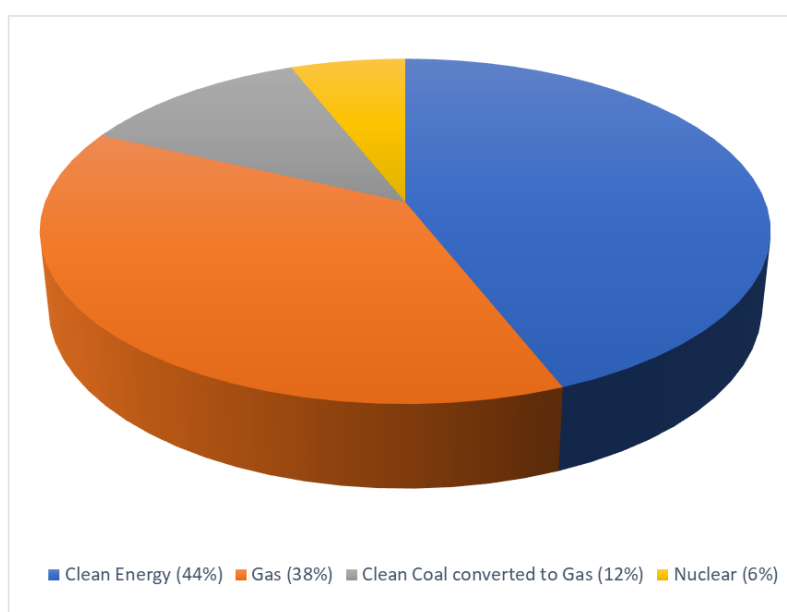
UAE Governments Commitment to Sustainability Target and Plans

The UAE is accelerating the move to a decarbonised future, articulated through agendas such as UAE Net Zero 2050, KSA Net Zero 2060. The new energy policies have clear targets for CO₂ and greenhouse gas emission levels, energy intensity, power consumption, energy efficiency and renewable energy. Strategies and plans set by the UAE are projected to have a direct impact on the district cooling market growth being the most efficient cooling technology available.

- Dubai: Looking for a more sustainable future, the following strategical goals have been set by the Dubai government (Source: United nations Environment Programme (UNEP) District Energy in Cities Report):
 - 20% reduction of CO₂ emissions from buildings in 2030.
 - 30% reduction in energy demand by 2030.
 - 5% of the electricity shall be generated by renewable sources in 2030.
 - 40% of the cooling load shall be met by district cooling by 2030 (up from 20% in 2018).
 - The use of district cooling in all new developments by 2030.
- UAE Net Zero 2050: The UAE Net Zero by 2050 strategic initiative is a national drive to achieve net-zero emissions by 2050, making the UAE the first MENA nation to do so (Source MOCCA). The Ministry of Climate Change and Environment (“MOCCA”) will lead and coordinate efforts to execute the UAE Net Zero by 2050 strategic initiative and ensure collaboration in key sectors, such as energy, economy, industry, infrastructure, transport, waste, agriculture, and the environment. The UAE 2050 vision targets an energy mix that combines renewable, nuclear and clean energy sources to meet the UAE’s economic and social requirements as well as the environmental goals.

In October 2021, Dubai launched a strategy for net zero emissions by 2050 in line with the emirate’s commitment to sustainability. To support Dubai’s Net Zero Emissions Strategy 2050, DEWA converted its dual fuel power plant to run on natural gas.

Figure 12. UAE Energy Strategy 2050



Source: UAE Government Portal

Real Estate Market Growth

Real estate growth potential, is considered an essential driver for the district cooling market in Dubai. Several construction projects are ongoing or planned in Dubai, and district cooling, being the most efficient cooling method today, is in the heart of planning for these projects.

Potentials for Integration with Renewable Energy

Sustainability and renewable energy will be a pillar in the GCC governments planning in the next three decades. District cooling provides an excellent opportunity for technological advancement in line with the GCC governments' sustainability strategies where it provides a great potential for integration with renewables in the centralised cooling plant as compared to opportunities provided by scattered individual plants.

District cooling has evolved from the first generation pipeline refrigeration systems built in the 19th century, where ammonia was the distribution fluid, to second generation district cooling system based on large compression chillers and cold water as the distribution fluid in the 1960s. Nowadays, we are nearing the end of the era of the third generation district cooling systems consisting of a more diversified cold supply based on absorption chillers, compression chillers, and cold storage. The third generation of district cooling witnessed the substituting of the CFC and the HCFC refrigerants (HCFC will be banned on 1 January 2030) as an important environmental step to stop the ozone depletion. Some advanced 3rd generation district cooling systems utilise "free condenser cooling" from sea water, thus preserving the precious potable water. It is now a standard in the GCC to design the district cooling systems with TES tanks to harness the benefits of cold storage such as load levelling or load shifting.

The fourth generation district cooling systems operate in synergy with other energy sectors, such as electricity and renewable energy. Fourth generation district cooling systems are driven by smart energy system integration, which improves the opportunities to utilise renewable energy in the energy system, while also resulting more directly in a lowered primary energy supply. Digitisation of district cooling systems is a feature of the 4th generation systems allowing more efficient operation of the district cooling systems.

District cooling provides a great potential for integration with renewables such as solar plants or geothermal energy or by providing combined heat and power plants that meets future targets and plans towards sustainable developments. In addition, chilled water thermal storage provides a much cheaper energy storage solution as compared to batteries installed on main grid supply. This strategy has been considered by several planned sustainable developments to reduce costs associated with battery storage by higher reliance on storage of cooling energy in the cheaper TES tanks which can further encourage the use of district cooling in new planned developments.

Government Regulations

Local governments and regulations in the UAE are playing a major role in promoting the use of district cooling in the region. The involvement of local governments is important to ensure that district energy serves broader objectives including energy efficiency, economic development and implementation of district cooling schemes, reasonable tariff rates, wider community acceptability and higher environmental performance. Several regulations are applicable in the region to regulate and promote the use of district cooling which is expected to further enhance its application.

- **Dubai:** See "*Regulation*" for an overview of the regulatory environment in Dubai.
- **Abu Dhabi:** The DOE was established pursuant to Abu Dhabi Law No 11 of 2018. In addition to its other activities, the DOE regulates the district cooling sector in the emirate of Abu Dhabi where all district cooling plants, existing and planned, fall under the DOE's district cooling Regulatory Framework.

As per district cooling regulations in Abu Dhabi, all new developments in the Emirate of Abu Dhabi that meet the following criteria shall be subject to a check for district cooling system applicability by conducting district cooling system feasibility study that compare levelised life cycle costs as compared to the best possible conventional cooling technology:

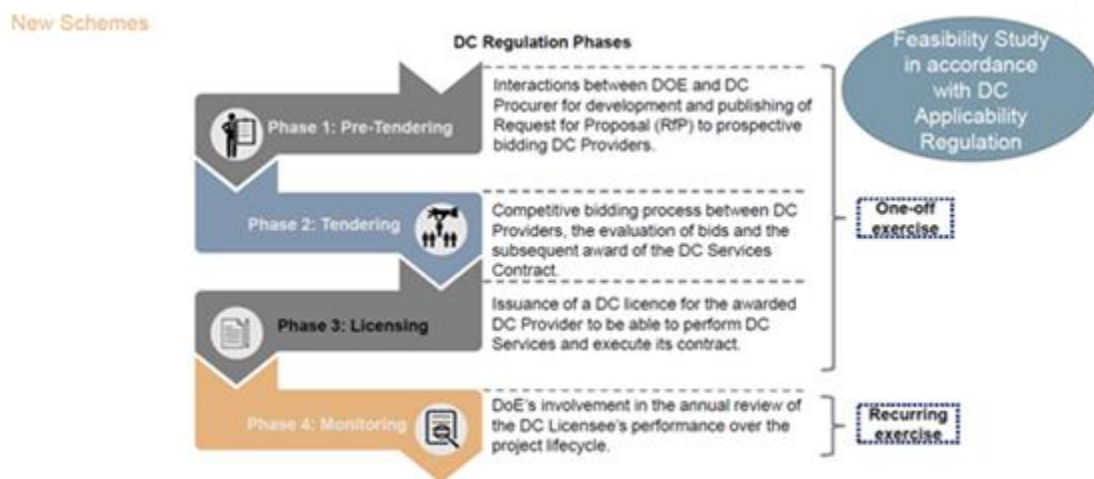
- The development does not fall within an existing authorised service area.

- The development includes at least two buildings
- The development has a minimum gross floor area of 40,000 m².

Feasibility is required to be provided at an early planning stage for any new project and if proven feasible, developers may proceed with district cooling option. Full exemptions from licensing requirements are made for a district cooling Scheme that:

- has less than the qualifying cooling load (<5,000 Refrigerated Tons);
- comprises of only one offtaker: and
- such offtaker does not enter into a retail transaction,
- district cooling Schemes that service the UAE armed forces
- Comprising of Off takers that require district cooling primarily for purposes other than comfort cooling (industrial use)

Figure 13. DOE district cooling Regulation Phases



Source: DOE, District Cooling Regulatory Framework

Overview of Regulatory Environment

Electricity supplies across the UAE

Given the importance of electricity (and water) supplies to district cooling operations then how these two utilities are structured is of primary importance to ensure a reliable security of supply. (Water is dealt with in a separate section.).

Dubai electricity supplies

The main authorities regulating the electricity sector in Dubai are DEWA, the Supreme Council of Energy and the RSB.

The Supreme Council of Energy is the primary regulator of the energy sector in Dubai and regulates the exploration, production, storage, transmission and distribution of petroleum products and electricity. The Supreme Council of Energy also proposes any and all initiatives relating to the energy sector, which includes privatising its electricity assets.

RSB is authorised to regulate the electricity sector subject to the supervision of the Supreme Council of Energy. RSB is mainly responsible for regulating, licensing and supervising the electricity generating service providers, facilities and properties. (Angell, 2022)

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.

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 DEWA or generation project companies and is passed on to final users as a variable component listed in their water and electricity bills (Angell, 2022).

Emirate of Abu Dhabi

The Abu Dhabi Department of Energy (“**DoE**”) is the regulatory body responsible for sector oversight, in the form of price—control (economic) regulation and the issue of licenses and regulations, including the setting of sector strategy in conjunction with the Executive Council of Abu Dhabi (DoE, 2022)

Operationally the key player in the Abu Dhabi power sector is the Abu Dhabi National Energy Company, a company publicly listed on the Abu Dhabi Securities Exchange. The Abu Dhabi National Energy Company wholly owns three network companies namely:

- TRANSCO, who own and operate the transmission network
- Abu Dhabi Distribution Company
- Al Ain Distribution Company

In addition, the Abu Dhabi National Energy Company holds majority equity stakes in most independent power project (IPP) companies in the Emirate of Abu Dhabi and additionally in those established on the East Coast of the UAE in the Emirate of Fujairah.

A further major player in Dubai is the Emirate's Nuclear Energy Corporation which is the majority owner of the Barakah nuclear power plant in the far West of Dubai. Four pressurised water reactors are in the process of being built by the South Korean power company. Each unit has a capacity of 1,400 MW and to date two of the units have been commissioned and connected to the TRANSCO grid.

Other Emirates

In the Emirate of Sharjah, Sharjah Electricity, Water and Gas Authority (“**SEWGA**”) is active in gas fired generation, transmission, distribution and the supply of electricity, water and gas to final user customers. SEWGA is also the main regulatory body for Sharjah (Angell, 2022).

In the four northern Emirates namely Ajman, Umm Al-Quwain, Ras Al Khaimah and Fujairah of the UAE, Etihad Water and Electricity (“**EWE**”, formerly FEWA - Federal Electricity and Water Authority), is owned by the Emirates Investment Authority (a UAE based sovereign wealth fund) and undertakes mainly distribution and supply activities in the electricity sector. Currently the bulk of power is provided by TRANSCO via the Emirates National Grid and sold to EWE by EWEC under a bulk purchase tariff arrangement.

Emirates National Grid

In the UAE, the Emirates National Grid project interconnects the four authorities (DEWA, (Abu Dhabi) DoE, SEWGA and EWE) who are responsible for supplying power throughout the seven Emirates (Gov, n.d.) This means that DEWA's network is interconnected with the utility networks of the other Emirates from Abu Dhabi to Sharjah via a number of 400kV interconnectors. (ENG)

The GCC Interconnection Grid

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 (Global Transmission, 2013). These countries are connected via a GCC interconnector, consisting of a 400 kV double-circuit overhead line between the Emirate of Abu Dhabi and Kuwait. The UAE joined the interconnection grid in 2011. (GCCIA, 2022)

Water supplies across the UAE

At a federal level, the Ministry of Energy and Infrastructure 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 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 (UAE government, 2021).

Dubai potable water supplies

In the same way for power, the main authorities regulating the water sector in Dubai are DEWA, the Supreme Council of Energy and the RSB.

As is the case with the Dubai electricity sector, DEWA's rights in the water sector allow the company to exclusively establish, manage, operate and maintain, within Dubai, water desalination plants, water reservoirs as well as water transport and distribution networks. (DWFGGroup, n.d.)

Until recently for the production of water, DEWA exclusively owned all water desalination production plants and water reservoirs. However, with the building and commissioning of the new Jebel Ali 40 MIDG reverse osmosis plant and the Hassyan RO IWP 120 MIGD plant, then DEWA's exclusive ownership of water production will change, although they will retain a majority shareholding in the new plants.

In addition, DEWA is also working on an Aquifer Storage and Recovery project for desalinated water. It uses clean solar power to desalinate seawater using the latest reverse osmosis technologies. Excess water is stored in aquifers and pumped back into the water network when needed. This will secure Dubai with an additional source of potable water strategic reserve of 50 MIGD for 90 days in emergencies (release).

Recycled water supplies

Dubai Municipality has developed an integrated policy for managing recycled water in Dubai that aims to reach 100% of the optimal utilisation of this resource. Apparently, according to the Dubai Municipality this percentage has reached 91% as of 2022. To meet these levels of utilisation the Dubai Municipality has established networks and stations that ensure the efficient and effective distribution of recycled water, through which it achieves its strategic objectives as part of Dubai Municipality's efforts to achieve maximum benefit from the use of recycled water. (DM, 2020)

The importance of recycled water or treated sewage effluent is referenced in Executive Order No. (27) of 2008 which encourages the use of recycled water in district cooling applications. The RSB is responsible for overseeing compliance with those regulations.

Other Emirates

TRANSCO is the largest water provider in the UAE providing water to the Emirate of Abu Dhabi but also to SEWGA and EWE in the north of the UAE. Supplies to SEWGA and EWA augment their in-house production and are made possible by transmission interconnections to power and water plants located in Fujairah (TRANSCO, 2022). In addition, the Emirate of Umm Al Quwain, through ACWA Power, is building a 150 MIGD Independent Water Plant based on reverse osmosis technology.

Strategic water connection

DEWA is working with TRANSCO to make three interconnections that can transfer a total of 117 MIGD to different areas in the Emirates of Abu Dhabi and Dubai. Recently DEWA and EWE have completed a strategic interconnection project in Masfout (in the Emirate of Ajman), which allows the exchange of up to two million gallons of potable water per day between the two organisations. According to the Ministry of Energy and Infrastructure the strategic water interconnection projects will help avoid crises and any water shortages and meet the UAE Water Security Strategy 2036 goals, to ensure sustainable access to water during both normal and emergency conditions. (release, 2022)

Dubai's general district cooling sector policy framework

In recent years Dubai has targeted the promotion of district cooling as a key measure to improve energy efficiency, given that cooling is Dubai's major energy consumer. Dubai's current energy strategy looks to increase the share of district cooling to 40% by 2030, partially by retrofitting cooling facilities in existing buildings (RSB 2021c). An increase in district cooling can reduce energy consumption and peak electricity load, reducing the need for additional generation capacity.

Integrated Energy Strategy

The Dubai Integrated Energy Strategy 2030 was deployed in 2011 with aims to secure a sustainable supply of energy and to enhance the efficiency of water, power and fuel use in Dubai. In 2013 as an integral part of the strategy, the Dubai Supreme Council of Energy, developed a Demand Side Management (DSM) strategy, which identified eight programmes collectively designed to deliver Dubai's energy efficiency targets. One of these programmes related to the utilisation of district cooling in a more efficient manner.

Cooling is Dubai's major energy use and so any strategy intended to raise energy efficiency will have to tackle cooling – both efficiency in its supply and in its use. Several of the demand side management (DSM) strategy's programmes are designed to increase cooling efficiency. The building regulations involve higher insulation standards and minimum cooling equipment ratings; the retrofit programme will tackle cooling in existing buildings; the appliances and equipment programme will raise standards for equipment and use labelling better to inform consumers; and the district cooling programme aims to exploit the benefits of providing cooling from central plant delivered through chilled water networks to multiple buildings in dense urban environments.

From an in—depth study undertaken by the RSB on 148 cooling system installations, water cooled solutions, whether district or building scale offer superior energy efficiency compared to air cooled alternatives. (Dubai)

Given the importance of district cooling applications and their impact on total power demand in Dubai a range of regulatory instruments have been introduced to provide greater oversight of this important sector and to optimise the way buildings are cooled while meeting a range of government objectives including their DSM strategy programmes.

Dubai's district cooling industry

The RSB estimates that Dubai's district cooling industry contracted capacity is over two million refrigeration—tons and met 23% of demand for cooling in 2020. District cooling operators had 14 TES facilities in 2019 and consume an average of 7.6 litres of water per TRh of cooling energy (2.1 litre/kWh). 25% of the water consumption comes from recycled water. (RSB, 2020)

The RSB has been collecting data from the seven main district cooling providers in Dubai since 2013. These providers have joined the Association of District Cooling Operators Dubai, which currently consists of eight members.

Association membership shows the profile of the companies engaged in district cooling in Dubai as listed below:

- The Company, a joint venture between DEWA (70%) and Emirates Power (an indirectly wholly-owned subsidiary of Dubai Holding) (30%), is reported by the RSB to remain Dubai's largest district cooling service provider as of 2018 (Insights, 2021)
- Privately and publicly owned regional district cooling service providers, such as Emicool and Tabreed
- Energy affiliates of real estate developers: Downtown District Cooling (80% owned by Tabreed), Nakheel South Energy and Meydan
- Service companies such as Al-Futtaim Engineering.

Sector Trends

Overview of District Cooling Costs and Investments in Target Market

District cooling have been developed in many years without subsidies. District cooling is cost competitive in many climates and economies and is frequently the most economic option to provide cooling requirements in any development due to several factors:

- The ability to utilise TES, thus reducing required chilling capacity and associated power demand by 20%, plays an essential role in reducing overall costs. Thermal storage is a mandatory requirement in Dubai based on the Executive Council Order No. 27 issued in Dubai in 2008 that was an essential step taken by Dubai Government towards energy and water conservation to support the environmental green movement witnessed in Dubai during that period. As per Executive order No. 27, all plants larger than 10,000 RT in capacity shall implement TES in their plants for 20% of peak design capacity. In addition to capital cost savings, thermal storage plays an essential role in operation by levelling the load demand throughout the day and by keeping chillers running at optimum efficiency points thus reducing overall operating costs.
- District cooling benefits largely from the concept of diversity when connected to multiple use development thus reducing the overall cooling capacity for the full project. Different type of uses (such as residential, commercial, retail, schools, universities, hospitality etc.) will peak at different times during a day and thus sizing of chilling equipment can be largely optimised with central district cooling plant serving a mixed-use development. Typically, district cooling plants are designed with a diversity factor of 60-80% depending on specific project conditions and design particulars thus leading to a significant reduction in cooling and power requirements in the overall project.
- Eliminate redundant or standby equipment typically installed in individual buildings served with own plants.
- Due to higher efficiency of water-cooled equipment coupled with thermal storage, and due to benefits achieved by considering diversity in cooling load requirements and elimination of standby capacity, district cooling can reduce the power demand requirements up to 50% as compared to traditional standalone cooling systems thus leading to significant cost savings in terms of electrical infrastructure and distribution, substations, and electrical distribution within individual buildings by eliminating power requirements associated with cooling plants. This also leads to a reduction in annual energy consumed.

District cooling scheme costs is usually divided into the following:

- Development costs: these include costs of engineering and management of the project, permitting applications, and costs of connections to various utilities required for the project.
- Chiller plant costs: this includes the costs of chilled water generation plant and ancillary equipment (chillers, pumps, cooling towers, TES, onsite water storage, electrical switchgears, transformers, plant control centre).
- Chilled water piping network costs: a key factor that can impact the chilled water network costs is the density of development where chilled water is being supplied. Higher density development will result in lower piping capital costs as compared to low density developments. Consideration needs to be given to all for future expansion potential in designing chilled water network to allow sufficient flexibility to increase revenues from potential future customers.
- Energy transfer station costs: this includes costs of cold side of the energy transfer station room constructed within the end-user premises which includes all piping, control valves, heat exchangers and control system required for management and control of customer connections.

District cooling scheme costs benefit largely from economy of scale where larger schemes are expected to have lower overall cost in USD/TR. The following table is an indication to estimated cost of district cooling schemes:

Table 16. District cooling Scheme Estimated Capital Costs

Capital Cost Assumptions	Unit	Criteria	Estimated Cost
District cooling Plant Capital Cost with TES	USD/Ton	<= 20,000 Ton	1,500 - 1,800
		> 20,000 Ton	1,350 - 1,500
District cooling Plant Capital Cost Without TES	USD/Ton	<= 20,000 Ton	1,650 - 2,000
		> 20,000 Ton	1,500 - 1,650
		High Density Development	300 - 400
		Medium Density Development	400 - 500
district cooling Network	USD/Ton	Low Density Development	500 - 750
		<1,000 Ton	250 - 300
Energy Transfer Station Primary Side	USD/Ton	> 1,000 Ton	180 - 250

Source: DC Pro Analysis

There has been an increasing interest and appetite for investments in the district cooling industry in the region by major local and international investors. This is reflected in recent announced acquisitions of district cooling assets in the GCC exceeding 3 billion USD in the past 1 years. Consequently, recent acquisitions announced encouraged real estate developers, commercial sector with large central water-cooled systems and government entities to sell their cooling assets at a premium by benefiting from existing demand and elimination of construction risks. This has created a growth potential for the industry that can benefit from existing operating assets or central water-cooled systems converted to a revenue generating district cooling business.

Below table is a summary of major acquisitions that took place in the region:

Table 17. Region's Major district cooling Acquisitions

Target	Sellers	Acquiror	Year	Million USD
Palm Utilities	Palm district cooling	Company	2013	500
40% of Tabreed	Mubadala	Engie	2017	775.5
50% of Emicool	Union Properties	Dubai Investment	2018	136.1
50% of S&T District Cooling	Al Dar	Tabreed	2018	94.7
8% of Saudi Tabreed	IDB Infrastructure Fund	Tabreed	2019	35.1
100% of Masdar District Cooling	Masdar	Tabreed	2020	13.6
80% of Emaar district cooling				
downtown 4 district cooling Plants	Emaar	Tabreed	2020	674.8
Saadiyat Cooling LLC	Al Dar	Tabreed	2020	262.0
Nakheel 17 plants	Nakheel	Company	2021	234.0
Meydan	Medan	Company	2021	27.2
50% of Mariah Island district cooling	Al Wajeez (JV Tabreed			
Plant	& Mubadala)	Tabreed	2021	84.8
Al Mouj Muscat, Oman	MAF	Tabreed	2022	17.8
85% of Dubai Airports 5 Plants	Dubai Airports	Company	2022	299.5
Emicool (50%)	Dubai Investment	Actis	2022	500.0
Total Sold				3,655

Source: Tabreed, the Company, and Emicool News

Technological Trends in the District Cooling Sector

- **Artificial Intelligence:** Artificial intelligence is the simulation of human intelligence processes by machines, especially computer systems. Specific applications of artificial intelligence include expert systems, natural language processing, speech recognition and machine vision.
- **Internet of Things ("IoT"):** IoT is another trend in the district cooling plant design and retrofitting. IoT can best be described as connecting objects to the internet in order to collect and exchange data and create new informational value.
- **Integration with Renewable Energy Sources:** This is anticipated to be the trend in the future for district cooling in the GCC in general to lower energy consumption bills, reduce water consumption, and to comply with the advanced GCC countries' sustainable development goals. Future growth opportunities.

Future growth opportunities

Growth Opportunities in Dubai

The Dubai Supreme Council of Energy has set a target of reducing energy demand by 30% by 2030 (IEA, 2017) and meeting 40% district cooling penetration by 2030. In addition, Dubai announced the Clean Energy Strategy 2050 in 2017: an initiative pledged by Dubai to increase its use of clean energy sources to 100% by 2050 and to reach net-zero emissions by the same year. The strategy also aims to make Dubai a global centre for a green economy and clean energy applications. In the extreme hot and humid weather conditions across the GCC, air conditioning is considered the main consumer of energy as explained earlier. Thus, meeting targets set by Dubai's Supreme Council in reducing energy demand and achieving net-zero carbon emissions mandates the use of most efficient cooling technology that can meet the city's growth plans.

Moreover, the strong and steady growth of Dubai's economy observed in the last five years is expected to continue further, despite the impact of COVID-19, as the public economic outlook predicts a growth rate of close to 5% in 2022 and 2023. Dubai's government expects to reach a population of 5.8 million by 2040 according to their 2040 Master Urban Plan (The National News, 2022), which would mean an increase of 65% compared to the total population registered in 2021 (3.5 million). If the 5.8 million inhabitants' goal is achieved by 2040, then this relates to an average growth rate of 2.7% over the next 19 years which will have a direct impact and growth demand for cooling requirements in the city with projected 125,000 residential units planned to be launched in the market up until 2025 (Knight Frank graphic – Dubai Residential Market Review Autumn 2021).

In addition to that, there are many district cooling plants or central water-cooled systems owned and operated by developers serving specific developments or projects in the city. The acquisitions that took place in the industry in the past years, such as Downtown Dubai district cooling plants sold to Tabreed, Dubai International Airport and Nakheel district cooling plants sold to the Company, encouraged several real estate developers and central water-cooled plant owners to outsource cooling services by selling their existing assets thus creating a growth potential to convert existing systems into a revenue generating district cooling business.

All these factors and current market drivers provide a healthy and steady growth potential in the district cooling market in Dubai which is projected to increase by more than 30% in the next five years by higher utilisation or expansion of existing plants to serve new customers, construction of new district cooling plants in new concession areas under development, or acquisition of existing central water-cooled chiller plants. This is projected to increase the district cooling penetration in Dubai to meet the planned 40% target by 2030.

Below tables shows the actual historical growth in connected capacity by the Company:

Table 18. Historical Increase in the Company's Connected Capacity

Year	2017A	2018A	2019A	2020A	2021A
Year End Connected Capacity- TR.....	991,618	1,053,157	1,153,837	1,228,276	1,367,599
Actual Annual Increase in Connected Capacity by the Company- TR.....	-	61,539	100,680	74,439	139,323
Actual Cooling Demand Growth by the Company	-	6.2%	9.6%	6.5%	11.3%

Source: Company Data, 2022

Below tables shows the future projected growth in contracted capacity in the district cooling market in Dubai:

Table 19. Planned Growth in Dubai's district cooling market

Year	2022E	2023E	2024E	2025E	2026E	2027E
Estimated Annual Increase in Connected Capacity in Dubai- TR.....	151,268	152,801	114,666	143,281	132,225	149,847
Estimated Cooling Demand Growth in Dubai....	6.8%	9.1%	6.2%	5.8%	5.3%	5.3%
Estimated Additional district cooling Revenue- Million USD	113	132	74	87	85	95

Source: DC Pro Analysis

Growth Opportunities in KSA

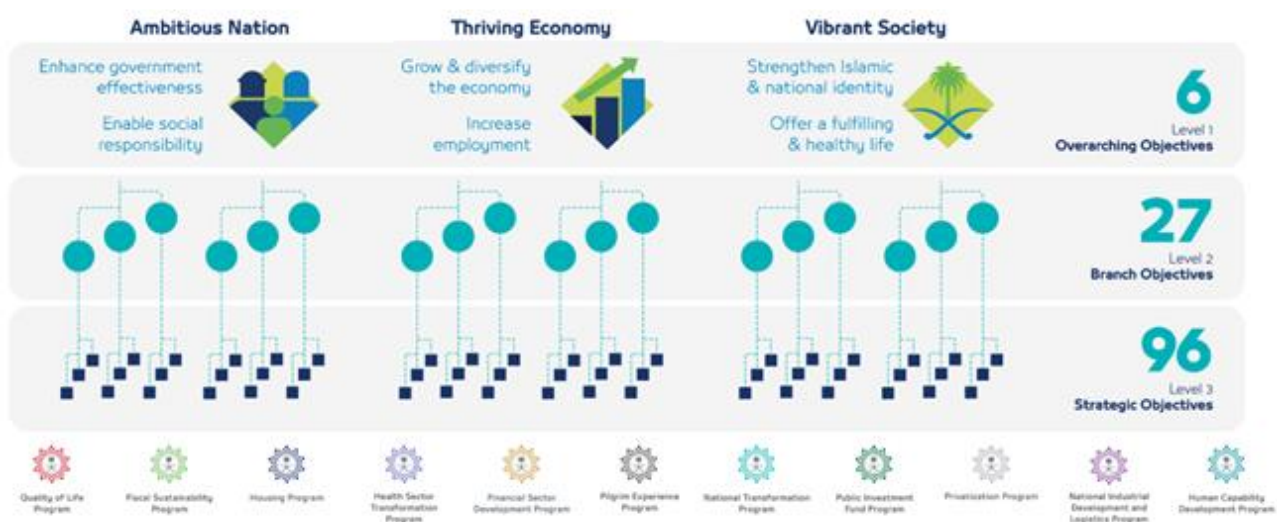
Saudi Vision 2030, announced on 25 April 2016 by Crown Prince Mohammed bin Salman, combined with the kingdom's commitment to become carbon neutral by 2060 creates a solid platform for an exponential growth in the district cooling market in KSA especially considering the low current district cooling penetration rate. Saudi Vision 2030 is a strategic framework to reduce the KSA's dependence on oil, diversify its economy, and develop public service sectors such as health, education, infrastructure, recreation, and tourism. Key goals include reinforcing economic and investment activities, increasing non-oil international trade, and promoting a softer and more secular image of the KSA.

According to the official Vision 2030 website, the vision draws on KSA's intrinsic strengths:

- the KSA is the land of the two holy mosques which positions the KSA at the heart of the Arab and Islamic worlds
- the KSA is using its investment power to create a more diverse and sustainable economy
- The KSA is using its strategic location to build its role as an integral driver of international trade and to connect three continents: Africa, Asia and Europe

The Vision was cascaded into strategic objectives to enable effective implementation through Vision Realisation Programs

Figure 14. Saudi Vision 2030



Several key and large-scale projects were announced to meet Saudi Vision 2030. Below is a list of key projects planned in the next years and projected to be completed between 2025 and 2030 with estimated district cooling capacity required to meet projects' demands:

Table 20. Major district cooling Projects Planned in KSA in the Next 5-10 Years

Project Name	Location	Estimated district cooling Capacity (TR)
Neom*	Red Sea	350,000
King Abdul Aziz Road Development.....	Meccah	165,000
Jubail City Center.....	Jubail	100,000
Rua Al Madinah Project.....	Madinah	100,000
Sports Boulevard.....	Riyadh	75,000
Al Qiddiya Development	Riyadh	71,000
Amala.....	Red Sea	60,000
Diriyah Gate Development.....	Riyadh	54,000
North Riyadh Development.....	Riyadh	26,500
Avenues Khobar.....	Khobar	23,000
Total		1,024,500

Source: DC Pro Analysis

*Estimate based on public information available and planning tenders released

Substantial additional district cooling capacity estimated by more than 1,000,000 RT is projected in the KSA of the KSA in the next 5 to 10 years with few available DCS providers operating currently in the KSA: Saudi Tabreed, Dalkia and City Cool (with limited presence). Therefore, substantial growth is projected in the district cooling Market in KSA estimated by more than 50% of current existing capacity in the next 5 to 10 years making it an attractive market for investors in the industry.

Key ESG Considerations

The Growing Need for ESG and Sustainability

A tectonic shift in focus on ESG and Sustainability strategy has occurred across global corporations, law firms and capital markets particularly in the last decade. Investors, regulators, and other stakeholders are now demanding detailed information from companies about how they are addressing ESG risks and opportunities to their business regardless of the industry they operate in. The area of ESG is dynamic with continuous developments across procedural frameworks, legislation and policy making and while there is no single ESG global disclosure standard to report on these subjects, reporting on material ESG subjects is now deemed necessary. Overall, disclosures against ESG subjects help better understand companies' risks and opportunities associated with a range of themes such as climate change, labour rights or resource utilisation.

The interest in ESG related investments continues to increase, growing by 42% from 2018 to 2020 with a projected outlook to become a USD 1 trillion category by 2030 (NASDAQ, 2021). Further, some of the world's largest institutional investors, including sovereign wealth funds, are giving added focus and attention to integrate climate change analysis in the management of large, long—term, and diversified asset pools given their unique position to promote long—term value creation and sustainable market outcomes.

According to the Governance and Accountability Institute (“G&A”), 90% of S&P500 Index listed companies published sustainability reports in 2019 compared to 20% in 2011, evidencing that companies need to disclose externalities and impact (G&A, 2020).

District cooling is of considerable importance to the UAE's declared move to a net-zero goal by 2050. The technology offers a range of advantages over more traditional air cooling and provides energy savings of up to 50% against certain cooling technologies. This advantage has a significant impact on CO2 emission reductions per kW/Ton of cooling with reduced costs associated with energy purchases. In addition to supporting the energy transition, district cooling technology provides opportunities for electricity suppliers (in this case DEWA) to take advantage of peak reduction strategies by promoting the use of cooling production in more off-peak parts of the day as thermal storage facilitates support this move. Lastly, the latest district cooling systems, as previously referenced, can be integrated into smart energy systems which promote the use of renewable energy, demand side management of peaks and further reductions in CO2 emissions.

As recently printed in the National News district cooling is a critical infrastructure for warm countries like the UAE where air conditioning accounts for 70% of UAE's electricity consumption (The National News, 2020).

Given this level of demand on electricity supplies district cooling systems offer substantial energy savings where they can replace existing traditional air-cooling installations.

Global companies are now placing significant emphasis on carrying out strategic exercises in the form of materiality matrices to identify the impact of sustainable developments across the ESG pillars on the business and overall strategy to ensure alignment with stakeholders' expectations while creating value for a company. The ESG pillars are expanded as listed below:

Environment

Environment best practice includes: (i) defining climate change related strategies including net zero strategies and integrating them within their business plans and operations; (ii) tracking greenhouse gas and pollutant emissions and obtaining independent verification of Scope 1, 2 and 3 emissions; (iii) managing and reducing waste and shifting towards a circular economy; (iv) appropriate management of water; and (v) assessing the impact of business decisions within wildlife and the wider biodiversity areas and implementing remediation actions.

Social

Social best practices include: (i) defining and implementing health and safety policies and programmes that include performance tracking and related targets; (ii) establishing a code of conduct for their employees, contractors and providers to prevent and address misconduct; (iii) defining diversity and inclusion policies including maintaining diversity scorecards on gender, age and ethnicity; (iv) innovation in sustainable business solutions; (v) focusing on human capital development such as timely trainings for employees and contractors; (vi) building and maintaining community relations; and (vii) ensuring sustainability mandates across investment and divestment decisions.

Governance

Governance best practices include: (i) composition of the Board of Directors and relevant committees (ii) transparency on the governance structure of a company, including composition of the organisation and decision bodies (iii) reporting on shareholder rights and appropriate disclosures pertaining to Board/Executive remuneration process; and (iv) board oversight of ESG issues.

Sustainability in the UAE: Expected Impact

UAE's long term environmental targets

The UAE has publicly committed its support to the Paris Agreement to combat climate change and submitted its first National Declared Contributions in 2015 followed by an enhanced ambition as part of its second National Declared Contributions (UNFCCC, 2020) in 2020 to:

- **Reduce greenhouse gas emissions** by 23.5% by 2030 with respect to a business as usual (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.

Since then, the UAE has taken an active decision to set long-term goals to address the climate change agenda including becoming the first Arab country within MENA to commit to net-zero emissions by 2050 (Government of UAE, 2021). The UAE intends to invest over USD 163 billion in clean and renewable energy over the coming few years and play its global role in combatting climate change as confirmed by Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister, and Ruler of Dubai (Zawya, 2021).

Additionally, the UAE has been an active champion in supporting the deployment of clean energy solutions globally with a particular focus on developing countries. By December 2020, UAE had invested USD 16.8 billion across 70 countries in renewable energy ventures and pledged USD 400 million in aid and concessional loans for clean energy projects over the recent past (Emirates News Agency, 2020).

The UAE and the sustainability agenda

In 2010, the UAE Cabinet approved the Green Building and Sustainable Building standards applicable cross country. The application of these standards commenced with government buildings in early 2011. The project is expected to save USD 2.7 billion by 2030 and reduce around 30% of carbon emissions (Government of UAE, 2022). In response, Dubai introduced the 'Green Building Regulations' containing 79 specifications mandatory across all developments. The regulation addresses different aspects of green building design such as (i) ecology and planning; (ii) building vitality; (iii) resources effectiveness: energy; (iv) resources effectiveness: water; and (v) resources effectiveness: materials and waste.

Further, in 2013, Dubai implemented its demand side management strategy to deliver 30% annual savings in water and electricity by 2030 compared to BAU consumption. This equates to an overall electricity savings of about 19.2 TWh and water savings of 46.3 billion imperial gallons, which correspond to 30% savings versus BAU by 2030.

Table 21. DSM Programmes' description and targets savings for 2030

DSM programme	Objective	Power Target savings by 2030 (TWh)	% of total power DSM savings	Water Target savings by 2030 (BIGD)	% of total water DSM savings
1. Green Building Regulations	Increase energy and water efficiency in new buildings through building regulations and compliance (positioning Dubai to transition towards nearly zero energy buildings in the long-term).	3.1	16	14.2	31
2. Building Retrofits	Retrofit existing building stock & infrastructure with electricity & water efficiency measures.	1.4	7	4.9	10
3. Outdoor lighting.....	Adopt high efficiency lighting in public spaces in Dubai	0.2	1	—	—
4. Efficient Cooling	Promote efficient cooling technology use in Dubai buildings	2.5	13	—	—
5. Standards & Labels	Drive adoption and compliance with Minimum Energy Performance Standards and labels for air conditioners (ACs), home appliances and industry equipment in Dubai	7.9	41	6.4	14
6. Consumer Behaviour ..	Engage main user groups (residential and commercial) in electricity and water conservation through the promotion of smart devices and appliances delivered through new business models in Dubai.	1.1	6	1.8	4
7. Shams Dubai.....	Promote use of building—level solar energy systems across Dubai's building stock.	0.8	5	—	—
8. Tariffs	Adjust tariff structure to be cost reflective, promote energy efficiency, and give the right signal to reduce consumption.	2.2	11	9.6	21
9. Recycled & Ground Water Demand Management	Promote recycled and ground water management based on network expansion and use of recycled water in line with the Integrated Water Resource Management Strategy	—	0	9.4	20
10. Efficient Mobility and Smart Charging.....	Encourage the uptake of efficient mobility and smart charging in Dubai	—	0	—	—
11. Fuel & Engine Efficiency	Promote efficiency and demand abatement of transportation (fossil) fuels in Dubai	—	0	—	—
Total		19.2*	100	46.3	100

Source: (Supreme Council of Energy, 2021)

*Note: The total power target savings by 2030 as published by the Supreme Council of Energy is 19.2TWh. The above figures in the power target savings column sum to 19.4 TWh due to rounding to one decimal place.

The UAE Green Agenda was approved by the Cabinet in January 2015 (MOCCA, 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, thereby enhancing the UAE's competitiveness and sustainability of its development and preserving its environment for future generations.

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 UAE MoCCE has developed an original framework of green economy indicators which serves as the Green Agenda objectives, namely the UAE Green KPIs which span three dimensions: environmental, economic, and social.

Each UAE Green KPI is allocated to one of the five strategic objectives namely: Competitive Knowledge Economy, Social Development & Quality of Life, Sustainable Environment & Valued Natural Resources, Clean Energy & Climate Change Adaptation and Green Life & Sustainable Use of Resources with an aim to better understand trends and assign clear accountability towards improving performance (MOCCAE, n.d.).

In 2022 the Dubai Integrated Waste Management Strategy 2021 to 2041 was approved with a budget of USD 20.3 billion to encourage innovation in waste management, recycling, and energy conversion. The strategy seeks to implement long-term projects over the next 20 years (Government of UAE, 2022).

The UAE has also approved 22 policies aimed at accelerating the country's transition to a circular economy as part of the overall sustainable economic development. The prime focus of the policies covers four main sectors namely manufacturing, food, infrastructure, and transport (The National News, 2022).

Further, Dubai's crown prince launched the 'Dubai Can' initiative earlier in the year to reduce single-use plastic consumption and choose refillable bottles by launching multiple water refilling stations across the city with the aim to create a conscious living by driving awareness on plastic alternatives (Dubai Media Office, 2022).

The UAE will host COP28 in November 2023 at the Dubai Expo city becoming the second Arab nation after Egypt to host with a focus on climate change including cutting the use of coal fired power stations, reducing reliability on fossil fuels, and boosting renewable energy sources (The National News, 2022).

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

Emirates Central Cooling Systems Corporation PJSC (the “**Company**” or “**Empower**”) was established on 23 November 2003 as a corporate entity pursuant to Dubai Law No. (10) of 2003 (“**Law No. 10**”), as amended by Dubai Law No. (3) of 2010 (“**Law No. 3**”) and commenced commercial operations on 15 February 2004.

On 14 October 2022, pursuant to Dubai Law No. (22) of 2022 (which repealed Law No. 10 and Law No. 3 and any other legislation to the extent that it contradicts the provisions of Dubai Law No. (22) of 2022) (“**Law No. 22**”), the Company was established in its current form, as a public joint stock company to succeed Emirates Central Cooling Systems Corporation.

The principal activities of the Company and its subsidiaries (the “**Group**”) are the provision of district cooling services (“**DCS**”), the management, operation and maintenance of central cooling plants and related distribution networks, and the production and selling of pre-insulated pipes and fittings.

Vision and mission

The Company’s vision is to be the world’s leading DCS provider by promoting sustainable and optimised use of energy resources to deliver reliable, cost-effective and environmentally friendly world-class DCS to achieve customer satisfaction, thereby creating long-term shareholder value.

District Cooling

District cooling is an efficient energy system for large-scale, high-density developments, such as business districts, airports, university campuses, residential towers, shopping malls and hospitals. The district cooling system relies on a centralised cooling plant that provides chilled water that is used to cool buildings within its connected network. The plant supplies chilled water through a network of underground-insulated pipes. For more information on district cooling, see “*Industry Overview—General Overview—High Level Overview of District Cooling Industry*”.

The Group provides DCS to various residential, commercial and mixed-use developments in Dubai and is the largest DCS provider in the world in terms of connected capacity, according to the International District Energy Association. The Group’s Pre-insulated Pipe segment is involved in manufacturing, and selling of pre-insulated pipes and fittings that relates to the expansion of the Group’s Chilled Water segment, which constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems, as well as distributes and sells chilled water for use in district cooling technologies. As at 31 December 2021, the Group had more than 76 district cooling plants and, subject to completing the announced proposed acquisition of 85% of the district cooling systems of the Dubai International Airport for AED 1.1 billion, which is expected to close by 31 December 2022 (“**Dubai International Airport District Cooling Acquisition**”), the Group will have 81 district cooling plants in its portfolio by the end of 2022, all of which are currently in Dubai and are providing exclusive DCS to several of Dubai’s key landmarks and developments, including the Dubai International Financial Centre (“**DIFC**”), Burj Al Arab, Dubai Healthcare City, Business Bay, Palm Jumeirah, Jumeirah Beach Residence (“**JBR**”), Ain Dubai & Bluewaters Island, Deira Waterfront, Jumeirah Lake Towers, Discovery Gardens, Ibn Batutta Mall, Jumeirah Village South, Dubai Land Residential Complex, Meydan and other areas across the Dubai. These iconic landmarks and developments demonstrate the diversity of the Group’s strategic assets across its well-balanced portfolio.

Furthermore, each of the Group’s district cooling plants is typically constructed using a modular asset strategy approach that allows for additional capacity to be added at a later date if required. As a result, the Group is able to spread its capital expenditure over future years in a measured capacity deployment based on project and development requirements. The Group also has the ability to mobilise temporary cooling solutions to deliver additional cooling load.

While the focus of the Group’s growth strategy, in the short to medium term, is the Dubai market, the Group may consider, in its medium to long term plans, exploring international expansion, which may include the KSA, Qatar and other markets that have broad adoption, or potential for adoption, of DCS. 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 cooling air that is produced by chilled water and distributing it through an underground network of insulated pipes to buildings or homes. As such, district cooling offers a more energy efficient solution that utilises approximately half of the electricity consumption of traditional cooling for the same cooling output, therefore providing a more environmentally-friendly and sustainable cooling solution. Furthermore, the UAE residential real estate market is projected to grow at a CAGR of more than 4% during the period 2019 to 2025. Given the fact that the real estate landscape in the UAE and GCC region is characterised by high-rise buildings and high-density real estate which ultimately leads to a growing amount of aggregated demand for district cooling, DCS presents the most suited and advantageous solution to deliver and meet such growing demand in a cost effective manner. This is largely due to the fact that district cooling also takes advantage of the use of treated sewage effluent (“TSE”) (in lieu of 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 increasingly attractive opportunity in the market, particularly for developers of new projects. The Group has a total of 9 thermal energy storage facilities across its network. See “*Industry—The District Cooling Industry*”.

When entering into a new project with a master developer, the Group enters into a master development or concession agreement with the master developer. These customary agreements are long-term, with service exclusivity, with initial terms that typically commence on the date of the relevant agreement and expire 25 years or more after the full Site Demand Load (as defined herein) is delivered, with renewal terms and conditions that can be exercised for an indefinite number of periods. See “*Material Agreements—General—Master Development Agreements*”. The Company has only delivered three full Site Demand Load contracted under its Master Development Agreements, meaning that the remaining term of the majority of the Master Development Agreements is 25 years or more. The Group currently has master development agreements in force for 23 developments, including agreements relating to the following locations (or developments within such locations): DIFC, JBR, Business Bay, Palm Jumeirah, Jumeirah Lake Towers, Discovery Gardens, International Media & Production Zone, Dubai Production City, Mirdiff, Al Khalil Gate (Al Quoz), Bluewaters, Deira Waterfront, Meydan and others. Apart from master development agreements, the Group also expands its service by entering into standalone agreements with building owners for buildings that are adjacent to concession or development areas. Similar to the Group’s master development or concession agreements, the Group’s standard building owner agreements are typically for 25 years or more, with service exclusivity.

The Group is targeting a market share of approximately 80% of the total connected capacity of the district cooling market in Dubai by the end of 2022 (subject to completing the Dubai International Airport District Cooling Acquisition) (Government of Dubai, August 2022). Connected capacity refers to the cooling capacity that is delivered to the customers under customer service agreements or concession agreements and contracted capacity refers to the cooling capacity signed with master developers and/or building owners under concession agreements and/or service agreements. The Group currently has a network of more than 369 kilometres of insulated pipes, 81 district cooling plants (subject to completing the Dubai International Airport District Cooling Acquisition, which will include five district cooling plants) and serves a connected capacity of approximately 1.4 million refrigeration tonnes (“RT”) with a contracted capacity of approximately 1.5 million RT to more than 1,400 buildings with a diversified client portfolio consisting of (i) master developers, (ii) building owners, and (iii) more than 110,000 customers (including the recent acquisition of Nakheel) consisting of end-users (made up of corporate businesses, retail units and individuals such as apartment owners and tenants).

District Cooling: The Most Sustainable and Suitable Cooling Solution for the Region

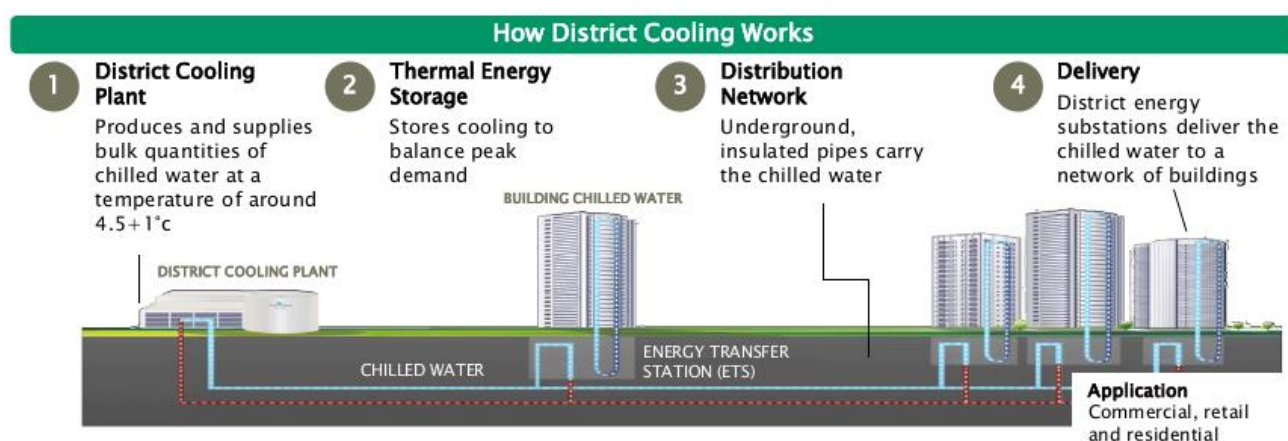
District cooling offers numerous advantages over traditional cooling in the GCC. This is because district cooling technology has inherent advantages for areas of high cooling density—densely populated areas with a heavy demand for air-conditioning. Some of these inherent advantages includes the following, which presents an attractive solution for many GCC countries seeking to urbanise and grow rapidly:

- **Higher Return on Investment:** District cooling has lower investment costs and operating costs than traditional air-cooled chillers. Additionally, the use of DCS results in approximately 50% reduction in the electricity consumption of the building owners due to the fact that DCS has the lowest energy

consumption amongst all cooling technologies (according to DC Pro Analysis, see “*Industry Overview*”), which can reduce energy used for cooling by up to 50% from utilising 0.9 kW to 1.0 kW of energy per RT, compared to 1.6 kW to 1.8 kW for traditional cooling methods. District cooling also has lower deterioration of equipment with a longer life cycle of 30 to 50 years (with the life cycle past 30 years generally possible through investments in maintenance and repair) compared to traditional air conditioners, which typically have a life cycle of 12 to 15 years.

- **Ideally Suited for Real Estate Development:** Cooling is an essential aspect of GCC real estate development. The real estate landscape in the UAE and GCC region, is characterised by high-rise buildings and high real estate density. The continued investments in infrastructure and increasing real estate density had led to a significant and growing amount of aggregated district cooling demand. Adoption of district cooling also results in freeing up significant spaces in buildings that could be put for alternate beneficial usage.
- **Sustainable Cooling Infrastructure and Social Role:** District cooling lowers carbon dioxide (“CO₂”) and other pollutants emissions due to the fact that it consumes up to 50% less electricity than traditional cooling methods. This means that further adoption of district cooling across the UAE and wider GCC is expected to lead to a reduction in power consumption and electricity system peak load, thus reducing overall tariffs for final consumer, which consequently contributes to the population’s purchasing power.
- **Low Maintenance and High Service Reliability:** The district cooling solution is efficient and more cost effective to operate and maintain than traditional cooling methods due to its reliance on next generation technology and advanced equipment. This means that district cooling can be operated around-the-clock with a reliable availability of 99.94% (District Cooling Best Practice Guide, IDEA 2008). Furthermore, by outsourcing cooling operations to the Group, developers are able to focus on their core business.

The diagram below briefly illustrates how district cooling works:



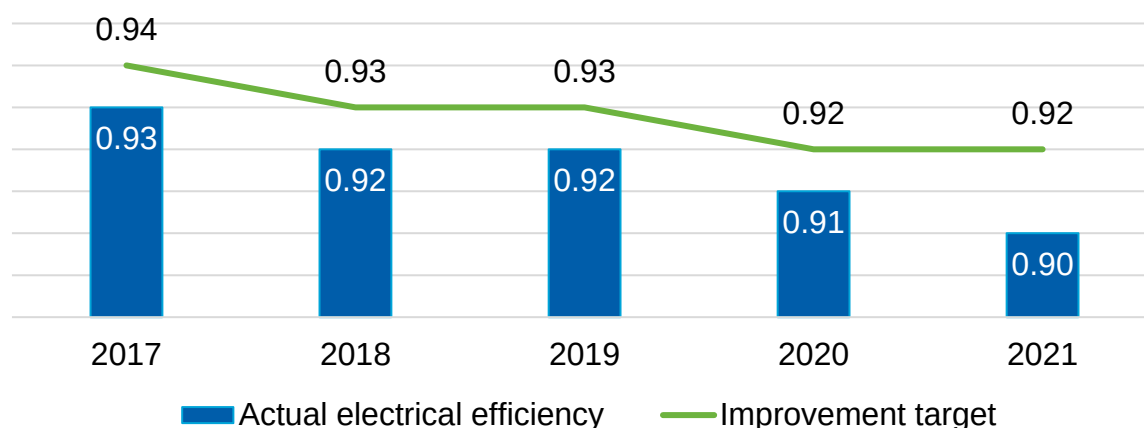
Competitive Strengths

Disruptor of Traditional Cooling Methods with Sustainable District Cooling

The Group has promoted the implementation of district cooling technology in the UAE, leading the market in deploying a more sustainable method to cool buildings. District cooling utilises water sourced from the existing water distribution network, combining the use of potable water and TSE.

Through centralised distribution of chilled water, district cooling can reduce energy used for cooling by up to 50% from utilising 0.9 kW to 1.0 kW of electricity per RT compared to 1.6 kW to 1.8 kW for traditional cooling methods. The Group has consistently outperformed its electrical efficiency improvement targets. In 2021, the Group estimates that it saved approximately 1.7 billion kWh compared to traditional cooling.

The table below sets out a breakdown of the Group's electrical efficiency and its improvement targets (measured in kW/RT) between 2017 and 2021:



Furthermore, district cooling enables more than 50% reduction of CO₂ and hazardous refrigerants when compared to traditional cooling, according to DC Pro Analysis. For further details, see “—The Group's ESG Initiatives”.

Regionally the hot desert climate in the UAE requires cooling as an essential aspect of real estate developments where district cooling's superior energy efficiency and emissions profiles, coupled with a longer life cycle (compared to traditional cooling methods) provides the most suitable cooling solution. With increasing higher density developments being constructed, district cooling has become more attractive due to its ability to aggregate cooling demand for an entire development. Most of the master developers have continued to outsource the provision of cooling to dedicated DCS providers to focus on their core business and manage capital expenditure for master developments.

The Group's distinctive operating model within the district cooling industry facilitates a differentiated offering compared to its competitors. By leveraging its large scale, the Group has developed into an integrated owner and DCS provider that utilises in-house operational expertise to achieve an industry standard for a low-cost base and roll-out of advanced digitalisation capabilities. For further details, see “—Principal Operations—Integrated DCS Provider”.

The Largest DCS Provider in the World and the Clear Leader in Dubai

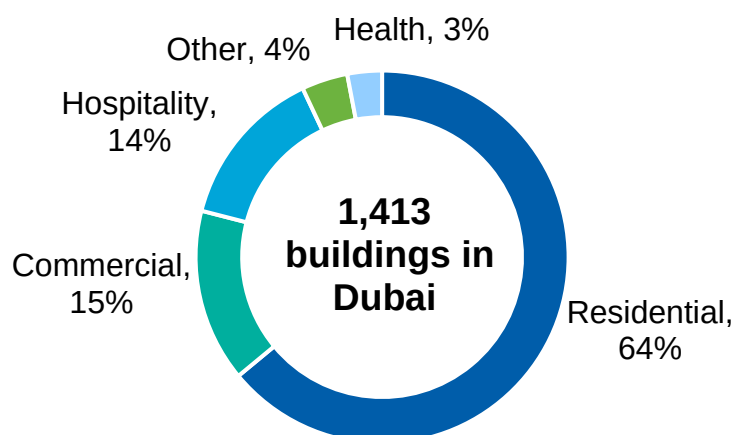
According to the International District Energy Association, the Group is currently the world's largest DCS provider and it is a clear leading player in the district cooling market in Dubai with a targeted market share of approximately 80% of the total connected capacity of the district cooling market in Dubai by the end of 2022 (Government of Dubai, August 2022), and more than 110,000 customers (including the recent acquisition of Nakheel and the Dubai International Airport District Cooling Acquisition), with the district cooling sectors' market penetration in Dubai forecast to grow from 25.6% in 2021 to 40% by 2030, as per the Dubai Integrated Energy Strategy 2030 (DC Pro Analysis). See “*Industry Overview—General Overview—Dubai's District Cooling Market*” for further details. The UAE had a total installed capacity of 3.3 million RT in 2021. In 2020, Dubai had a total contracted and installed capacity of 2.1 million RT and 2.3 million RT (DC Pro Analysis), respectively, with 844,000 RT of connected capacity to be added in the Dubai market over the next six years. As at 31 December 2021, the Group had a connected and contracted capacity of approximately 1.4 million RT and 1.5 million RT, respectively.

The Group has consistently grown its connected capacity over the years through both greenfield new developments like Business Bay as well as large notable acquisitions, such as the US\$500 million purchase of Palm District Cooling in 2013 (connected capacity of approximately 369,000 RT), which accounted for 36.4% of the Group's revenue in 2021, and the acquisition of Meydan in 2020 for AED 100 million (site capacity of approximately 382,000 RT). On 27 October 2021, the Company signed a heads of terms agreement with Dubai Aviation City Corporation in relation to the Dubai International Airport District Cooling Acquisition, which, upon completion, will add an additional connected capacity of approximately 70,000 RT to the Group's network.

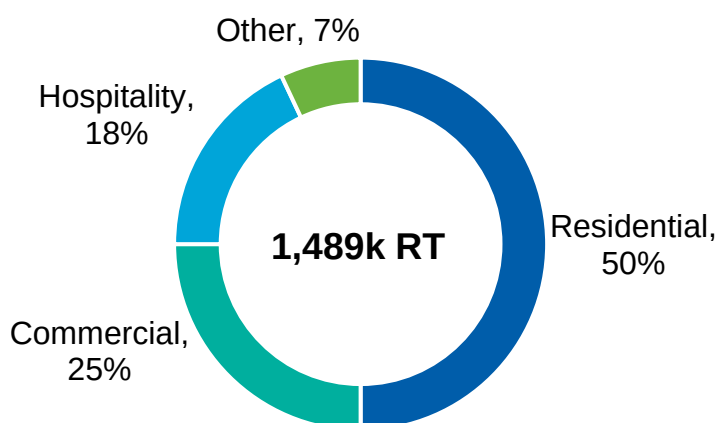
The Group will have 81 district cooling plants by the end of 2022 (subject to completing the Dubai International Airport District Cooling Acquisition) and is the sole and exclusive provider of DCS to several of Dubai's key landmarks and developments including the following:

- Business Bay, a commercial and business cluster covering more than 64 million square feet, which has a total contracted capacity of approximately 263,000 RT consisting of four cooling plants (with the potential to construct an additional two cooling plants) and connected capacity of approximately 229,000 RT;
- Meydan, a community designed to become an urban, vibrant and mixed-use district that incorporates hotels, a water park and the longest indoor ski slope in the world which has a total site capacity of approximately 382,000 RT; and
- Palm Jumeirah, a unique set of archipelago artificial islands shaped like a palm tree, which has a total contracted capacity of approximately 191,000 RT and connected capacity of approximately 190,000 RT.

The Group is a critical cooling infrastructure provider in Dubai to a large and diversified customer base of more than 110,000 customers (including the recent acquisition of the district cooling assets of Nakheel and the Dubai International Airport District Cooling Acquisition). As the exclusive DCS provider for several of Dubai's key landmarks and developments, the Group is able to cater to varied project types and customers. The Group provides DCS to core aspects of Dubai's economy, including residential, commercial, healthcare and hospitality buildings. In 2021, the Group provided DCS to 1,413 buildings. Of these 1,413 buildings, 64% were residential buildings, 15% were commercial buildings, 14% were hospitality buildings, 3% were health related buildings and the remaining 4% were other buildings. The Group expects its mix of DCS to be provided to a greater percentage of commercial buildings in the future in connection with and subject to completing the Dubai International Airport District Cooling Acquisition. The diagram below provides a breakdown of the types of buildings the Group served in 2021:

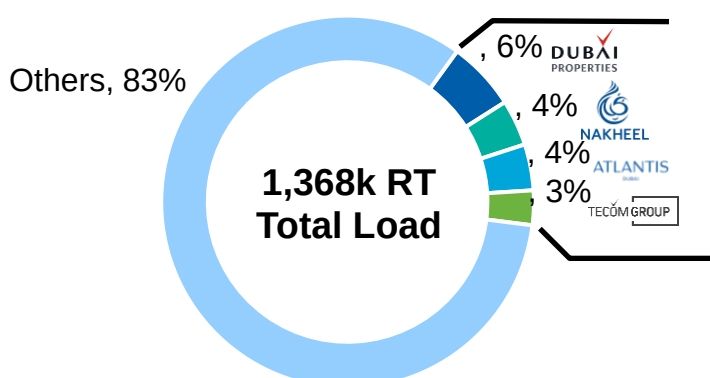


The diagram below provides a breakdown of the Group’s targeted connected capacity by types by the end of 2022:



Furthermore, the Group has established relationships with Dubai’s key master developers, leading to exclusive service provider rights to the connected area. The Group focuses on long-term service contracts, enabling it to maintain a large client base by being the sole DCS provider to certain connected areas and developments, which in turn ensures that the Group has ongoing business once developments are completed. These service contracts provide a secure and recurring revenue stream for the Group by ensuring that revenues are contracted in the long-term. The servicing exclusivity remains in force irrespective of any subsequent sale or lease of the contracted development. See “—Principal Operations—Chilled Water Segment—Client Portfolio”. As at 30 June 2022, the top 10 master developers of the Group represented 27.5% of the Group’s Chilled Water segment revenue and approximately 26% of the Group’s total load.

The diagram below sets out a breakdown of the Group’s total load split of master developers and consumers in 2021:



A Fast-growing District Cooling Market with Supportive Government Policies

Dubai has launched a number of initiatives to accelerate its clean energy transition and deliver its carbon neutrality ambitions. H. H. Sheikh Mohammed bin Rashid Al Maktoum issued in 2011 the “Dubai Integrated Energy Strategy 2030” to transform Dubai into a global centre for clean energy and expand its green energy. The Group plays a key role in Dubai’s green energy transition process, with district cooling forming a central pillar of the Dubai Integrated Energy 2030 plan, which sets a target of 40% of Dubai’s cooling being via DCS by 2030. The district cooling market in Dubai is expected to increase from 18% in 2019 to 40% by 2030 and it is expected to also contribute approximately 13% towards the demand side management (“**DSM**”) 2030 strategy target in electricity savings. For further details, see “Industry Overview—General Overview—Overview of

regulatory environment—Dubai’s General District Cooling Sector Policy Framework—Integrated Energy Strategy”.

The growth in connected capacity across the UAE is underpinned by strong growth in residential real estate units and hotel capacity in Dubai, which increased from approximately 686,500 residential units in 2019 to approximately 780,000 residential units in 2021 and from approximately 544 hotel units in 2019 to approximately 567 hotel units in 2021. Moreover, according to Knight Franck, Dubai’s residential real estate units and hotel units are expected to increase with a CAGR of 4.2% and 3.9%, respectively, between 2019 and 2025. For further details, see *“Industry Overview—General Overview—Trade, Real Estate and Tourism”*.

The Government in turn supported a dynamic and 100% green vision for Dubai with the “Dubai 2040 Urban Master Plan” that was 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% by 2040, as well as an increase in residents and daytime population to 5.8 million and 7.8 million, respectively, by 2040. The Government is also targeting an increase in its renewable energy share usage of 25% by 2030, with a longer-term target to achieve 100% clean energy by 2050. The Government expects to achieve this by the establishment of the Dubai Green Fund, which currently has a pledge of AED 100 billion.

Dubai has a solid macroeconomic fundamentals for district cooling due to (i) a resilient and healthy economy undergoing one of the fastest growth rates in the region, (ii) a healthy demographic profile composed of a growing population and continuous expat inflows, (iii) strong growth in the residential and real estate supply, with high density residential units favouring district cooling adoption, and (iv) a rapidly growing hotel capacity and a growing hospitality industry that is fast-recovering from the COVID-19 induced slowdown. In 2021, Dubai had a population of 3.5 million residents, which is expected to grow at a CAGR of 2.5% between 2019 and 2040. Furthermore, Dubai has a strong and healthy economic growth outlook, with GDP growing at 2.7% and 6.2% in 2019 and 2021, respectively, and a projected GDP growth of 5% by 2023. For more information on the macroeconomic outlook and key trends of Dubai, see *“Industry Overview—General Overview—Dubai Macroeconomic Outlook and Key Trends”*.

In addition to its ambition to host 400 global events per annum by 2025, the Government has taken other proactive steps to attract tourists and residents, which has placed Dubai as the third most preferred city to move to globally and the top travel destination for 2022. For example, Dubai has taken steps to increase its attractiveness to tourists and residents by creating several visa and residency schemes, being the first city in the world to reopen its borders to international travellers after a six-week lockdown resulting from the COVID-19 pandemic, and achieving a 100% COVID-19 vaccination rate. See *“Industry Overview—General Overview—Dubai Economic Initiatives”* for more information on the economic initiatives of Dubai.

In 2018, the District Energy in Cities Initiative from the UN Environment Programme named Dubai as a “Champion City” for its landmark district cooling projects. The UAE therefore has solid macroeconomic fundamentals for district cooling, making it a growth engine for the Group due to the UAE’s impressive GDP growth rate (which is expected to continue outperforming other GCC countries) and its positive demographic outlook for district cooling (with a growing population of expatriates and an increasing number of households). These macroeconomic fundamentals are expected to contribute to the increase in demand for DCS in the UAE and are expected to contribute to the Group’s continued growth.

Sustainability-Centric Business Model Enabling Dubai’s Energy Transition

The Group’s next generation cooling technology and its continued focus on recycling and reusing water, as well as its implementation of smart technologies to reduce cooling usage, has positioned the Group as a key enabler to meet Dubai’s ambitious targets to reduce water and energy usage. Robust governance and social impact are core to the Group’s strategy to deliver on the Group’s environmental focus. For further details, see *“—The Group’s ESG Initiatives”*.

Dubai’s Supreme Council of Energy has set ambitious targets to reduce annual electricity and water usage by 30% by 2030. In order to meet this ambitious target, the Government has outlined an 11-pillars DSM strategy, which includes initiatives to reduce electricity and water demand. For further details, see *“Industry Overview—Future growth opportunities—Growth Opportunities in Dubai”*.

A key pillar of the DSM's 2030 strategy is pillar four, relating to the implementation of efficient cooling solutions to reduce the electricity usage for cooling (with traditional air conditioning representing approximately 70% of total electricity consumption) by covering 40% of cooling demand through DCS by 2030. As the DCS provider with the largest market share in Dubai based on its connected capacity, the Group is positioned to be a key enabler to meeting this target. The Group estimates that in 2021 the Group contributed 1.7 billion kWh savings in electricity compared to what a traditional cooling operator would have provided the Groups cooling service. Dubai's DSM strategy reported annual savings of 6.4 billion kWh in 2021. Other contributions of the Group to the other pillars of the DSM's strategy include: (i) building retrofits to use DCS (including the most recently completed Jumeirah Emirates Towers and Jumeirah Beach Group Hotels, which include Burj Al Arab and Jumeirah Beach Hotel), (ii) changing consumer behaviour where the Group is pioneering the utilisation of smart metering systems for end-users, enabling more efficient tracking of DCS usage and (iii) management of recycled water. The Group is targeting to reduce its potable water use by increasing the number of cycles in its reverse osmosis system (which is up to 8.7 times) and increasing the use of TSE from 12% in 2021 to over 40% by the end of 2025.

In addition, the Group is focused on delivering social impact and contributing to its communities and employees by implementing a strong health and safety culture and an inclusive workforce and by being an active leader in the community. The Group has an inclusive workforce of more than 30 nationalities with women representing approximately 16% of management positions and approximately 21% of the Group's head office as of 31 December 2021 and a dedicated Emiratisation programme with approximately 33% Emirati representation in the head office in 2021. The Group has had zero lost time injury incidences from 2004 to 2019, one lost time injury in 2020 and zero lost time injury in 2021, which is reflective of the Group's strong health and safety measures and safety training programmes. Additionally, the Group has been recognised by the Dubai Chamber Sustainability Network with an Advanced CSR label, four times in a row.

Management and Operational Expertise with Next Generation Technology Disrupting Cooling

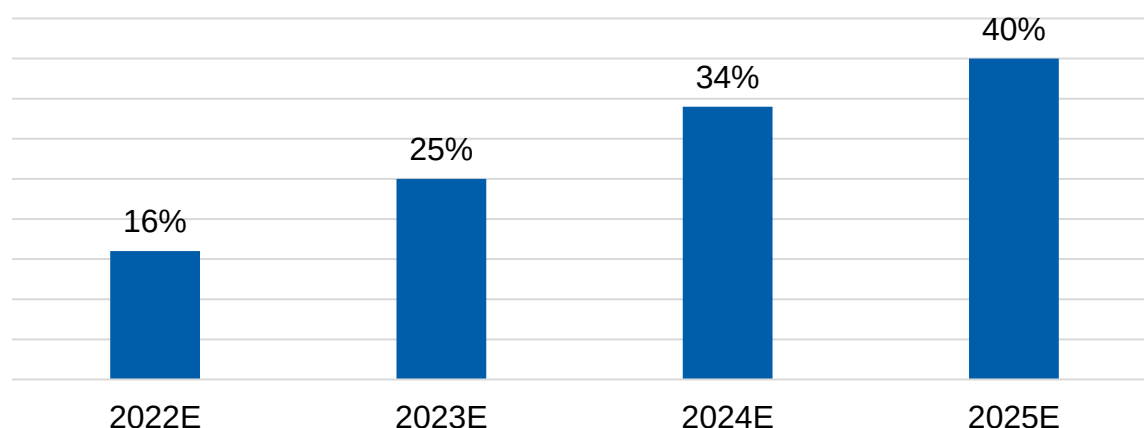
The Group's managerial and operational expertise, coupled with innovative technology solutions, has enabled it to continue to optimise its operations and continue to deliver operational improvements, resulting in cost savings and a disciplined capital expenditure programme.

The Group has developed an integrated end-to-end approach to its operations by adopting a low-cost modular approach to project design, incurring capital expenditure only when an incremental load is required. This is enabled by an in-house project management team that supports rapid project deployment capabilities. Once district cooling plants are operational, the Group utilises its 24/7 in-house plant operators to monitor all district cooling plants from its state-of-the-art command control centre ("CCC") that allow for the planning, execution and real time monitoring of its district cooling plants.

By deploying next generation technology, the Group has continued to introduce innovative efficiency-driven measures to consistently improve electrical and water efficiency, outperforming the Group's electrical and water efficiency targets year-on-year since 2017. As a result, the Group has continually optimised its costs by utilising decreasing levels of water and electricity. In 2021, the Group saved approximately AED 8.8 million from its continued improvement in electrical efficiency. The Group believes its current water efficiency key performance indicators ("KPIs") of 1.6 imperial gallon per RT, which has remained the same between 2017 and 2021, indicate an optimal level of water efficiency, with reverse osmosis treatment processes contributing to consistently lowering the water consumption when compared to standard district cooling industrial design that tend to have an average between 2 gallons per RT and 3 gallons per RT.

Furthermore, the Group continues to seek new methods to improve operational efficiency and minimise its cost profile. As one of the largest users of potable water in Dubai, the Group has sought methods to reduce and reuse water to achieve cost saving and contribute to Dubai's DSM strategy. The Group is liaising with the Dubai Municipality to continue developing the necessary infrastructure to be supplied with TSE. The Group has sought to minimise its use of potable water by improving the number of cycles of water in its system and by replacing potable water with TSE, which is 10 times cheaper. The Group is targeting to increase the use of TSE from an

expected 16% by the end of 2022 to 40% by the end of 2025. The below graph sets out the Group's targets for TSE usage:



Resilient, Predictable and High Growth Financial Profile, Supported by a Favourable Business Model

The Group has highly predictable and resilient cash flows, underpinned by robust commercial agreements, as well as a high growth financial profile backed up by long-term exclusivity agreements with some of the largest master developers in Dubai.

The Group has a tariff structure, which is secured by long-term contractual agreements, with initial terms that typically commence on the date of the relevant agreement and expire 25 years or more after the full Site Demand Load is delivered (see “*Material Agreements—General—Master Development Agreements*”), and underpinned by a large fixed charge component (which represented 37.9%, 38.2% and 37.9% of revenue for the years ended 31 December 2021, 2020 and 2019, respectively, and 77.5%, 74.6% and 78.2% of Adjusted EBITDA for the years ended 31 December 2021, 2020 and 2019, respectively). As result of the Group's long-term contractual agreements and large fixed charge component, it has highly predictable cash flows with low variability, which have driven stable Adjusted EBITDA margins of 48.9%, 51.3% and 48.4% for the years ended 31 December 2021, 2020 and 2019, respectively.

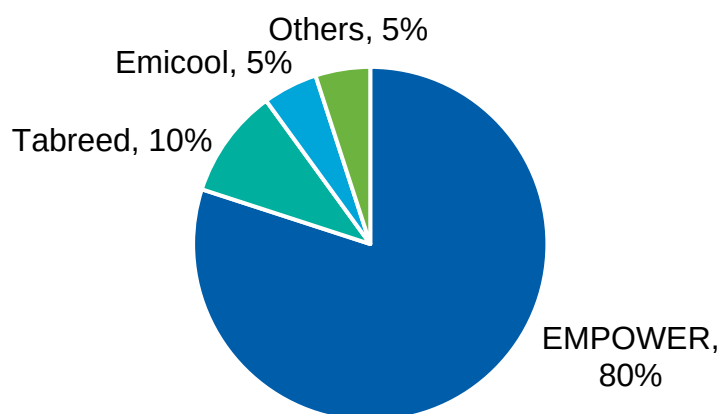
As an operator of critical infrastructure, the Group has been able to deliver strong revenue growth of 6.1% CAGR between 2019 and 2021 and 16.2% growth between 30 June 2021 and 30 June 2022, demonstrating a highly resilient revenue mix despite the COVID-19 pandemic. The Group's long-term contractual agreements with master developers and building owners provide the Group the sole and exclusive rights to provide DCS, securing a lucrative captive pool of demand.

With a moderate leverage profile, the Group has considerable headroom in its borrowing capacity to continue delivering both organic and inorganic capacity growth, which is supported by the highly predictable cash flows, which the Group believes will result in a high growth earnings profile and an attractive dividend pay-outs.

Strategy

The Group is Well-positioned to Capture Growth Opportunities in the UAE

The Group believes it is well positioned to capture growth opportunities in Dubai as a result of its strong market position, which is expected to rise to approximately 80% (subject to completing the Dubai International Airport District Cooling Acquisition) (Government of Dubai, August 2022) of the total connected capacity of Dubai by the end of 2022, and its significant scale as the largest district cooling platform globally according to the International District Energy Association. The chart below sets out a breakdown of Dubai's targeted market share by the end of 2022 (Government of Dubai, August 2022 and management estimates):

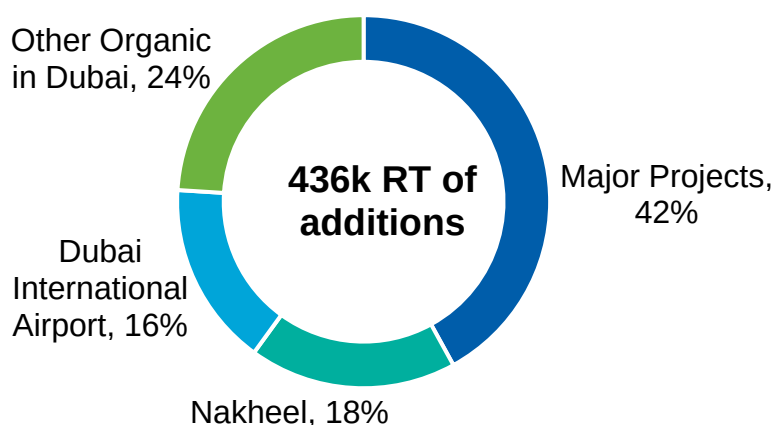


Leveraging its integrated business model, in-house operational expertise, contracts to operate as the exclusive DCS provider and operational capabilities the Group is focused on driving financial performance and growth through a combination of (i) organic and (ii) inorganic opportunities.

The Group's organic growth strategy will be driven by captive RT growth from existing master developments. The Group also has a number of additional organic growth opportunities derived on the back of existing networks and retrofitting adjacent buildings, as well as leveraging its position as preferred DCS provider for projects developed by the Dubai Holding group and Nakheel.

In the short term, the Group is targeting its growth strategy to provide significant growth in revenue of approximately 12% to 13% by the end of 2022 and a connected capacity, reflective of the acquisition of Nakheel's district cooling assets and the Dubai International Airport District Cooling Acquisition. The Group is targeting revenue growth of 6.5% to 7.5% in the medium term. It is targeting its connected capacity to reach at least 1.8 million RT by 2027, which is reflective of anticipated capacity increases from secured growth from its existing projects. Potential additional growth avenues could take the Group's RT capacity beyond its 2027 targets.

The Group provides DCS to several of Dubai's key landmarks and developments, including Business Bay, Jumeirah Village Circle and Meydan, where the Group has existing exclusivity arrangements with the master developers. The Group's connected capacity from 2019 to 2022 increased by 436,000 RT, representing a CAGR of 8.5% (which includes the growth anticipated from the Dubai International Airport District Cooling Acquisition). Of this connected capacity growth, 42% came from major projects (including Business Bay, Jumeirah Village, DIFC, DLRC and Jumeirah Lake Towers). The chart below sets out a breakdown of the Group's estimated capacity growth between 2019 and the end of 2022:



Furthermore, the Group is targeting to add approximately 370,000 RT of secured growth from its existing master developments to its connected capacity by 2027, meaning its connected capacity is targeted to reach at least 1.8 million RT by 2027. The Group also has potential additional growth avenues that could take the Group's RT connected capacity beyond its 2027 targets with such additional capacity expansions to potentially come from

(i) adjacent expansion and retrofitting of existing systems, (ii) new projects, master developments and vertical integration, (iii) inorganic opportunities, and (iv) international and regional expansion. See “—*Chilled Water Segment—Infrastructure Network*”.

The Group aims to deliver incremental growth by leveraging infrastructure at existing developments to expand its network to nearby and adjacent developments, building on the success of its expansion to Bluewaters Islands from the Groups’ Jumeirah Beach Residence development and Coca Cola Arena from its Business Bay development. The Group has also been increasingly exploring opportunities to expand by retrofitting older adjacent developments where it is commercially feasible, having successfully transitioned the Jumeirah Emirates Towers, which had its old cooling system replaced by installing an energy transfer station of total capacity of 5,000 RT that can be further upgraded to 6,000 RT. Other retrofitted developments of the Group include Madinat Jumeirah, Jumeirah Beach Hotel and the Burj Al Arab (with a contracted capacity of 20,000 RT) from traditional cooling to the Group’s DCS.

The Group’s has a successful track record of growth through acquisitions and will continue to explore further inorganic growth opportunities both domestically and regionally in the broader Middle East region. The Group has experienced strong growth in connected capacity since 2004, with connected capacity undergoing a 35% CAGR from 2004 to 2022, taking into account the recently signed heads of terms agreement with Dubai Aviation City Corporation in relation to the Dubai International Airport District Cooling Acquisition, which, upon completion, will add an additional connected capacity of approximately 70,000 RT to the Group’s network. The Group plans to leverage its deep expertise in acquisitions and relationships with financing banks and stakeholders to continue to complete transactions domestically as a market consolidator capitalising on the carve-out and monetisation of large-scale district cooling plants in the UAE. The Group is assessing potential markets for regional expansion, in the medium to long term and may explore other GCC markets including the KSA and Qatar along with markets like Egypt, that have broad adoption, or potential for adoption, of DCS. The Group believes its balance sheet flexibility, access to capital and regional operational expertise position it well to capitalise on potential acquisition targets. The Group’s internal rate of return (“**IRR**”) target in Dubai is in the high-single to low-double digit figures, and with respect to its regional expansion into GCC markets, the Group seeks to meet or exceed its IRR target subject to an appropriate risk spread. The Group’s IRR target does not take into account any leverage used to finance any acquisitions. The Group expects to continue to assess all regional expansion opportunities into GCC markets that are in line with its IRR targets and large scale.

The Group is targeting to achieve capacity growth from the Dubai International Airport District Cooling Acquisition (once completed), Business Bay, Dubai Land Residence Complex and Jumeirah Village South. The Group expects these developments, which are comprised primarily of corporate businesses, to further diversify its end-user mix towards an increasing number of corporate businesses that have longer hours of operations, such as the Dubai International Airport which requires 24/7 operational support. As a result of this, the Group targets to grow its equivalent full-load hour (“**EFLH**”) from approximately 1,500 in 2021 to more than 1,800 in the medium term. The Group is also targeting to reach at least 1.8 million RT of connected capacity by 2027 as a result of secured growth connected capacity (with a CAGR of 6.5% to 7.5%).

The Group’s Adjusted EBITDA margin was 48.4%, 51.3% and 48.9% in the years ended 31 December 2019, 2020 and 2021. The Group is targeting an EBITDA margin in the range of 48% to 50% in the medium term, driven by its strategy for organic and inorganic growth and its continued-focus on operational efficiencies.

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.

- **2003:** The Company was established by Royal Decree as a joint venture between DEWA and the Free Zone Authority, with a shareholding of 50% each.
- **2006:** The Group implemented DCS in large-scale real estate developments.
- **2007:** The Group established the UAE’s largest pre-insulated pipe manufacturing facility.
- **2009:** The Group added 188,000 RT in connected capacity since 2006, representing a 104% CAGR in three years in connection with the rapid increase of Dubai’s real estate. Pursuant to a direction from the

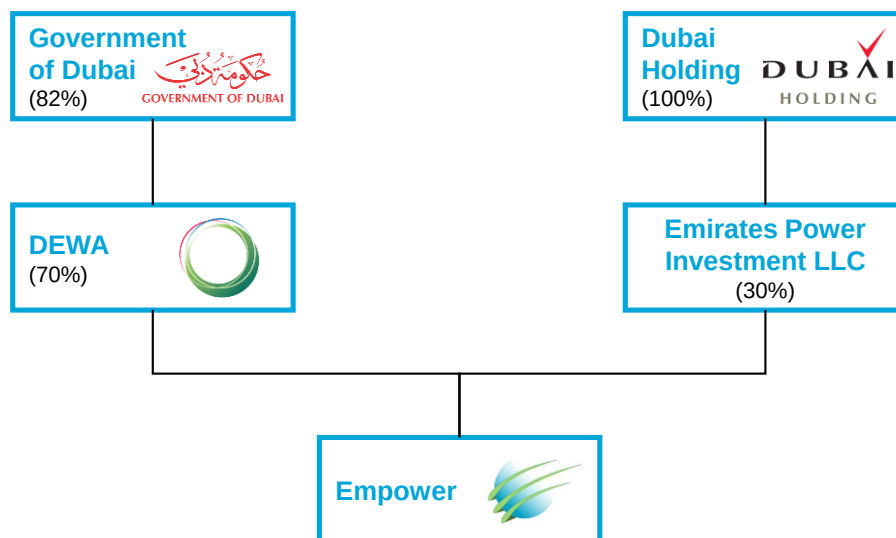
Government on 23 November 2009, DEWA acquired an additional 20% equity stake in the Company at a cost of AED 367 million, increasing its shareholding to 70%.

- **2011:** The Group introduced and increased the use of recycled treated sewage water.
- **2013:** The Group designed the district cooling guide for building owners to promote eco-friendly technologies. The Group completed the largest district cooling acquisition in the market by acquiring Palm District Cooling (“**PDC**”). PDC is the exclusive DCS provider to certain concessions, which includes Palm Jumeirah (Crescent and Trunk), Jumeirah Lake Towers and Gemplex Buildings, Discovery Gardens and Ibn Battuta Mall and Gate Complex.
- **2015:** The Group’s Business Bay district cooling plants became the first in the region to achieve Gold certification Leadership in Energy and Environmental Design (“**LEED**”).
- **2016:** The Group was chosen as a partner of UNEP and special advisor for its “District Energy in Cities” global initiative.
- **2018:** Dubai was crowned as the “Champion City of District Cooling” by IDEA. The Group received the Innovation Award for the “360° Solution for Metering Artificial Intelligence (AIMS 360)”. The Group acquired the Al Barari development district cooling plant.
- **2019:** The Group started the construction of its new headquarters building with cost outlay of AED 320 million. The Group established the parallel working environment (the “**PWE**”) system to enhance its CCC and launched a pilot of the world’s first unmanned district cooling plant. The Group received the Innovation Award Honourable Mention for its “Intelligent Delta-T Analyzer & Detector” technology.
- **2020:** The Group saved a total of 349 million gallons of potable water through the use of TSE. The Group acquired Meydan district cooling plants, adding another 382,000 RT to the Group’s future potential capacity. In addition, the Group connected the world’s tallest ferris wheel, Ain Dubai, to its district cooling network. The Company was awarded the “Company of the Year” Golden Bridge award in the energy and utilities category for its practical innovations in developing the district cooling industry in the world.
- **2021:** The Group completed the acquisition of Nakheel district cooling plants for AED 674 million, which included 18 district cooling plants (two of which are not yet ready for connection but are included in the Master Development Agreement), more than 6,500 active customers and 14 active projects which added an additional 88,000 RT to the Group’s capacity. On 27 October 2021, the Company signed a heads of terms agreement with Dubai Aviation City in relation to the Dubai International Airport District Cooling Acquisition, which, upon completion, will add an additional connected capacity of approximately 70,000 RT capacity to the Group’s network.
- **2022:** The Free Zone Authority assigned its ownership interest in the Company to Emirates Power pursuant to Decree No. 19 of 2022. The Dubai International Airport District Cooling Acquisition for which heads of terms have been entered into, is expected to be completed by 31 December 2022. The Group commenced operation of its new cutting edge Za’abeel district cooling plant. The Group received two gold awards from the IDEA for the categories “Number of Buildings Committed” and “Total Building Area Committed”.

Principal Shareholders

Corporate Structure

The Group's current corporate structure is set out below:



DEWA

DEWA was created in 1992 as a result of the merger of the Dubai Electricity Company and the Dubai Water Department, 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. Pursuant to a direction from the Government on 23 November 2009, DEWA acquired an additional 20% equity stake in the Company at a cost of AED 367 million, increasing its shareholding to 70% and Law No. 3 was enacted as an amendment to the previous law establishing the Company (Law No. 10). Pursuant to Ruler of Dubai law No. 27 of 2021, which came into effect on 30 December 2021 (and repealed Ruler of Dubai Law No. (1) of 1992 concerning the Formation of Dubai Electricity and Water Authority), DEWA was converted to a public joint stock company. This change in the shareholding structure was formalised through Law No. 3 issued by the Ruler's Court.

On 12 April 2022, the Government listed a total of 9 billion ordinary shares of DEWA on the DFM, representing 18% of DEWA's issued share capital, which generated approximately AED 22.3 billion (US\$ 6.1 billion) of gross proceeds, including commitments from cornerstone and strategic investors amounting to approximately AED 13.8 billion (US\$ 3.8 billion). The listing of DEWA on the DFM represents a historical moment in the region due to it being the largest IPO to date in the Emirate of Dubai, the first in the government utilities sector and the largest in the Middle East and North Africa since Saudi Aramco's US\$29.4 billion IPO in 2019. As at 13 October 2022, DEWA was the largest company listed on the DFM with a market capitalisation of approximately US\$ 34.7 billion.

The Group receives all of its requirements for electricity and water from DEWA on arm's-length, market terms and at standard commercial rates. DEWA brings in significant value by contributing towards the efficient operations of district cooling plants through its extensive experience in building and operating large power plants and extensive distribution network with a customer base of around 670,000. DEWA directly benefits by being the exclusive electricity and water utility services provider to the Group for its district cooling plants.

Emirates Power

The Company is 30% owned by Emirates Power, an indirectly wholly-owned subsidiary of Dubai Holding. With operations in 13 countries across 10 sectors, Dubai Holding is a diversified holding company and one of

the UAE's largest diversified conglomerates, managing more than AED 125 billion of assets and employing more than 20,000 people representing approximately 120 different nationalities. Additionally, Dubai Holding is a strategic and financial-oriented investor that plays a crucial role in diversifying Dubai's economy and driving innovation and economic development. Operating through five business verticals focused on asset management and leasing, residential developments, management of hospitality and entertainment assets, as well as a dedicated investment arm, Dubai Holding has extensive experience and know-how in managing complex and ground-breaking real estate projects, including several of Dubai's key assets and landmarks (including master-planned communities such as Burj Al Arab, Madinat Jumeirah, Ain Dubai, Coca Cola Arena and Business Bay) and its portfolio companies have market-leading positions in the above-mentioned business verticals.

Relationship with the Government

The Company was Initially Formed by Government Decree

The Company was established on 23 November 2003 as a joint venture between DEWA (which in turn is 82% owned by the Government) and the Free Zone Authority pursuant to Law No. 10 and commenced commercial operations on 15 February 2004. Pursuant to a private agreement, dated 1 January 2005 entered into between the Company, the Free Zone Authority and TECOM pursuant to which the ownership interest of the Free Zone Authority in the Company was assigned to TECOM, an indirect subsidiary of Dubai Holding.

Pursuant to a direction from the Government on 23 November 2009, DEWA acquired an additional 20% equity stake in the Company for a consideration of AED 367 million increasing its shareholding to 70% and Law No. 3 was enacted as an amendment to Law No. 10. On 9 May 2022, the shareholding interest of TECOM in the Company was transferred to Emirates Power (another indirect subsidiary of Dubai Holding).

Government as Indirect Majority Owner

Following the Global Offering, the Government will continue to be a major indirect shareholder and majority ultimate owner of the Company (through DEWA). Through the Government's 82% ownership in DEWA and DEWA's holding of the majority of shareholder votes at a general meeting of the Company's shareholders, the Government has the ability to indirectly control the strategy, operations and management of the Company. The Government also has the power to regulate the Company's activities. For further information on the Government's regulations applicable to rate setting and the licence regime, see "*—Regulation*" and "*Regulation—Regulatory and Supervisory Office for the Electricity and Water Sector in Dubai*".

Government as Grantor of Land and Rights of Way

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) and lands relating to certain Dubai Holding group entities (see "*Related Party Transactions—Relationship with Dubai Holding—Land*"), the lands owned by the Group are lands granted by the Government. For further information see "*Risk Factors—Risk Factors Relating to the Group—The Group may have the regulatory obligation to pay certain fees in connection with the change in status of certain of its lands upon completion of the Global Offering*" and "*Material Agreements—Irrevocable Guarantee Agreement*".

Principal Operations

The Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

- **Chilled Water:** the Chilled Water segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the Chilled Water business distributes and sells chilled water for use in district cooling technologies; and
- **Pre-insulated Pipe:** the Pre-insulated Pipe segment is involved in manufacturing, assembly and selling activities relating to the expansion of the Group's Chilled Water business.

The table below shows the relative importance of the Group's two business segments in terms of total revenues, gross profit and operating profit for the years ended 31 December 2019, 2020 and 2021:

	2019		2020		2021	
	Chilled Water	Pre-insulated Pipe	Chilled Water	Pre-insulated Pipe	Chilled Water	Pre-insulated Pipe
	(AED '000)					
External revenue ⁽¹⁾	2,182,770	6,570	2,247,170	7,945	2,456,586	7,288
Gross profit ⁽¹⁾	1,050,491	24,962	1,093,387	15,304	1,102,397	8,178
Operating profit ⁽¹⁾	891,830	17,868	914,464	10,189	948,957	3,041

Note:

(1) Figures do not total as a result of consolidation eliminations. Inter-segment transactions are eliminated on consolidation.

Chilled Water Segment

The Group's core business activity is the provision of DCS in Dubai. The Group's chilled water reporting segment recorded external revenue of AED 2.46 billion in 2021 compared to AED 2.25 billion in 2020 and AED 2.18 billion in 2019.

Infrastructure Network

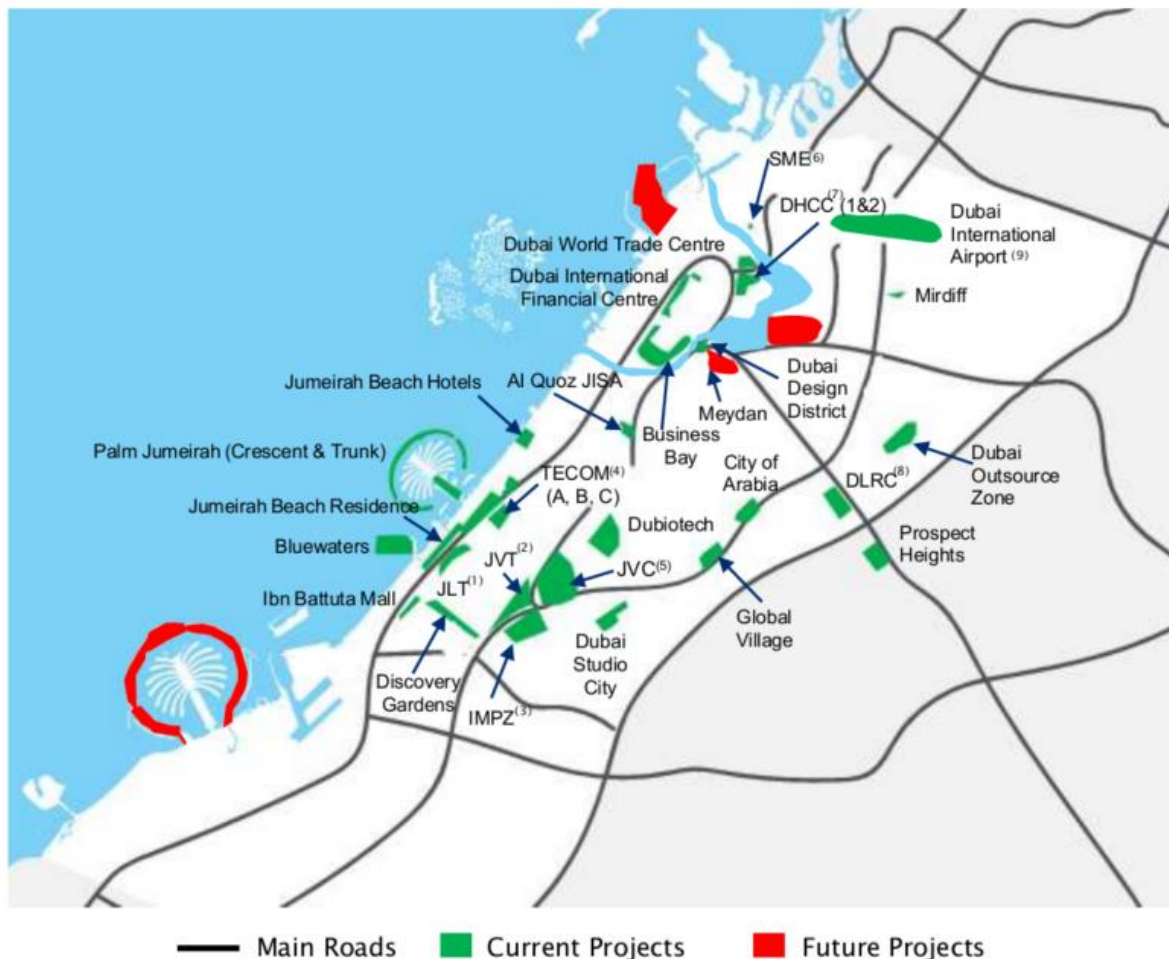
A strength of the Group is its ability to continuously differentiate itself from its competitors by leveraging its large infrastructure scale, integrated business model, in-house expertise, exclusivity contracts and operational capabilities to exclusively serve its large and diversified client portfolio consisting of (i) master developers within Dubai, such as the Government, Dubai Holding, Dubai Properties LLC, TECOM Group, Jumeirah, Meraas, Nakheel, Dubai International Financial Centre, Dubai Airports, Dubai Multi Commodities Centre, Dubai World Trade Centre, Dubai SME, Galadari Group and Al Habtoor Group, (ii) building owners, and (iii) more than 110,000 customers (including the recent acquisition of Nakheel and the Dubai International Airport District Cooling Acquisition). The Group currently serves most of the landmarks and developments in Dubai and will have a market share of approximately 80% of the total connected capacity of the district cooling market in Dubai by the end of 2022 (subject to completing the Dubai International Airport District Cooling Acquisition) (Government of Dubai, August 2022). All of the Group's district cooling plants, other than those relating to the Dubai International Airport District Cooling Acquisition, are entirely owned and operated by the Group's in-house operation and maintenance ("O&M") team of dedicated plant operators located onsite on a full-time basis. The Group has advanced digitalisation capabilities that enables the Group's plant network to be controlled by a state-of-art world-class CCC through an advanced, high-performance smart network that are fully integrated with local SCADA systems capable of enabling auto mode and remote operation via the CCC and PWE system.

In total, the Group's owned and operated district cooling plants that have an aggregate connected capacity of approximately 1.4 million RT as of 31 December 2021, which represents a CAGR of 11.6% between 2019 and 2021. On November 2021, the Group announced that it is targeting to add an additional connected capacity of approximately 70,000 RT upon completion of the Dubai International Airport District Cooling Acquisition, which will take the Group's connected capacity to approximately 1.5 million RT by the end of 2022 (with a CAGR of 8.5% between 2017 and 2022).

The Group's presence across Dubai and its established relationships with master developers enable it to facilitate the connection of additional projects that are adjacent to the Group's existing networks.

The Group aims to secure additional growth from the extension of existing master developments, and it expects to add a connected capacity of at least 370,000 RT as medium-term target based on secured growth capacity, plus additional RT capacity that may crystallise from the Group's growth avenues and expansion projects. Out of the 370,000 RT envisaged as part of the Group's secured growth, approximately 213,000 RTs, or 58%, will come from three main developments, namely: Business Bay (with a site capacity, connected capacity and contracted capacity of 342,000 RT, 229,000 RT and 263,000 RT, respectively), Dubai Land Residence Complex with a site capacity, connected capacity and contracted capacity of 120,000 RT, 31,000 RT and 40,000 RT, respectively) and Jumeirah Village South (with a site capacity, connected capacity and contracted capacity of

256,000 RT, 58,000 RT and 76,000 RT, respectively). The Group has other potential additional growth avenues that could take the Group's RT connected capacity beyond its medium-term targets with such additional capacity expansions to potentially come from vertical integration (such as the Dubai Maritime City, Deira Waterfront Phase 2 and the Island, which currently have a site capacity of 65,000 RT, 26,000 RT and 18,000 RT, respectively). The following chart illustrates the Group's current and future footprint across Dubai's iconic landmarks and developments:



Iconic Landmarks and Developments with Worldwide Recognition

A key strategy of the Groups is its continued focus on key master developers through the servicing of its long-term contracts, with renewal terms and conditions that can be exercised for an indefinite number of periods. This has enabled the Group to contractually secure and maintain a diversified base of long-term relationships with master developers, such as Dubai Holding and Nakheel. This distinct infrastructure-based business model has also enabled the Group to harness captive demand pools, which has led to the Group becoming the sole and exclusive provider of DCS to several of Dubai's most renowned iconic landmarks and developments. The Group's notable district cooling plants developed through the servicing of its master development and concession agreements include:

- Business Bay:** Business Bay is commercial and business cluster being developed along the new extension of the famed Dubai creek extending from Ras Al Khor to Sheikh Zayed Road. Business Bay is spread over an area of 64 million square feet and provides a conducive environment and infrastructure for businesses from around the world to establish their local, regional and international headquarters. Business Bay is expected to feature more than 240 buildings when completed, with a total site capacity of approximately 342,000 RT consisting of four cooling plants (with the potential to construct an additional two district cooling plants), which will make it the world's largest urban district cooling development, according to IDEA. The Group is the sole and exclusive DCS provider to the entire

development of Business Bay, with a total contracted and connected capacity of approximately 263,000 RT and 229,000 RT, respectively.

- **DIFC:** DIFC is a leading international financial hub in the Middle East and Africa region and designated as a financial free zone designed to create a unique financial services cluster economy for wealth creation initiatives. DIFC has offices, residential and retail space spread more than 25-27 million sq. ft. of gross floor area. DIFC has a total site capacity, contracted capacity and connected capacity of approximately 107,000 RT, 85,000 RT and 85,000 RT, respectively. The Group is the sole and exclusive DCS provider to the entire development of DIFC.
- **Palm Jumeirah:** The man-made tree-shaped Palm Jumeirah island, known for its luxury hotels (such as the well-known Atlantis, along with numerous international hotel chains), luxury residential complex and upmarket restaurants, is an archipelago of artificial islands in Jumeirah, with a total site capacity, contracted capacity and connected capacity of approximately 225,000 RT, 191,000 RT and 190,000 RT, respectively. The Group is the sole and exclusive DCS provider to Palm Jumeirah.
- **Burj Al Arab, Jumeirah Beach Hotel and Marsa Al Arab:** Burj Al Arab is the iconic sail-shaped Dubai hotel situated on its own island with its wave-shaped adjacent resort hotel counterparty, Jumeirah Beach Hotel. Burj Al Arab, Jumeirah Beach Hotel and Marsa Al Arab have a collective total site capacity and contracted capacity of approximately 29,000 RT and 29,000 RT, respectively. The Group is the sole and exclusive DCS provider to the Burj Al Arab and Jumeirah Beach Hotel.
- **JBR:** JBR is a seaside development spread more than 22 million sq. ft. of vacant land along the Jumeirah beach coastline. It is a largest single-phase residential and commercial project in the world. JBR has 36 residential towers with more than 7,500 housing units, four hotel towers and retail space of around 400 retail outlets. JBR has a total site capacity, contracted capacity and connected capacity of approximately 85,000 RT, 85,000 RT and 84,000 RT, respectively. The Group is the sole and exclusive DCS provider to the entire development of JBR.
- **DHCC:** DHCC is a renowned location of choice for quality healthcare and an integrated centre of excellence for clinical and wellness services, medical education and research. It is located in Um Hurair Area, Dubai. DHCC is dedicated to the academic medical centre and the medical cluster. DHCC has a total site capacity, contracted capacity and connected capacity of approximately 120,000 RT, 44,000 RT and 38,000 RT, respectively. DHCC has a total site capacity of approximately 120,000 RT. The Group is the sole and exclusive DCS provider to the entire development of DHCC.
- **Ain Dubai & Bluewaters Island:** Ain Dubai is the world's biggest and tallest ferris wheel, located on Bluewaters Island, Dubai. Ain Dubai can carry up to 1,750 passengers in its 48 hi-tech cabins and provide views of several of Dubai's key landmarks such as Burj Al Arab, Palm Jumeirah and the Burj Khalifa. Bluewaters Island is an artificial island off the JBR coastline consisting of 10 apartment buildings, which also include four penthouses and 17 townhouses. Ain Dubai and Bluewaters Island have total site capacity, contracted capacity and connected capacity of approximately 25,000 RT, 20,000 RT and 22,000 RT, respectively. The Group is the sole and exclusive DCS provider to the entire development of Ain Dubai and Bluewaters Island.
- **Dubai International Airport:** Dubai International Airport, which has a total site capacity of approximately 110,000 RT, is the primary international airport serving Dubai and has consistently been the world's busiest airport by international passenger traffic since 2014. On 27 October 2021, the Group signed a heads of terms agreement with Dubai Aviation City in relation to the Dubai International Airport District Cooling Acquisition, which will, upon completion, add an additional connected capacity of approximately 70,000 RT to the Group's network.

These iconic developments demonstrate the diversity of the Group's strategic and project creation assets across its well-balanced portfolio. The Group has been able to successfully meet the capacity demand of each landmark and development. Furthermore, the Group's unique modular asset strategy approach to project development and

design enables it to spread its capital expenditure across future years in a measured capacity deployment that is based on project and development requirements, which can typically take up to six months.

Operational Facilities

As of 31 December 2021, the Group had a total site capacity, connected capacity and contracted capacity of approximately, 3 million RT, 1.4 million RT and 1.5 million RT, respectively. The Group expects this increase to be largely driven by higher demand and the consolidation of Dubai International Airport's district cooling system, which, upon completion of the Dubai International Airport District Cooling Acquisition, will add an additional connected capacity of approximately 70,000 RT.

Operations and Maintenance Strategy

The Group has operated and maintained all of its district cooling plants in-house since it was established. During this time, it has experienced no major outage of supply interruption. This strong operating track record is underpinned by:

- comprehensive maintenance plans, including rigorous predictive and preventive maintenance schedules that cover the full expected life of the relevant assets; and
- a stand-by team to address any maintenance needs and emergency and recovery teams to deal with any outages, as well as critical equipment redundancy.

The Group's district cooling plants are staffed on a 24/7 basis by its trained operational workforce. The Group provides regular operational training and development programmes and has a dedicated centralised performance management team that monitors plant performance and aims to enhance power efficiencies. The Group uses supervisory control and data acquisition ("SCADA") software systems to ensure integrated control and monitoring of all major equipment in its district cooling plants. See "*—Information Technology*".

Client Portfolio

The Group has a strong and highly diversified client portfolio comprising of (i) master developers, (ii) building owners, and (iii) end-users, made up of corporate businesses and individuals, such as apartment owners and tenants. In 2021, the Group's 10 largest master developers from the Chilled Water segment accounted for 26.4% of the Group's Chilled Water segment revenue and approximately 26% of the Group's total load. Approximately 83% of the Group's total load is provided to end-users, consisting of corporate businesses, apartment owners and tenants.

With respect to master developers and building owners, the Group's infrastructure-based business model enables it to harness captive demand pools through long-term exclusive agreements with certain master developers and building owners, which provides the Group with highly visible revenue streams with limited variability. Furthermore, any real estate property with dues that are unpaid are restricted from being transferred. This business model allows the Group to maintain a large and diverse client portfolio, which provides contractual security that the Group has ongoing business once developments are completed. These long-term servicing contracts also provide a secure revenue stream for the Group by ensuring that revenues are contracted in the long-term. The Group believes that the main advantages associated with its long-term contracts are: (i) predictability of offtake; (ii) commitment of master developers before capacity is installed; (iii) margin protection with respect to inflation and related cost escalation factors; and (iv) overall reduction of market driven commodity risk through variable components in its tariffs.

Below are further specific details on the Group's client portfolio:

- **Master developers:** Master developers are responsible for the full development lifecycle of large-scale developments sites. Generally, upon completion of certain developments, the Group enters into master development agreements or concession agreements with master developers, which grant the Group the sole and exclusive right to provide DCS to and within a development for an initial term that typically commences on the date of the relevant agreement and expires 25 years or more after the full Site Demand Load is delivered, subject to certain exceptions, see "*Material Agreements—General—Master Development Agreements*", with renewal terms and conditions that can be exercised for an indefinite

number of periods. This exclusivity remains in force irrespective of any subsequent sale or lease of the development. Furthermore, any new capacity developments under the exclusivity agreements are granted to the Group, allowing for captive demand. For further information, see “*Material Agreements—General—Master Development Agreements*”.

- **Building owners:** Building owners are the owners of specific buildings within a large-scale development. The Group often expands its DCS by entering into standard building owner agreements with certain building owners or developers to supply DCS to buildings that are adjacent to concession or development areas. Similar to the master development agreements or concession agreements, the standard building owner agreements grant the Group the sole and exclusive right to provide DCS to and within the building. Under the independent building owner agreements, the term typically expires 25 years after the Group makes available to the building the maximum amount of refrigeration capacity. The Group has been able to expand its DCS to building owners given that building owners (who sell land plots to subsequent purchasers) enter into land sale agreements or sales and purchase agreements, which typically require (as a condition of sale) the use of the Group’s DCS in the respective land sale agreements or sale and purchase agreements, as applicable.
- **End-users:** End-users include corporate businesses and individuals such as apartment owners and tenants. The Group also enters into open-ended direct agreements with certain end-users, such as corporate businesses and individuals (such as apartment owners and tenants) under its standard terms and conditions, which govern the type of services to be provided, the use of DCS, access and damage to the Group’s district cooling plants and equipment. The Group’s main obligations under its standard terms and conditions are to: (i) produce and distribute chilled water; (ii) ensure that it furnishes a continuous supply of chilled water whose temperature is maintained at a certain level; (iii) service, maintain and operate the district cooling plants and equipment, at its own expense; and (iv) make periodic inspections, tests and calibrations of its metering equipment.

End-user consumption is calculated as consumption hours (RT) as recorded by measuring mechanism times agreed rate in force. End-users are charged a reconnection charge for disconnected service. The metering systems are read on a monthly basis. End-users are billed in accordance with the meter readings and the terms of the relevant contract and are typically invoiced on a monthly basis. About 90% of payments received by the Group are made by end-users through bank transfers, cheque deposits in cash deposit machines and other smart solutions, such as e-channels and exchange houses.

Buildings

As at 31 December 2021, the Group served 1,413 buildings through its 76 district cooling plants and had over 2,044 million RT per hour produced and delivered over its 369 kilometres long network.

Tariff Structure

The Supreme Council of Energy is responsible for approving tariffs for DCS. Tariffs have remained the same since the Company’s inception other than to reflect the changes to electricity and water input costs in 2008 and 2011 (which were done on a 100% pass-through basis). Any proposed change to the Group’s pricing structure is subject to the approval of the Supreme Council of Energy. The Group’s tariffs model consists of (i) fixed charges, which are collected regardless of consumption and (ii) variable charges that vary depending on consumption hours and on a pass-through mechanism, by incorporating costs of water and power and fuel surcharge. Fuel surcharges are subject to change on a monthly basis and the Group has changed the fuel surcharge tariff as and when the change has occurred, and such fuel surcharge changes are charged on top of the base tariffs, as was the case in 2008 and 2011. Furthermore, in 2011, the Group implemented a fuel surcharge in connection with DEWA’s fuel surcharge during the same period.

The Group’s fixed charges consist solely of the demand charge, which is the set rate for the provision of DCS per RT. The demand charge set by the Group has not increased from AED 750 since its inception, but the demand charge for the Group’s acquired assets ranges from AED 750 to AED 900. In both cases, the Group has not increased demand charges. The demand charge is a product of the set demand rate (AED per RT) and the demand load (in RT). The current demand rate for demand load of AED 750 per RT has been in place for over

five years. 37.9% of the Group's revenue was derived from demand charges in 2021. The Group structures its fixed charges to ensure that it can recover its capital expenditure.

The Group receives payments in the form of (i) a demand charge and a consumption charge from any owner and/or developer, including the district developer, of a building within the relevant district and (ii) a demand charge and/or consumption charge from end-users. Once the Group delivers the demand load on the mutually agreed date, it also has the right to charge a "shortfall" demand charge payable by the master developer each year for the difference between the aggregate building demand load and the total demand load for the site.

The Group's variable charges are comprised of the following:

- **Consumption charge:** is the charge applied per consumption hour as a product of the consumption charge rate and the number of consumption hours. The consumption charge is calculated based on meter readings recorded by equipment installed at each premise. As such, increases in fuel surcharge, electricity and water costs are passed through to the customer such that the Group's margins are not directly impacted by such increases. This has enabled the Group to continue to improve efficiency without the need to exercise a rate increase in its customer contracts. 52.4% of the Group's revenue was derived from consumption charges in 2021.
- **Other charges:** include connection charges, demand surcharges (such that if a customer's demand exceeds 105% of the agreed cooling load, a surcharge rate of 1.3 times the demand charge is imposed on each RT exceeded), temperature surcharge for low Delta T (such that if customers fails to maintain the agreed minimum temperature differential between the chilled water supplied by the DCS provider and the water that is returned from the customer, they are charged an increased rate fee for each degree (measured in Fahrenheit and/or Celsius) below the minimum temperature differential), meter maintenance, unit owner connection charge, sales of insulated pipes and fittings and disconnection charges. 3.7% of the Group's revenue was derived from other charges in 2021.

In addition, the Group's standard contractual provisions provide flexibility for the application of annual consumer price index ("CPI") adjustments for both demand charges and consumption charges, however the Group has not exercised this option since its inception. If the Group decides to exercise this option in the future, it will be required to seek approval from the Supreme Council of Energy for any such CPI-related increase to its charges.

The following table sets out a breakdown of the Group's tariffs:

Charge	Period	Rate
Consumption charge (AED/Ton-hour) (Revision in consumption charge has been made due to increase in DEWA's tariff for electricity and water)	2011 onwards	AED 0.568
Demand charge (AED/RT/Annum) ⁽¹⁾	2003 onwards	AED 750-900
	Depending on the location of ETS room and Network	AED 2,000-2,500 per ton
Connection fee (building level)		AED 2,000 per unit
Connection fee (individual units)	One time charge	AED 0.047-
Fuel Surcharge (AED/Ton-hour)	2011 onwards	0.083

Note:

(1) The demand charge set by the Group has not increased from AED 750 since its inception, but the demand charge for the Group's acquired assets is AED 900. In both cases, the Group has not increased demand charges.

89.1% of the Group's Chilled Water segment revenue is covered by fixed capacity payments and pass-through demand charges for the three years ended 31 December 2021, 2020 and 2019. Demand charges comprise a large portion of the Group's fixed charges and represented 37.9%, 38.2% and 37.9% of the revenue and 77.5%, 74.6% and 78.2% of the Group's Adjusted EBITDA for the three years ended 31 December 2021, 2020 and 2019, respectively. Demand for the Group's DCS has increased from 1,154,000 RT in 2019 to 1,367,000 RT in 2021 (with a CAGR of 8.9% between 2019 and 2022), which represents an average addition of approximately 100,000 RT per annum. The consumption charge for the Group's DCS has increased from 1,718.0 million RTh in 2019 to 2,045.0 million RTh in 2021 (with a CAGR of 8.5% between 2019 and 2022).

Electricity and Water

The electricity and water supplied to the Group from DEWA comprised 70.5% of its operating costs (including depreciation)/cost of sales in 2021. The Group is not significantly exposed to changes in electricity and water costs and most other costs incurred in relation to materials used for cooling, as changes in these costs are typically passed through in the consumption charge. In some instances, DEWA, as the sole utility provider of water and electricity in Dubai, may initiate certain discounts and concessions, which the Group will be required to pass through to its end-users. The Group is not party to any contracts for the supply of electricity and water. The Group also relies on Dubai Municipality for supply of TSE. For further details on electricity supply in Dubai, see “*Industry Overview—General Overview—Overview of Regulatory Environment—Electricity Supplies Across the UAE—Dubai Electricity Supplies*”.

Pre-insulated Pipe Segment

The Group established a pre-insulated pipe manufacturing facility in Jebel Ali, Dubai, called Empower Logstor LLC (“**ELIPS**”), which was established in 2007 as a joint venture with Logstor Holding A/S, Denmark (“**Logstor**”). Logstor is a pioneer in the field of pre-insulated pipe systems with more than 50 years of experience in the sector. ELIPS enables the Group to secure its supply chain and to maintain high quality in pre-insulation and casing of pipes. The portion of the Group’s revenue generated from the Pre-insulated Pipes segment amounted to 0.3%, 0.4%, 0.3%, 0.1% and 0.2% for the years ended 31 December 2021, 2020 and 2019 and for the six months ended 30 June 2022 and 2021, respectively.

ELIPS commenced its commercial operations in 2009 and it is now a leading manufacturer of pre-insulated pipes and provider of innovative solutions in fittings, in the industry across the GCC countries and the North Africa region. ELIPS caters to the demand for pre-insulated pipes and fittings from various industrial domains, such as the district cooling, oil, gas, solar and marine sectors. ELIPS has served more than 150 projects over the last 10 years. ELIPS has a state-of-the-art facility spread over an area of 92,817 square metres with a capacity to produce and supply approximately 300 kilometres of pre-insulated piping systems and fitting, ranging from 2 to 80 inches with total sales of AED 591 million, as of 30 June 2022, to various locations within the GCC, including the UAE, Oman, Kuwait and KSA. ELIPS is the only pre-insulated pipe manufacturer in the region that uses CFC free (chlorofluorocarbons, blowing agents ozone depletants, banned by the Montreal Protocol of 1987) blowing agent, which contributes to the reduction of CO₂ emissions and improves energy efficiency. ELIPS quality management systems are certified to the standards of the European International Network for District Cooling and has achieved International Organization for Standardizations (“**ISO**”) certifications, such as EURO HEAT, ISO 9001:2015, ISO 14001:2015 and ISO 45001. The Group’s Pre-insulated Pipe segment accounted for 0.3% of the Group’s revenue in 2021.

Integrated DCS Provider

The Group is an end-to-end DCS provider covering the entire spectrum of the value chain. The Group designs, builds, owns, operates and maintains its district cooling plants at its own cost. The Group provides a total DCS solution, including the following:

- **Design (pipe network and plant room):** External design of the plant room could be done in context with the project theme. The Group has previously appointed the following consultants for the design stage of the pipe network and plant room.
- **Build (pipe network and plant room):** The Group is experienced in building and constructing complex pipe networks and plant rooms. This include one of the most complex pipe networks that run under the marina for its JBR development.
- **DCS plant O&M:** Plant O&M is taken care by full-time dedicated plant operators located at the sites. Regular check-ups and preventive maintenance is carried out at scheduled time intervals.
- **Metering solution:** The metering of building owners and end-users’ chilled water consumption utilises a device that measures and records chilled water flow at the point of delivery in gallons per minute. Sub-metering allows for accurate energy monitoring, concise energy management, energy accountability, optimisation of usage, precision data for billing and improved end-user satisfaction. Sub-

meters provide consumers with the information they need to make smart choices to conserve energy. Those energy conservation efforts are then rewarded with lowered energy bills. This results in a significant reduction in overall energy usage.

- **Customer care and billing system:** The Group's state-of-the-art customer care and billing system provides end-to-end billing solution to its customers. The Group's smart metering solutions, along with the sophisticated billing systems ensures timely billing to all its customers. 100% of the DCS bills are made available online. The billing system enables customers to, amongst other things, register for services, view and manage accounts, view and pay bills, make requests or complaints. Moreover, the Group's billing system is integrated to various payment channels such as banks, exchange houses and payment gateways, which allows the Group to collect payments online and instantaneously reflect payments into customers' accounts. More than 85% of the Group's collection is received through online payment channels. The billing system is also capable of sending automated notifications and payment reminders to customers.
- **Customer care centre and call centre facilities:** The Group has four customer care centres located in the Group's head office, JBR, Jumeirah Lake Towers and Business Bay. Customers have access to all of the Group's services at its customer care centre.
- **Command and control centre:** The Group's CCC gives it a bird's-eye view of all activities in its current 76 district cooling plants including information on the efficiency of its operation and consumer consumption pattern. The CCC functions on top of a Virtualised IT environment and Program Logic Controls ("PLC") systems. Technologies used for this system are Virtualisation, GPRS, MPLS, PLC and SCADA. CCC provide the Group with information on the demand, supply and consumption patterns in each and every building and units instantaneously. This also enables the Group to easily spot and address any performance or inefficiency issues.

Significant Subsidiaries

Empower Engineering & Consultancy LLC

Empower Engineering & Consultancy LLC, established in 2020, is wholly owned by the Company and carries out project development consultancy services for the Group.

Empower FM LLC

Empower FM LLC, established in 2020, is wholly owned by the Company and carries out facilities management services.

Empower Snow LLC

Empower Snow LLC, previously known as Snow LLC, is wholly owned by the Company and establishes and operates district cooling projects and provides district cooling services to multiple Nakheel projects and developments including, Nakheel Mall, Dragon Mart, Jumeirah Islands, Golden Mile, Jumeirah Park Pavilion, and International City. The provision of DCS to these developments is pursuant to concession agreement entered into between Nakheel and the Company as part of the acquisition of the Snow LLC from Nakheel in 2021.

Palm District Cooling LLC

Palm District Cooling LLC is wholly owned by the Company that establishes and operates district cooling projects and provide air-conditioning, ventilators and refrigeration services. Palm District Cooling LLC and Empower SNOW LLC accounted for 36.5% of the Group's revenue in 2021.

Empower Logstor LLC

ELIPS was established in 2007 as a joint venture between the Company and Logstor. In 2012, the Group increased its shareholding interest in ELIPS from 51% to 97%, Logstor's shareholding interest decreased from 49% to 3%. ELIPS manufactures pre-insulated pipes and associated products for the district cooling and oil and

gas industry and enables the Group to secure its supply chain and maintain a high quality in the pre-insulation and casing of pipes. ELIPS accounted for 0.3% of the Group's revenue in 2021.

Relationship with Third Parties

Utility providers

The Group relies on DEWA for the provision of water and electricity and Dubai Municipality for supply of TSE. The Group receives electricity and water from DEWA on an arm's-length basis, at standard commercial rates. The Group aims to reduce the use of potable water from DEWA by using TSE from Dubai Municipality and polishing the same through its reverse osmosis plants. In some instances (such as the case of the COVID-19 pandemic), DEWA, may initiate certain discounts and concessions which the Group will be required to pass through to its end-users.

Core Contractors and Suppliers

- **Supply of consumables:** Consumables required for the operation and maintenance of the Group's district cooling plants and chilled water networks are procured by way of local purchase orders or supply contracts through the Group's procurement department based on a competitive quotation process.
- **Service contracts for O&M:** The Group carries out a significant proportion of the O&M of its district cooling plants and chilled water networks its in-house O&M team. Similar the supply of consumable, all of the Group's O&M materials and equipment are procured by way of local purchase orders or supply contracts through its procurement department based on a competitive quotation process. The Group also engages external contractors for certain specialised activities and maintenance that are outside the scope of work of the Group's in-house O&M team.
- **Construction contracts for capital expenditure projects:** New projects, including but not limited to district cooling plants, chilled water networks and reverse osmosis ("RO") plants are procured via a comprehensive competitive tendering process. The Group has robust standard terms and conditions of contracts, which are modified to address any risks associated with any particular project.

Master Developers

The Group also plans and co-ordinates the development of its new projects in order to meet the district cooling requirements of master developers. For more information on the Group's relationship with master developers, see "*Client Portfolio*".

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 district cooling plants, ETS and networks, 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 tendering processes and require the consultant to provide a performance guarantee.

Employees

As at 30 June 2022, the total number of employees employed by the Group was 1,025 as compared to 874 employees as at 30 June 2021. The table below sets forth the Group's total number of employees by segment as at 30 June 2022:

	Number of employees as at 30 June 2022
Chilled Water segment	996
Pre-insulated Pipe segment.....	29
Total number of employees.....	1,025

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. 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.

The Group provides scholarships for a bachelor's degree across disciplines, such as electrical engineering, mechanical engineering, computer science, renewable energy and AI, among others. A total of six students have graduated using such scholarships. These students study at UAE and international universities accredited by the UAE Ministry of Higher Education and Scientific Research.

Emiratization

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 33% of the Group's leadership, approximately 34% of the Group's middle management and approximately 13% 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.

The Group's ESG Initiatives

The Group is committed to environmental, social and governance ("ESG") principles and expects to continue maintaining its status as a leading DCS provider by achieving its ESG targets. The Group regularly considers the environmental, climate change and corporate social and governance responsibilities in its business and investment decisions and, accordingly, has set ESG targets, in accordance with its ambition to support Dubai's transition to a 100% clean energy economy.

ESG Targets

The Group's approach is to align its strategies and operations with the most material United Nations' Sustainable Development Goals ("UN SDGs"), such as affordable and clean energy (Goal 7), sustainable cities and communities (Goal 11) and climate action (Goal 13), by setting its ESG KPIs in line with the UN SDGs.

The Group is monitoring a broad set of areas, including CO2 emissions scope 1 and 2, CO2 emissions saved, water recovery, waste, CSR events, trainings and has targets in place for the most material ESG areas, such as CO2 and water.

The Group seeks to operate carbon neutral district cooling plants by 2050 by utilising 100% renewable energy and recycled water for district cooling, as per the Dubai Energy Transition plan. The Group aims to increase its TSE usage to over 40% by 2025.

The Group also aims to achieve certain sub-objectives under its ESG parameters, which include:

- installing of solar panels to be used as cladding of district cooling plants and warehouse rooftops;
- replacing its fire suppression system, the FM200, across all district cooling plants with Novac and Aerosal, which are more environmentally friendly alternatives;
- providing support to research and development initiatives that encourage and promote more efficient district cooling systems;
- installing energy efficient pumps in all new district cooling plants;
- 100% usage of LED in all district cooling plants;
- using reverse osmosis in all new plants and operations; and
- continuing to strive to meet the UAE's emiratisation targets.

The Group will continue to review and, where necessary, modify its ESG-related policies, practices and programmes with the aim of meeting the ESG targets it sets for itself. The Group is a partner of the United Nations Environment Program (UNEP). Furthermore, the Group intends to comply with applicable policies to promote strong corporate governance practice.

Environmental

District cooling is a sustainable alternative to traditional air conditioning systems as it can provide up to 50% electricity savings. The Group pioneered the identification of CO2 reductions methodology, the Clean Development Mechanism, which received approval by the UNFC under the clean development mechanism. The Group's Clean Development Mechanism has resulted in an increase in annual CO2 saving of approximately 735,000 tCO2 in 2021, which amounted to an increase in annual CO2 savings of approximately 17.7% in 2021, compared to 2020. Similarly, the Group achieved an increase in electricity saving of approximately 17.7% YoY between 2020 and 2021. The Group is also focused on water efficiency and is targeting an increase in its use of TSE from 12% in 2021 to more than 40% by the end of 2025.

In 2021, the Group was able to save approximately 41% more water, when compared to 2018, by increasing its water cycles, which has led to a water recovery of 65%. Furthermore, the Group is currently operating seven reverse osmosis plants, with three further plants commissioned for 2022.

Other environmental initiative of Group includes its: (i) summer campaign programme, which was designed to encourage responsible behaviour from its end-users leading to an energy saving usage of approximately 5% in the summer of 2021; (ii) paperless strategy, which provides 100% of DCS bills online; (iii) campaigns to eradicate single-use plastics; (iv) waste minimisation efforts, such as electronic devices donation; and (v) promoting re-use before recycling.

Social

The Group aims for its policies and practices to ensure inclusion, empowerment, diversity and gender equality. The Group has sought to empower a diverse and inclusive workforce of over 30 nationalities, with women representing 16% of management positions and approximately 21% of the Group's head office and a dedicated Emiratisation programme policy focusing on the training and career development of Emirati nationals with a dedicated mentoring system in place. For further information, see "*—Relationship with Third Parties—Employees—Emiratisation*".

The Group provides an employee development programme for all staff, including leadership development, team building and communication skills. 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. In 2021, a total of 343 of the Group's employees took parental leave. The Group has also joined DEWA's "Inclusion People of Determination Innovation Incubator" programme, which is specifically designed to implement inclusive measures for people with disabilities. Furthermore, the Group has had zero lost time injury incidences from 2004 to 2019, one lost time injury in 2020 and zero lost time injury in 2021. This is reflective of the Group's strong health and safety measures, such as the use of systematic implementation of risk assessment, permit to work procedure, site supervision, trainings, QHSE site inspections which are the key tools mitigating the incidents at the Groups working environment. For further information, see "*—Relationship with Third Parties—Employees—Employee Benefits*".

The Group is also an active leader within its communities and, in alignment with the UN SDGs and local sustainability plans. The Group's corporate and social responsibility is at the core of its business model and priorities. The Group has organised 63 corporate social responsibility events in 2021 and 373 corporate social responsibility events between 2008 and 2021, with more than 100 employees (including senior management positions) participating the Group's corporate social responsibility ("CSR") events. This has led to the Group receiving the Advanced CSR label from Dubai Chamber Sustainability Network four times in a row.

Governance

The Group's governance practices include a set of corporate policies, which are further divided into objectives, KPIs and procedures.

In addition, the Group has established an Enterprise Risk Management model and an Information Security Management system 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 are globally accepted and applicable to the Group. Other policies of the Group include its whistleblowing policies and human capital policies.

In addition, the Group's Board committees, which are expected to be put in place prior to the Global Offering, include the audit and nomination, remuneration and ESG committees and appoint independent board members. The Group also has various management-level committees and sub-committees (such as the finance and audit committee, technical committee and information security steering committees) and comprehensive policies covering all function of its operations.

Health and Safety

The Group seeks to ensure that strict health and safety standards are observed throughout its operations. The Group is committed towards quality assurance and has implemented a QHSE policy and programme which complies and exceeds the requirements of international standards such as ISO 45001:2018, which is the new international standards for occupational health and safety management. The Group has more than 70 QHSE policies. All employees, consultants, contractors and vendors of the Group are required to abide to the Group's QHSE policy. The QHSE programme defines the responsibilities for the structure of the QHSE management system and specifies certain procedures for carrying out activities under the control of the QHSE management system, as well as sets out standardised forms and checklists to ensure consistency of records in relation to QHSE. In addition, the QHSE programme deals with the following procedures: lockout/tag out (LOTO), permits to work, occupational health and safety hazard identification and risk evaluation. The QHSE programme has the following certifications: ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 27001:2013. The Group has launched, in collaboration with the 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.

Furthermore, the Group provides health and safety training to all its employees and provided a total 516 health and safety trainings to 4,654 attendees in 2021. In addition, Group holds systematic QHSE internal audit across all of its district cooling plants at least once in a year, QHSE committee meetings, project safety walk-throughs and emergency drills.

Insurance

The Group maintains insurance coverage that it believes is in line with standards adopted by the district cooling market in Dubai and such insurance coverage includes property insurance in respect all of its assets, including machinery breakdown. The assets are evaluated by the Group for 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 fidelity guarantee, workers compensation, employer's liability against employee negligence and third-party liability insurance. 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 30 June 2022, the Group owned a total of 79 principal properties. These principal properties comprise of 76 district cooling plants, pre-insulated pipe production facility, central warehousing facility and staff accommodation building.

Regulation

The district cooling market is largely an unregulated market in the GCC, however this is slowly changing. The Emirates of Dubai and Abu Dhabi have both recently appointed a regulatory body to oversee the district cooling market in each respective Emirate. District cooling has been adopted as part of the Government's energy demand side management and the RSB has been appointed as the regulator of the Dubai sector. While the RSB actively collects data from district cooling providers in Dubai and certain policy statements have been made, a regulatory framework has been introduced which is now effective for all DCS providers operating in Dubai. The RSB published further regulations for district cooling providers in connection with tariffs on 14 July 2022. Pursuant to the new regulatory regime any proposed change to the Group's pricing structure will be subject to the review and approval of the RSB.

In addition, the Group needs permits issued by relevant government agencies, such as the RSB, environmental and civil defence agencies and generic commercial and industrial licences to operate its district cooling plants. The Group must comply with certain restrictions and conditions to maintain its permits and licences. For example, the Company's subsidiaries that provide DCS (Empower Snow LLC and Palm District Cooling LLC) are required to obtain permits from the RSB that allow them to provide DCS. On 20 October 2022 and 21 October 2022, Empower Snow LLC and Palm District Cooling LLC, respectively, received their permits from the RSB to do so. Given that the Company is currently ultimately beneficially owned by the Government, it is not currently required to hold such permit from the RSB. However, following its conversion into a public joint stock company and the completion of the Global Offering, the Company will also be required to obtain such permit from the RSB. As of the date of this Offering Memorandum, the Company has not been issued a permit by the RSB, but the Company expects to obtain such permit soon after the Global Offering. See *“Risk Factors—Risks Relating to the Group—The Group needs permits and licences to undertake its business operations and any revocation, cancellation or non-renewal of any of these permits or licences could have a material and adverse impact on its business”*, *“Industry Overview—General Overview—Overview of regulatory Environment”* and *“Regulation”*.

Intellectual Property

The Group owns four trademarks that includes the Empower logo and other material trademarks (including trademarks of subsidiaries) comprised by logos and words, which are registered in the UAE.

Information Technology

SCADA

The Group operates its CCCs, located in the Company's head office, to monitor and control the real-time information on the demand, supply and consumption patterns in each and every building unit which enables the Group to deliver reliable and efficient DCS. The Group uses SCADA, smart monitoring, control and automation systems to provide and monitor its district cooling services in accordance with international standards. The SCADA system hardware and software architecture was designed to provide full redundancy and availability.

SCADA assists the Group's operation and infrastructure to ensure equipment's optimum level of performance, enhance service reliability and ensure compliance with agreed upon thresholds on a real-time basis, thus enabling the Group to meet its commitment to provide seamless service levels to its clients. More than 130,000 instruments and 1,900 RTUs are monitored live through the advanced SCADA platform. Through the implementation of SCADA, the Group has been able to minimise the occurrence of cooling outages or 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.

Smart Services and Channels

Smart meters

The Group pioneered metering in 2007, and implemented smart metering and data management system ("MDMS") in 2014, which has improved efficiency and assisted in the mitigation of production losses and better fault detection. By 2017, all existing meters of the Group were upgraded to smart meters. The Group's centralised MDMS and the "Delta T Pro" technology in meters monitoring manage all of the Group's smart meters. The metering of end-users' chilled water consumption utilises a device that measures and records chilled water flow at the point of delivery in gallons per minute. It measures and records chilled water temperature of the supply water and the temperature of the return water and utilises the gallons (flow) and the temperature differential to calculate the BTU's of heat rejected to the district cooling system. The BTU units are then converted to refrigeration unit of ton hours. The Group's smart metering solution has eliminated human based data collection activities, removing the need for manual collection of meter readings, which has resulted in reduced costs and prevented production losses.

The Group has also developed and has been using the award winning "Energy Transfer Solution Flow Control Optimisation Using Statistical Process Control" technology and "360 Solution for Metering Artificial Intelligence, AIMS 360" in its operation.

Unmanned plant room

The Group seeks to innovate and drive toward further efficiency. For example, in 2017, the Group rolled out its first unmanned plant room in Jumeirah Village South, which the Group believes is the world's first of its kind and may explore using this approach further moving forward.

Information Technology Systems

The Group also relies on the following IT systems to maintain its superior operational systems:

- **IBM Maximo:** An integrated asset management system that includes, maintenance and all related procurement and inventory management sub-systems with Self-service functionality;
- **Qlik Dashboard:** A well-recognised business intelligence system for enhancing reporting efficiency and providing real-time dashboard applications;
- **ZorroSign:** An electronic e-signature system based on block-chain technology for superior privacy and security for digital signatures and transactions; and
- **Oracle ERP/R12 and CC&B:** An integrated ERP system deployed for financial accounting and reporting, that seamlessly integrates Oracle's customer care and billing ("CC&B") application for receivables and billing management on one hand and with the IBM's Maximo for payables and general ledger applications on the other hand for comprehensive financial reporting.

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 AND OPERATIONAL TARGETS

The financial and operational targets presented in this section constitute forward-looking statements that are based on a number of assumptions and estimates and are subject to risk and uncertainties. Such statements are no assurance of the Group's actual future financial or operational 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 the Group's control. In addition, unanticipated events may adversely affect the actual results that the Group achieves in future periods whether or not the assumptions prove to be correct. See also "Information Regarding Forward-Looking Statements" and "Risk Factors—Risks Relating to the Group—The Group may not successfully execute its business strategy and operating plans or manage its growth".

These targets are based on data, assumptions and estimates, which are considered reasonable by the Group, as at the date of this Offering Memorandum. However, no assurances can be given that these targets will be achieved. Actual events or results may differ materially as a result of the risks and uncertainties the Group faces. Such risks and uncertainties could cause results to vary materially from the targets. Important factors that could cause the Group's results to differ from the targets include, but are not limited to, the risks set out in "Risk Factors". The data and assumptions upon which the targets are based may change or be modified as a result of uncertainties relating, in particular, to the risks set out in "Risk Factors" or other political, economic, financial, competitive, legal, regulatory or fiscal factors or because of other factors of which the Group 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—Strategy". The Group accordingly makes no commitment or guarantee regarding the achievement of the targets presented below. Subject to the foregoing, management has set the following 2022 targets and medium-term targets for the Group's business:

The Group's consolidated revenue for the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022 was AED 2,189.3 million, AED 2,255.1 million, AED 2,463.9 million, AED 993.1 million and AED 1,154.3 million, respectively. The Group is targeting 12% to 13% revenue growth for the year ending 31 December 2022, as compared to the year ended 31 December 2021. The Group's revenue target for the year ending 31 December 2022 reflects the Group's increases in connected capacity during 2022, to date. A portion of the Group's increased connected capacity reflects the full year impact of the Nakheel district cooling assets, following their acquisition in 2021, and the increased connected capacity targeted from the Dubai International Airport District Cooling Acquisition, by 31 December 2022 (assuming completion of the Dubai International Airport District Cooling Acquisition). The Group is targeting low double-digit revenue growth in the year ending 31 December 2023, because of the full year impact of the anticipated Dubai International Airport District Cooling Acquisition, targeted to close in 2022. The Group is targeting growth in its consolidated revenue at a CAGR of approximately 6.5% to 7.5% in the medium term, driven by higher demand and consolidation of the contemplated Dubai International Airport District Cooling Acquisition.

The Group's Adjusted EBITDA margin was 48.4%, 51.3%, 48.9%, 53.7% and 52.0% in the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, respectively. The Group is targeting an EBITDA margin of between 48.0% and 50.0%, in the medium term. Although the Group expects cost savings from increased TSE use, its margin profile is expected to remain stable at 48% to 50% in the medium term, driven by increasing contribution of lower margin pass-through consumption charges due to changing customer mix (such as the Dubai International Airport, which requires 24/7 operational support) in the medium term.

The Group's Capital Expenditure for the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2022 was AED 676.7 million, AED 775.5 million, AED 1,239.9 million and AED 220.9 million, respectively. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital expenditure". The Group is targeting an average Capital Expenditure of AED 4 million to AED 6 million per k RT of additional capacity from 2022 through to the medium term. The Group's historical Capital Expenditure since inception has been approximately AED 6 million per k RT and has included network costs for completed projects that not expected to be incurred in the future, such as Business Bay and Jumeirah Village. Additionally, the Group's Capital Expenditure for the year ended 31 December 2022 is targeted to be in the range of AED 700 million to AED 800 million (excluding the Dubai International Airport District Cooling Acquisition and AED 250 million in connection with the Company's headquarters building).

for the settlement of its Capital Expenditure-related payables incurred to expand the Company's existing infrastructure network (i.e., pipe network, set-up of plant rooms, among others), which are not expected to be recurring going forward.

The Group's Net Debt to Adjusted EBITDA ratio was 0.5x in 2021 and is expected to increase to 3.5x in 2022, as a result of additional financing taken by the Group in 2022, see "*Material Agreements—Certain Financing Arrangements of the Group*". The Group is targeting a gradual de-leveraging, to a ratio of 2.5x in 2025, down to a ratio of 2.0x in the medium term. The Group's target is to maintain a robust balance sheet with a moderate leverage profile, retaining significant headroom to fund inorganic growth, while maintain a leverage ratio of 3.0x to 4.0x. The Group's cost of debt typically ranges between 4% to 4.5%, subject to any applicable floating rate adjustments. Furthermore, the Group's total depreciation and amortisation expense is targeted to be in the range of 13% to 14% of the Group's revenue in the medium term.

Due to the changing customer mix, the Group's EFLH is expected to grow from approximately 1,500 in 2021 to over 1,800 in the medium term.

The Group's connected capacity from 2018 to 2022 grew by 436,000 RT, representing a CAGR of 8.5% (including the growth anticipated to result from the Dubai International Airport District Cooling Acquisition, which remains subject to closing). Of this connected capacity growth, 42% came from major projects, including Business Bay, Jumeirah Village, DIFC, DLRC and Jumeirah Lake Towers, 18% from the Nakheel acquisition, 24% from organic growth, with the remaining 16% in capacity growth that is targeted for the end of 2022 to result from the Dubai International Airport District Cooling Acquisition (which remains subject to closing). The Group is targeting an increase in its connected capacity of 70,000 RT for the remainder of 2022, for a total increase of 121,000 RT during 2022, due to the Dubai International Airport District Cooling Acquisition (which remains subject to closing), bringing the Group's total connected capacity to 1,489,000 RT by the end of 2022.

The Group is targeting an increase of 370,000 RT of secured connected capacity by 2027, which would bring total connected capacity to approximately 1,858,000 RT. Secured connected capacity represents capacity increases that are associated with the Group's existing projects or projects that are highly likely to commence soon. Further, the Group has several additional growth opportunities which it plans to pursue, which are not included in the Group's secured connected capacity target of approximately 1,858,000 RT by the end of 2027. These growth opportunities include opportunities for the Group to increase its connected capacity via adjacent expansion and retrofitting of existing systems, new projects and developments, vertical integration, acquisition opportunities and regional and international expansion. These opportunities are less certain than the Group's secured connected capacity target. As a result of these additional growth opportunities, the Group is targeting a potential connected capacity of over 1,858,000 RT by the end of 2027.

MANAGEMENT

Board of Directors

The Company's current Board of Directors was appointed by the shareholders' resolution dated 19 October 2022 pursuant to Article 10 of Dubai Law No. (22) of 2022, amending Law No. 10 and Law No. 3, which formed the Board of Directors of the Company and pursuant to which the first Board of Directors must be comprised of seven members, including the Chairman, of whom three members are to be appointed by DEWA, inclusive of the Chairman, one member is to be appointed by Emirates Power (an indirect subsidiary of Dubai Holding) and the remaining three members, one of whom shall be female, shall be independent non-executive members. The Board of Directors has wide ranging corporate powers, including the power to: (i) approve the Company's strategic plans and policies, and follow-up on their implementation; (ii) supervise the Company's achievement of its objectives; (iii) approve the financial allowances and tariffs for DCS and raise it to the competent department for approval; (iv) issue regulatory and financial, administrative, technical and procurement policies of the Company and manage its assets; (v) approve the organisational structure of the Company; (vi) divide, transfer, merge, consolidate, sell and mortgage any of the Company's funds or assets, or any of its owned companies or subsidiaries' funds or assets, as well as assign and dispose of any of them by any legal dispositions; (vii) allow the Company and its owned companies to initiate any investment, borrowing, lending, issue of warranties, guarantees, bonds, sukuk or any other debenture; (viii) acquire and merge with other companies and establishments and determine the value of the acquisition; (ix) form permanent and temporary and work team committees and defining their tasks and powers; and (x) any other responsibilities as may be determined by the Articles of Association as necessary to achieve its objectives.

The current members of the Board of Directors are as follows:

Name	Position	Independence	First Appointment
H.E. Saeed Mohammed Ahmad Al Tayer	Chairman	Independent	2004
Nasser Mohammed Bin Lootah.....	Member	Independent	2010
Hussain Essa Ibrahim Lootah.....	Member	Independent	2006
Amit Kaushal	Member	Non-independent	2021
Issam Abdulrahim Abdulla Kazim.....	Member	Independent	2021
Fatma Ibrahim Abdulla Belrehif	Member	Independent	2022
Majed Sultan Murad Ali Al Joker	Member	Independent	2022

H.E. Saeed Mohammed Ahmad Al Tayer

His Excellency Mr. Al Tayer has been the Chairman of the Company since 2010 and has been serving as a member of the Board of Directors since 2004. Mr. Al Tayer also serves as Managing Director and Chief Executive Officer of DEWA. Mr. Al Tayer has more than thirty years of experience in Dubai in the fields of telecommunications, energy and water. Mr. Al Tayer was appointed General Manager of DEC in 1991 and subsequently, upon the merger of DEC and DWD, was appointed General Manager of DEWA. Mr. Al Tayer is also the Vice Chairman of the Supreme Council of Energy, a member of the Dubai Executive Council and the Strategic Affairs Council, a member of the Dubai Supreme Fiscal Committee and Vice Chairman of the board of directors of Emirates Global Aluminium. He is the first UAE personality to be awarded an Honorary Fellowship from the Energy Institute, UK. Mr. Al Tayer also holds various positions and director roles both within and outside of the Group.

Mr. Nasser Mohammed Hussain Bin Lootah

Mr. Bin Lootah has been serving as a Director of the Group since 2010. Mr. Bin Lootah has been serving as Executive Vice President of Generation (Power and Water) at DEWA since 2005, as Chairman of the Company's finance and audit committee, since 2017, and as a member of the Company's technical committee, since 2017. Mr. Bin Lootah also serves as Advisory Committee Chairman for Dubai's Supreme Council of Energy. Mr. Bin Lootah holds a Bachelor's Degree in Electrical and Electronics Engineering from Oregon State University, USA.

Mr. Hussain Essa Ibrahim Lootah

Mr. Lootah has been serving as a Director of the Group since 2006. Mr. Lootah also serves as Executive Vice President of the Transmission Power division of DEWA. Furthermore, Mr. Lootah was Executive Vice President of Transmission and Distribution from 2006 to 2008, prior to which, Mr. Lootah has served in several roles throughout the DEWA group. Mr. Lootah also serves as a Director for four of DEWA's independent power producers.

Mr. Amit Kaushal

Mr. Kaushal has been serving as a Director of the Group since 2021. Mr. Kaushal also serves as the Chief Executive Officer of the Dubai Holding group, a position he has held since 2018. Mr. Kaushal leads Dubai Holding's operations in 13 countries, across a diverse range of sectors including real estate, hospitality, media, retail, leisure and entertainment. Under Mr. Kaushal's leadership, Dubai Holding has achieved sustainable economic growth, further cementing Dubai Holding's position as one of the UAE's largest and most diverse conglomerates. Over the course of his tenure, Mr. Kaushal has led several transformational initiatives that have propelled Dubai's thriving tourism industry and spurred growth in strategic sectors in line with its economic diversification agenda. Mr. Kaushal has been instrumental in the success of key strategic Dubai Holding projects in the UAE and internationally, including Ain Dubai and the Brookfield Asset Management joint venture. He has also served on the boards of several regional and international hospitality, energy, retail and real estate organisations and currently serves as a director of TECOM Group and Azadea Holding. Mr. Kaushal's prior experience includes 10 years with leading investment banks in London and Dubai, where he worked for Goldman Sachs, UBS and Deutsche Bank across transaction advisory and structuring and capital markets disciplines. Mr. Kaushal holds a Master of Philosophy in Finance from the University of Cambridge and a Bachelor of Science (First Class Honours) in Mathematics, Operational Research, Statistics and Economics from the University of Warwick.

Mr. Issam Abdulrahim Abdulla Kazim

Mr. Kazim has been serving as Director of the Group since 2021. He also serves as the Chief Executive Officer of Dubai Corporation for Tourism and Commerce Marketing ("**DCTCM**"), which was established in December 2013 as an affiliate of Dubai's Department of Economy and Tourism. Having built and developed DCTCM from the ground up, Mr. Kazim leads all activities relating to the branding, promotion and marketing of the Emirate of Dubai. Since taking up his role as Chief Executive Officer of DCTCM, Mr. Kazim has been instrumental in negotiating and facilitating global partnerships and developing innovative destination tools and data-driven platforms to enhance the visitor experience in Dubai and scaling up the 'Visit Dubai' digital and social ecosystem. He also plays an integral role in the development of relationships with industry stakeholders, partners and investors who contribute to the overall growth in tourism in Dubai. Mr. Kazim previously served as Director of Corporate Marketing and Communication for Dubai World Trade Centre ("**DWTC**") and as Director of DXB Live, a subsidiary of DWTC, where he was responsible for creating and developing strategic live events such as Dubai Sports World, Dubai Music Week and Dubai Classics. He currently serves as a member of the Board of the Dubai Media Council, a position he has held since 2021.

Ms. Fatma Ibrahim Abdulla Belrehif

Ms. Belrehif has been serving as Director of the Group since 2022. She also serves as the Chief Executive Officer of Dubai Schools Inspection Bureau at the Knowledge and Human Development Authority, which sets the standards for, and assures the quality of, private schools in Dubai. Ms. Belrehif chairs the Inclusive Education Task Force in the Emirate of Dubai, as part of the "My Community...A City for Everyone" initiative under the oversight of the Higher Committee for the Protection of the Rights of People of Determination. Ms. Belrehif has been recognised as a "Distinguished Employee" by the Dubai Government Excellence Programme. Ms. Belrehif holds a Bachelor of General Science in Education from Zayed University and a Masters in Public Administration from the Mohammed Bin Rashid School of Government. Ms. Belrehif is a graduate from the Dubai Leaders 2021 Program through the Mohammed Bin Rashid Center for Leadership Development.

Mr. Majed Sultan Murad Ali Al Joker

Mr. Al Joker has been serving as Director of the Group since 2022. He has also been in an executive role since 2018 and in early 2022 was appointed as the Chief Operating Officer of Dubai Airports. As part of his role, Mr.

Al Joker oversees Terminal Service Delivery, Airside Service Delivery, the Airport Operations Control Centre, Security, and Safety and Sustainability. Mr. Al Joker previously served as Deputy Director, Airport Operations at the Abu Dhabi Airports Company and Manager, Airport Services (West Asia) for Emirates Airlines. Mr. Al Joker holds a Master's of Science degree in International Business Management from Heriot-Watt University.

The term of service of the Board of Directors is three years. Mr. Ahmad Bin Shafar is the Chief Executive Officer of the Group. Six of the Directors are independent, and all of them are non-executive.

The business address for each of the Directors is Al Hudaiba Awards Building, Block A, 8th Floor, Opposite Union House Jumeirah Beach Road, 2nd December Street, Dubai, UAE.

In addition, H.E. Saeed Mohammed Al Tayer is also the Vice Chairman of the Supreme Council of Energy, which is responsible for setting policies in respect of the energy sector in Dubai, including those potentially pertaining to the Group. As Vice Chairman of the Supreme Council of Energy, Mr. Al Tayer 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 current members of the Group's senior management are as follows:

Name	Position(s)
H.E. Ahmad Bin Shafar.....	Chief Executive Officer
Ramesh Ramadurai	Chief Financial Officer
Tariq Alyasi.....	Chief Operations and Maintenance Officer
Mohamed Samer Khoudeir	Chief Sales & Marketing Officer
Edgar Qureshi	Chief Commercial Officer
Mohamed Kahoor.....	Chief Business Support Services Officer
Ahmad AlQassem	Executive Director – Human Capital
Murugesan Vasanthan.....	Director – Internal Audit

H.E. Ahmad Bin Shafar – Chief Executive Officer

His Excellency Mr. Bin Shafar joined the Group at its inception and has been serving as its Chief Executive Officer since inception. Mr. Bin Shafar has been with Group for 18 years and brings over 26 years of experience in senior management positions including eight years with Standard Chartered Bank in Corporate and Retail Banking, Finance, Marketing and Customer Relations. As Chief Executive Officer, Mr. Bin Shafar provides strategic direction and, under his leadership, Empower has become the World's Largest DCS provider, from a capacity perspective, within a short span of a decade. Mr. Bin Shafar also serves as the Chairman of the Board of Directors of ELIPS since 2007, as a member of the board of the International District Energy Association, since 2013, as Executive Chairman of Bin Shafar Holding, since 2012, as Chairman of the District Cooling Operators' Association, Dubai since 2020, and as a member of the board of the Dubai Sports Council, from 2009 to 2022. Mr. Bin Shafar is also the chairman of Hamdan Sports Complex and Al Wasl Club, Dubai. Mr. Bin Shafar is a member of the Cranfield Management Association, of IMD International and of the American Society of Heating, Refrigerating and Air-Conditioning Engineers. Mr. Bin Shafar holds a Bachelor's of Science in Business Administration in Management from California State University, Los Angeles, USA.

Mr. Ramesh Ramadurai – Chief Financial Officer

Mr. Ramadurai joined the Group in 2004 and has been serving as its Chief Financial Officer since 2010. Mr. Ramadurai has over 35 years of management experience in audit, financial management and planning, risk management, funding and treasury management, project financing, business strategy, project evaluation, business modelling and valuations and accounting, statutory and management reporting. Prior to joining the Company, Mr. Ramadurai was employed by TECOM Group, an indirect subsidiary of Dubai Holding, and between 1993 and 2000, he was employed with a large regional group, where he held senior management level positions handling finance and systems functions. Mr. Ramadurai also serves as a member of the board of ELIPS since 2007. Mr. Ramadurai holds a Bachelor's Degree in Commerce from the University of Madras, India, and the following professional qualifications: FCA, ACMA, ACS, CPA, CMA, CFM, CISA and CFA certifications.

Eng. Tariq Alyasi – Chief Operations and Maintenance Officer

Mr. Alyasi joined the Group in 2006 and has been serving as Chief Operations and Maintenance Officer since 2010 and as Acting Head of Project Management Office since 2016. Mr. Alyasi has over 25 years of experience and has been with the Group for 16 years, previously serving as Director of Operations and Maintenance for the Company from 2006 to 2010 and as a board member for Dubai Carbon Centre of Excellence from 2012 to 2019. Mr. Alyasi has also served in multiple other roles throughout the Group. Mr. Alyasi holds a Bachelor's of Science in Petroleum Engineering from the University of Tulsa, USA.

Eng. Mohamed Samer Khoudeir – Chief Sales & Marketing Officer

Mr. Khoudeir joined the Group in 2005 and has been serving as Chief Sales & Marketing Officer since 2010. With over 32 years of experience in the air conditioning industry, including in the fields of heating, ventilation, air conditioning and refrigeration products and services, Mr. Khoudeir is responsible for the Group's sales, marketing and customer service functions. Mr. Khoudeir also serves as the General Manager and board member of ELIPS. Prior to joining the Group, Mr. Khoudeir held management positions at Carrier Global Corporation. Mr. Khoudeir is a member of the American Society of Heating, Refrigerating and Air-Conditioning Engineers, the Syrian Society of Engineers and the UAE Society of Engineers. Mr. Khoudeir holds a Bachelor's Degree in Mechanical Engineering from Aleppo University, Syria, and a Post Graduate Certificate in Management from Bournemouth University, UK.

Eng. Edgar Qureshi – Chief Commercial Officer

Mr. Qureshi joined the Group in 2004 and has been serving as Chief Commercial Officer since 2014. Prior to joining the Group, Mr. Qureshi worked at TECOM Group and has over 28 years of management experience in developing commercial and project management departments in numerous high profile start-up companies. Since joining the Group, Mr. Qureshi has lead and developed the contract, commercial, procurement and legal functions of the Group and has led contractual and commercial negotiations of the Group's joint ventures and acquisitions. In addition to establishing the Group's commercial department, Mr. Qureshi was responsible for restructuring and leading the project management department and held the joint roles of Chief Commercial Officer and Chief Projects Officer for seven years between 2007 and 2014. Mr. Qureshi has also held positions of responsibility at Shire Consultancy, Laing UK, Al Owaidah General Contracting KSA/UAE, and numerous Dubai Holding and Sheikh Mohammed entities. Mr. Qureshi also serves as a board member for ELIPS. Mr. Qureshi holds a Bachelor's of Civil Engineering from Imperial College of Science, Technology and Medicine, University of London, UK and is chartered by the Institution of Civil Engineers. In addition, he has professional qualifications in Contract Law and Administration from the same institution.

Mr. Mohammed Salman Mohammed Kahoor– Chief Business Support Services Officer

Mr. Kahoor joined the Group in 2005 and has been serving as Chief Business Support Services Officer since 2019. Mr. Kahoor has over 34 years of total experience in the areas of commercials, purchase, administration, stores and stock control, customer services, quality and event management. Mr. Kahoor has held senior management positions with TECOM Group and DEWA. At TECOM Group, Mr. Kahoor held the positions of Head of Administration, Director of Commercial Operations Services Corp and of Director of Protocol and Customer Services where he carried out various assignments including establishing the Hospitality Services and Protocol Affairs section and Government Operation Services section. Mr. Kahoor spent 11 years with DEWA, during which he was responsible for Stores Operations and Inventory Management. Mr. Kahoor holds a Bachelor's of Science in General Business Administration from the University of Arizona, USA.

Mr. Ahmad AlQassem – Executive Director – Human Capital

Mr. AlQassem joined the Group in 2013 as a Senior Manager for Human Capital, serving as Director of Human Capital from 2018 and as Executive Director of Human Capital since 2019. Prior to which, Mr. Alqassem served in various senior management roles for DP World, Dubai Properties Group and Serco ME. Mr. Alqassem holds a Bachelor's Degree in Public Administration from Al-ain University, UAE.

Mr. Murugesan Vasanthan – Director – Internal Audit

Mr. Vasanthan joined the Group and has been serving as Director of Internal Audit since 2013. Mr. Vasanthan has over 29 years of experience in internal audit and finance, particularly in the execution of financial,

operational and compliance audits and fraud investigations across IT, consumer care, engineering and utilities businesses in US, Europe, India and Middle East regions. Prior to this Mr. Vasanthan has served in senior management roles in internal audit, business finance and enterprise risk management departments of Wipro Ltd, a leading global IT company. Mr. Vasanthan holds a Bachelor's Degree in Corporate Secretaryship from the University of Madras, India, and has ACA and CMA professional qualifications from ICAI & ICMA, India.

Compensation

For the year ended 31 December 2021, the aggregate total remuneration paid by the Company to its Directors and key management was AED 19.4 million as compared to AED 18.4 million for the year ended 31 December 2020.

Corporate Governance

The Group follows best governance practices. It has Board committees in place, including the audit and risk committee and the nomination, remuneration and ESG committee. The Board of Directors is composed of six independent Directors and one non-independent Director, and all of the Directors are non-executive.

The Group has established an Enterprise Risk Management model and an Information Security Management system 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 are globally accepted and applicable to the Group. Other policies of the Group include, for example, whistleblowing policies and its Code of Conduct. The Company shall also adopt all the relevant resolutions regulating Governance Rules issued by the SCA.

The Group successfully manages its relationships with most of its stakeholders through effective stakeholder engagement. The rights and contribution of most of the Group's stakeholders are recognised and assured within the Group's governance framework. Furthermore, the Group recognises the following as its key internal and external stakeholders: (i) Group employees; (ii) customers; (iii) core suppliers and consultants; (iv) master developers; and (v) investors. See “*Business—Employees*” and “*Business—Relationships with Third Parties*”.

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 and Risk Committee

Certain members of the Board of Directors constitute a committee to review and oversee the Group's internal and external audit, risk and financial and accounting policies. The members of the Audit and Risk Committee are appointed by the Board of Directors on a three-year basis. The current members of the Audit and Risk Committee appointed in 2022 are as follows:

Name	Position
Hussain Essa Ibrahim Lootah	Chairman
Nasser Mohammed Hussain Bin Lootah	Member
Amit Kaushal	Member
Issam Abdulrahim Abdulla Kazim	Member

The Audit and Risk Committee meets at least once every three months.

The duties of the Audit and Risk Committee include overseeing and assessing the effectiveness of the Group's corporate governance, disclosure, internal control, and risk management systems as well as 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 and review and approve the annual risk based internal audit plan.

Nomination, Remuneration and ESG 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 Nomination, Remuneration and ESG Committee appointed in 2022 are as follows:

Name	Position
Nasser Mohammed Hussain Bin Lootah	Chairman
Amit Kaushal	Member
Fatma Ibrahim Abdulla Belrehif	Member
Majid Sultan Murad Ali Al Joker	Member

The duties of the Nomination, Remuneration and ESG 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. It is also expected to be responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise. In relation to ESG, the duties of the Nomination, Remuneration and ESG Committee include reviewing and overseeing the content and approach of the Group's ESG strategy while taking into account the Group's core objectives, ensuring the Group's ESG strategy is considered by the Board of Directors as part of the Group's overall business strategy.

The Nomination, Remuneration and ESG Committee meets at least once every six months.

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 Selling Shareholders. 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 2019, 2020 and 2021 please refer to note 12 of the 2021 Financial Statements and note 10 of the 2020 Financial Statements, included elsewhere in this Offering Memorandum. For details of the impact of related party transactions on the Group's financial position and financial results as at and for the six months ended 30 June 2021 and 2022, please refer to note 13 of the H1 2022 Interim Financial Statements.

Relationship with DEWA

The Group transacts with DEWA, joint ventures and entities controlled, jointly controlled, or significantly influenced by DEWA within the scope of its ordinary business activities.

Electricity and Water Supply

The Group purchases its electricity and water from DEWA, including all of the electricity requirements and most of the water requirements (excluding TSE, which is sourced from the Dubai Municipality) of the Group's district cooling plants. The Group procures electricity and water from DEWA on arm's length, market terms, at standard commercial rates. Purchases are made based on consumption demand that is notified to DEWA via the normal commercial channels used by all DEWA customers, there is no formal agreement in place for the supply of electricity and water from DEWA to the Group.

Cooling Charges

DEWA uses its billing infrastructure to collect cooling charges on behalf of the Group for the Group's district cooling assets acquired from Nakheel (which comprised approximately 1.9% of the Group's billing as at 30 June 2022), which it then transfers to the Group.

Irrevocable Guarantee Agreement

The Company entered into an irrevocable guarantee agreement with the Selling Shareholders on 23 October 2022, whereby the Selling Shareholders agreed, severally, on a pro rata basis relative to their shareholding in the Company, to unconditionally and irrevocably guarantee all future liabilities (including any penalties) of the Company arising from the 30% Fee that may be levied by the DLD as a result of the change to the ultimate beneficial ownership of the Company's Government granted lands that results from the Global Offering, see "*Material Agreements—Irrrevocable Guarantee Agreement*" and "*Risk Factors—Risks Relating to the Group—The Group may have the regulatory obligation to pay certain fees in connection with the change in status of certain of its lands upon completion of the Global Offering*".

Relationship with Dubai Holding

The Group transacts with Dubai Holding, joint ventures, and entities controlled, jointly controlled, or significantly influenced by Dubai Holding within the scope of its ordinary business activities.

Master Development Agreements

The Group has Master Development Agreements (as defined below) in place with the following counterparties, that are subsidiaries of Dubai Holding, in relation to the sites set out in the below table. See "*Material Agreements—Master Development Agreements*" for a discussion of the terms of the Master Development Agreements.

No.	Counterparty	Site
1.	Dubai Properties LLC.....	Business Bay
2.	Dubai Properties LLC.....	Culture Village
3.	Dubai Properties LLC.....	Mirdiff Buildings Project

No.	Counterparty	Site
4.	Dubai Properties LLC.....	Al Quoz Jumeriah Hospitality Project
5.	Bluewaters LLC.....	Bluewater Development
6.	Tecom Investments FZ LLC.....	International Media Production Zone
7.	Innovation Hub FZ LLZ	Innovation Hub, TECOM A

Land

Certain district cooling assets of the Group with a total net book value of AED 280.2 million as at 30 September 2022 are developed on plots of lands owned by related parties. During the three months ended 30 September 2022, the Group adjusted the values for 11 plots of land (amounting to AED 59.4 million), out of which eight plots had assets constructed on them. For further information, see note 6 of the Q3 2022 Interim Financial Statements.

The Group is currently in discussions with Dubai Holding group entities to enter into long-term lease agreements related to these plots, “—*Master Land Agreement with Dubai Holding*” below. The long-term lease agreements are expected to be entered into at a nominal value. As and when a lease agreement is signed at nominal value, the Group will engage a third-party independent valuer to determine the fair value of the lease agreement which will be reflected as an equal increase in assets and equity of the Group. The relevant assets will be amortised over the contractual term of the leases, which is a non-cash item.

Master Land Agreement with Dubai Holding

The Company entered into a master land agreement with Dubai Holding on 23 October 2022, whereby the Company and Dubai Holding agreed to negotiate to enter into lease agreements relating to eight plots the Company had previously recognised in its accounts and which were reversed in the accounts for the three months ended 30 September 2022, see “—*Land*” above. For further information, see “*Material Agreements—Master Land Agreement with Dubai Holding*”.

Exclusivity and Framework Agreement

The Company entered into an exclusivity and framework agreement with Dubai Holding on 23 October 2022, in relation to certain sites owned by master developers owned and controlled by Dubai Holding. For further information, see “*Material Agreements—Exclusivity and Framework Agreement*”.

Irrevocable Guarantee Agreement

The Company entered into an irrevocable guarantee agreement with the Selling Shareholders on 23 October 2022, whereby the Selling Shareholders agreed, severally, on a pro rata basis relative to their shareholding in the Company, to unconditionally and irrevocably guarantee all future liabilities (including any penalties) of the Company arising from the 30% Fee that may be levied by the DLD as a result of the change to the ultimate beneficial ownership of the Company’s Government granted lands that results from the Global Offering, see *Material Agreements—Irrevocable Guarantee Agreement*” and “*Risk Factors—Risks Relating to the Group—The Group may have the regulatory obligation to pay certain fees in connection with the change in status of certain of its lands upon completion of the Global Offering*”.

Relationship with Entities under Common Control of the Government

Borrowings

On 26 September 2022, the Company entered into conventional term loan facilities and Murabaha Shariah compliant facilities with Emirates NBD Capital Limited, an entity under common control of the Government, totalling an amount of AED 5.5 billion. For further information, see “*Material Agreements—Certain Financing Arrangements of the Group*”.

Master Development Agreements

The Group has Master Development Agreements in place with the following counterparties that are under the common control of the Government:

No.	Counterparty	Site
1.	The Land Company (TEO)	Dubai International Financial Centre
2.	Meydan City Corporation	Meydan City
3.	Dubai World Trade Center LLC	Dubai World Trade Centre – Phase 1-3
4.	Nakheel PJSC	Nakheel (Palm Jumeirah)
5.	Deira Water Front Development LLC	Deira Waterfront Development
6.	Dubai Health Care City (DHCC)	Dubai Health Care City
7.	Jumeirah Village LLC.....	Jumeirah Village
8.	Road and Transport Authority	Dubai Metro 2020 Stations
9.	Nakheel PJSC	Nakheel (Multiple Sites)

See “*Material Agreements—Master Development Agreements*” for a discussion of the terms of the Master Development Agreements.

PRINCIPAL AND SELLING SHAREHOLDERS

Principal Shareholders

The following table details the shareholders holding the shares (i) as at the date of this Offering Memorandum, with a total share capital of 10,000,000,000 shares of AED 0.10 each, and (ii) immediately following the Global Offering, assuming that the Selling Shareholders sells all of the Shares being offered:

	As at the date of this Offering Memorandum		Immediately following the Global Offering ⁽¹⁾	
	Number of Shares	Percentage	Number of Shares	Percentage
<i>Shareholder</i>				
DEWA ⁽²⁾	7,000,000,000	70%	6,300,000,000	63%
Emirates Power ⁽³⁾	3,000,000,000	30%	2,700,000,000	27%
New Shareholders ⁽⁴⁾	—	—	1,000,000,000	10%

- (1) Assumes that all of the Shares have been sold, that the Selling Shareholders have not exercised their respective rights to increase the size of the Global Offering at any time prior to the end of the subscription and that the size of the Global Offering is not increased. 1,000,000,000 Shares are being offered in the Global Offering.
- (2) For further information, see “*Business—Principal Shareholders—DEWA*”.
- (3) For further information, see “*Business—Principal Shareholders—Emirates Power*”.
- (4) New Shareholders include the Cornerstone Investors. See “*Sale of Shares—Cornerstone Investors*” for further information on Cornerstone Investors.

No Shares have voting rights that differ from those of any other shares. Other than as set out in “*Material Agreements—Certain Financing Arrangements of the Group—Islamic and Conventional Facilities—Prepayment and cancellation under the Facilities*”, 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 adopted on 21 October 2022 pursuant to 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 Company was established on 23 November 2003 as a corporate entity pursuant to Law No. 10. On 14 October 2022 pursuant to Dubai Law No. (22) of 2022 (which repealed Law No. 10 and Law No. 3) (“**Law No. 22**”), the Company was established in its current form, as a public joint stock company, to succeed Emirates Central Cooling Systems Corporation. As at the date of this Offering Memorandum, the Company does not hold any shares in treasuries and its total issued share capital consists of 10,000,000,000 shares, each with a nominal value of AED 0.10.

DEWA and Emirates Power will offer 7% and 3%, respectively, (or more, subject to each of the Selling Shareholders’ 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, after obtaining the SCA approval, 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, all dispositions related to the Shares, including any set-off or settlement, shall be registered in accordance with the regulations of the DFM. The Shares may be sold, transferred, pledged, or otherwise disposed of in accordance with the provisions of the Articles and the applicable regulations for selling, purchasing, clearing, settling and recording.

The Shares which are the subject of the Global Offering will, upon Admission, rank *pari passu* in all respects with each other and with all the existing shares, including the right to receive dividends or other distributions declared, made or paid after Admission.

Changes in Share Capital

The share capital of the Company may be increased or reduced, after obtaining the approval of the SCA, as determined by the Company by Special Resolution of its General Assembly.

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, after obtaining the SCA approval and issuance of the relevant General Assembly resolution, carry out a share capital increase by disapplying shareholders’ pre-emption 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 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 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 approved 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 on the date specified by the General Assembly for payment of such dividends. Each shareholder has the sole right to the profits due on the shares whether these profits represent dividends or entitlements to a part of the Company's assets in the event of its liquidation.

The General Assembly is to determine a percentage from the annual net profits of the Company (after allocation to the legal 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 dematerialised 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 or Commercial Companies Law and the resolutions issued in pursuance thereof, the SCA resolutions, the listing rules, the regulations adopted by the relevant Financial Market(s), and the legislation in force in the Emirate, as applicable.

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% of the share capital. 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 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% of the share capital of the Company who request to 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 General Assembly meetings shall close when the chair of the meeting announces whether or not the quorum of such meeting is reached.

There shall be a quorum present at a General Assembly if shareholders holding (or representing by proxy) more than 50% of the share capital of the Company are present. If quorum is not present at the first meeting of the General Assembly, an invitation for a second meeting shall be sent, and that meeting shall be convened no earlier than five days and no later than 15 days from the scheduled 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 to attend the General Assembly on their behalf, provided that such person is not be a member of the Board, an employee of the Company, or a brokerage company or any of such brokerage company's employee,. Such authorisation is to be considered valid if it is confirmed by a written proxy if it is documented in a written proxy in accordance with the relevant conditions stipulated by the Board. In all cases, the proxy holder may not in such capacity hold more than five 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 chairperson of the Board or, in the absence of both of them, by the Chief Executive Officer or a 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 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 the details of the attendees shall be recorded in special books maintained for this purpose. These minutes are to be signed by the chairman of the General Assembly, the secretary of the General Assembly, the tellers and the Company's auditors. The 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 its performance of all the functions and activities required to achieve its objectives.

Appointment of the Board of Directors

The Company is managed by a Board composed of seven members, including the Chairman. The Board is elected by the shareholders in General Assembly for a term of three (3) years, via secret Cumulative Voting in accordance with the provisions of the Companies Law and the resolutions issued in pursuance thereof.

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 Law No. 22 expires, the new Board is to elect, by secret cumulative ballot from amongst their members, a Chairperson and a vice chairperson. The Chairperson is responsible for the performance of his/her functions under the Articles, the Commercial Companies Law and the resolutions issued in pursuance thereof. 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 the Chairman's absence, a minimum of four times a year as agreed by the Board.

Liability of the Board of Directors

The Board is 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.

The liability of the members of the Board is joint if it 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 2.0% of the net profits for the financial year after deducting depreciations allowance and reserves. A Board member may also be paid a lump sum not exceeding AED 200,000 at the end of the financial year if the Company is not making a profit or if the Company makes profits but the Director's remuneration calculated as a percentage of these profits is less than AED 200,000.

Winding-up

The Company is incorporated for a ninety-nine year term, which is renewable automatically for consecutive similar terms unless a special resolution modifying the term of the Company or dissolving the Company is passed by the General Assembly.

Form of Notices and Communications

Unless the Articles 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, exercised via the Supreme Council of Energy and RSB. The Government regulates the district cooling 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 laws imposed by the UAE Federal Government, such as the UAE Federal Law No. 24 of 1999 on the Protection and Development of the Environment.

Empower as a PJSC

Pursuant to Dubai Law No. (22) of 2022, which came into effect on 14 October 2022, repealing Law No. 10 and Law No. 3, the Company was converted into a public joint stock company.

Supreme Council of Energy

Pursuant to Law No. 19 of 2009, the Supreme Council of Energy was established on 28 June 2009 to regulate the water and energy sector in Dubai and has been granted broad powers to regulate any public or private authority licensed to operate in the energy and water sector in Dubai. The Supreme Council of Energy is composed of a Chairman, a Vice Chairman and members of not less than five representatives from the energy and water sector in Dubai, which includes DEWA. Pursuant to Decree No. (36) of 2009, DEWA's Managing Director and Chief Executive Officer was appointed Vice Chairman of the Supreme Council of Energy.

The Supreme Council of Energy's primary objectives are to:

- ensure energy is supplied to the Emirate of Dubai;
- set effective plans for the energy sector;
- regulate the rights and obligations of service providers;
- establish relationships of effective cooperation and coordination amongst service providers;
- enhance the cost efficiency and quality of energy supply services;
- rationalise energy consumption and ensure environment sustainability; and
- enhance cooperation regarding energy issues in the Emirate of Dubai.

In order to achieve its objectives, the Supreme Council of Energy has powers to, *inter alia*:

- require service providers to provide it with information relating to their strategic plans, operational plans, financial documents, contracts and records in order to ensure that strategies are effectively coordinated across the water and energy sector;
- evaluate the performance and service quality of service providers; 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.

The Supreme Council of Energy is tasked with the governance of the Dubai Demand Side Management 2030 pillar, issued in 2011, and the Dubai Integrated Energy Strategy 2030 ("**DIES**"). DIES was launched in 2011 to set Dubai's strategic direction towards securing sustainable supplies of energy and enhancing demand efficiency of water, power and fuel.

Tariffs

The Supreme Council of Energy is responsible for approving tariffs for DCS, including the following charges:

- Capacity charges – capacity charges are capped at the amounts set out in the cooling services agreement or concession agreement governing the DCS concerned. Should a DCS provider wish to increase its capacity charges it must apply to the Supreme Council of Energy for approval. Prior to the renewal of a cooling services agreement or concession agreement the DCS provider must reapply to the Supreme Council of Energy for approval of its capacity charges. Capacity charges for new district cooling systems must be approved by the Supreme Council of Energy prior to a permit being granted in respect of the relevant district cooling system.
- Consumption charges – consumption charges are capped at 63 fils/TRh or at the level included in a pre-existing tariff arrangement, whichever is lower. The Supreme Council of Energy will reset the caps on the consumption charges when there are changes in DEWA's tariffs for electricity and water, including the fuel surcharge.
- Connection charges – connection charges are approved by the RSB, on behalf of the Supreme Council of Energy. DCS providers shall provide their proposed schedule of standard connection charges to the RSB for approval. Further, where a DCS provider proposes a connection charge outside of their approved schedule, the proposed charge must be submitted to the RSB for approval.

Regulatory and Supervisory Office for the Electricity and Water Sector in Dubai

Executive Council Resolution No. 2 of 2010 established the RSB to support the Supreme Council of Energy through the development of an effective, independent and transparent regulatory regime to deliver its energy strategy for the Emirate of Dubai.

Licensing

Pursuant to Executive Council Resolution No. (6) of 2021, DCS can only be provided in the Emirate of Dubai by those who have obtained a permit from the RSB to furnish DCS. Executive Council Resolution No. (6) of 2021 further grants the RSB powers to set technical standards, prescribe measures that a DCS provider can take against customers in arrears, resolve disputes, approve the basis of charging and approve the standard contracts for the provision of DCS.

Prior to the Global Offering, due to its status as a Government entity, the permit and penalty provisions of Executive Council Resolution No. (6) of 2021 did not apply to the Company. As such, there was no obligation for the Company to obtain a permit from the RSB to provide DCS. However, Executive Council Resolution No. (6) of 2021 applies in its entirety to the Company's subsidiaries. As such, the Company's subsidiaries that provide DCS (Empower Snow LLC and Palm District Cooling LLC) are required to obtain permits from the RSB. On 20 October 2022 and 21 October 2022, Empower Snow LLC and Palm District Cooling LLC, respectively, received their permits from the RSB to provide DCS. Following its conversion into a public joint stock company and the completion of the Global Offering, the Company will also be required to obtain a permit from the RSB to provide DCS.

Infrastructure Regulation

Law No. 6 of 2015 and Law No. (12) of 2010 provide protection to the Group's district cooling assets, including any associated infrastructure, from interference, access, damage and/or the conducting of any works by unauthorised parties without the prior approval and issuance of a permit from the Company, subject to the Company's right to levy penalties for such violations.

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; the Managing Director of DEWA sits on the Infrastructure and Environment Committee. While the Infrastructure and Environment Committee has not promulgated or implemented any specific regulations in relation to DCS, it can direct the Group to carry out its projects in a way that meets Dubai's infrastructure or

environmental requirements. Where applicable, the Group will comply with regulations issued by the RTA relating to specific routes and corridors.

Environmental Regulation

The Group is subject to environmental regulations issued under UAE federal law and under Dubai law. 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. Pursuant to Local Order No. (61) of 1991 (the “**Local Order**”), the Dubai Municipality is the legal enforcer for environmental laws in Dubai. 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, an entity that has caused environmental damage could be subject to civil liability for negligence.

Regulations for the Implementation of Executive Order No. (27) of 2008 encourages the use of recycled water in district cooling applications and requires thermal energy storage facilities at district cooling plants. The regulations are applicable to new district cooling installations with a capacity greater than 10,000 TRh.

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.

General

Contractual Framework

The Company enters into master development agreements (“**Master Development Agreement**”) with master developers and building owners that require district cooling services to be provided to their developments or buildings, as applicable. The key terms of the Master Development Agreements are summarised below.

Master Development Agreements entered into with a master developer or building owner contain particular provisions whereby the master developer or building owner undertakes to contractually obligate all of the owners, tenants and occupiers of properties in the relevant development to obtain district cooling services from the Company. The Company then enters into individual customer agreements with owners or tenants of the units that are on standard arms' length terms. No single customer of the Company comprises more than 5% of its annual revenue.

Master Development Agreements

The Company entered into twenty-three Master Development Agreements with developers from the year 2004 to the year 2021, two of which were entered into by Palm District Cooling LLC and one by Snow LLC (now known as Empower Snow LLC). The terms and conditions of the Master Development Agreements are based on the Company's standard form, with the exception of certain agreements which are discussed further below, see “—*Agreement with Meydan City Corporation relating to Meydan*”, “—*Agreement with Jumeirah Village LLC relating to Jumeirah Village*”, “—*Memorandum of Understanding with Dubai Technology and Media Free Zone Authority relating to Jumeirah Beach Residence*”, “—*Agreement with Road and Transport Authority relating to Route 2020 Stations*” and “—*Agreement between Snow LLC and Nakheel PJSC relating to Nakheel Developments*”. The term of each of these agreements is typically from 25 to 30 years from the date on which the Company makes available, to the relevant district, the full estimated maximum amount of refrigeration capacity that will be required to meet all air conditioning demands in such district (“**Site Demand Load**”). The Company has only delivered three full Site Demand Load contracted under its Master Development Agreements, meaning that the remaining term of the majority of the Master Development Agreements is 25 years or more.

The Master Development Agreements contain renewal clauses, which allow either party to the agreement to give written notice to the other party, two years prior to the expiry of the term of the agreement, requesting the renewal of the agreement or confirming that it does not wish to renew the term. If a renewal is requested, the parties shall endeavour to agree to the terms and conditions of the renewal. The Master Development Agreements can be renewed for an indefinite number of periods. If the parties do not agree to such renewal terms or if a party confirms it does not intend to renew the term of the agreement, the Company shall cease to provide the district cooling services to the relevant district on the expiry of the term of the relevant Master Development Agreement.

Under the Master Development Agreements the Company agrees to construct, commission, own and operate district cooling plants and their related equipment on, or in close proximity to, the developers' sites. To be able to construct a district cooling plant in, or in close proximity to, a district, the relevant district developer agrees with the Company to either: (i) transfer ownership of; or (ii) grant a lease for a nominal fee of AED 1.00 per annum in respect of, the land on which the district cooling plant will be constructed.

Typically upon the expiry of the term of the Master Development Agreement, where land is transferred to the Company, the Company typically has the sole discretion to either: (a) retain ownership of the land, plant and equipment or any part thereof, (b) sell the land, plant and equipment or any part thereof to the district developer at the price determined by an independent valuer or (c) sell the land, plant and equipment or any part thereof to a third party, subject to providing the district developer with a right of first refusal.

Upon the expiry of the term of the Master Development Agreement, where land is leased to the Company, the Company typically has the sole discretion to either: (a) retain ownership of the plant and equipment or any part thereof; (b) sell the plant and equipment or any part thereof to the district developer at the price determined by an independent valuer; or (c) sell the plant and equipment or any part thereof to a third party, subject to providing the district developer with a right of first refusal. The lease of the land terminates on the expiry of the relevant Master Development Agreement. Where the Agreement is terminated early before the expiry of the Term by the master developer for reasons not due to the fault of the Company, Empower is entitled to compensation for costs and expenses incurred as a result of such termination, as well as a cancellation charge payment equivalent to a two year demand charge for the full Site Demand Load at the prevailing rate.

In consideration for the development of such district cooling plants, the relevant district developers agreed to provide the Company with the exclusive right to provide district cooling services to their respective districts and to bind their respective building owners, tenants and occupiers to obtain district cooling services from the Company on a sole and exclusive basis, except that the master developer may contract district cooling services from third parties: (i) for a back-up system, with the Company's prior written consent (not to be unreasonably withheld); or (ii) if and to the extent the Company is requested to supply district cooling services in excess of the site demand load and the Company does not agree to supply such excess load.

The Company receives payments in the form of: (i) a demand charge and a consumption charge from any owner and/or developer, including the district developer, of a building within the relevant district; and (ii) a consumption charge from any owner, tenant or occupier of an individual unit in any building within such district. Once the Company delivers the full Site Demand Load, being the maximum amount of refrigeration capacity that will be required to be available for the Group to meet all the air conditioning demands of the site, on the mutually agreed date, it has the right to charge a "shortfall" demand charge payable by the master developer each year for the difference between the aggregate building demand load and the total demand load for the site.

The table below sets out further details of each of the Master Development Agreements entered into by the Company.

List of Master Development Agreements

No.	Counterparty	Site	Date⁽¹⁾
1.	Dubai Properties LLC	Business Bay	28 August 2005
2.	The Land Company (TEO)	Dubai International Financial Centre	12 December 2004
3.	Dubai Properties LLC	Culture Village	10 July 2007
4.	Dubai Properties LLC	Mirdiff Buildings Project	25 November 2009
5.	Bluewaters LLC	Bluewaters	1 September 2015
6.	Dubai Properties LLC	Al Quoz Jumeriah Hospitality Project	25 November 2009
7.	Tecom Investments FZ LLC	International Media Production Zone	13 March 2006
8.	IMG Group LLC	City of Arabia, Dubai Land	8 April 2015
9.	Al Fattan Properties	Al Fattan Marine Towers	1 December 2004
10.	Dubai Health Care City FZ LLC	Dubai Health Care City – Phase II	22 September 2008
11.	Meydan City Corporation	Meydan City	23 July 2020
12.	Dubai World Trade Center LLC	Dubai World Trade Centre – Phase 1-3	30 June 2008
13.	Nakheel PJSC (entered into by Palm District Cooling LLC)	Nakheel (Palm Jumeirah, Discovery Gardens and Ibn Batuta Mall)	29 March 2009
14.	Deira Water Front Development LLC	Deira Waterfront Development	30 August 2018
15.	Adwab Real Estate Limited Co. L.L.C	Wadi Al Safa 3 (Al Barari Development)	4 July 2018
16.	Dubai Health Care City (DHCC)	Dubai Health Care City	31 January 2006
17.	Jumeirah Village LLC	Jumeirah Village	4 February 2016
18.	Dubai Technology and Media Free Zone Authority	Jumeirah Beach Residence	1 January 2005
19.	Road and Transport Authority	Dubai Metro 2020 Stations	6 June 2017
20.	Nakheel PJSC (entered into by Snow LLC)	Nakheel (Multiple Sites)	16 December 2021
21.	Innovation Hub FZ LLZ	Innovation Hub, TECOM A	28 June 2017
22.	wasl LLC	Kifaf Development – Phase 2, 3, 4 and 5	2 March 2020
23.	Dubai Multi Commodities Centre Authority (entered into by Palm District Cooling LLC)	Jumeirah Lake Towers, Dubai Multi Commodities Centre Business Park, DMCC Gemplex and JLT Embankment	21 July 2009

Note:

- (1) These dates are representative of the commencement dates of the Master Development Agreements but not the expiry of the same. The commencement dates for each Master Development Agreement begins on the date of the relevant Master Development Agreement and expires 25 or more years, as applicable, after the Company delivers the full Site Demand Load. See “—Master Development Agreements” above for further information.

The section below sets out summaries of agreements that include significant deviations from the standard terms of the Master Development Agreements.

Agreement with Meydan City Corporation relating to Meydan

The Company entered into a Master Developer Agreement with Meydan City Corporation (“**Meydan Corporation**”) on 23 July 2020 (the “**Meydan Agreement**”) to supply district cooling services to the site in Meydan which is owned, leased, sold, developed or managed by Meydan Corporation (“**Meydan Site**”) on a sole and exclusive basis. The Company agreed to purchase and operate the already existing district cooling assets in Meydan from Meydan Corporation for a purchase price of AED 100 million pursuant to an asset purchase agreement entered into between Meydan Corporation and the Company on 23 July 2020. The term of the Meydan Agreement commences on the date of the sale and purchase agreement between Meydan Corporation and the Company relating to the Meydan district cooling assets and shall continue in perpetuity.

The remaining terms of the Meydan Agreement follow the terms and conditions of the standard Master Development Agreement.

Agreement with Jumeirah Village LLC relating to Jumeirah Village

The Company entered into a district cooling services agreement with Jumeirah Village LLC (“**Jumeirah Village**”) on 4 February 2016 (the “**Jumeirah Village Agreement**”) to supply district cooling services to certain developments owned by Jumeirah Village (“**Jumeirah Village Developments**”) on an exclusive basis. The initial term of the Jumeirah Village Agreement is 30 years commencing on the date of the Jumeirah Village Agreement.

The Company’s main obligations under the Jumeirah Village Agreement is to finance, design, procure, construct, commission, test, operate and maintain all district cooling plants and pipe networks required to provide district cooling services to the end-users at the Jumeirah Village Developments. Jumeirah Village has to enter into an end-user agreement with each end-user for the provision of such district cooling services. In return for the district cooling services provided by Jumeirah Village, Jumeirah Village receives payments from the end-users in the form of: (i) a one-time installation charge; (ii) a consumption charge; and (iii) a demand charge.

Memorandum of Understanding with Dubai Technology and Media Free Zone Authority relating to Jumeirah Beach Residence

The Company entered into a memorandum of understanding with Dubai Technology and Media Free Zone Authority (now known as the Dubai Development Authority) on 1 January 2005 (the “**DTMFZ Agreement**”) to purchase the DCS assets located on Jumeirah Beach Residences Development, which is owned, leased, sold, developed or managed by Al Istithmar (the “**DTMFZ Site**”) from Dubai Technology and Media Free Zone Authority for a purchase price of AED 220 million, plus AED 15 million for the supply and installation of metering equipment for individual units. Following the purchase of the DCS assets, the Company operates and maintains such assets, and supplies district cooling services to the owners and/or developers of buildings within the DTMFZ Site. End-users are charged demand and consumption fees, as well as connection fees.

Agreement with Road and Transport Authority relating to Route 2020 Stations

The Company entered into a district cooling services agreement with the Road and Transport Authority (“**RTA**”) on 6 June 2017 (the “**RTA Agreement**”) to supply district cooling services to certain facilities, including the metro stations and related buildings entrances, owned by RTA (“**RTA Facilities**”). The initial term of the RTA Agreement commences on the commencement date of the cooling services for each station and expires 10 years following such dates for each station. The term may be extended by a further 10 years with a maximum limit of 30 years in total.

The Company's main obligations under the RTA Agreement is to design, construct, commission, own and operate the district cooling plant, and all its related equipment, and provide district cooling services to the RTA Facilities. In return for the district cooling services provided by the Company, the Company receives payments from the RTA in the form of (i) a one-off connection charge, (ii) a consumption charge, and (iii) an annual demand per refrigeration ton charge.

In circumstances where the Company fails to meet certain of its obligations or if specific events occur, the RTA has the right to impose certain penalties on the Company. The amount of the penalties will depend on the failure and/or the event itself.

Agreement between Palm District Cooling LLC and Nakheel PJSC

Palm District Cooling LLC ("**PDC**") entered into a DCS agreement with Nakheel PJSC ("**Nakheel**") on 29 March 2009 (the "**Nakheel PDC Agreement**") to supply DCS to Ibn Battuta Shopping Mall, Palm Jumeirah Crescent, Palm Jumeirah Trunk, Ibn Battuta Gate Complex and Discovery Gardens (the "**Nakheel Sites**") on a sole and exclusive basis. The initial term of the Nakheel PDC Agreement is 30 years, commencing from the date each party provides the other party with reasonable evidence of the authority of their signatory to sign the Nakheel PDC Agreement. The term of the Nakheel PDC Agreement shall automatically renew for a further 30 year period unless Nakheel issues a notice to PDC of its intention not to renew at least three years prior to the expiry of the initial term.

Under the terms of the Nakheel PDC Agreement, Nakheel shall grant PDC an usufruct over the land required to construct the district cooling system in consideration for a nominal fee of AED 1.00 per annum.

Tariffs charged by PDC to end-users in the Nakheel Sites must reflect the tariffs included in the Nakheel PDC Agreement. PDC may not increase the tariffs applied to end-users of the Nakheel Sites' by more than 5% above the then prevailing annual capacity tariff charged by the Company in relation to DCS at comparable developments in Dubai.

Nakheel may terminate the Nakheel PDC Agreement immediately following the insolvency of PDC or on 60 days' notice where PDC has breached its obligations under the Nakheel PDC Agreement in a manner that materially and adversely affects the provision of DCS in the Nakheel Sites.

In the event of termination by PDC's default, PDC must notify Nakheel of whether it intends to transfer the district cooling system to Nakheel or its designee on the expiry date or to employ a competent contractor to demolish the district cooling plants six months prior to the expiry of the Nakheel PDC Agreement. If PDC opts to transfer the district cooling system to Nakheel, Nakheel shall pay to PDC the historical and audited net asset value (adjusted by any available replacement capital cost reserves in respect of the project at the expiry date) on the expiry date. If PDC opts to demolish the district cooling plants, its contractor shall do so by no later than three months following the expiry date.

Agreement between Palm District Cooling LLC and Dubai Multi Commodities Centre Authority

Palm District Cooling LLC ("**PDC**") entered into a district cooling services agreement with Dubai Multi Commodities Centre Authority ("**DMCCA**") on 21 July 2009 (the "**DMCCA Agreement**") to supply DCS to Jumeirah Lake Towers, Dubai Multi Commodities Business Park, DMCC Gemplex and JLT Embankment (the "**DMCCA Sites**") on a sole and exclusive basis. The initial term of the DMCCA Agreement is 30 years commencing from the date each party provides the other party reasonable evidence of the authority of their signatory to sign the DMCCA Agreement. The term of the DMCCA Agreement shall automatically renew for a further period of 30 years unless DMCCA issues a notice to PDC of its intention not to renew at least three years prior to the expiry of the initial term.

Under the terms of the DMCCA Agreement, DMCCA shall grant PDC a musataha over a portion of the land required to construct the district cooling system in consideration for a nominal fee of AED 1.00 per annum. The remainder of the land required for the installation district cooling system is located on land owned by the Roads and Transport Authority ("**RTA**"). PDC was required to obtain a no objection certificate from the RTA regarding the construction of parts of the district cooling system on the land owned by it.

Tariffs charged by PDC to end-users in the DMCCA Sites must reflect such tariffs included in the DMCCA Agreement. PDC may not increase the tariffs applied on the DMCCA Sites' end-users by more than 5% above

the then prevailing annual capacity tariff charged by the Company in relation to DCS at comparable developments in Dubai.

DMCCA may terminate the DMCCA Agreement immediately following the insolvency of PDC or on 60 days' notice where PDC has breached its obligations under the DMCCA Agreement in a manner that materially and adversely affects the provision of DCS in the DMCCA Sites.

In the event of termination by PDC's default, PDC must notify DMCCA of whether it intends to transfer the district cooling system to DMCCA or its designee on the expiry date or to employ a competent contractor to demolish the district cooling plants 60 days prior to the expiry of the DMCCA Agreement. If PDC opts to transfer the district cooling system to DMCCA, DMCCA shall pay to PDC the historical and audited net asset value (adjusted by any available replacement capital cost reserves in respect of the project at the expiry date) on the expiry date. If PDC opts to demolish the district cooling plants, its contractor shall do so by no later than three months following the expiry date.

Agreement between Snow LLC and Nakheel PJSC relating to Nakheel Developments

Snow LLC ("**Snow**") (now known as Empower Snow LLC) entered into a master concession agreement with Nakheel PJSC ("**Nakheel**") on 16 December 2021 (the "**Nakheel and Snow Agreement**") to supply district cooling services to certain developments owned by Nakheel ("**Nakheel Developments**") on a sole and exclusive basis. The term of the Nakheel and Snow Agreement is 30 years commencing on the date of the Nakheel and Snow Agreement.

Pursuant to the terms of the Nakheel and Snow Agreement, affiliates of Nakheel (the "**Development Owners**") engaged construction contractors to construct district cooling plants in the Nakheel Developments. These assets were then transferred to Snow, a special purpose vehicle whose ownership was then transferred to Empower through a share purchase agreement between Nakheel and Empower. With Empower as the new owner, Snow entered into individual cooling services agreements and associated land lease agreements with the respective Development Owners to provide cooling services to the relevant Nakheel Developments. During the term of the Nakheel and Snow Agreement, Snow is under an obligation to operate, maintain and repair such district cooling plants.

Nakheel has the right to terminate the Nakheel and Snow Agreement if, amongst others:

- the sale and purchase agreement (the "**Snow SPA**") under which the Company acquired the share capital of Snow from Nakheel is terminated;
- Snow commits an event of default and such event of default is not cured within 60 days of notice from Nakheel of its intention to terminate the agreement as a result of such event of default; and
- Nakheel's increased costs in respect of the project (other than the cost of the provision of district cooling services) exceed in aggregate AED 180 million.

The key events of default that apply to Snow are if Snow:

- abandons the project;
- is subject to an insolvency event;
- breaches any of its material obligations under the Nakheel and Snow Agreement and such breach is not remedied within 60 days after notice of such breach is issued by Nakheel; or
- is subject to a change, in ownership, or of control as a result of a transfer to an entity other than a fully owned subsidiary of the Company, without Nakheel's consent.

There are also standard termination clauses for prolonged force majeure and political risk events which apply to both parties.

Pursuant to the amendment agreement to the Snow SPA dated 16 December 2021, the Company has a right of first offer and a right of first refusal, should Nakheel wish to sell certain district cooling assets.

Exclusivity and Framework Agreement

The Company entered into an exclusivity and framework agreement with Dubai Holding on 23 October 2022 (the “**Exclusivity and Framework Agreement**”), in relation to certain sites owned by master developers owned and controlled by Dubai Holding. Pursuant to the Exclusivity and Framework Agreement, Dubai Holding acknowledged, on behalf of itself and each master developer, that the Company has a right to occupy and access the certain sites identified therein and that it shall continue to have free and full access to the sites for the purposes of providing DCS and constructing DCS plants in such sites. The Exclusivity and Framework Agreement grants the Company the exclusive right (subject to customary carve-outs) to provide DCS within the relevant master developments for the term of the Exclusivity and Framework Agreement. The Company has agreed to, and Dubai Holding shall procure that each master developer will, negotiate, subject to agreement of the terms, and enter into master development agreements in respect of each of the identified sites as soon as reasonably practicable following the date of the Exclusivity and Framework Agreement. On entry into a master development agreement in respect of a site, the Exclusivity and Framework Agreement would terminate in respect of such site. The Exclusivity and Framework Agreement will otherwise terminate after 25 years from the date of signing.

Irrevocable Guarantee Agreement

The Company entered into an irrevocable guarantee agreement with the Selling Shareholders on 23 October 2022, whereby the Selling Shareholders agreed, severally, on a pro rata basis relative to their shareholding in the Company, to unconditionally and irrevocably guarantee all future liabilities (including any penalties) of the Company arising from the 30% Fee that may be levied by the DLD as a result of the change to the ultimate beneficial ownership of the Company’s Government granted lands that results from the Global Offering, see “*Risk Factors—Risks Relating to the Group—The Group may have the regulatory obligation to pay certain fees in connection with the change in status of certain of its lands upon completion of the Global Offering*”.

Master Land Agreement with Dubai Holding

The Company entered into a master land agreement with Dubai Holding on 23 October 2022, whereby the Company and Dubai Holding agreed to negotiate to enter into lease agreements relating to eight plots the Company had previously recognised in its accounts and which were reversed in the accounts for the three months ended 30 September 2022, see “*Related Party Transactions—Relationship with Dubai Holding—Land*”. For further information, see note 6 of the Q3 2022 Interim Financial Statements.

Letters of Acceptance for Contracting Agreements

Letter of Acceptance for Jumeirah Village Circle (JVC) District Cooling Project

The Company signed a letter of acceptance (“**LOA**”) on 14 November 2018 to appoint ADC Energy Systems as the contractor for the construction, completion, testing and commissioning, and maintenance (during the 730-day defects liability period) of Jumeirah Village Circle (JVC) District Cooling Plant (the “**Works**”). Dar Al-Handasah Consultants was appointed as consultant and engineer for the Works.

The contract price for the Works is AED 193,517,114 (excluding VAT), subject to adjustment in accordance with the contract, and includes a 20% advance payment (upon receipt of an advance payment guarantee), with the balance payable in instalments upon receipt of interim payment statements from the contractor and subject to 10% payment retention.

The Works are divided into two sections, both of which were to commence upon receipt of the notice to commence to be issued within 60 days of the LOA. Section 1 (all works for and in connection with reliably producing and delivering 37,500TR of cooling load) is to be completed within 360 days from commencement, with delay liquidated damages payable at a rate of AED 150,000 per day of delay. Section 2 (testing, reliably producing and delivering a total of 49,652TR of cooling load, delivered from installing the remaining two Thermal Energy Storage (TES) tanks) is to be completed within 480 days from commencement, with delay liquidated damages payable at a rate of AED 50,000 per day of delay. The total amount of delay liquidated damages under the contract is capped at 10% of the contract value.

Letter of Acceptance for Business Bay District Cooling Project

The Company signed a letter of acceptance (“**LOA**”) on 24 September 2020 to appoint AG Engineering LLC as the contractor for the construction, completion, testing and commissioning, and maintenance (during the 730-day defects liability period) of Business Bay District Cooling Plant (the “**Works**”). Allied Consultants Ltd. was appointed as consultant and engineer for the Works.

The contract price for the Works is AED 155,686,953 (excluding VAT), subject to adjustment in accordance with the contract, and includes a 20% advance payment (upon receipt of an advance payment guarantee), with the balance payable in instalments upon receipt of interim payment statements from the contractor and subject to 10% payment retention.

The Works are divided into three sections, all of which were to commence upon receipt of the notice to commence to be issued within 60 days of the LOA. Section 1 (18,750TR of chillers with all related equipment to allow for chilled water production) is to be completed within 394 days from commencement, with delay liquidated damages payable at a rate of AED 75,000 per day of delay. Section 2 (completion of 2 complete thermal energy storage tanks and chiller installed load with all associated equipment) is to be completed within 469 days from commencement, with delay liquidated damages payable at a rate of AED 37,500 per day of delay. Section 3 (Project Close Out) is to be completed within 544 days from commencement, with delay liquidated damages payable at a rate of AED 10,000 per day. The total amount of delay liquidated damages under the contract for sections 1 and 2 is capped at 10% of the contract value, and is uncapped for section 3.

Letter of Acceptance for Za’abeel (DCP 01) District Cooling Project in Za’abeel, Dubai

The Company signed a letter of acceptance (“**LOA**”) on 4 October 2020 to appoint AG Engineering LLC as the contractor for the construction, completion, testing and commissioning, and maintenance (during the 730-day defects liability period) of Za’abeel-1 District Cooling Plant (the “**Works**”). DC Pro Engineering LLC was appointed as consultant and engineer for the Works.

The contract price for the Works is AED 132, 987,182 (excluding VAT), subject to adjustment in accordance with the contract, and includes a 25% advance payment (upon receipt of an advance payment guarantee), with the balance payable in instalments upon receipt of interim payment statements from the contractor and subject to 10% payment retention.

The Works are divided into three sections, all of which were to commence upon receipt of the notice to commence to be issued within 100 days of the LOA. Section 1 (all works for and in connection with reliably producing and delivering 18,750 RT of cooling load) is to be completed within 360 days from commencement, with delay liquidated damages payable at a rate of AED 78,750 per day of delay. Section 2 (completion of TES system and all remaining works) is to be completed within 435 days from commencement, with delay liquidated damages payable at a rate of AED 37,800 per day of delay. Section 3 (Project Close Out) is to be completed within 510 days from commencement, with delay liquidated damages payable at a rate of AED 10,000 per day. The total amount of delay liquidated damages under the contract for Sections 1 and 2 is capped at 10% of the contract value, and is uncapped for Section 3.

Letter of Acceptance for International Media Production Zone (IMPZ) District Cooling Project

The Company signed the letter of acceptance (“**LOA**”) on 4 September 2019 to appoint AG Engineering LLC as the contractor for the construction, completion, testing and commissioning, operation and maintenance (during the 730-day defects liability period) of International Media Production Zone (IMPZ) District Cooling Plant (the “**Works**”). Dar Al-Handasah Consultants was appointed as consultant and engineer for the Works.

The contract price for the Works is AED 158,776,091 (excluding VAT), subject to adjustment in accordance with the contract, and includes a 20% advance payment (upon receipt of an advance payment guarantee), with the balance payable in instalments upon receipt of interim payment statements from the contractor and subject to 10% payment retention.

The Works are divided into two sections, both of which were to commence on the date of the LOA. Section 1 (all works necessary for the delivery of 25,000 RT of cooling load) is to be completed within 420 days from commencement, with delay liquidated damages payable at a rate of AED 102,500 per day of delay. Section 2 (Testing and commissioning of the Thermal Energy (TES) Tanks and whole of the Works) is to be completed

within 480 days from commencement, with delay liquidated damages payable at a rate of AED 38,364. The total amount of delay liquidated damages under the contract is capped at 10% of the contract value.

Supply Agreements

Trane Contract for the Supply of Water Cooled Chiller Units to the Company's Project Sites in Dubai

The Company entered into an agreement with Trane BVBA ("**Trane**") on 27 November 2018 for the manufacture, storage, testing, delivery, supervision of installation, pre-commissioning, commissioning and maintenance (during the warranty period of 60 months from the date of successful commissioning) of water cooled chiller units and related equipment (the "**Contract**").

The Contract Price is AED 110,403,600 (excluding VAT) and the rates and prices under the Contract shall be fixed for all orders that are placed for manufacture prior to 31 December 2019. The Contract Price is subject to adjustment under the Contract and shall be paid in the following instalments: 10% advance payment, 70% of the price of each unit upon delivery to site, 10% of the price of each unit upon completion of commissioning and 10% of the price of each unit within 60 days of receipt of all required close-out submittals.

The Contract covers five sites:

- At project site 1 (IMPZ District Cooling Project), eight chiller units and all accessories must be delivered within 190 calendar days from the date of the written notice to deliver to the site;
- At project site 2 (TECOM C District Cooling Project), eight chiller units and all accessories must be delivered within 190 calendar days from the date of the written notice to deliver to the site;
- At project site 3 (JVC District Cooling Project), 12 chiller units and all accessories must be delivered within 190 calendar days from the date of the written notice to deliver to the site;
- At project site 4 (DLRC District Cooling Project), six chiller units and all accessories must be delivered within 190 calendar days from the date of the written notice to deliver to the site; and
- At project site 5 (JBH District Cooling Project), three chiller units and all accessories must be delivered within 190 calendar days from the date of the written notice to deliver to the site.

The time for installation for each of the chiller units is 30 calendar days from the date of written notice to commence service at the site. The time for completion of the full commissioning of the chiller units under project sites 1 to 5 is 21 calendar days from the date of written notice to commence commissioning at the site. Delay liquidated damages shall accrue for each day of delay at a rate of AED 2.50 per RT per day, up to a cap of 10% of this final Contract Price. The total liability of Trane is limited to 100% of the total Contract Price.

MHITS Contract for the Supply of Water Cooled Chiller Units to the Company's Project Sites in Dubai

The Company entered into an agreement with Mitsubishi Heavy Industries Thermal Systems, LTD ("**MHITS**") on 16 December 2020 for the manufacture, storage, testing, delivery, supervision of installation, pre-commissioning, commissioning and maintenance (during the warranty period of the shorter 60 months from the date of successful commissioning or 72 months from the date of delivery) of water cooled chiller units and related equipment (the "**Contract**").

The contract price is AED 79,771,235.00 (excluding VAT) (the "**Contract Price**") and the rates and prices under the Contract shall be fixed for all orders that are placed for manufacture prior to 31 October 2022. The Contract Price is subject to adjustment under the Contract and shall be paid in the following instalments: 20% advance payment, 65% of the price of each unit upon delivery to site, 10% of the price of each unit upon completion of commissioning and 5% of the price of each unit within 60 days of receipt of all required close-out submittals.

The Contract covers five sites:

- At project site 1 (Business Bay BB05 District Cooling Project), four chiller units and all accessories must be delivered by 31 May 2021 and two chiller units must be delivered by 30 June 2021;

- At project site 2 (DLRC District Cooling Project), six chiller units and all accessories must be delivered by 31 July 2021;
- At project site 3 (Za'abeel One District Cooling Project), six chiller units and all accessories must be delivered by 30 June 2021;
- At project site 4 (Jumeirah Beach Hotel (JBH) District Cooling Project), eight chiller units and all accessories must be delivered within 242 calendar days from the date of a written notice to manufacture the units; and
- At project site 5 (Dubai Healthcare City (DHCC) District Cooling Project), three chiller units and all accessories must be delivered within 242 calendar days from the date of a written notice to manufacture the units.

The time for installation for each of the chiller units is 30 calendar days from the date of written notice to commence service at the site. The time for completion of the full commissioning of the chiller units under project sites 1 to 5 is 21 calendar days from the date of written notice to commence commissioning at the site. Delay liquidated damages shall accrue for each day of delay at a rate of AED 2.50 per RT per day, up to a cap of 10% of this final Contract Price. The total liability of MHITS is limited to 100% of the total Contract Price.

Heads of Terms Agreement with Dubai Airport

On 27 October 2021, the Company signed a heads of terms agreement with Dubai Aviation City Corporation and Dubai Airports Corporation (the “**Heads of Terms**”) in relation to the announced proposed acquisition of 85% of the district cooling systems of the Dubai International Airport for AED 1.1 billion, which is expected to close by 31 December 2022 (“**Dubai International Airport District Cooling Acquisition**”). The Heads of Terms is non-binding and represents an agreement between the parties to cooperate and negotiate in good faith to enter into transaction documents establishing the proposed acquisition.

Certain Financing Arrangements of the Group

Islamic and Conventional Facilities

Overview

The Company entered into conventional term loan facilities (the “**Conventional Facilities**”) and standard (long/short) commodity Murabaha Shariah compliant facilities (the “**Islamic Facilities**”) on 26 September 2022, for an amount of AED 5.5 billion with Emirates NBD Capital Limited as initial conventional mandated lead arranger, initial Islamic mandated lead arranger, bookrunner and coordinator; Emirates NBD Bank (P.J.S.C.) as underwriter, original conventional bank, original Islamic participant, conventional facility agent, investment agent and global agent, and Palm District Cooling LLC as guarantor (the “**Facilities**”).

The Facilities provide an:

- (1) AED 1,375,000,000 term loan facility (“**Conventional Facility A1**”);
- (2) AED 1,375,000,000 term loan facility (“**Conventional Facility A2**”);
- (3) AED 1,375,000,000 commodity murabaha facility (“**Islamic Facility B1**”); and
- (4) AED 1,375,000,000 commodity murabaha facility (“**Islamic Facility B2**”).

Conventional Facility A1 and Islamic Facility B1 each matures on the date falling 36 months after the date of the Facilities and Conventional Facility A2 and Islamic Facility B2 each matures on the date falling 60 months after the date of the Facilities.

Each Facility is repayable in full on its relevant termination date.

The rate of interest payable on Conventional Facility A1 and the Conventional Facility A2 is an agreed margin plus EIBOR. The Conventional Facilities also include an additional default rate in respect of overdue amounts

which is added to the interest rate that would apply if such amounts constituted a loan under the Conventional Facilities. Subject to any selection notice, the interest is payable on a monthly basis.

The profit rate payable under Islamic Facility B1 and Islamic Facility B2 is an agreed margin plus EIBOR (in each case, with Murabaha calculation periods of one month, or such other period as agreed (being either three, six or twelve months)). The Islamic Facilities include an additional late payment donation amount, payable at a rate of EIBOR plus the applicable margin plus an additional agreed margin per annum, multiplied by the days of overdue payment (as applicable).

The Company also pays certain other fees and costs under the Facilities, including fees for arrangement and agency services.

The Facilities are governed by English law and are subject to the arbitration (LCIA Rules, Dubai International Financial Centre seat). The finance parties have an option to litigate a dispute.

As at the date of this Offering Memorandum, an amount of AED 4.5 billion has been drawn and remains outstanding, out of which AED 2.9 billion has been utilised for purposes of the Group's dividend payments prior to the Global Offering and the remaining amount has been utilised for the settlement of the Group's existing loans. The remaining amount of AED 1.0 billion is unutilised and is expected to be utilised in connection with the completion of the Dubai International Airport District Cooling Acquisition.

Purpose

All amounts utilised under the Conventional Facilities and proceeds received under the Islamic Facilities will be applied towards:

- (a) the repayment, payment, settlement or netting of amounts owing under or in connection with certain existing facilities; and/or
- (b) the Company's general corporate purposes (including, but not limited to, dividend recapitalisation and fees, costs and expenses in connection to the Facilities).

Security

None.

Prepayment and cancellation under the Facilities

The Facilities are subject to certain mandatory prepayment provisions, which require mandatory cancellation, and if applicable, prepayment in full or in part in certain circumstances, including, but not limited to: (i) with respect to any financier, if it becomes unlawful for such financier to perform any of its obligations under the relevant Facility; and (ii) the event of a change of control, including by DEWA ceasing directly or indirectly to own legally and beneficially more than 50.1% of the issued share capital of the Company, and the Company ceasing to own, legally and beneficially at least 99% of the issued share capital of Palm District Cooling LLC.

No facility that has been repaid may be re-borrowed.

Subject to certain conditions, the Company may voluntarily prepay (in full or in part) any amount outstanding under the Facilities, by giving five business days' prior notice, provided that any such prepayment is for no less than AED 5 million.

Covenants

The Facilities contain customary information undertakings, affirmative covenants and negative covenants (including, without limitation, a negative pledge), in each case subject to certain agreed exceptions and materiality carve outs. The covenants include a gearing ratio (the ratio of consolidated total net debt to consolidated tangible net worth for the relevant period) and a leverage ratio (the ratio of consolidated total net debt to consolidated EBITDA in respect of that relevant period). These financial covenants are tested half-yearly (except where compliance is required at any time) in arrear based on the previous 12 months, by reference to each compliance certificate delivered.

Events of Default

The Facilities contain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) consistent with facilities of this nature, including (but not limited to): (i) non-payment; (ii) failure to satisfy a financial covenant; (iii) misrepresentation; (iv) cross default; and (v) insolvency.

The cross default event of default will be triggered where:

- (a) any financial indebtedness of the Company or any of its subsidiaries is not paid when due (subject to certain carve outs and any applicable grace period);
- (b) any financial indebtedness of the Company or any of its subsidiaries (subject to certain carve outs) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (c) any commitment for any financial indebtedness of the Company or any of its subsidiaries (subject to certain carve outs) is cancelled or suspended by a creditor of the Company or its subsidiaries as a result of an event of default (however described); and
- (d) any creditor of the Company or any of its subsidiaries (subject to certain carve outs) becomes entitled to declare any financial indebtedness of the Company or that subsidiary 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 US\$50 million (or its equivalent in any other currency or currencies).

TAXATION

UAE Taxation

The following comments are general in character and are based on the current and proposed tax regimes applicable in the United Arab Emirates (“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 Companies in the UAE

Current Emirate level corporate tax regime

The UAE currently has no system of federal corporate tax (“CT”). Instead, most of the Emirates have their own CT decrees. Whilst these decrees potentially levy CT on all companies, in practice corporate tax is currently only applied to certain companies operating in the upstream oil and gas industry. Further, some of the individual Emirates have also issued banking tax decrees which are applicable to mainland branches of foreign banks in the UAE on their net income. On this basis, the Company is not currently subject to corporate tax in the UAE, or required to make any corporate tax filings.

Proposed federal UAE corporate tax law

On 31 January 2022, the UAE Ministry of Finance (“MoF”) announced their intention to introduce a federal corporate tax law (the “UAE CT Law”), effective for financial years commencing on or after 1 June 2023 (UAE entities with an accounting year ended 31 December will become subject to UAE CT Law from 1 January 2024). As of the date of this Offering Memorandum, the UAE CT Law has not yet been released and the comments in this document are therefore based on the MoF’s announcement and on a consultation document released by the MoF on 28 April 2022. The consultation document sets out the key principles that the UAE CT Law will be based upon, however this is subject to change following the publication of the law.

The UAE CT Law will have a much wider application than the existing emirate level CT regime and will apply to all businesses and commercial activities operating across the UAE, with the exception of:

- entities engaged in the extraction of UAE natural resources (these are predominantly upstream oil and gas companies, which will continue to be subject to Emirate level corporate taxation);
- charities and other public benefit organisations, provided that an exemption application is made to the ministry of finance and approved by Cabinet decision;
- the federal UAE government, Emirate governments and their departments and authorities;
- wholly government-owned UAE companies that carry out specified activities, provided they are approved by Cabinet decision;
- public and regulated private social security and retirement pension funds;
- investment funds that are organised as flow-through limited partnerships. Regulated investment funds and REITs can apply for exemption if they meet certain requirements;
- 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 they do not conduct business with mainland UAE.

Free zones

Companies or branches operating within the UAE’s free zones will be subject to the new UAE CT Law and will have to register and file a CT return. However, they should be eligible for the free zone 0% CT rate provided

they continue to comply with all regulatory requirements within the free zone and do not carry on business with the mainland (passive income such as interest, royalties, dividends, and capital gains from mainland companies are excluded). This is subject to the comments on the application of the Pillar 2 below.

The proposed rates

The CT rate is set at 0% for taxable income between AED 0 and AED 375,000, and 9% for taxable income above AED 375,000.

UAE entities within a large multinational group that fall under the scope of Pillar 2 of the OECD Base Erosion and Profit Shifting (“**BEPS**”) 2.0 framework (*i.e.*, those with consolidated global revenues of more than EUR 750m, equivalent to approximately AED 3.15 billion on or about the date of this Offering Memorandum) will have a different higher rate, which is still to be announced (but is likely to be 15%, given the global minimum effective tax rate proposed by the OECD).

It is not currently clear how the Pillar 2 regime will interact with the new federal CT regime, but it should be noted that this may impact the application of the 0% rate for free zone entities within groups that fall within the Pillar 2 regime.

Taxable profit

UAE CT will be payable on the accounting net profit reported in the financial statements of the business, with a certain limitations on expense deductions including, but not limited to:

- Interest expense deductions will be limited to 30% of EBITDA in line with the interest limitation rules contained in Action 4 of BEPS.
- Payments made to free zone entities from related UAE mainland entities will not be deductible.
- Penalties, recoverable VAT or donations paid to organisations that are not an approved charity or public benefit organisation will not be deductible.
- Entertainment expenses will be deductible up to 50%.

A UAE resident group of companies can elect to form a tax group and be treated as a single taxable person if the parent company holds at least 95% of the share capital and voting rights of its subsidiaries. To form a tax group, neither the parent company nor any of the subsidiaries can be an exempt person or a Free Zone Person that benefits from the 0% CT rate, and all group members must use the same financial year.

Withholding tax

As of the date of this Offering Memorandum, under current legislation in force in the UAE, with respect to any payment on securities, there will be no withholding or deduction for or on account of any taxes in the UAE or any other tax implications in the UAE.

Following the implementation of the new UAE CT Law, the UAE will apply withholding tax at a rate of 0% to certain domestic and cross-border payments made by UAE businesses.

Given the rate of withholding tax is proposed to be at 0%, UAE businesses will not be required to make any deductions from payments made to resident or non-resident recipients, nor will there be an obligation to file withholding tax returns.

Tax considerations for prospective shareholders

Taxation of individuals in the UAE

As of the date of this Offering Memorandum, there is currently no federal or emirate-level personal income tax levied on individuals 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 Global Offering based on local tax regulations in their respective jurisdictions.

Taxation on purchase of Shares

Completion of the Global 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 tax 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 that are tax resident in the UAE. Non-UAE tax residents, or dual tax resident 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 in their respective jurisdictions.

From a VAT perspective, the purchase of shares is considered an exempt supply for the purposes of VAT unless a zero rating provision applies pursuant to Article 42 of the UAE VAT Executive Regulations. As such, we do not anticipate VAT implications for the purchase of Shares.

Taxation of dividends and capital gains on sale

UAE tax resident individual shareholders

Based on the current tax practice within the UAE outlined above, the purchase of Shares and any related dividend income, or gains on sale, should not result in any UAE tax liabilities for UAE tax resident individuals.

Non-UAE tax resident individual shareholders

Non-UAE tax residents, or dual tax residents, 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 in their respective jurisdictions.

UAE tax resident corporate shareholders

Under the currently applicable Emirate level CT regime, the purchase of Shares should not result in any UAE tax liabilities for 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 a branch of a foreign bank. Such shareholders should consult their own tax advisers as to the taxation of dividend income and gains on the future sale.

Under the new federal UAE CT regime (as detailed above), dividends and gains realised by UAE resident corporate shareholders in relation to their investment may be taxable. However, the new UAE CT regime is introducing a participation exemption, which may exempt such income from CT provided certain conditions are met, including that the dividend income and capital gains are derived from “qualifying shareholdings” (to be defined in the UAE CT Law, once issued).

Non-UAE tax resident corporate shareholders

Non-UAE tax resident companies, or dual tax resident 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 in their respective jurisdictions, and should consult their own tax advisors.

Withholding tax

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 withholding tax in the UAE. As per the comments above, the new UAE CT Law is introducing a withholding tax regime at a rate of 0%, so there should be no withholding tax implications for dividend payments following the introduction of the new UAE CT Law. However, developments relating to the UAE CT Law and further clarifications on its future application are still unclear as of the date of this Offering Memorandum.

Value Added Tax

Value Added Tax (“**VAT**”) was introduced in the UAE on 1 January 2018 pursuant to Cabinet decision No. 52 of Federal Decree Law No. (8). The general VAT rate is 5% and applies to most goods and services, with some goods and services subject to a 0% rate or an exemption from VAT (subject to specific conditions being met).

The 0% VAT rate applies to goods and services exported outside the VAT-implementing GCC member states, international transportation, the supply of crude oil/natural gas, the first supply of residential real estate, and some specific areas, such as health care and education. Presently, the UAE does not recognise any of the GCC states that have introduced VAT (at the time of this Offering Memorandum, KSA, Oman and Bahrain) as “Implementing States” for VAT purposes and therefore the special intra-GCC rules do not apply to transactions taking place between the UAE and other GCC states (treated similar to transactions with other non-GCC states).

A VAT exemption applies to certain financial services, as well as to the subsequent supply of residential real estate. Further, transactions in bare land and domestic passenger transport are also exempt from VAT.

Further, certain transactions in goods between companies established in UAE Designated Free Zones (as notified specifically for VAT purposes) (“**DZs**”) may not be subject to VAT. The supply of services within DZs is, however, subject to VAT in accordance with the general application of the UAE VAT legislation.

For UAE resident businesses, the mandatory VAT 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.

No registration threshold applies to non-resident businesses making supplies on which the UAE VAT is required to be charged.

VAT grouping is allowed, provided certain conditions are met.

There are specific documentary and record-keeping requirements, such as the requirement to issue tax invoices and submit VAT returns (on a quarterly or monthly basis depending on the allocation by the Federal Tax Authority (“**FTA**”)).

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.

Excess input VAT can, in principle, be claimed back from the FTA, subject to a specific procedure. Alternatively, VAT credits may be carried forward and deducted from future output VAT.

Businesses that do not comply with their VAT obligations can be subject to fines and penalties. There are both fixed and tax-geared penalties.

Under the UAE VAT legislation, no VAT should be payable in respect to the acquisition or sale of Shares. However, it should be noted that fees relating to the transfer of ownership of shares would be subject to VAT at the standard rate of 5%.

For completeness, dividend income received by merely holding shares in a company does not constitute consideration for a supply. Therefore, passively earned dividend income would not amount to a consideration for a taxable supply and should be outside the scope of UAE VAT.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SHARES UNDER THE INVESTOR’S OWN CIRCUMSTANCES.

SALE OF SHARES

The Company, the Selling Shareholders and the Joint Bookrunners named below have entered into an Underwriting Agreement with respect to the Shares, in connection with the Qualified Investor Offering (the “**Sale Shares**”). Subject to the satisfaction of certain conditions set out in the Underwriting Agreement including the execution of the Pricing Memorandum (as defined below), each Joint Bookrunner has agreed, severally but not jointly, to procure purchasers for, or failing which to purchase, such number of Sale Shares as are set forth and on the terms specified in the Underwriting Agreement and Pricing Memorandum.

The Offer Price Range is AED 1.31 to 1.33 per Share. The Joint Bookrunners will receive an aggregate base fee equal to 1.20% of the amount equal to the offer price multiplied by the aggregate number of Sale Shares sold as part of the Qualified Investor Offering.

In addition, the Joint Bookrunners may receive a discretionary fee of up to 0.75% of the amount equal to the offer price multiplied by the aggregate number of Sale Shares sold as part of the Qualified Investor Offering.

All expenses of the Global Offering (including base fees and any discretionary fee) will ultimately be borne by the Selling Shareholders.

Underwriting Agreement and Pricing Memorandum

In the Underwriting Agreement, the Company and the Selling Shareholders 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 Sale Shares on behalf of the Selling Shareholders and 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 underwriting commitment of the several Joint Bookrunners will be subject to certain conditions precedent, including among others, the execution of a pricing memorandum, a form of which is set out in the Underwriting Agreement (the “**Pricing Memorandum**”) by the Company, the Selling Shareholders and the Joint Bookrunners confirming the offer price for the Sale Shares, the final number of Sale Shares offered in the Global Offering and the number of Sale Shares each Joint Bookrunner has agreed to procure purchasers for, or failing which to purchase. The Pricing Memorandum is expected to be executed on the Expected Pricing Date.

The Joint Global Coordinators, acting on behalf of 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

It is expected that the offer price will be within the Offer Price Range. The Offer Price Range is indicative only and may change during the course of the Global Offering, and the offer price may be set within, above or below the Offer Price Range. Based on the dividend policy approved by the Board of Directors, which is expected to be a minimum dividend amount of AED 850 million paid in 2023 or AED 0.085 per share, the Offer Price Range implies a dividend yield within the approximately 6.4% to 6.5% range, see “*Dividend Policy*”.

Prior to the Global Offering, there has been no public market for the Shares. The offer price will be determined by negotiations between the Company, the Selling Shareholders and 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 (including any of its subsidiaries and any person acting on its or its subsidiaries' behalf) 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 ordinary 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 any shares, in each case, whether any such transaction described in (i) or (ii) 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 described in (i) or (ii) above, in each case, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed.

Pursuant to the terms of the Underwriting Agreement, the Selling Shareholders (including any person acting on their behalf) have contractually agreed, for a period of 180 calendar days after Admission, not to: (i) directly or indirectly, 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 any ordinary shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for any ordinary shares or other shares of the Company, or request or demand 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 any ordinary shares or other shares of the Company ((i) and (ii) collectively, a **"Disposal"**); or (iii) publicly announce such an intention to effect any such transaction, whether any such transaction described in (i) or (ii) above is to be settled by delivery of shares or such other securities, in cash or otherwise, in each case, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed. These restrictions shall not apply to:

- (A) the sale of the Sale Shares or the Shares to be sold pursuant to the UAE Retail Offer;
- (B) any inter-company transfers of shares by the Selling Shareholders in favour of its affiliates (**"Transferees"**) but in the event that the Transferee is due to cease to be an affiliate, the shares shall be transferred back to the Selling Shareholders before such Transferee ceases to be an affiliate;
- (C) 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);
- (D) taking up any rights granted in respect of a rights issue or other 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;
- (E) any Disposal 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 or executing and delivering an irrevocable commitment or undertaking to accept such a general offer;
- (F) 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"**) (I) upon giving prior written notice to the Joint Global Coordinators, to any: (i) foreign government or (ii) any non-UAE Strategic Partner (as defined in Federal Decree-Law No.32 of 2021 on Commercial Companies) or (II) with the prior written consent of the Joint Global Coordinators, to any other investor (in each case, a **"Permitted Transferee"**) provided that, in each case, 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 Shareholders 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;

- (G) any Disposal by and/or allotment and issue of shares to each of the Selling Shareholders pursuant to any capital reorganisation in respect of any shares beneficially owned, held or controlled by the Selling Shareholders, *provided that* any shares issued to or otherwise acquired by the Selling Shareholders pursuant to such capital reorganisation shall be subject to the lock-up restrictions;
- (H) 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;
- (I) transferring or otherwise disposing of shares where such transfer or disposal is required by law or any competent authority or by a final order of a court of competent jurisdiction;
- (J) 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
- (K) any Disposal to which, following receipt of a written request from the relevant locked-up party for the Disposal to not be subject to the restriction contained in (F) above (such request to contain reasonable details of such Disposal), the Joint Global Coordinators (acting jointly and in good faith) have given their prior written agreement that such Disposal will not be subject to the restriction contained in (F) above.

The Underwriting Agreement provides that the carve-out set out in (B) above is subject to the following conditions: (a) that any of such Transferees shall agree to be bound by the lock-up obligations of the Selling Shareholders (for the remainder of the lock-up period following the Disposal); and (b) 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 respectively agreed that, subject to certain customary exceptions, during a period of not less than 180 days from the Closing Date, 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.

Stabilisation

There will be no stabilisation of the share price in connection with the Global Offering.

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 Shareholders and the Company. Cornerstone Investors will also participate in the Global Offering in accordance with the commitments opposite each Cornerstone Investor's name in the table set out in "*—Cornerstone Investors*".

Factors that may be taken into account by the Joint Global Coordinators, the Selling Shareholders and the Company when determining the allocations between prospective investors in the event of over-subscription may include participation in the marketing process for the Global Offering, holding behaviour in previous offerings, holdings in similar companies, pre-funding of indication of interest and other factors that the Joint Global Coordinators, the Selling Shareholders and the Company may deem relevant.

Cornerstone Investors

On 31 October 2022, the Company and the Selling Shareholders entered into cornerstone investor agreements (the “**Cornerstone Investor Agreements**”) with each of Abu Dhabi Pension Fund, Emirates NBD AM SPC on behalf of and for the account of the UAE Strategic Investment Fund 4 SP (a segregated portfolio) and Shamal Holding LLC (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 Selling Shareholders have agreed to sell, and procure the allotment and transfer of, Shares to the Cornerstone Investors from the Qualified Investor Offering at the offer price and in accordance with the commitments opposite each Cornerstone Investor’s name in the table below. The aggregate commitments of all the Cornerstone Investors pursuant to the Cornerstone Investor Agreements are approximately AED 335.0 million. 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 21 November 2022 (or such other date as may be agreed between the Company and the Cornerstone Investors). Abu Dhabi Pension Fund has conditioned its participation as a Cornerstone Investor on the offer price being no higher than AED 1.33 per Share.

Name of Cornerstone Investor	Investor Commitment Amount (AED)
Abu Dhabi Pension Fund ⁽¹⁾	85,000,000
Emirates NBD AM SPC on behalf of and for the account of the UAE Strategic Investment Fund 4 SP (a segregated portfolio) ⁽²⁾	150,000,000
Shamal Holding LLC ⁽³⁾	100,000,000
Cornerstone Investor Commitment Amount	335,000,000

(1) The Abu Dhabi Pension Fund is an Abu Dhabi Government entity, set up in 2000 to manage contributions, pensions and end-of-service benefits for UAE nationals working in or retired from the government and private sectors in the Emirate of Abu Dhabi and their beneficiaries.

(2) Emirates NBD AM SPC is acting on behalf of the UAE Strategic Investment Fund 4 SP, which was established to act as a strategic long-only investor in key Dubai initial public offerings. The UAE Strategic Investment Fund 4 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 a recognised track record of investing in, amongst other asset classes, listed equities within the MENA region via segregated mandates and mutual funds.

(3) Shamal Holding is a diversified investment firm that manages a unique portfolio of investments that are strategically aligned with Dubai’s long term ambitions.

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 Closing Date, 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

In connection with the Global Offering, each of 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 its own account 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, any of the Joint Bookrunners and any of their respective affiliates acting in such capacity. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) 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 Shareholders), 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 Shareholders.

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.

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.

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 and agrees 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 represents, warrants and undertakes that neither it, its affiliates (as defined in Rule 501 under the Securities Act), nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Shares.
- The purchaser acknowledges that the Company, the Selling Shareholders 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 Company or any Joint Bookrunner 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 Bookrunners 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 Selling Shareholders, the Joint Bookrunners and their respective 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 Shareholders and will not be responsible to anyone other than the Company and the Selling Shareholders 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 are qualified investors as defined under the UK Prospectus Regulation and 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 Company, any Selling Shareholder or any Joint Bookrunner 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 Bookrunners 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 Selling Shareholders, the Joint Bookrunners and their respective 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 or purchase of 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 Law 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 FSRA Financial Services and Markets Regulations and the Market Rules of the FSRA; 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 Rulebook; 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 Rulebook Conduct of Business Module and who are not natural persons.

Kingdom of Saudi Arabia

This Offering Memorandum may not be distributed in the Kingdom of Saudi Arabia, except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority 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.

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 or purchase.

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 offering of the Shares in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act (“**FinSA**”) because the Shares are offered to less than 500 investors and the Shares will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Memorandum does not constitute a prospectus or a similar document pursuant to FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the 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 Offering Memorandum (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 Joint Bookrunners 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 Shareholders 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 or 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 foregoing. 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.

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 and agrees 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 represents, warrants and undertakes that neither it, its affiliates (as defined in Rule 501 under the Securities Act), nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Shares.
- The purchaser acknowledges that the Company, the Selling Shareholders, 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 14 November 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 AED (unless otherwise agreed between the investor and a Joint Bookrunner). Purchasers will be required to make full payment for the Shares to the Joint Bookrunners for receipt by the Joint Bookrunners two business days 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 Allen & Overy LLP.

INDEPENDENT AUDITORS

The 2020 Financial Statements and 2021 Financial Statements, included in this Offering Memorandum, have been audited by PricewaterhouseCoopers (Dubai Branch), independent auditors, as stated in their respective independent auditor's reports included herein.

With respect to the Interim Financial Statements, included in this Offering Memorandum, PricewaterhouseCoopers (Dubai Branch) reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate review reports on the Interim Financial Statements, appearing herein, state that they did not audit, and they do not express an opinion on the Interim Financial Statements. Accordingly, the degree of reliance on their reports on the Interim Financial Statements should be restricted in light of the limited nature of the review procedures applied.

GLOSSARY OF SELECTED TERMS

“AC”	Air conditioner,
“ADGM”	The Abu Dhabi Global Market.
“AED” or “dirham”	The lawful currency of the United Arab Emirates.
“AI”	Artificial intelligence.
“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.
“ASIC”	Australian Securities and Investments Commission.
“ASX”	Australian Securities Exchange.
“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.
“BTU”	British thermal units.
“CAGR”	Compounded Average Growth Rate.
“CFCs”	Chlorofluorocarbons.
“CMA”	Capital Market Authority of the Kingdom of Saudi Arabia.
“CMSA”	Capital Markets and Services Act 2007 of Malaysia.
“CO2”	Carbon dioxide.
“Company”	Emirates Central Cooling Systems Corporation PJSC.
“Cornerstone Investors”	Abu Dhabi Pension Fund, Emirates NBD AM SPC on behalf of and for the account of the UAE Strategic Investment Fund 4 SP (a segregated portfolio) and Shamal Holding LLC.
“Corporations Act”	Australia Corporations Act 2001 (Cth).
“CPI”	Consumer price index.
“CSRC”	China Securities Regulatory Commission.
“DCS”	District cooling services.
“DCTCM”	Dubai Corporation for Tourism and Commerce Marketing.
“DEC”	Dubai Electricity Company.
“DEWA”	Dubai Electricity and Water Authority PJSC.
“DFM”	The Dubai Financial Market.
“DFSA”	The Dubai Financial Services Authority.
“DIES”	Dubai Integrated Energy Strategy 2030.
“DIFC”	The Dubai International Financial Centre.
“DLD”	Dubai Land Department.
“DoE”	Department of Energy.
“Dubai Holding”	Dubai Holding LLC.
“DUSUP”	Dubai Supply Authority.
“DWTC”	Dubai World Trade Centre.

“EEA”	European Economic Area.
“ELIPS”	Empower Logstor Insulated Pipe Systems LLC.
“Emirates Power”	Emirates Power Investment LLC.
“Empower”	Emirates Central Cooling Systems Corporation PJSC.
“ENBD”	Emirates NBD Capital PSC.
“ESG”	Environmental, Social and Governance.
“ESMA”	European Securities and Markets Authority.
“EU” or “European Union”	The European economic and political union.
“EUWA”	The European Union (Withdrawal) Act 2018.
“EWE”	Etihad Water and Electricity.
“Exchange Act”	USA Securities Exchange Act of 1934, as amended.
“FIEL”	Financial Instruments and Exchange Law.
“Free Zone Authority”	The Dubai Development Authority.
“FSMA”	UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
“FSRA”	Abu Dhabi Financial Services Regulatory Authority.
“G&A”	Governance & Accountability Institute.
“GBP”	The lawful currency of the UK of Great Britain and Northern Ireland.
“GCC”	Gulf Cooperation Council.
“GDP”	Gross domestic product.
“General Assembly”	The general assembly of the shareholders of the Company.
“Government”	Government of Dubai.
“Group”	The Company and its subsidiaries.
“HCFCs”	Hydrochlorofluorocarbons.
“IFRS”	International Financial Reporting Standards.
“Independent Financial Adviser”	Moelis & Company UK LLP DIFC Branch.
“Industry Consultants”	FTI Consulting Gulf Limited and DC Pro Engineering.
“Industry Report”	Market data and other market information derived from reports prepared for the Company by FTI Consulting Gulf Limited and DC Pro Engineering.
“Infrastructure and Environment Committee”	Government of Dubai’s Infrastructure Committee.
“ISA”	Israel Securities Authority.
“ISO”	International Organisation for Standardisation.
“IT”	Information technology.
“Joint Bookrunners”	EFG Hermes UAE Limited (acting in conjunction with EFG Hermes UAE LLC), together with the Joint Global Coordinators.
“Joint Global Coordinators”	Citigroup Global Markets Limited, Emirates NBD Capital PSC and Merrill Lynch International.
“k RT”	Thousand RT.
“KPI”	Key Performance Indicators.

“KSA” or “Saudi Arabia”	Kingdom of Saudi Arabia.
“kW”	Kilowatts.
“kWH”	Kilowatt-hour.
“Law No. 3”	Ruler of Dubai law no. (3) of the year 2010 Establishing the Emirates Central Cooling Systems Corporation.
“Law No. 10”	Ruler of Dubai law no. (10) of the year 2003 Concerning the Formation of Emirates Central Cooling System Corporation.
“Law No. 22”	Ruler of Dubai law no. (22) of the year 2022 Concerning Emirates Central Cooling Systems Corporation.
“LEED”	Leadership in energy and environmental design.
“LIBOR”	London Inter-bank Offered Rate.
“Local Order”	61/91 Local Order which appoints Dubai Municipality as the legal enforcer for the environmental laws in Dubai.
“LTIFR”	Lost Time Injury Frequency Rate.
“M&A”	Mergers and acquisitions.
“Market Law”	DIFC Markets Law DIFC Law No. 1 of 2012, as amended.
“Member State”	Each Member State of the European Economic Area.
“MENA”	Middle East and North Africa.
“MiFID II”	EU Directive 2014/65/EU on Markets in Financial Instruments.
“MIGD”	Million imperial gallons per day.
“MoCCE”	Ministry of Climate Change and Environment.
“NIN”	National Investor Number.
“OFCA”	Office of Foreign Assets Control of the U.S. Treasury Department.
“Order”	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
“OT”	Operational technology.
“PJSC”	Public Joint Stock Company.
“Pricing Memorandum”	The pricing memorandum to the Underwriting Agreement to be executed by the Company, the Selling Shareholders and the Joint Bookrunners.
“Prospectus Regulation”	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.
“QHSE”	Quality, Occupational, Health, Safety, and Environment Standards.
“R&D”	Research & Development.
“Regulation S”	Regulation S under the Securities Act.
“Relevant State”	Member states of the European Economic Area.
“RevPAR”	Revenue per available room.
“RSB”	Dubai Regulatory and Supervisory Bureau.
“RT”	Refrigerated tonnes.
“RTA”	Road Transport Authority.
“RTh”	Refrigerated tonnes hour.
“SA Companies Act”	South African Companies Act, No. 71 of 2008.

“SCA”	The UAE Securities and Commodities Authority.
“SCADA”	Supervisory Control and Data Acquisition system.
“SCE”	Supreme Council of Energy.
“SEC”	United States Securities and Exchange Commission.
“Securities Act”	United States Securities Act of 1933, as amended.
“Selling Shareholders”	Dubai Electricity and Water Authority PJSC and Emirates Power Investment LLC.
“SEWGA”	Sharjah Electricity, Water and Gas Authority.
“SIX”	SIX Swiss Exchange.
“Supreme Council of Energy”	Dubai Supreme Council of Energy.
“tCO ₂ ”	Total carbon dioxide.
“TECOM”	Tecom Investments FZ LLC.
“TECOM Group”	Tecom Investments FZ LLC and its affiliates.
“TEU”	Twenty equipment unit.
“TRh”	Tonne of refrigeration hour.
“TSE”	Treated sewage effluent.
“TWh”	Terawatt hour.
“UAE Prospectus”	A prospectus relating to the UAE Retail Offer, the publication of which was approved by the SCA.
“UAE”	United Arab Emirates.
“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.
“UK”	The United Kingdom.
“UN SDGs”	United Nations Sustainable Development Goals.
“UN”	United Nations.
“UNEP”	United Nations Environment Program.
“USA” or “US”	The United States of America.
“YoY”	Year on year.
“\$”, “USD” or “US Dollars”	The lawful currency of the United States of America.

Emirates Central Cooling Systems Corporation

Interim condensed consolidated financial statements
For the three-month and nine-month periods ended 30 September
2022 (unaudited)

Emirates Central Cooling Systems Corporation

Interim condensed consolidated financial statements
For the three-month and nine-month periods ended 30 September 2022
(unaudited)

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Review report on interim condensed consolidated financial statements to the board of directors of Emirates Central Cooling Systems Corporation

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Emirates Central Cooling Systems Corporation ("the Corporation") and its subsidiaries (together, "the Group") as at 30 September 2022 and the related interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Emphasis of matter

The interim condensed consolidated financial statements are prepared by the management in connection with the listing of the Corporation on the Dubai Financial Market in the United Arab Emirates. As a result, the interim condensed consolidated financial statements may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

Other matter

The comparative information for the interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2021, interim condensed consolidated statements of changes in equity and cash flows, and other explanatory notes for the nine-month period ended 30 September 2021 has not been audited or reviewed. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2021.

PricewaterhouseCoopers
Dubai, United Arab Emirates
14 October 2022

PricewaterhouseCoopers (Dubai Branch), License no. 102451
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Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Emirates Central Cooling Systems Corporation

Interim condensed consolidated statement of financial position

		As at	
		30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,978,831	7,032,991
Right-of-use assets		11,764	13,412
Investment properties	10	72,859	-
Intangible assets	7	355,179	364,296
Investment in a joint venture		307	307
Financial assets at amortised cost	8	302,055	305,164
Financial assets at fair value through other comprehensive income	9	53,278	58,113
		7,774,273	7,774,283
Current assets			
Inventories		39,985	27,018
Trade and other receivables	11	441,100	274,498
Due from related parties	13	16,571	3,618
Financial assets at amortised cost	8	4,100	3,911
Financial assets at fair value through profit or loss	14	100,000	100,000
Term deposits	15	12,100	114,800
Cash and cash equivalents	15	1,145,275	1,245,588
		1,759,131	1,769,433
Total assets		9,533,404	9,543,716
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Parent			
Share capital		1,000,000	1,000,000
Statutory reserve		500,000	500,000
Other reserves		(811)	2,741
Retained earnings		1,175,984	3,844,024
Contributed capital		82,190	82,190
		2,757,363	5,428,955
Non-controlling interests		2,019	1,937
Total equity		2,759,382	5,430,892
LIABILITIES			
Non-current liabilities			
Bank borrowings	16	4,488,891	987,666
Lease liabilities		10,682	11,939
Government grant		309,033	370,890
Provision for employees' end of service benefits		51,534	49,703
Retentions payable	17	24,336	35,318
		4,884,476	1,455,516
Current liabilities			
Trade and other payables	17	1,676,570	1,485,009
Due to related parties	13	207,381	166,287
Bank borrowings	16	-	1,000,219
Government grant		3,170	2,780
Lease liabilities		2,425	3,013
		1,889,546	2,657,308
Total liabilities		6,774,022	4,112,824
Total equity and liabilities		9,533,404	9,543,716

To the best of our knowledge, the interim condensed consolidated financial statements are prepared, in all material respects, in accordance with IAS 34. The interim condensed consolidated financial statements were approved by the Board of Directors on 14 Oct 2022 and were signed on its behalf by:

.....
Chief Executive Officer

.....
Chairman

The notes on pages 6 to 26 form an integral part of these interim condensed consolidated financial statements

Emirates Central Cooling Systems Corporation

Interim condensed consolidated statement of comprehensive income

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2022	2021	2022	2021
		AED'000	AED'000	AED'000	AED'000
		Unaudited	Unaudited and not reviewed	Unaudited	Unaudited and not reviewed
Revenue	18	918,817	813,668	2,073,074	1,806,782
Interest income on financial asset at amortised cost	8	4,676	-	13,927	-
Cost of sales	20	(562,513)	(499,426)	(1,177,688)	(1,019,837)
Gross profit		360,980	314,242	909,313	786,945
General and administrative expenses	21	(49,203)	(44,778)	(153,611)	(136,244)
Provision for expected credit losses	11	-	236	(7,395)	236
Other income		2,104	1,552	4,812	9,373
Operating profit		313,881	271,252	753,119	660,310
Finance income		12,336	1,907	24,172	6,572
Finance costs		(25,889)	(2,094)	(45,249)	(6,698)
Finance costs – net		(13,553)	(187)	(21,077)	(126)
Net profit for the period		300,328	271,065	732,042	660,184
Profit attributable to:					
Owners of the Parent		300,314	271,049	731,960	660,107
Non-controlling interests		14	16	82	77
		300,328	271,065	732,042	660,184
Basic and diluted earnings per share for profit attributable to the owners of the Parent (AED)	26	0.300	0.271	0.732	0.660
Profit for the period		300,328	271,065	732,042	660,184
<i>Items that will not be reclassified to profit or loss</i>					
Other comprehensive income / (loss) for the period		2,324	(281)	(3,552)	1,125
Total comprehensive income for the period		302,652	270,784	728,490	661,309
Total comprehensive income attributable to:					
Owners of the Parent		302,638	270,768	728,408	661,232
Non-controlling interests		14	16	82	77
		302,652	270,784	728,490	661,309

The notes on pages 6 to 26 form an integral part of these interim condensed consolidated financial statements

Emirates Central Cooling Systems Corporation

Interim condensed consolidated statement of changes in equity

	Note	Attributable to shareholders of the Parent						Non-controlling interests	Total equity	Total
		Share capital	Statutory reserve	Other reserves	Retained earnings	Contributed capital				
		AED'000	AED'000	AED'000	AED'000	AED'000		AED'000	AED'000	AED'000
At 1 January 2022		1,000,000	500,000	2,741	3,844,024	82,190		1,937	5,428,955	5,430,892
Total comprehensive income for the period										
Profit for the period		-	-	-	731,960	-		82	731,960	732,042
Other comprehensive income										
Other comprehensive loss for the period		-	-	(3,552)	-	-		-	(3,552)	(3,552)
Total comprehensive income for the period		-	-	(3,552)	731,960	-		82	728,408	728,490
Transaction with owners in their capacity as owners:										
Dividends	12	-	-	-	(3,400,000)	-		-	(3,400,000)	(3,400,000)
At 30 September 2022 (unaudited)		1,000,000	500,000	(811)	1,175,984	82,190		2,019	2,757,363	2,759,382
At 1 January 2021		1,000,000	500,000	2,281	3,208,164	82,190		2,115	4,792,635	4,794,750
Total comprehensive income for the period										
Profit for the period		-	-	-	660,107	-		77	660,107	660,184
Other comprehensive income										
Other comprehensive income for the period		-	-	1,125	-	-		-	1,125	1,125
Total comprehensive income for the period		-	-	1,125	660,107	-		77	661,232	661,309
Transaction with owners in their capacity as owners:										
Dividends	12	-	-	-	(300,000)	-		(300)	(300,000)	(300,300)
At 30 September 2021 (unaudited)		1,000,000	500,000	3,406	3,568,271	82,190		1,892	5,153,867	5,155,759

The notes on pages 6 to 26 form an integral part of these interim condensed consolidated financial statements

Emirates Central Cooling Systems Corporation
Interim condensed consolidated statement of cash flows

		Nine-month period ended 30 September	
		2022	2021
		AED'000	AED'000
	Note	Unaudited	Unaudited and not reviewed
Cash flows from operating activities			
Profit for the period		732,042	660,184
Adjustments for:			
Depreciation on property, plant and equipment	6	230,189	223,868
Depreciation on right-of-use assets		3,468	4,504
Impairment of trade receivables	11	7,395	(236)
Settlement of financial assets	8	16,847	-
Amortisation of intangible assets	7	9,117	-
Loss on disposal of property, plant and equipment		-	(27)
Amortization of borrowings arrangement fee		7,781	1,131
Provision for employees' end of service benefits		3,682	3,455
Interest on lease liability		425	554
Interest on financial asset	8	(13,927)	-
Finance income		(24,172)	(6,572)
Finance costs net of arrangement fee		37,043	5,013
Government grant income		(2,085)	(2,085)
Operating cash flows before changes in working capital and Payment of employees' end of service benefits		1,007,805	889,789
Changes in working capital:			
Inventories		(12,967)	(735)
Trade and other receivables		(191,653)	(105,245)
Due from related parties		(12,953)	(23,136)
Trade and other payables		255,408	(2,254)
Due to related parties		41,094	248,840
Cash generated from operations		1,086,734	1,007,259
Payment of employees' end of service benefits		(568)	(1,144)
Net cash inflow from operating activities		1,086,166	1,006,115
Cash flows from investing activities			
Purchase of property, plant and equipment, net of project cost accruals		(365,445)	(435,320)
Short-term deposits (more than 3 months) redeemed		102,700	6,000
Gain on disposal of property, plant and equipment		-	27
Interest received		24,172	6,572
Net cash outflow from investing activities		(238,573)	(422,721)
Cash flows from financing activities			
Proceeds from bank borrowings net of arrangement fee		5,406,211	-
Repayment of borrowings		(2,912,984)	(84,349)
Lease payments		(4,090)	(5,557)
Interest paid		(37,043)	(5,013)
Dividends paid	12	(3,400,000)	(400,300)
Net cash outflow from financing activities		(947,906)	(495,219)
Net (decrease)/increase in cash and cash equivalents		(100,313)	88,175
Cash and cash equivalents, beginning of the period		1,245,588	1,069,196
Cash and cash equivalents, end of the period	15	1,145,275	1,157,371

The notes on pages 6 to 26 form an integral part of these interim condensed consolidated financial statements

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022

1 Establishment and operations

Emirates Central Cooling Systems Corporation (“EMPOWER”) (“the Corporation”) was established on 23 November 2003 as a corporate entity in accordance with Article 3 of Law No. (10) “Emirates Central Cooling Systems Corporation Incorporation Law for the year 2003” (“the Decree”) and commenced commercial operations on 15 February 2004. The Corporation was established as a joint venture between Dubai Electricity and Water Authority (“DEWA”), which is ultimately owned by the Government of Dubai and the Dubai Development Authority (formerly known as Dubai Creative Cluster Authority) (“the authority”), however, the beneficial interest of the authority was transferred to Tecom Investments FZ-LLC (“TECOM”) effective from inception.

On 23 November 2009 a letter was issued by the Ruler of Dubai allowing DEWA to increase its shareholding to 70% in the Corporation and diluted TECOM’s interest to 30%. This change in the shareholding structure has been formalised through the Decree No. 3 of 2010 issued by the Ruler of Dubai. On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power Investment LLC, an entity under common control through the Decree No. 19 of 2022 issued by the Ruler of Dubai.

The principal activities of the Corporation are provision of district cooling services, management, operation and maintenance of central cooling plants and related distribution networks. The principal office of the Corporation is P.O. Box 8081, Al Hudaiba Awards Building, Dubai, United Arab Emirates.

These interim condensed consolidated financial statements relates to the Corporation and its subsidiaries (collectively referred to as “the Group”). The Corporation has the following principal subsidiaries:

Subsidiary	Principal activity	Beneficial holding	
		2022	2021
Empower Logstor LLC (“ELIPS”)	Manufacturing of pre-insulated pipes, mainly for district cooling.	97.0%	97.0%
Palm District Cooling LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.9%	99.9%
Palm Utilities LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.5%	99.5%
Empower FM LLC	Installations of equipment, installations and supplies for air conditioning, ventilation and purification systems, repairs and maintenance.	100.0%	100.0%
Empower Engineering & Consultancy LLC	Consultancy services for Project Development	100.0%	100.0%
Empower SNOW LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	100.0%	100.0%

These interim condensed consolidated financial statements for the three-month and nine-month ended 30 September 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 14 October 2022.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

1 Establishment and operations (continued)

These interim condensed consolidated financial statements have been reviewed, not audited. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2021. The comparative information for the interim condensed consolidated statement of comprehensive income for the three-month and nine-month period ended 30 September 2021, interim condensed consolidated statements of changes in equity and cash flows, and other explanatory notes, for the nine-month period ended 30 September 2021 has not been audited or reviewed as it is the first time the Group has prepared interim condensed consolidated financial statements for the three-month period ended 30 September 2022 and nine-month period ended 30 September 2022.

2 Basis of preparation

These interim condensed consolidated financial statements for the three-month and nine-month ended 30 September 2022 has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', ("IAS 34").

The interim condensed consolidated financial statements are prepared by the management in connection with the listing of the Corporation on the Dubai Financial Market in the United Arab Emirates. As a result, the interim condensed consolidated financial statements may not be suitable for another purpose.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021.

As of 30 September 2022, the Group's current liabilities exceeded its current assets by AED 130,415 thousand (31 December 2021: AED 887,875 thousand). The current liabilities also includes deferred revenue amounting to AED 311,539 thousand (Note 17) which is billed to the customer on connection and is expected to be realised as revenue within the next 12 months. The current liabilities also include refundable customer security deposits (Note 17) amounting to AED 412,027 thousand which are only payable on disconnection of service by a customer in the ordinary course of business.

Further, the Group has undrawn long term loan facilities (Note 16) amounting to AED 1,000,000 thousand which are readily available to meet any additional capital needs that might arise.

Management has prepared cash flow projections covering a twelve-month period which take account of the above factors and which indicate that the Group will be able to meet its liabilities as they fall due.

3 Significant accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied by the Group in its recent annual audited consolidated financial statements for the year ended 31 December 2021 except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

3 Significant accounting policies (continued)

(b) Impact of standards issued but not yet applied by the Group

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements are disclosed below:

	Effective date
Classification of Liabilities as Current or Noncurrent – Amendments to IAS 1	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimate – Amendments to IAS 8	1 January 2023
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Effective date deferred indefinitely
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS12	1 January 2023

The Group does not expect the adoption of the above new standards and amendments to have a material impact on the future consolidated financial statements of the Group.

4 Use of estimates and judgments

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2021.

5 Financial risk management

5.1 Financial risk factors

The Group's activities and borrowings expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk.

These interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. As such, they should be read in conjunction with the Group's consolidated financial statements as at 31 December 2021. There have been no changes in any financial risk management policies since year-end.

5.2 Liquidity risk

During the nine-month period ended 30 September 2022, the Group obtained a new bank loan which is disclosed in Note 16. There has been no other material change in the contractual undiscounted cash outflows for financial liabilities during this period.

5.3 Fair value estimation

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and bank balances, trade and other receivables (excluding prepayments) and due from related parties. Financial liabilities consist of trade and other payables (excluding deferred revenue), bank borrowings and due to related parties. The fair values of financial instruments approximate their carrying values.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements
for the three-month and nine-month periods ended 30 September 2022 (continued)

6 Property, plant and equipment

	Land AED'000	Plant, equipment and machinery AED'000	Building AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost									
At 1 January 2022	494,282	8,032,967	70,037	16,776	11,490	40,902	6,914	842,741	9,516,109
Additions	-	-	-	1,051	186	482	1,865	304,686	308,270
Transfers	-	532,447	-	-	-	861	-	(533,308)	-
Transfers to investment properties (Note 10)	(2,536)	-	-	-	-	-	-	(70,323)	(72,859)
Disposals*	(59,382)	-	-	-	-	-	(225)	-	(59,607)
At 30 September 2022 (unaudited)	432,364	8,565,414	70,037	17,827	11,676	42,245	8,554	543,796	9,691,913
Accumulated depreciation									
At 1 January 2022	-	2,358,259	29,012	15,725	10,821	33,831	5,649	29,821	2,483,118
Charge for the period	-	224,651	2,048	818	182	2,038	452	-	230,189
Disposals	-	-	-	-	-	-	(225)	-	(225)
At 30 September 2022 (unaudited)	-	2,582,910	31,060	16,543	11,003	35,869	5,876	29,821	2,713,082
Net book amount at 30 September 2022 (unaudited)	432,364	5,982,504	38,977	1,284	673	6,376	2,678	513,975	6,978,831

Capital work-in-progress balances include costs of constructing district cooling plants and networks pertaining to various projects. During the nine-month period ended 30 September 2022, the transfer to plant, equipment and machinery from capital work in progress represents additions mainly to four district cooling projects.

*During the period, the Group returned eleven plots of land to related parties amounting to AED 59,382 thousand which were granted to the Group in prior years for the purpose of constructing the district cooling plants. Accordingly, the Group reversed the carrying amount from property, plant and equipment and corresponding deferred government grant.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

6 Property, plant and equipment (continued)

Certain district cooling assets with a net book value of AED 280,243 thousand (2021: AED 277,324 thousand) are developed on plots of lands owned by related parties. Management is currently in discussion with these related parties to enter into lease agreements related to these plots.

	Land AED'000	Plant, equipment and machinery AED'000	Building AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost									
At 1 January 2021	494,282	7,633,115	70,709	15,803	10,936	39,638	6,337	658,167	8,928,987
Additions	-	-	-	975	554	1,265	730	588,849	592,373
Transfers	-	404,947	-	-	-	-	-	(404,947)	-
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021 (audited)	494,282	8,032,967	70,709	16,776	11,490	40,902	6,914	842,069	9,516,109
Accumulated depreciation									
At 1 January 2021	-	2,064,333	26,221	14,799	10,656	32,297	5,277	62,149	2,215,732
Charge for the year	-	299,021	2,791	928	165	1,535	525	-	304,965
Impairment reversal	-	-	-	-	-	-	-	(32,328)	(32,328)
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021 (audited)	-	2,358,259	29,012	15,725	10,821	33,831	5,649	29,821	2,483,118
Net book amount at 31 December 2021 (audited)	494,282	5,674,708	41,697	1,051	669	7,071	1,265	812,248	7,032,991

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements
for the three-month and nine-month periods ended 30 September 2022 (continued)

6 Property, plant and equipment (continued)

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited and not reviewed
Depreciation expense has been charged to:				
Cost of sales (Note 20)	71,111	73,558	224,651	219,427
General and administrative expenses (Note 21)	1,987	1,460	5,538	4,441
	73,098	75,018	230,189	223,868

7 Intangible assets

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
At the beginning of the period/year	364,296	-
Additions during the period/year	-	364,696
Amortisation during the period/year	(9,117)	(400)
At the end of the period/year	355,179	364,296

Intangible asset represents right to charge users acquired which are recognized at fair value at acquisition date with a useful life of 30 years.

8 Financial assets at amortised cost

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
At the beginning of the period/year	309,075	-
Additions during the period/year	-	309,204
Interest earned during the period/year	13,927	610
Settlement during the period/year	(16,847)	(739)
At the end of the period/year	306,155	309,075
Less: current portion	(4,100)	(3,911)
Non-current portion	302,055	305,164

The financial assets at amortised cost represents receivable from Nakheel PJSC (Note 13) in relation to acquisition of Empower Snow LLC (formerly Snow LLC) during 2021.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

9 Financial assets at fair value through other comprehensive income (FVTOCI)

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
At the beginning of the period/year	58,113	57,653
(Loss) /gain during the period/year	(4,835)	460
At the end of the period/year	53,278	58,113

During the period, the following (loss)/gain was recognised in profit or loss and other comprehensive income for the above financial assets:

	Three-month period ended 30 September 2022 AED'000 Unaudited		Nine-month period ended 30 September 2022 AED'000 Unaudited	
	Unaudited and not reviewed		Unaudited and not reviewed	
(Loss)/gain recognised in other comprehensive income	(842)	(281)	(4,835)	1,125

Financial assets at fair value through other comprehensive income pertains to an investment in Tier 1 Capital Certificates ("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 Bonds are classified as equity and at the initial recognition the Group made an irrevocable decision to classify the Bonds as financial assets at fair value through other comprehensive income under IFRS 9 as the Bonds are not held for trading.

10 Investment properties

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Land and building under construction		
At the beginning of the period	-	-
Transfer from Land (Note 6)	2,536	-
Transfer from property, plant and equipment (Note 6)	70,323	-
At the end of the period/year	72,859	-

The Group started construction of its head quarter project in 2021. The project consists of two towers with common area and retail outlets which are expected to be completed during the last quarter of 2022.

During the period, management revisited its plan of occupation and concluded to occupy only one tower for its use along with its related common area which were initially planned to be occupied for its use. As a result, the carrying amount of one tower and related areas were transferred to investment properties from property, plant and equipment (Note 6).

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

10 Investment properties (continued)

The Group carries investment properties at cost less accumulated depreciation and any accumulated impairment. Investment property under the cost model is impaired if its carrying amount exceeds its recoverable amount.

11 Trade and other receivables

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Trade receivables	311,577	180,659
Accrued revenues	87,586	27,069
	399,163	207,728
Less: Provision for expected credit losses	(64,227)	(56,832)
	334,936	150,896
<i>Other financial assets at amortised cost</i>		
Other receivables	15,798	10,216
<i>Other assets</i>		
Advance to contractors and suppliers	81,629	99,285
Prepayments	8,737	14,101
	90,366	113,386
	441,100	274,498

The movement in the allowance for impairment of receivables is as follows:

	30 September 2022 AED'000 Unaudited	30 September 2021 AED'000 Audited
At the beginning of the period	56,832	48,264
Charge/(reversal) for the period	7,395	(236)
At the end of the period	64,227	48,028

12 Dividends

A final dividend of AED 500,000 thousand (AED 0.5 per share), in respect of the year ended 31 December 2021, was declared and approved on 10 February 2022 by the Board of Directors of the Group which was paid in April 2022 (2021: a final dividend of AED 300,000 thousand (AED 0.3 per share), in respect of the year ended 31 December 2020 was declared and approved on 19 January 2021 by the Board of Directors of the Group).

An interim dividend of AED 2,900,000 thousand (AED 2.9 per share) was declared and approved on 26 September 2022 by the Board of the Directors of the Group which was paid on 29 September 2022.

13 Transactions and balances with related parties

Related parties include the shareholders, key management personnel, subsidiaries, joint venture, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence. The Group has availed the exemption as per para 25 of IAS 24 Related Party Disclosure and consider the entities (other than disclosed below) controlled by Government of Dubai as non-related.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

13 Transactions and balances with related parties (continued)

(a) Related party transactions

During the period, the Group entered into the following significant transactions with related parties:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited and not reviewed
<i>Services rendered to entities under common control of shareholders</i>				
Dubai Properties Group LLC	51,356	56,674	116,819	118,254
Tecom Investments FZ LLC	21,369	19,847	48,953	46,194
Jumeirah Group LLC	16,301	15,458	36,634	35,288
Meraas Holding LLC	13,648	13,667	31,427	21,895
Global Village Dubai LLC	201	210	518	524
	102,875	105,856	234,351	222,155
<i>Dividend to shareholders</i>				
Tecom Investments FZ LLC*	-	-	150,000	90,000
Emirates Power Investment LLC*	870,000	-	870,000	-
Dubai Electricity and Water Authority (DEWA)	2,030,000	-	2,380,000	210,000
	2,900,000	-	3,400,000	300,000
<i>Services received from shareholder</i>				
Dubai Electricity and Water Authority (DEWA)	466,005	397,922	874,724	707,671
<i>Services received from entities under common control of Ultimate Parent</i>				
Finance cost from Emirates NBD PJSC	8,196	1,688	15,936	4,359
<i>Key management remuneration</i>				
Board of directors' remuneration (Note 21)	1,563	1,563	4,688	4,688
<i>Compensation of key management personnel</i>				
Short term benefits	1,255	1,149	3,781	3,462
End of service benefits	130	118	390	354
	1,385	1,267	4,171	3,816
<i>Number of key management personnel</i>				
	1	1	1	1

* On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power Investment LLC, an entity under common control as detailed in Note 1.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

13 Transactions and balances with related parties (continued)

(b) Balances with related parties

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Due from related parties		
<i>Entities under common control of shareholders</i>		
Jumeirah Group LLC	9,265	2,085
Tecom Investments FZ LLC	4,086	-
Meraas Holding LLC	3,121	1,494
Others	99	39
	16,571	3,618
Due to related parties		
<i>Shareholder</i>		
Dubai Electricity and Water Authority (DEWA)	184,999	153,599
<i>Entities under common control of shareholders</i>		
Dubai Properties Group LLC	13,532	2,828
Dubai Holding LLC	3,727	3,708
Tecom Investments FZ LLC	-	668
	17,259	7,204
<i>Others</i>		
Board of directors	4,688	5,050
Others	435	434
	207,381	166,287

The outstanding bank borrowings as at 30 September 2022 includes a balance of AED 4,488,891 thousand (2021: AED 1,002,862 thousand) from Emirates NBD PJSC, an entity under common control.

Other receivables include a balance of AED 4,490 thousand (2021: AED 4,490 thousand) deposit receivable from DEWA (Note 11).

The financial assets at amortised cost (Note 8) represents receivable from Nakheel PJSC, an entity under common control, in relation to acquisition of Empower Snow LLC (formerly Snow LLC) during 2021.

As of 30 September 2022, the cash and cash equivalents includes a balance of AED 1,029,319 thousand (2021: AED 1,155,126 thousand) and term deposits of AED nil (2021: AED 100,000 thousand) held with banks which are under common control of shareholders.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

14 Financial assets at fair value through profit or loss (FVTPL)

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Investment in National Bonds	100,000	100,000

During the year 2021, the Group made an investment of AED 100 million in National Bonds for a tenure of 1 year. As of 30 September 2022, the fair value of the investment in National Bonds approximates to carrying value. Fair value hierarchy is disclosed in Note 27.

15 Cash and cash equivalents

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Cash in hand	607	589
Cash at bank	777,593	244,286
Short term bank deposits –3 months and less	367,075	1,000,713
	1,145,275	1,245,588

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest rate of 2022: 1.58% per annum (2021: 0.80% per annum).

Term deposits are presented as cash equivalents only if they have a maturity of three month or less from the date of original maturity or are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value.

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

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Cash and bank	1,157,375	1,360,388
Less: short term deposits more than 3 months	(12,100)	(114,800)
	1,145,275	1,245,588

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

16 Bank borrowings

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Term loan	4,500,000	1,994,747
Unamortised loan cost	(11,109)	(6,862)
Total	4,488,891	1,987,885
Less: current portion	-	(1,000,219)
Non-current portion	4,488,891	987,666

On 26 September 2022, the Group entered into term facility agreements with Emirates NBD PJSC, an entity under common control for AED 5,500,000 thousand. The facilities are guaranteed by the Corporation and Palm District Cooling LLC. Following are the terms of each facility agreement:

Facility	Term	Interest rate	Amount (AED'000)
A1- conventional	3 Years	EIBOR + Margin	1,375,000
A2 - conventional	5 Years	EIBOR + Margin	1,375,000
B1 - Islamic	3 Years	EIBOR + Margin	1,375,000
B2- Islamic	5 Years	EIBOR + Margin	1,375,000
Total			5,500,000

The exposure of the Group's borrowings to interest rate changes and the contractual repricing ranges between one to twelve months. The Group's borrowings are not exposed to interbank offer rate (IBOR). The maturity profile of the borrowings is as follows:

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Within one year	173,143	1,020,472
After one year but not more than three years	3,096,985	512,467
More than 3 years	1,889,561	508,165
	5,159,689	2,041,104

The movement in bank borrowings during the period:

	30 September 2022 AED'000 Unaudited	30 September 2021 AED'000 Unaudited and not reviewed	31 December 2021 AED'000 Audited
At the beginning of the period/year	1,994,747	1,329,582	1,329,582
Drawdown during the period/year*	5,418,238	-	918,212
Interest expense during the period/year	44,824	5,013	20,063
Interest paid during the period/year	(44,824)	(5,013)	(20,063)
Principal repayment during the period/year	(2,912,984)	(84,349)	(253,047)
Amortisation	(11,110)	(6,411)	(6,862)
At the end of the period/year	4,488,891	1,238,822	1,987,885

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

16 Bank borrowings (continued)

* On 29 March 2022, the Group entered into a new bridge loan facility to finance the acquisition of Dubai Airports district cooling assets acquisition with Dubai Islamic Bank PJSC, a related party, amounting to US\$ 250,000 thousand (AED 918,125 thousand) with a tenor of 1 year from utilisation date with a profit rate of Libor + margin. The amount was fully drawn down on 31 March 2022. The Group utilised AED 4,500,000 thousand from the new long term loan facility and repaid its exiting borrowings amounting to AED 2,912,984 thousand.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is nullified with the floating rate interest arrangement for such borrowings.

17 Trade and other payables

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Refundable customers' security deposits	412,027	381,590
Deferred revenue	311,539	335,556
Project cost accruals	291,895	339,088
Project payables	80,741	110,536
Retentions payable	101,713	99,554
Other liabilities*	502,991	254,003
	1,700,906	1,520,327
Less: Non-current portion retentions payable	(24,336)	(35,318)
Current portion	1,676,570	1,485,009

*Other liabilities include accrued expenses for water, electricity, staff liabilities etc.

Movement in deferred revenue is as follows:

	30 September 2022 AED'000 Unaudited	30 September 2021 AED'000 Unaudited and not reviewed
At the beginning of the period	335,556	296,031
Billed during the period	830,165	851,848
Less: Income recognised during the period	(854,182)	(820,405)
At the end of the period	311,539	327,474

Terms and conditions of the financial liabilities:

Trade payables and other financial liabilities are non-interest bearing and are normally settled on 60–90-day terms. Retentions payables are non-interest bearing and are normally settled in accordance with the terms of the contacts.

Revenue recognized in relation to deferred revenue

The table overleaf shows the revenue recognised in the current reporting period which relates to carried-forward contract liabilities and revenue which relates to performance obligations that were satisfied in a prior year:

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

17 Trade and other payables (continued)

	30 September 2022 AED'000 Unaudited	30 September 2021 AED'000 Unaudited and not reviewed
<i>Revenue recognised that was included in the contract liability balance at the beginning of the period</i>	83,770	82,525

18 Revenue

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022 AED'000 Unaudited	2021 AED'000 Unaudited and not reviewed	2022 AED'000 Unaudited	2021 AED'000 Unaudited and not reviewed
District cooling services	911,703	810,103	2,064,801	1,801,704
Pre-insulated pipe	7,114	3,565	8,273	5,078
	918,817	813,668	2,073,074	1,806,782

During the nine-month period ended 30 September 2022, the Group recognised district cooling services revenue from Empower Snow LLC (formerly Snow LLC), which was acquired in December 2021, amounting to AED 85,420 thousand (30 September 2021: nil).

19 Operating segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer ('CEO') who makes strategic decisions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The CEO is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components by stream. The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the CEO relies mainly on the revenue and net profit information that contains lower-level components. Hence, the segment information provided is primarily to the net profit level of the Group.

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

- The 'Chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies.
- The 'Pre-insulated pipe business' segment is involved in manufacturing, assembling and selling activities relating to the expansion of the Group's chilled water business.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements
for the three-month and nine-month periods ended 30 September 2022 (continued)

19 Operating segments (continued)

	Nine-month period ended 30 September 2022 (unaudited)				Nine-month period ended 30 September 2021 (unaudited and not reviewed)			
	Chilled water AED'000	Pre-insulated pipe AED'000	Elimination AED'000	Total AED'000	Chilled water AED'000	Pre-insulated pipe AED'000	Elimination AED'000	Total AED'000
Revenues								
External revenue	2,064,801	8,273	-	2,073,074	1,801,704	5,078	-	1,806,782
Inter-segment revenue	-	13,638	(13,638)	-	-	18,702	(18,702)	-
Total revenues	2,064,801	21,911	(13,638)	2,073,074	1,801,704	23,780	(18,702)	1,806,782
Interest earned on financial asset	13,927	-	-	13,927	-	-	-	-
Cost of sales	(1,170,219)	(15,075)	7,606	(1,177,688)	(1,014,267)	(17,950)	12,380	(1,019,837)
Gross profit	908,509	6,836	(6,032)	909,313	787,437	5,830	(6,322)	786,945
General and administrative expenses	(148,138)	(5,473)	-	(153,611)	(131,748)	(4,496)	-	(136,244)
Net impairment loss on financial assets	(7,395)	-	-	(7,395)	-	236	-	236
Other income	4,051	761	-	4,812	9,127	246	-	9,373
Operating profit	757,027	2,124	(6,032)	753,119	664,816	1,816	(6,322)	660,310
Finance income	23,556	616	-	24,172	5,806	766	-	6,572
Finance costs	(45,249)	-	-	(45,249)	(6,698)	-	-	(6,698)
Net profit for the period	735,334	2,740	(6,032)	732,042	663,924	2,582	(6,322)	660,184

Inter-segment transaction are eliminated on consolidation.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements
for the three-month and nine-month periods ended 30 September 2022 (continued)

19 Operating segments (continued)

Segment results include an amount of depreciation and amortisation allocated to the operating segments as follows:

	Nine-month period ended 30 September 2022 (Unaudited)		Nine-month period ended 30 September 2021 (Unaudited and not reviewed)	
	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000	Total AED'000
Depreciation on property, plant and equipment (Note 6)	227,572	2,617	230,189	223,868
Depreciation on right-of-use assets	3,468	-	3,468	4,504
Amortisation on intangible asset (Note 7)	9,117	-	9,117	-
Total depreciation and amortisation	240,157	2,617	242,774	228,372

Segment assets and liabilities are as follows:

	30 September 2022 (Unaudited)		31 December 2021 (Audited)	
	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000	Total AED'000
Segment assets	9,446,527	86,570	9,533,097	9,543,409
Investment in joint venture	307	-	307	307
Total assets	9,446,834	86,570	9,533,404	9,543,716
Total liabilities	6,758,760	15,262	6,774,022	4,112,824

Notes to the interim condensed consolidated financial statements

19 Operating segments (continued)

	Nine-month period ended 30 September 2022 (Unaudited)	Nine-month period ended 30 September 2021 (Unaudited and not reviewed)
	Pre-insulated	Pre-insulated
	Chilled water pipe	Chilled water pipe
	AED'000	AED'000
	366,558	437,201
	(1,113)	(1,881)
	365,445	435,320
Property, plant and equipment		

The following table presents certain non-current assets and revenue information relating to the Group based on the geographical location of the operating units:

United Arab Emirates

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements
for the three-month and Nine-month periods ended 30 September 2022 (continued)

20 Cost of sales

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited and not reviewed
Utilities cost	468,930	400,428	880,503	711,367
Depreciation on property, plant and equipment (Note 6)	71,111	73,558	224,651	219,427
Staff costs (Note 22)	9,027	10,374	27,228	28,923
Materials	4,395	2,201	5,095	3,178
Amortisation of intangible asset (Note 7)	3,039	-	9,117	-
Depreciation on right-of-use assets	602	1,288	1,838	3,612
Others	5,409	11,577	29,256	53,330
	562,513	499,426	1,177,688	1,019,837

21 General and administrative expenses

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited and not reviewed
Staff costs (Note 22)	36,836	36,639	111,796	102,846
Depreciation on property, plant and equipment (Note 6)	1,987	1,460	5,538	4,441
Board of directors' remuneration	1,563	1,563	4,688	4,688
Advertising and marketing expenses	917	1,856	2,271	2,464
Communication expenses	767	1,029	6,298	8,079
Depreciation on right-of-use assets	546	43	1,630	892
Business travel	411	18	448	18
Consultancy	381	918	2,793	2,824
Rent	123	121	386	379
Others	5,672	1,131	17,763	9,613
	49,203	44,778	153,611	136,244

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

22 Staff costs

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited and not reviewed
Salaries	29,135	27,360	88,209	80,028
Staff benefits	15,758	18,793	47,133	48,286
End of service benefits	970	860	3,682	3,455
	45,863	47,013	139,024	131,769
Staff costs have been charged to:				
Cost of sales (Note 20)	9,027	10,374	27,228	28,923
General and administrative expenses (Note 21)	36,836	36,639	111,796	102,846
	45,863	47,013	139,024	131,769

23 Guarantees

At 30 September 2022, the Group had outstanding bank guarantees and letters of credits amounting to AED 4,885 thousand (31 December 2021: AED 377 thousand), which were issued by the Group's bankers in the normal course of business.

24 Commitments

(a) Capital commitments

As at 30 September 2022, the Group has project commitments of AED 551,711 thousand (31 December 2021: AED 610,685 thousand) for projects-in-progress. These commitments represent the value of contracts issued as of 30 September 2022, net of invoices recorded and accruals made as of that date.

25 Operating lease commitments

The Group has leased an office building under non-cancellable operating lease agreement. The future minimum lease payments under the lease are as follows:

	30 September 2022	31 December 2021
	AED'000	AED'000
	Unaudited	Audited
Not later than 1 year	265	409
Later than 1 year and no later than 5 years	20	118
	285	527

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

26 Earning per share

	Three-month period ended 30 September 2022		Nine-month period ended 30 September 2021	
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited and not reviewed
Profit attributable to owners of the parent (AED '000)	300,314	271,049	731,960	660,107
Weighted average number of ordinary shares for basic and diluted EPS	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Basic and diluted earnings per share (AED)	0.300	0.271	0.732	0.660

27 Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market price (unadjusted) in an active market for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 September 2022	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through profit or loss (Note 14)	-	100,000	-	100,000
Financial assets at fair value through other comprehensive income (Note 9)	53,278	-	-	53,278
	53,278	100,000	-	153,278

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 (continued)

27 Fair value measurement (continued)

<i>31 December 2021</i>	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through profit or loss (Note 14)	-	100,000	-	100,000
Financial assets at fair value through other comprehensive income (Note 9)	58,113	-	-	58,113
	58,113	100,000	-	158,113

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- for other financial instruments - discounted cash flow analysis. All of the resulting fair value estimates are included in level 2.

28 Seasonality of operations

The Group's financial results for any period are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to the weather conditions.

29 Subsequent events

As stated in Note 2, as part of the Corporation's plan to list its shares on the Dubai Financial Market, Decree No. (22) of 2022 (the "Decree") was issued by the Ruler of Dubai on 14 October 2022 amending the legal status of the Corporation to a Public Joint Stock Company and hence the revised name of the Corporation is Emirates Central Cooling Systems Corporation P.J.S.C.

Further, the Decree structured the share capital of the Corporation as follows:

Number of shares	10,000,000,000
Par value per share	AED 0.10
Capital	AED 1,000,000,000

Emirates Central Cooling Systems Corporation

Interim condensed consolidated financial statements
For the three month and six-month periods ended 30 June 2022
(unaudited)

Emirates Central Cooling Systems Corporation

Interim condensed consolidated financial statements
For the three-month and six-month periods ended 30 June 2022 (unaudited)

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Review report on interim condensed consolidated financial statements to the board of directors of Emirates Central Cooling Systems Corporation

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Emirates Central Cooling Systems Corporation ("the Corporation") and its subsidiaries (together, "the Group") as at 30 June 2022 and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Emphasis of Matter

The interim condensed consolidated financial statements are prepared by the management in connection with the listing of the Corporation on the Dubai Financial Market in the United Arab Emirates. As a result, the interim condensed consolidated financial statements may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

Other matter

The comparative information for the interim condensed consolidated statement of comprehensive income for the three-month period ended 30 June 2021 has not been audited or reviewed. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2021.



PricewaterhouseCoopers
Dubai, United Arab Emirates
16 September 2022

Emirates Central Cooling Systems Corporation

Interim condensed consolidated statement of financial position

		As at	
		30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,996,477	7,032,991
Right-of-use assets		12,912	13,412
Investment properties	10	59,047	
Intangible assets	7	358,218	364,296
Investment in a joint venture		307	307
Financial assets at amortised cost	8	303,066	305,164
Financial assets at fair value through other comprehensive income	9	54,120	58,113
		7,784,147	7,774,283
Current assets			
Inventories		25,462	27,018
Trade and other receivables	11	398,551	274,498
Due from related parties	13	12,971	3,618
Financial assets at amortised cost	8	4,028	3,911
Financial assets at fair value through profit or loss	14	100,000	100,000
Term deposits	15	323,600	114,800
Cash and cash equivalents	15	1,834,783	1,245,588
		2,699,395	1,769,433
Total assets		10,483,542	9,543,716
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Parent			
Share capital		1,000,000	1,000,000
Statutory reserve		500,000	500,000
Other reserves		(3,135)	2,741
Retained earnings		3,775,670	3,844,024
Contributed capital		82,190	82,190
		5,354,725	5,428,955
Non-controlling interests		2,005	1,937
Total equity		5,356,730	5,430,892
LIABILITIES			
Non-current liabilities			
Bank borrowings	16	883,716	987,666
Lease liabilities		11,066	11,939
Government grant		369,110	370,890
Provision for employees' end of service benefits		54,001	49,703
Retentions payable	17	20,114	35,318
		1,338,007	1,455,516
Current liabilities			
Trade and other payables	17	1,625,929	1,485,009
Due to related parties	13	132,921	166,287
Bank borrowings	16	2,023,527	1,000,219
Government grant		3,170	2,780
Lease liabilities		3,258	3,013
		3,788,805	2,657,308
Total liabilities		5,126,812	4,112,824
Total equity and liabilities		10,483,542	9,543,716

These interim condensed consolidated financial statements were approved by the Board of Directors on 16 September 2022 and signed on their behalf by:


Chief Executive Officer


Chairman

Emirates Central Cooling Systems Corporation

Interim condensed consolidated statement of comprehensive income

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2022	2021	2022	2021
		AED'000	AED'000	AED'000	AED'000
		Unaudited	Unaudited and not reviewed	Unaudited	Unaudited
Revenue	18	687,986	596,168	1,154,257	993,114
Interest income on financial asset at amortised cost	8	4,676	-	9,251	-
Cost of sales	20	(379,882)	(312,831)	(615,175)	(520,411)
Gross profit		312,780	283,337	548,333	472,703
General and administrative expenses	21	(52,466)	(43,008)	(104,408)	(91,466)
Provision for expected credit losses	11	(7,395)	(236)	(7,395)	-
Other income		1,212	5,891	2,708	7,821
Operating profit		254,131	245,984	439,238	389,058
Finance income		8,972	2,683	11,836	4,665
Finance costs		(12,674)	(2,100)	(19,360)	(4,604)
Finance costs – net		(3,702)	583	(7,524)	61
Net profit for the period		250,429	246,567	431,714	389,119
Profit attributable to:					
Owners of the Parent		250,420	246,521	431,646	389,058
Non-controlling interests		9	46	68	61
		250,429	246,567	431,714	389,119
Basic and diluted earnings per share for profit attributable to the owners of the Parent (AED)	25	0.250	0.246	0.431	0.389
Profit for the period		250,429	246,567	431,714	389,119
<i>Items that will not be reclassified to profit or loss</i>					
Other comprehensive (loss) / income for the period		(3,383)	1,406	(5,876)	1,406
Total comprehensive income for the period		247,046	247,973	425,838	390,525
Total comprehensive income attributable to:					
Owners of the Parent		247,037	247,927	425,770	390,464
Non-controlling interests		9	46	68	61
		247,046	247,973	425,838	390,525

Emirates Central Cooling Systems Corporation

Interim condensed consolidated statement of changes in equity

	Note	Attributable to shareholders of the Parent					Non-controlling interests AED'000	Total AED'000
		Share capital AED'000	Statutory reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Contributed capital AED'000	Total equity AED'000	
At 1 January 2022		1,000,000	500,000	2,741	3,844,024	82,190	5,428,955	5,430,892
Total comprehensive income for the period								
Profit for the period		-	-	-	431,646	-	431,646	431,714
Other comprehensive income								
Other comprehensive loss for the period				(5,876)	-	-	(5,876)	(5,876)
Total comprehensive income for the period		-	-	(5,876)	431,646	-	425,770	425,838
Transaction with owners in their capacity as owners:								
Dividends	12				(500,000)		(500,000)	(500,000)
At 30 June 2022 (unaudited)		1,000,000	500,000	(3,135)	3,775,670	82,190	5,354,725	5,356,730
At 1 January 2021		1,000,000	500,000	2,281	3,208,164	82,190	4,792,635	4,794,750
Total comprehensive income for the period								
Profit for the period		-	-	-	389,058	-	389,058	389,119
Other comprehensive income								
Other comprehensive income for the period		-	-	1,406	-	-	1,406	1,406
Total comprehensive income for the period		-	-	1,406	389,058	-	390,464	390,525
Transaction with owners in their capacity as owners:								
Dividends	12	-	-	-	(300,000)	-	(300,000)	(300,300)
At 30 June 2021 (unaudited)		1,000,000	500,000	3,687	3,297,222	82,190	4,883,099	4,884,975

Emirates Central Cooling Systems Corporation
Interim condensed consolidated statement of cash flows

		Six-month period ended 30 June	
		2022	2021
		AED'000	AED'000
	Note	Unaudited	Unaudited
Cash flows from operating activities			
Profit for the period		431,714	389,119
Adjustments for:			
Depreciation on property, plant and equipment	6	157,091	148,850
Depreciation on right-of-use assets		2,320	3,172
Impairment of trade receivables	11	7,395	(236)
Settlement of financial assets	8	11,232	-
Amortisation of intangible assets	7	6,078	-
Gain on disposal of property, plant and equipment		-	(14)
Amortization of borrowings arrangement fee		2,041	754
Provision for employees' end of service benefits		2,711	2,595
Interest on lease liability		291	385
Interest on financial asset	8	(9,251)	-
Finance income		(11,836)	(4,665)
Finance costs net of arrangement fee		17,028	10,125
Government grant income		(1,390)	(1,390)
Operating cash flows before changes in working capital and Payment of employees' end of service benefits			
		615,424	548,695
Changes in working capital:			
Inventories		1,556	(3,015)
Trade and other receivables		(129,466)	(57,492)
Due from related parties		(9,353)	4,580
Trade and other payables		165,003	(5,057)
Due to related parties		(33,366)	144,337
Cash generated from operations			
		609,798	632,048
Payment of employees' end of service benefits		(296)	(719)
Net cash inflow from operating activities			
		609,502	631,329
Cash flows from investing activities			
Purchase of property, plant and equipment, net of project cost accruals		(220,895)	(315,008)
Short-term deposits (more than 3 months) invested		(208,800)	(1,500)
Gain on disposal of property, plant and equipment		-	14
Interest received		11,836	4,665
Net cash outflow from investing activities			
		(417,859)	(311,829)
Cash flows from financing activities			
Proceeds from bank borrowings net of arrangement fee		917,319	-
Repayment of borrowings		-	(84,349)
Lease payments		(2,739)	(3,511)
Interest paid		(17,028)	(10,510)
Dividends paid	12	(500,000)	(400,300)
Net cash inflow / (outflow) from financing activities			
		397,552	(498,670)
Net increase / (decrease) in cash and cash equivalents			
		589,195	(179,170)
Cash and cash equivalents, beginning of the period		1,245,588	1,069,196
Cash and cash equivalents, end of the period			
	15	1,834,783	890,026

The notes on pages 6 to 27 form an integral part of these interim condensed consolidated financial statements

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2022

1 Establishment and operations

Emirates Central Cooling Systems Corporation (“EMPOWER”) (“the Corporation”) was established on 23 November 2003 as a corporate entity in accordance with Article 3 of Law No. (10) “Emirates Central Cooling Systems Corporation Incorporation Law for the year 2003” (“the Decree”) and commenced commercial operations on 15 February 2004. The Corporation was established as a joint venture between Dubai Electricity and Water Authority (“DEWA”), which is ultimately owned by the Government of Dubai and the Dubai Development Authority (formerly known as Dubai Creative Cluster Authority) (“the authority”), however, the beneficial interest of the authority was transferred to Tecom Investments FZ-LLC (“TECOM”) effective from inception.

On 23 November 2009 a letter was issued by the Ruler of Dubai allowing DEWA to increase its shareholding to 70% in the Corporation and diluted TECOM’s interest to 30%. This change in the shareholding structure has been formalised through the Decree No. 3 of 2010 issued by the Ruler of Dubai. On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power Investment LLC, an entity under common control through the Decree No. 19 of 2022 issued by the Ruler of Dubai.

The principal activities of the Corporation are provision of district cooling services, management, operation and maintenance of central cooling plants and related distribution networks. The principal office of the Corporation is P.O. Box 8081, Al Hudaiba Awards Building, Dubai, United Arab Emirates.

These interim condensed consolidated financial statements relates to the Corporation and its subsidiaries (collectively referred to as “the Group”). The Corporation has the following principal subsidiaries:

Subsidiary	Principal activity	Beneficial holding	
		2022	2021
Empower Logstor LLC (“ELIPS”)	Manufacturing of pre-insulated pipes, mainly for district cooling.	97.0%	97.0%
Palm District Cooling LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.9%	99.9%
Palm Utilities LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.5%	99.5%
Empower FM LLC	Installations of equipment, installations and supplies for air conditioning, ventilation and purification systems, repairs and maintenance.	100.0%	100.0%
Empower Engineering & Consultancy LLC	Consultancy services for Project Development	100.0%	100.0%
Empower SNOW LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	100.0%	100.0%

These interim condensed consolidated financial statements for the six-month ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 16 September 2022.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

1 Establishment and operations (continued)

These interim condensed consolidated financial statements have been reviewed, not audited. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2021. The comparative information for the interim condensed consolidated statement of comprehensive income for the three-month period ended 30 June 2021 has not been audited or reviewed as it is the first time the Group has prepared interim condensed consolidated financial statements for the three-month period ended 30 June 2022.

2 Basis of preparation

These interim condensed consolidated financial statements for the six-month ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', ("IAS 34").

The interim condensed consolidated financial statements are prepared by the management in connection with the listing of the Corporation on the Dubai Financial Market in the United Arab Emirates. As a result, the interim condensed consolidated financial statements may not be suitable for another purpose.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021.

As of 30 June 2022, the Group's current liabilities exceeded the current assets by AED 1,089,410 thousand. The current liabilities of the Group includes bank borrowings amounting to AED 2,023,527 thousand.

Management has prepared cash flow projections covering a twelve-month period which indicates that the Group will be able to meet its liabilities as they fall due. The cash flow projections include significant assumption of successful restructuring of banking facilities and a pre-IPO dividend distribution to its shareholders.

The Group is in the process of restructuring its bank borrowings and obtaining long-term loan facilities of AED 5,500,000 thousand with tenors of 3 - 5 years and plans to repay its existing borrowings amounting to AED 2,907,243 thousand and to pay a pre-IPO dividend to shareholders. Management has received mandate letter from a bank with a commitment to the said loan facilities and is confident that the financing restructuring is at an which will reflect positively on the Group's current ratio.

During the six-month period ended 30 June 2022, the Group reported profit amounting to AED 431,714 thousand and positive operating cash flows of AED 609,502 thousand and the Group holds AED 1,834,783 thousand in cash and cash equivalents as of 30 June 2022. Further, the current liabilities also includes deferred revenue amounting to AED 334,614 thousand (Note 17) which is billed to the customer on connection and is expected to be realised as revenue within the next 12 months. The current liabilities also include refundable customer security deposits (Note 17) amounting to AED 404,790 thousand which are payable on disconnection of service by a customer in the ordinary course of business.

Accordingly, these interim condensed consolidated financial statements have been prepared on a going concern basis.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

3 Significant accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied by the Group in its recent annual audited consolidated financial statements for the year ended 31 December 2021 except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(b) Impact of standards issued but not yet applied by the Group

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements are disclosed below:

	Effective date
Classification of Liabilities as Current or Noncurrent – Amendments to IAS 1	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimate – Amendments to IAS 8	1 January 2023
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Effective date deferred indefinitely
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS12	1 January 2023

The Group does not expect the adoption of the above new standards and amendments to have a material impact on the future consolidated financial statements of the Group.

(c) Interest Rate Benchmark Reform – Phase 2

As of 30 June 2022, the applicable interest rate benchmark in the Group's borrowing agreements have not been replaced except for one borrowing facility. However, the adoption does not have a material impact on the interim condensed consolidated financial statements for six-month period ended 30 June 2022. Management is currently monitoring the external progress on the transition to alternate benchmarks with the objective of ensuring a smooth transition for the Group's remaining borrowing agreements.

The following table contains details of all of the financial instruments that Group holds as at 30 June 2022 which reference USD LIBOR and have not yet transitioned to an alternative interest rate benchmark:

	Carrying value at 30 June 2022	Of which have yet to transition to an alternative benchmark interest rate as at 30 June 2022:
	AED'000	AED'000
Liabilities		
<i>Liabilities exposed to USD LIBOR</i>		
<i>Measured at amortised cost</i>		
Bank borrowings	1,989,031	1,989,031

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

4 Use of estimates and judgments

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2021.

5 Financial risk management

5.1 Financial risk factors

The Group's activities and borrowings expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk.

These interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. As such, they should be read in conjunction with the Group's consolidated financial statements as at 31 December 2021. There have been no changes in any financial risk management policies since year-end.

5.2 Liquidity risk

During six month period ended 30 June 2022, the Group obtained a new bank loan which is disclosed in Note 16. There has been no other material change in the contractual undiscounted cash outflows for financial liabilities during this period.

5.3 Fair value estimation

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and bank balances, trade and other receivables (excluding prepayments) and due from related parties. Financial liabilities consist of trade and other payables (excluding deferred revenue), bank borrowings and due to related parties. The fair values of financial instruments approximate their carrying values.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

6 Property, plant and equipment

	Land AED'000	Plant, equipment and machinery AED'000	Building AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost									
At 1 January 2022	494,282	8,032,967	70,037	16,776	11,490	40,902	6,914	842,741	9,516,109
Additions	-	-	(144)	604	(134)	1,093	1,861	176,344	179,624
Transfers	-	508,640	-	-	-	-	-	(508,640)	-
Transfers to investment properties (Note 10)	(2,536)	(1,597)	-	-	-	-	-	(54,914)	(59,047)
At 30 June 2022 (unaudited)	491,746	8,540,010	69,893	17,380	11,356	41,995	8,775	455,531	9,636,686
Accumulated depreciation									
At 1 January 2022	-	2,358,259	29,012	15,725	10,821	33,831	5,649	29,821	2,483,118
Charge for the period	-	153,540	1,347	488	(113)	1,545	284	-	157,091
At 30 June 2022 (unaudited)	-	2,511,799	30,359	16,213	10,708	35,376	5,933	29,821	2,640,209
Net book amount at 30 June 2022 (unaudited)	491,746	6,028,211	39,534	1,167	648	6,619	2,842	425,710	6,996,477

Capital work-in-progress balances include costs of constructing district cooling plants and networks pertaining to various projects. During six-month period ended 30 June 2022, the transfer to plant, equipment and machinery from capital work in progress represents additions mainly to four district cooling projects.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

6 Property, plant and equipment (continued)

	Land AED'000	Plant, equipment and machinery AED'000	Building AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost									
At 1 January 2021	494,282	7,633,115	70,709	15,803	10,936	39,638	6,337	658,167	8,928,987
Additions	-	-	-	975	554	1,265	730	588,849	592,373
Transfers	-	404,947	-	-	-	-	-	(404,947)	-
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021 (audited)	494,282	8,032,967	70,709	16,776	11,490	40,902	6,914	842,069	9,516,109
Accumulated depreciation									
At 1 January 2021	-	2,064,333	26,221	14,799	10,656	32,297	5,277	62,149	2,215,732
Charge for the year	-	299,021	2,791	928	165	1,535	525	-	304,965
Impairment reversal	-	-	-	-	-	-	-	(32,328)	(32,328)
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021 (audited)	-	2,358,259	29,012	15,725	10,821	33,831	5,649	29,821	2,483,118
Net book amount at 31 December 2021 (audited)	494,282	5,674,708	41,697	1,051	669	7,071	1,265	812,248	7,032,991

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

6 Property, plant and equipment (continued)

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited
Depreciation expense has been charged to:				
Cost of sales (Note 20)	75,390	74,608	153,540	145,869
General and administrative expenses (Note 21)	2,076	1,509	3,551	2,981
	77,466	76,117	157,091	148,850

7 Intangible assets

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
At the beginning of the period/year	364,296	-
Additions during the period/year	-	364,696
Amortisation during the period/year	(6,078)	(400)
At the end of the period/year	358,218	364,296

Intangible asset represents right to charge users acquired which are recognized at fair value at acquisition date with a useful life of 30 years.

8 Financial assets at amortised cost

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
At the beginning of the period/year	309,075	-
Additions during the period/year	-	309,204
Interest earned during the period/year	9,251	610
Settlement during the period/year	(11,232)	(739)
At the end of the period/year	307,094	309,075
Less: current portion	(4,028)	(3,911)
Non-current portion	303,066	305,164

The financial assets at amortised cost represents receivable from Nakheel PJSC (Note 13) in relation to acquisition of Empower Snow LLC (formerly Snow LLC) during 2021.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

9 Financial assets at fair value through other comprehensive income (FVTOCI)

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
At the beginning of the period/year	58,113	57,653
(Loss) / gain during the period/year	(3,993)	460
At the end of the period/year	54,120	58,113

During the period, the following gains were recognised in profit or loss and other comprehensive income for the above financial assets:

	30 June 2022 AED'000 Unaudited	30 June 2021 AED'000 Unaudited and not reviewed
(Loss) / gain recognised in other comprehensive income	(3,993)	1,406

Financial assets at fair value through other comprehensive income pertains to an investment in Tier 1 Capital Certificates ("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 Bonds are classified as equity and at the initial recognition the Group made an irrevocable decision to classify the Bonds as financial assets at fair value through other comprehensive income under IFRS 9 as the Bonds are not held for trading.

10 Investment properties

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Land and building under construction		
Transfer from property, plant and equipment (Note 6)	59,047	-
At the ending of the period/year	59,047	-

The Group started construction of its head quarter project in 2021. The project consists of two towers with common area and retail outlets which are expected to be completed during the last quarter of 2022.

During the period, management revisited its plan of occupation and concluded to occupy only one tower for its use along with its related common area which were initially planned to be occupied for its use. As a result, the carrying amount of one tower and related areas were transferred to investment properties from property, plant and equipment (Note 6).

The Group carries investment properties at cost less accumulated depreciation and any accumulated impairment. Investment property under the cost model is impaired if its carrying amount exceeds its recoverable amount.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

11 Trade and other receivables

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Trade receivables	260,812	180,659
Accrued revenues	76,328	27,069
	337,140	207,728
Less: Provision for expected credit losses	(64,227)	(56,832)
<i>Other financial assets at amortised cost</i>		
Other receivables	14,659	10,216
<i>Other assets</i>		
Advance to contractors and suppliers	101,267	99,285
Prepayments	9,712	14,101
	110,979	113,386
	398,551	274,498

The movement in the allowance for impairment of receivables is as follows:

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
At the beginning of the period/year	56,832	48,264
Charge for the period/year	7,395	8,568
At the end of the period/year	64,227	56,832

12 Dividends

A final dividend of AED 500,000,000 (AED 0.5 per share), in respect of the year ended 31 December 2021, was declared and approved on 10 February 2022 by the Board of Directors of the Group which was paid in April 2022 (2021: a final dividend of AED 300,000,000 (AED 0.3 per share), in respect of the year ended 31 December 2020 was declared and approved on 19 January 2021 by the Board of Directors of the Group).

13 Transactions and balances with related parties

Related parties include the shareholders, key management personnel, subsidiaries, joint venture, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence. The Group has availed the exemption as per para 25 of IAS 24 Related Party Disclosure and consider the entities (other than disclosed below) controlled by Government of Dubai as non-related.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

13 Transactions and balances with related parties (continued)

(a) Related party transactions

During the period, the Group entered into the following significant transactions with related parties:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited
<i>Services rendered / (received) to entities under common control of shareholders</i>				
Dubai Properties Group LLC	37,942	39,100	65,464	61,581
Tecom Investments FZ LLC	16,285	16,261	27,584	26,347
Jumeirah Group LLC	12,280	12,273	20,333	19,830
Meraas Holding LLC	10,637	11,321	17,779	8,227
Global Village Dubai LLC	182	187	317	313
	77,326	79,142	131,477	116,298
<i>Dividend to shareholders</i>				
Tecom Investments FZ LLC*	-	-	150,000	90,000
Dubai Electricity and Water Authority (DEWA)	-	-	350,000	210,000
	-	-	500,000	300,000
<i>Services received from shareholder</i>				
Dubai Electricity and Water Authority (DEWA)	297,891	210,582	408,719	309,749
<i>Services received from entities under common control of Ultimate Parent</i>				
Finance cost from Emirates NBD PJSC	4,665	1,261	7,740	2,671
<i>Key Management Remuneration</i>				
Board of directors' remuneration (Note 21)	1,562	1,562	3,125	3,125
<i>Compensation of key management personnel</i>				
Short term benefits	1,245	1,071	2,526	2,313
End of service benefits	142	118	260	236
	1,387	1,189	2,786	2,549
<i>Number of key management personnel</i>				
	1	1	1	1

* On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power Investment LLC, an entity under common control as detailed in Note 1.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

13 Transactions and balances with related parties (continued)

(b) Balances with related parties

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Due from related parties		
<i>Entities under common control of shareholders</i>		
Jumeirah Group LLC	5,264	2,085
Tecom Investments FZ LLC	4,726	-
Meraas Holding LLC	2,931	1,494
Others	50	39
	12,971	3,618
Due to related parties		
<i>Shareholder</i>		
Dubai Electricity and Water Authority (DEWA)	118,134	153,599
<i>Entities under common control of shareholders</i>		
Dubai Properties Group LLC	7,498	2,828
Dubai Holding LLC	3,727	3,708
Tecom Investments FZ LLC	-	668
	11,225	7,204
<i>Others</i>		
Board of directors	3,125	5,050
Others	437	434
	132,921	166,287

The outstanding bank borrowings as at 30 June 2022 includes a balance of AED 1,002,862 thousand (2021: AED 1,002,862 thousand) from Emirates NBD PJSC, an entity under common control. Bank borrowings also includes a balance of AED 918,238 thousand (2021: AED nil) from Dubai Islamic Bank PJSC, an entity under significant influence of the shareholders.

Other receivables include a balance of AED 4,490 thousand (2021: AED 4,490 thousand) deposit receivable from DEWA (Note 11).

The financial assets at amortised cost (Note 8) represents receivable from Nakheel PJSC, an entity under common control, in relation to acquisition of Empower Snow LLC (formerly Snow LLC) during 2021.

As of 30 June 2022, the cash and cash equivalents includes a balance of AED 1,417,198 thousand (2021: AED 1,155,126 thousand) and term deposits of AED Nil (2021: AED 100,000 thousand) held with banks which are under common control of shareholders.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

14 Financial assets at Fair value through profit or loss (FVTPL)

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Investment in National Bonds	100,000	100,000

During the year 2021, the Group made an investment of AED 100 million in National Bonds for a tenure of 1 year. As of 30 June 2022 the fair value of the investment in National Bonds approximates to carrying value. Fair value hierarchy is disclosed in Note 26.

15 Cash and cash equivalents

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Cash in hand	589	589
Cash at bank	256,594	244,286
Short term bank deposits –3 months and less	1,577,600	1,000,713
	1,834,783	1,245,588

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest rate of 2022: 1.03% per annum (2021: 0.96% per annum).

Term deposits are presented as cash equivalents only if they have a maturity of three month or less from the date of original maturity or are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value.

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

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Cash and bank	2,158,383	1,360,388
Less: short term deposits more than 3 months	(323,600)	(114,800)
	1,834,783	1,245,588

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

16 Bank borrowings

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Term loan	2,912,985	1,994,747
Unamortised loan cost	(5,742)	(6,862)
Total	2,907,243	1,987,885
Less: current portion	(2,023,527)	(1,000,219)
Non-current portion	883,716	987,666

On 29 March 2022, the Group entered into a new bridge loan facility to finance the acquisition of Dubai Airports district cooling assets acquisition with Dubai Islamic Bank PJSC, a related party, amounting to US\$ 250,000 thousand (AED 918,125 thousand) with a tenor of 1 year from utilisation date with a profit rate of Libor + margin. The amount was fully drawn down on 31 March 2022.

The maturity profile of the borrowings is as follows:

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Within one year	1,971,229	1,020,472
After one year but not more than five years	1,041,583	1,020,632
	3,012,812	2,041,104

The movement in bank borrowings during the period:

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
At the beginning of the period/year	1,994,747	1,329,582
Drawdown during the period/year	918,238	918,212
Interest expense during the period/year	19,360	20,063
Interest paid during the period/year	(19,360)	(20,063)
Principal repayment during the period/year	-	(253,047)
Amortisation	(5,742)	(6,862)
At the end of the period/year	2,907,243	1,987,885

The Group has an outstanding balance in payment guarantees amounting to AED 5,142,396 (2021: AED 376,697) which is fully payable to Emirates NBD PJSC, a related party for the Group.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing ranges between one to six months. The fair value of current borrowings equals their carrying amount, as the impact of discounting is nullified with the floating rate interest arrangement for such borrowings.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

17 Trade and other payables

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Refundable customers' security deposits	404,790	381,590
Deferred revenue	334,614	335,556
Project cost accruals	289,743	339,088
Project payables	123,105	110,536
Retentions payable	97,043	99,554
Other liabilities*	396,748	254,003
	1,646,043	1,520,327
Less: Non-current portion retentions payable	(20,114)	(35,318)
Current portion	1,625,929	1,485,009

*Other liabilities include accrued expenses for water, electricity, staff liabilities etc.

Movement in deferred revenue is as follows:

	30 June 2022 AED'000 Unaudited	30 June 2021 AED'000 Unaudited
At the beginning of the period	335,556	296,031
Billed during the period	549,502	608,900
Less: Income recognised during the period	(550,444)	(525,353)
At the end of the period	334,614	379,578

Terms and conditions of the financial liabilities:

Trade payables and other financial liabilities are non-interest bearing and are normally settled on 60-90 day terms. Retentions payable are non-interest bearing and are normally settled in accordance with the terms of the contacts.

Revenue recognized in relation to deferred revenue

The following table shows how much of the revenue recognised in the current reporting period which relates to carried-forward contract liabilities and revenue which relates to performance obligations that were satisfied in a prior year:

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

17 Trade and other payables (continued)

	30 June 2022 AED'000 Unaudited	30 June 2021 AED'000 Unaudited
<i>Revenue recognised that was included in the contract liability balance at the beginning of the period/year</i>	49,478	18,612

18 Revenue

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022 AED'000 Unaudited	2021 AED'000 Unaudited and not reviewed	2022 AED'000 Unaudited	2021 AED'000 Unaudited
District cooling services	687,211	595,545	1,153,098	991,601
Pre-insulated pipe	775	623	1,159	1,513
	687,986	596,168	1,154,257	993,114

During the six-month period ended 30 June 2022, the Group recognised revenue from Empower Snow LLC (formerly Snow LLC), which was acquired in December 2021, amounting to AED 49,135 thousand (30 June 2021: nil).

19 Operating segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer ('CEO') who makes strategic decisions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The CEO is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components by stream. The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the CEO relies mainly on the revenue and net profit information that contains lower level components. Hence, the segment information provided is primarily to the net profit level of the Group.

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

- The 'Chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies.
- The 'Pre-insulated pipe business' segment is involved in manufacture, assemble and selling activities relating to the expansion of the Group's chilled water business.

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

19 Operating segments (continued)

	Six-month period ended 30 June 2022 (unaudited)				Six-month period ended 30 June 2021 (unaudited)			
	Pre-insulated				Pre-insulated			
	Chilled water	pipe	Elimination	Total	Chilled water	pipe	Elimination	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Revenues								
External revenue	1,153,099	1,158	-	1,154,257	991,601	1,513	-	993,114
Interest earned on financial asset	9,251	-	-	9,251	-	-	-	-
Inter-segment revenue	-	13,125	(13,125)	-	-	14,710	(14,710)	-
Total revenues	1,162,350	14,283	(13,125)	1,163,508	991,601	16,223	(14,710)	993,114
Cost of sales	(613,334)	(9,184)	7,343	(615,175)	(517,979)	(12,033)	9,601	(520,411)
Gross profit	549,016	5,099	(5,782)	548,333	473,622	4,190	(5,109)	472,703
General and administrative expenses	(100,765)	(3,643)	-	(104,408)	(88,559)	(2,907)	-	(91,466)
Net impairment loss on financial assets	(7,395)	-	-	(7,395)	-	-	-	-
Other income	2,279	429	-	2,708	7,585	236	-	7,821
Operating profit	443,135	1,885	(5,782)	439,238	392,648	1,519	(5,109)	389,058
Finance income	11,457	379	-	11,836	4,166	499	-	4,665
Finance costs	(19,360)	-	-	(19,360)	(4,604)	-	-	(4,604)
Net profit for the period	435,232	2,264	(5,782)	431,714	392,210	2,018	(5,109)	389,119

Inter-segment transaction are eliminated on consolidation

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

19 Operating segments (continued)

Segment results include an amount of depreciation and amortisation allocated to the operating segments as follows:

	Six-month period ended 30 June 2022 (unaudited)			Six-month period ended 30 June 2021 (unaudited)		
	Pre-insulated		Total AED'000	Pre-insulated		Total AED'000
	Chilled water AED'000	pipe AED'000		Chilled water AED'000	pipe AED'000	
Depreciation on property, plant and equipment (Note 6)	155,243	1,848	157,091	147,817	1,033	148,850
Depreciation on right-of-use assets	2,321	-	2,321	3,173	-	3,173
Depreciation on intangible asset (Note 7)	6,078	-	6,078	-	-	-
Total Depreciation	163,642	1,848	165,490	150,990	1,033	152,023

Segment assets and liabilities are as follows:

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Pre-insulated		Total AED'000	Pre-insulated		Total AED'000
	Chilled water AED'000	pipe AED'000		Chilled water AED'000	pipe AED'000	
Segment assets	10,399,842	83,393	10,483,235	9,463,091	80,318	9,543,409
Investment in joint venture	307	-	307	307	-	307
Total assets	10,400,149	83,393	10,483,542	9,463,398	80,318	9,543,716
Total liabilities	5,125,742	1,070	5,126,812	4,111,761	1,063	4,112,824

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

19 Operating segments (continued)

The table below illustrates the capital expenditures added during the period:

	Six-month period ended 30 June 2022 (unaudited)			Six-month period ended 30 June 2021 (unaudited)		
	Chilled water	Pre-insulated pipe	Total	Chilled water	Pre-insulated pipe	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Property, plant and equipment	179,624	-	179,624	317,041	(2,033)	315,008

Geographic information

The following table presents certain non-current assets and revenue information relating to the Group based on the geographical location of the operating units:

	Revenue		Non-current assets	
	30 June 2022 (unaudited) AED'000	30 June 2021 (unaudited) AED'000	30 June 2022 (unaudited) AED'000	31 December 2021 (audited) AED'000
United Arab Emirates	1,154,257	993,114	7,784,147	7,774,283

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

20 Cost of sales

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited
Utilities cost	289,467	211,699	411,573	310,939
Depreciation on property, plant and equipment (Note 6)	75,390	74,608	153,540	145,869
Staff costs (Note 22)	8,209	9,080	18,201	18,549
Amortisation of intangible asset (Note 7)	3,039	-	6,078	-
Depreciation on right-of-use assets	618	1,151	1,236	2,324
Materials	490	644	700	977
Others	2,669	15,649	23,847	41,753
	379,882	312,831	615,175	520,411

21 General and administrative expenses

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited
Staff costs (Note 22)	38,784	32,446	74,960	66,207
Depreciation on property, plant and equipment (Note 6)	2,076	1,509	3,551	2,981
Board of directors' remuneration	1,562	1,562	3,125	3,125
Consultancy	1,532	1,225	2,412	1,906
Communication expenses	1,462	2,427	5,531	7,050
Advertising and marketing expenses	852	171	1,354	608
Depreciation on right-of-use assets	545	340	1,084	849
Rent	125	121	263	258
Business travel	-	-	37	-
Others	5,528	3,207	12,091	8,482
	52,466	43,008	104,408	91,466

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

22 Staff costs

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022 AED'000 Unaudited	2021 AED'000 Unaudited and not reviewed	2022 AED'000 Unaudited	2021 AED'000 Unaudited
Salaries	29,802	25,174	59,074	52,668
Staff benefits	15,764	15,040	31,376	29,493
End of service benefits	1,427	1,312	2,711	2,595
	46,993	41,526	93,161	84,756
Staff costs have been charged to:				
Cost of sales (Note 20)	8,209	9,080	18,201	18,549
General and administrative expenses (Note 21)	38,784	32,446	74,960	66,207
	46,993	41,526	93,161	84,756

23 Guarantees

At 30 June 2022, the Group had outstanding bank guarantees and letters of credits amounting to AED 5,142,396 (31 December 2021: AED 376,697), which were issued by the Group's bankers in the normal course of business.

24 Commitments

(a) Capital commitments

As at 30 June 2022, the Group has project commitments of AED 583,212 thousand (31 December 2021: AED 610,685 thousand) for projects-in-progress. These commitments represent the value of contracts issued as of 30 June 2022, net of invoices recorded and accruals made as of that date.

(b) Operating lease commitments

The Group has leased office building under non-cancellable operating lease agreement. The future minimum lease payments under the lease are as follows:

	30 June 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Not later than 1 year	354	409
Later than 1 year and no later than 5 years	52	118
	406	527

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

25 Earning per share

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022		2021	
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited and not reviewed	Unaudited	Unaudited
Profit attributable to owners of the parent	250,420	246,521	431,646	389,058
Number of ordinary shares for basic EPS	1,000,000	1,000,000	1,000,000	1,000,000
Basic and diluted earnings per share	0.250	0.246	0.431	0.389

26 Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market price (unadjusted) in an active market for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2022	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through profit or loss (Note 14)	-	100,000	-	100,000
Financial assets at fair value through other comprehensive income (Note 9)	54,120	-	-	54,120
	54,120	100,000	-	154,120

Emirates Central Cooling Systems Corporation

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2022 (continued)

26 Fair value measurement (continued)

<i>31 December 2021</i>	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through profit or loss (Note 14)	-	100,000	-	100,000
Financial assets at fair value through other comprehensive income (Note 9)	58,113	-	-	58,113
	58,113	100,000	-	158,113

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- for other financial instruments - discounted cash flow analysis. All of the resulting fair value estimates are included in level 2.

27 Subsequent events

Bridge Loan – US\$ 250m (AED 918m) termination date extension

On 7 July 2022, the Corporation signed an amendment letter on bridge loan facility agreement with Emirates NBD PJSC for extending the termination date of the facility to 14 October 2022. The original maturity of the bridge loan facility was 14 July 2022.

28 Seasonality of operations

The Group's financial results for any period are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to the weather conditions.

Emirates Central Cooling Systems Corporation

**Consolidated financial statements
for the year ended 31 December 2021**

Emirates Central Cooling Systems Corporation

Consolidated financial statements for the year ended 31 December 2021

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Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Emirates Central Cooling Systems Corporation ("the Corporation") and its subsidiaries (together "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.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 the International Financial Reporting Standards 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.

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Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy



Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements (continued)

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

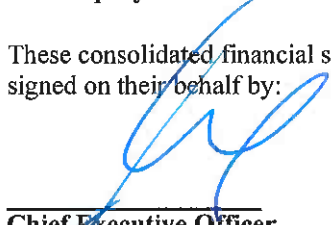
PricewaterhouseCoopers
United Arab Emirates
5 April 2022

Emirates Central Cooling Systems Corporation

Consolidated statement of financial position

		As at 31 December	
		2021	2020
	Notes	AED'000	AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,032,991	6,713,255
Right-of-use assets	6	13,412	18,529
Intangible assets	7	364,296	-
Financial assets at amortised cost	8	305,164	-
Financial assets at fair value through other comprehensive income	9	58,113	57,653
Investment in a joint venture		307	307
		<u>7,774,283</u>	<u>6,789,744</u>
Current assets			
Inventories	10	27,018	35,081
Trade and other receivables	11	274,498	306,601
Due from related parties	12	3,618	14,471
Financial assets at amortised cost	8	3,911	-
Financial assets at fair value through profit or loss	13	100,000	-
Term deposits	14	114,800	17,500
Cash and cash equivalents	15	1,245,588	1,069,196
		<u>1,769,433</u>	<u>1,442,849</u>
Total assets		<u><u>9,543,716</u></u>	<u><u>8,232,593</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the parent			
Capital	16	1,000,000	1,000,000
Statutory reserve	17	500,000	500,000
Other reserves		2,741	2,281
Retained earnings		3,844,024	3,208,164
Contributed capital	18	82,190	82,190
		<u>5,428,955</u>	<u>4,792,635</u>
Non-controlling interests		1,937	2,115
Total equity		<u><u>5,430,892</u></u>	<u><u>4,794,750</u></u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	987,666	1,154,860
Government grant	20	370,890	373,670
Provision for employees' end of service benefits	21	49,703	45,450
Retentions payable	22	35,318	63,105
Lease liabilities	6	11,939	14,595
		<u>1,455,516</u>	<u>1,651,680</u>
Current liabilities			
Trade and other payables	22	1,485,009	1,410,809
Due to related parties	12	166,287	199,246
Bank borrowings	19	1,000,219	167,179
Government grant	20	2,780	2,780
Lease liabilities	6	3,013	6,149
		<u>2,657,308</u>	<u>1,786,163</u>
Total liabilities		<u><u>4,112,824</u></u>	<u><u>3,437,843</u></u>
Total equity and liabilities		<u><u>9,543,716</u></u>	<u><u>8,232,593</u></u>

These consolidated financial statements were approved by the Board of Directors on 5 April 2022 and signed on their behalf by:


Chief Executive Officer


Chairman

The notes on pages 9 to 57 are an integral part of these consolidated financial statements.

Emirates Central Cooling Systems Corporation

Consolidated statement of comprehensive income

	Notes	Year ended 31 December	
		2021 AED'000	2020 AED'000
Revenues	23	2,463,874	2,255,115
Cost of sales	25	(1,394,449)	(1,216,084)
Impairment reversal of project cost	28	32,328	53,529
Gross profit		1,101,753	1,092,560
General and administrative expenses	26	(175,881)	(175,213)
Net impairment losses on financial assets	11	(8,568)	(13,823)
Other income	29	16,172	4,998
Operating profit		933,476	908,522
Finance income	30	11,633	4,618
Finance costs	30	(9,127)	(11,878)
Finance income / (costs) - net		2,506	(7,260)
Net profit for the year		935,982	901,262
Profit attributable to:			
Owners of the parent		935,860	900,950
Non-controlling interests		122	312
		935,982	901,262
Basic and diluted earning per share for profit attributable to the owners of the parent (AED)	36	0.935	0.900
Profit for the year		935,982	901,262
Other comprehensive income for the year	9	460	2,281
Total comprehensive income for the year		936,442	903,543
Total comprehensive income for the year attributable to:			
Owners of the parent		936,320	903,231
Non-controlling interests		122	312
		936,442	903,543

Emirates Central Cooling Systems Corporation

Consolidated statement of changes in equity

	Notes	Capital AED'000	Statutory reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Contributed capital AED'000	Total equity AED'000	Non- controlling interests AED'000	Total AED'000
At 1 January 2020									
Land contribution	18	1,000,000	500,000	-	2,707,214	64,690	4,271,904	1,803	4,273,707
Profit for the year		-	-	-	-	17,500	17,500	-	17,500
Other comprehensive income for the year	9	-	-	2,281	900,950	-	900,950	312	901,262
Total comprehensive income for the year				2,281			2,281		2,281
Dividends declared	2.19	-	-	-	900,950	-	903,231	312	903,543
At 31 December 2020		1,000,000	500,000	2,281	3,208,164	82,190	4,792,635	2,115	4,794,750
At 1 January 2021									
Profit for the year		1,000,000	500,000	2,281	3,208,164	82,190	4,792,635	2,115	4,794,750
Other comprehensive income for the year	9	-	-	-	935,860	-	935,860	122	935,982
Total comprehensive income for the year				460			460		460
Dividends declared	2.19	-	-	-	935,860	-	936,320	122	936,442
At 31 December 2021		1,000,000	500,000	2,741	3,844,024	82,190	5,428,955	1,937	5,430,892

Emirates Central Cooling Systems Corporation

Consolidated statement of cash flows

		Year ended 31 December	
	Note	2021 AED'000	2020 AED'000
Cash flows from operating activities			
Profit for the year		935,982	901,262
Adjustments for:			
Depreciation of property, plant and equipment	5	304,965	284,960
Depreciation of right-of-use assets	6	6,187	7,017
Amortisation of intangible assets	7	400	-
Amortisation of financial assets	8	739	-
Impairment reversal of project cost	28	(32,328)	(53,529)
Amortisation of arrangement fee		1,599	1,510
Gain on disposal of property, plant and equipment		(27)	-
Net impairment losses on financial assets	11	8,568	13,823
Provision for employees' end of service benefits	21	5,523	8,823
Interest on lease liabilities	30	712	1,146
Interest income earned on financial assets at amortised cost	30	(610)	-
Finance income		(11,023)	(4,618)
Finance costs		20,063	13,362
Government grant income	20	(2,780)	(2,780)
Changes in working capital:			
Inventories		8,063	6,771
Trade and other receivables, net of write-off of receivables to CAPEX suppliers		6,022	(62,438)
Due from related parties		10,853	(11,715)
Trade and other payables, excluding project-related payables, project accruals and retention payables		37,527	(50,236)
Due to related parties, net of dividends declared		67,041	(18,895)
Cash generated from operations		1,367,476	1,034,463
Payment of employees' end of service benefits	21	(1,270)	(689)
Net cash generated from operating activities		1,366,206	1,033,774
Cash flows from investing activities			
Acquisition of subsidiary	32	(668,294)	-
Payment for property, plant and equipment, net of project accruals, retention payables to capex suppliers		(571,580)	(775,473)
Short-term deposits (more than 3 months) invested		(97,300)	(17,500)
Investment in financial assets at fair value through profit and loss		(100,000)	-
Finance income received	30	11,023	4,618
Investment in financial assets at fair value through other comprehensive income	9	-	(55,372)
Proceeds from disposal of property, plant and equipment		27	-
Net cash used in investing activities		(1,426,124)	(843,727)

Emirates Central Cooling Systems Corporation

Consolidated statement of cash flows (continued)

		Year ended 31 December	
	Note	2021	2020
		AED'000	AED'000
Cash flows from financing activities			
Proceeds from bank borrowings net of arrangement fee	19	917,294	969,645
Repayment of bank borrowings	19	(253,047)	(69,789)
Dividends paid to shareholders		(400,300)	(330,000)
Lease payment – Principal	6	(6,862)	(7,446)
Lease payment – Interest	30	(712)	(1,146)
Finance costs paid	30	(20,063)	(13,362)
Net cash generated from financing activities		236,310	547,902
Net increase in cash and cash equivalents			
		176,392	737,949
Cash and cash equivalents at the beginning of the year		1,069,196	331,247
Cash and cash equivalents at the end of the year	15	1,245,588	1,069,196

Non- cash transactions are disclosed in Note 37.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented

	Note	2021 AED'000	2020 AED'000
Cash and cash equivalents	15	1,245,588	1,069,196
Borrowings-repayable within one year	19	(1,000,219)	(167,179)
Borrowings-repayable after one year	19	(987,666)	(1,154,860)
		(742,297)	(252,843)
Lease liabilities	6	(14,952)	(20,744)
Net debt		<u>(757,249)</u>	<u>(273,587)</u>
Cash and cash equivalents	15	1,245,588	1,069,196
Lease liabilities	6	(14,952)	(20,744)
		1,230,636	1,048,452
Gross debt-fixed interest rates			
Gross debt-variable interest rates	19	(1,987,885)	(1,322,039)
		<u>(757,249)</u>	<u>(273,587)</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021

1 Establishment and operations

Emirates Central Cooling Systems Corporation ("EMPOWER") ("the Corporation") was established on 23 November 2003 as a corporate entity in accordance with Article 3 of Law No. (10) "Emirates Central Cooling System Corporation Incorporation Law for the year 2003" ("the Decree") and commenced commercial operations on 15 February 2004. The Corporation was established as a joint venture between Dubai Electricity and Water Authority ("DEWA"), which is ultimately owned by the Government of Dubai, and the Dubai Development Authority (formerly known as Dubai Creative Clusters Authority) ("the authority"). However, the beneficial interest of the authority was transferred to Tecom Investments FZ-LLC ("TECOM") effective from inception. The ultimate majority shareholder of TECOM is His Highness Mohammed Bin Rashid Al Maktoum.

On 23 November 2009, a letter was issued by the Ruler's Court allowing DEWA to increase its shareholding to 70% in the Corporation and to dilute TECOM's interest to 30%. This change in the shareholding structure has been formalised through Decree No. 3 of 2010 issued by the Ruler's Court.

The principal activities of the Corporation are the provision of district cooling services and management, operation and maintenance of central cooling plants and related distribution networks. The principal office of the Corporation is P.O. Box 8081, Al Hudaiba Awards Building, Dubai, United Arab Emirates.

These consolidated financial statements relate to the Corporation and its subsidiaries (jointly referred to as "the Group").

The Corporation has the following subsidiaries:

Subsidiary	Principal activities	Beneficial holding	
		2021	2020
Empower Logstor LLC ("ELIPS")	Manufacturing of pre-insulated pipes, mainly for district cooling	97.0%	97.0%
Palm District Cooling LLC	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services	99.9%	99.9%
Palm Utilities LLC	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services	99.5%	99.5%
Empower FM LLC	Air-conditioning, ventilation, and air filtration systems installation and maintenance	100%	100%
Empower Engineering & Consultancy LLC	Project development consultant	100%	100%
Empower Snow LLC	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services	100%	-

ELIPS was established during the year 2007 with the Corporation having a 51% shareholding and Logstor Holding, Denmark having a 49% shareholding. During 2012, the Corporation increased its shareholding to 97% in ELIPS and diluted Logstor Holding, Denmark's interest to 3%.

During 2013, EMPOWER acquired a 99.5% interest in Palm Utilities LLC ("PU") and a 99.9% interest in its subsidiary Palm District Cooling LLC ("PDC").

During 2020, the Corporation established two subsidiaries, namely Empower FM LLC and Empower Engineering & Consultancy LLC with a 100% shareholding in each. The principal activities of Empower FM LLC and Empower Engineering & Consultancy LLC are shown in the table above.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

1 Establishment and operations (continued)

During the year 2021, the Group acquired 100% interest in Empower Snow LLC, a company providing District Cooling Services for various projects developed and owned by the Master Developer Nakheel PJSC for a purchase consideration of AED 673,900,000.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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 consolidated financial statements are disclosed in Note 4.

(a) *New and amended standards adopted by the Group during the year*

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these consolidated financial statements.

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments complement those issued in September 2019 (endorsed in January 2020) and focus on the effects on financial statements when a Company replaces a previous interest rate benchmark with an alternative benchmark rate as a result of Interbank Offered Rates (IBOR) reform. The Phase 2 amendments are effective for the Group's fiscal year commencing 1 January 2021, and were adopted as of that date. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

As of 31 December 2021, applicable interest rate benchmarks in the Group's agreements have not been replaced. As a result, the adoption of the Phase 2 amendments had no impact on the consolidated financial statements for the year ended 31 December 2021. Management will continue to monitor relevant developments and will evaluate the impact of the Phase 2 amendments on the consolidated financial statements as IBOR reform progresses.

The Group has borrowings that are exposed to USD LIBOR. Many of the existing borrowings referencing LIBOR benchmarks are expected to transition to alternative benchmark in different ways and at different times. External progress on the transition to alternative benchmark is being monitored, with the objective of ensuring a smooth transition for the Group's borrowing agreements. The specific issues arising will vary with the details of each borrowing included in the designation. Some borrowings may need to be de-designated and new agreements entered into, while others may survive the market-wide benchmark reform.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group during the year (continued)

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

The amounts of borrowings represent the extent of the risk exposure managed by the Group that is expected to be directly affected by market-wide IBOR reform and in scope of Phase 1 and Phase 2 amendments.

The following table contains details of all of the financial instruments that Group holds as at 31 December 2021 which reference USD LIBOR and have not yet transitioned to an alternative interest rate benchmark:

	Of which	
	Carrying value at 31 December 2021	Have yet to transition to an alternative benchmark interest rate as at 31 December 2021:
	Liabilities	
	AED'000	AED'000
<i>Liabilities exposed to USD LIBOR</i>		
<i>Measured at amortised cost</i>		
Bank borrowings	1,987,885	1,987,885

(b) New standards, amendments and interpretations not yet adopted by the Group

The Group has not early adopted new and revised IFRS that have been issued but are not yet effective.

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 - (effective 1 January 2022) The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability;
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective 1 January 2022) Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date;

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

(b) *New standards, amendments and interpretations not yet adopted by the Group (continued)*

- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 - The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations); and
- Amendment to IAS 16 (effective 1 January 2022) The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

The Group is currently assessing the impact of these standards, and amendments on the future consolidated financial statements of the Group and intends to adopt these, if applicable, when they become effective.

2.2 Consolidation

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) *Subsidiaries* (continued)

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Disposal of subsidiaries*

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) *Joint arrangements*

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligation's of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is computed, using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives as follows:

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.3 Property, plant, and equipment (continued)

	Years
Plant, equipment and machinery	2 to 30
Buildings	25
Furniture and fixtures	3 to 5
Leasehold improvements	3 to 4
Computer equipment	3
Vehicles	3 to 5

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within profit and loss in the consolidated statement of comprehensive income.

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Group's policies.

2.4 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period to the end of useful life of the assets. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets

(i) Classification

The Group classifies its financial assets as at amortised cost, fair value through profit and loss and fair value through other comprehensive income. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows except for financial assets which are considered as equity instrument.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value through Profit or Loss ("FVTPL"). Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payments of Principal and Profit ("SPPI"): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether financial instruments' cash flows represent SPPI.

In making this assessment, the Group considers whether contractual cash flows present a nature consistent with a basic lending arrangement (i.e. profit includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with basic lending arrangement).

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Classification of financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVTOCI) comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(i) Classification (continued)

Classification of financial assets at fair value through profit and loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The financial assets of the Group are as follows:

	Carrying amount	
	2021 AED '000	2020 AED '000
Trade and other receivables (Note 11)	274,498	306,601
Financial assets at fair value through profit and loss (Note 13)	100,000	-
Term deposits (Note 14)	114,800	17,500
Cash and bank balances (Note 15)	1,245,588	1,069,196
Due from related parties (Note 12)	3,618	14,471
Financial assets at amortised cost (Note 8)	309,075	-
Financial assets at fair value through other comprehensive income (Note 9)	58,113	57,653

(ii) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset, including trade receivables, at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of comprehensive income. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and at fair value through other comprehensive income (FVTOCI), which results in accounting loss being recognised in profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(ii) Initial recognition and measurement (continued)

- (b) In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(iii) Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- *Amortised cost* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets, if any, is included in finance income using the effective profit rate method.
- *Fair value through other comprehensive income (FVTOCI)*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income, if any and foreign exchange gains and losses which are recognised in profit and loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Profit income, if any, from these financial assets is included in finance income using the effective profit rate method.

- *Fair value through profit or loss (FVTPL)*: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in the statement of comprehensive income and presented net in the statement of comprehensive income within other gains/(losses) in the year in which it arises. Profit income, if any, from these financial assets is recognised in profit and loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in the consolidated statement of comprehensive income, as applicable.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(iii) Subsequent measurement (continued)

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk and is computed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

As trade receivables held by the Group have short credit period (i.e. tenor less than or equal to 12 months and does not comprise significant financing component), the Group applies simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised for receivables.

The Group monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

For financial assets at amortised cost, at the end of each year the Group applies a three stage impairment approach to measure the expected credit losses (ECL).

The ECL three stage impairment is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded. When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1 (i.e. recognition of 12-month expected credit losses).

When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continues to be recorded or the financial asset is written off. The profit income, if any, is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Significant increase in credit risk

In assessing whether the credit risk on its financial instrument has increased significantly since initial recognition, the Group compares the probability of a default occurring on the financial instrument as at the reporting date with the probability of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(iii) Subsequent measurement (continued)

Significant increase in credit risk (continued)

In assessing whether the credit risk on its financial instrument has increased significantly since initial recognition, the Group compares the probability of a default occurring on the financial instrument as at the reporting date with the probability of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate. The Group's ECL model continues to be sensitive to macroeconomic variables and the Group continues to reassess its position.

Definition of default

The definition of default used by the Group to measure ECLs and transfer financial instruments between stages is consistent with the definition of default used for internal credit risk management purposes. The Group considers a financial asset to be credit-impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group considers the customer to be in default if the outstanding balance is 90 days past due.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

ECLs for all financial instruments are recognised in the consolidated statement of comprehensive income as a separate line item. In the case of debt instruments measured at amortised cost, they are presented net of the related allowance for expected credit loss on the consolidated statement of financial position.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(iv) Derecognition

Financial assets (or, where applicable, a part of a financial asset) are derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
 - The Group has transferred substantially all the risks and rewards of the asset; or
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

2.6 Intangible assets

Rights to charge users

Right to charge users acquired are recognized at fair value at acquisition date. They have a finite useful life of 30 years and are subsequently carried at cost less accumulated amortization and impairment losses.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the provision for impairment.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.9 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, current accounts with banks and bank deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risks of changes in value.

2.10 Bank 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 comprehensive income 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 twelve months after the statement of financial position date.

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. Other borrowing costs are expensed.

2.11 Government grants

The Government of Dubai granted certain plots of land to the Corporation for use in its principal activities as set out in Note 1. The land is recorded in the books, as and when the grant is made, at the fair market value on the date of grant, carried out by an independent firm of real estate consultants. These grants are credited to deferred government grants in the consolidated statement of financial position and are recognised as income over the useful life of the plant constructed on the land. Return of land to the Government of Dubai prior to commencement of construction of the plant is adjusted against deferred government grants in the consolidated statement of financial position.

As set out in Note 1, the Corporation became an entity controlled by DEWA effective from 23 November 2009. All land plots received by the Corporation from the Government of Dubai after 23 November 2009 are accounted for as contributed capital in the consolidated statement of changes in equity as DEWA is wholly owned by the Government of Dubai.

2.12 Employees end of service benefits

An accrual is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to the statement of financial position date. A provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the statement of financial position date. The accrual relating to annual leave and leave passage is disclosed as a current liability

and included in trade and other payables, while the provision relating to end of service benefits is disclosed as a non-current liability.

The Group has also joined the pension scheme operated by the Federal Pension General and Society Security Authority. Accordingly, contributions for eligible UAE National employees are made and charged to the consolidated statement of comprehensive income, in accordance with the provisions of Federal Law No. 7 for 1999 relating to Pension and Society Security Law. The Group has no further payment obligation once the contribution has been made.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.13 Trade payables and provisions

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

Security deposits from customers are received as collateral against their dues for the charges levied for district cooling services provided. These are payable immediately on the termination of services or closure of the customer account on final settlement. Accordingly, it has been considered as current liability and part of the Trade and other payables.

2.14 Leases

The Group's leasing activities includes lease of equipment and building lease for period of 15 years and 3 years respectively. At the 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 identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

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

At the inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

As a lessee

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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liabilities.

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 discounted rate, which is determined to be 4.01% per annum.

Lease payments included in the measurement of the lease liability comprise:

- 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 or if the Group changes its assessment of whether it will exercise a purchase, extension or terminate option.

Lease liabilities are subsequently increased by the finance costs on the lease liabilities and decreased by lease payments made.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Group acts as a lessor, it determines at the lease commencement 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 to the lessee substantially all of the risk and rewards of ownership 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 assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Revenue'.

2.15 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Corporation and its subsidiaries, and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.16 Revenue recognition

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 Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. 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 the 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) District cooling services

Demand and consumption charges revenue comprises of available capacity and variable output provided to customers and is recognized when services are provided.

Energy transfer station (ETS) service charges relates to services provided for ETS at customer's building and are recognized at the time services are rendered.

Connection charges revenue relates to connecting the individual customer units and is recognized over the period of providing district cooling services.

Other revenue comprises services that are recognized as and when services are rendered.

(b) Pre-insulated pipes

Revenue from the sale of pre-insulated pipes is recognised when goods are sold.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

2 Summary of significant accounting policies (continued)

2.17 Interest income

Interest income on financial assets at amortised cost and financial assets at FVTOCI is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of loss allowance). Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets.

2.18 Share Capital

Ordinary shares are classified as equity.

2.19 Dividends

The Group recognises a liability to make cash distributions to owners of the parent when the distribution is authorised. As per the laws and regulation applicable in UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

During the year a final dividend of AED 300,000,000 (AED 0.3 per share) in respect of the year ended 31 December 2020, was declared and approved on 19 January 2021 by the Board of Directors of the Group (2020: A final dividend of AED 300,000,000 (AED 0.3 per share), in respect of the year ended 31 December 2019 was declared and approved on 2 January 2020 by the Board of Directors of the Group).

During the year an interim dividend of AED Nil (2020: An interim dividend of AED 100,000,000 (AED 0.1 per share), in respect of the year ended 31 December 2020 was declared and approved on 20 December 2020 by the Board of Directors of the Group).

2.20 Earnings per share

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

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include bank borrowings, term deposits, financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss and lease liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's exposure to market risk arises from:

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group does not have any significant foreign currency exposure, as majority of the transactions are denominated in AED or currencies pegged to AED.

(ii) 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 those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market.

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either as at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL). To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Diversification of the portfolio is done in accordance with the limits set by the group.

The Group's investment in FVTOCI is publicly traded in Dubai financial market (DFM). The Group has no significant exposure to price risk on FVTPL as it is based on fixed price index.

Sensitivity

The table below summarises the impact of increases/decreases of the DFM index on the group's post-tax profit for the period. The analysis is based on the assumption that the equity index had increased by 1% or decreased by 1%, with all other variables held constant, and that all of the group's equity instruments moved in line with the index.

	2021 AED'000	2020 AED'000
Dubai financial market index-increase 1%	578	574
Dubai financial market index -decrease 1%	(578)	(574)

Amounts recognised in profit or loss and other comprehensive income

The amounts recognised in profit or loss and other comprehensive income in relation to the various investments held by the group are disclosed in note .

(iii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (borrowings and lease liabilities). The Group's main interest rate risk arises from borrowings with variable rates as all borrowings of the Group are variable which expose the Group to cash flow interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its consolidated statement of financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The Group does not hedge its exposure to interest rate risk.

At 31 December 2021, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 4,666 thousand (2020: AED 4,861 thousand) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The exposure of the Group's borrowing to interest rate changes and the contractual re-pricing dates of the interest rate borrowings at the end of the reporting period are as follows:

	2021 AED'000	2020 AED'000
<i>Interest rate – re-pricing dates:</i>		
3 months or less	1,987,885	1,322,039

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

Further, at 31 December 2021, if interest rates on lease liability had been 1% higher/lower with all other variables held constant, post-tax profit for the year ended 31 December 2021 would have been lower by AED 144 thousands (2020: AED 233 thousands) mainly as a result of higher interest expense and would have been higher by AED 156 thousands (2020: AED 252 thousands) mainly as a result of lower interest expense.

(b) Credit risk

The Group has seven types of financial assets which are exposed to credit risk:

- cash at bank and short term bank deposits
- trade receivables
- due from related parties
- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)
- all other financial assets

Deposits for district cooling services are obtained from customers before the provision of any services, which are held as security in order to mitigate credit risk in case of default by customers.

Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a good rating are accepted.

For trade receivables and due from related parties, if customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by the legal department.

The group's investments in equity instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Impairment of financial assets:

Financial assets at amortised cost

The Group recognized a financial asset during the year through the acquisition of Empower Snow LLC from Nakheel, a related party. The financial asset arose from the minimum demand load commitment by Nakheel in the Master Concession Agreement signed. The following table discloses the changes in the credit loss allowance and gross carrying amount for the financial asset between the beginning and the end of the reporting period:

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

Financial assets at amortised cost (continued)

Item	Amount in AED'000					
	Credit loss allowance			Gross carrying value		
	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL for SICR)	Stage 3 (Lifetime ECL for credit impaired)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL for SICR)	Stage 3 (Lifetime ECL for credit impaired)
Financial asset at amortised cost						
At 1 January 2021	-	-	-	-	-	-
Movements with impact on credit loss allowance charge for the year						
New originated or purchased	-	-	-	309,204	-	-
Total impact with impact on credit loss charge during the year	-	-	-	309,204	-	-
Repayment during the year	-	-	-	(739)	-	-
Unwinding of interest income during the year	-	-	-	610	-	-
As 31 December 2021	-	-	-	309,075	-	-

Credit risk grading

For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an Internal Risk-Based rating system. Internal credit ratings are mapped on an internally defined master scale with a specified range of historical loss rate as disclosed in the table below:

Grade	Risk rating	Definition
Grade 1	1-12	Low risk
Grade 2	13-17	Satisfactory risk
Grade 3	18-20	High risk
Grade 4	21-25	Watch list
Grade 5	50,60,70,80	Impaired

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Impairment of financial assets (continued)

Financial assets at amortised cost (continued)

The Group considers the credit quality of the balance to be low risk due to Nakheel being a Government entity. While the balance is subject to impairment requirement the identified impairment loss was immaterial.

Trade receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and unearned revenues have been grouped based on shared risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The expected credit loss on trade receivables is disclosed in Note 11.

Cash at bank and short-term bank deposits

	2021 AED'000	2020 AED'000
A	25	26
A+	13	14
B3	50,665	-
Ba1	607,676	-
Ba2	550,288	-
Baa1	16,867	-
Baa2	5,912	-
Baa3	6,606	-
A1	-	4,556
A3	-	643,062
AA3	-	8,321
Baa1	-	9,000
BBB+	7,536	304,099
Caal`	-	100,118
	<u>1,245,588</u>	<u>1,069,196</u>

The Group seeks to limit its credit risk to banks by only dealing with reputable banks, and independently rated parties with a minimum of investment grade ratings are accepted. No impairment provision was required on cash and cash equivalents as credit risk was considered minimal.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

Financial assets at fair value through profit and loss and fair value through other comprehensive income

Financial assets at FVTPL cost and FVTOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider low credit risk for the following investments as they are held with reputable institutions.

All other financial assets

For all other financial assets, the Group recognises expected credit loss when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of an evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default. No impairment provision was required on other financial assets as credit risk was considered minimal.

Due from related parties

While due from related parties are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will 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.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below summarises the Group's financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the ultimate amounts to be realised is not significantly different from the carrying amounts.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Total AED'000	Less than 1 year AED'000	Between 1 to 5 years AED'000	More than 5 years AED'000
At 31 December 2021				
Bank borrowings (including interest)	2,047,967	1,022,808	1,025,159	-
Trade and other payables (excluding deferred revenues)	1,184,771	1,184,771	-	-
Lease liabilities (Note 6)	14,952	3,013	5,383	6,556
Due to related parties (Note 12)	166,287	166,287	-	-
	3,413,977	2,376,879	1,030,542	6,556
	Total AED'000	Less than 1 year AED'000	Between 1 to 5 years AED'000	More than 5 years AED'000
At 31 December 2020				
Bank borrowings (including interest)	1,403,595	190,162	1,213,433	-
Trade and other payables (excluding deferred revenues)	1,177,883	1,177,883	-	-
Lease liabilities (Note 6)	20,744	6,149	6,864	7,731
Due to related parties (Note 12)	199,246	199,246	-	-
	2,801,468	1,573,440	1,220,297	7,731

Compared to the previous year-end, there has been no material change in the contractual undiscounted cash outflows for financial liabilities during the period. There is no material impact of COVID-19 on the Group's business as detailed in Note 33 of these consolidated financial statements. Net cash generated from operating activities have increased by AED 332 million from AED 1,034 million for 2020 to AED 1,366 thousand for the year 2021.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Financial risk management (continued)

3.2 Capital risk management

The gearing ratios as at 31 December 2021 and 31 December 2020 were as follows:

	2021 AED'000	2020 AED'000
Total borrowings (Note 19)	1,987,885	1,322,039
Less: Cash and cash equivalents (Note 15)	(1,245,588)	(1,069,196)
Net debt	742,297	252,843
Total equity	5,428,955	4,792,635
Total capital	6,171,252	5,045,478
Gearing ratio	12.03%	5.01%

The Group manages the risk by closely monitoring the gearing ratio and by restricting the dividend payout if required.

3.3 Fair value estimation

As at 31 December 2021 and 2020, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of the consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary 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.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized 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).

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

4 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Impairment of non-financial assets*

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are charged to the statement of comprehensive income.

The impairment provisions are determined as the difference between the carrying value of these assets (before impairment charge) and the recoverable amount. The recoverable amount is determined as the higher of "value-in-use" calculations, using pre-tax cash flow projections as approved by the management or fair value less cost to sell.

No impairment charges has been recognised against non-financial assets during the year ended 31 December 2021 (2020: Nil), following management's impairment review.

(b) *Useful lives of property, plant and equipment*

The Group determines the estimated useful lives of its property, plant and equipment for calculating depreciation / amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the Group believes the useful lives differ from previous estimates.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

5 Property, plant and equipment

	Land AED'000	Plant, equipment and machinery AED'000	Buildings AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost									
At 1 January 2020	476,782	6,661,403	70,709	14,947	10,905	37,767	6,095	922,204	8,200,812
Additions**	17,500	-	-	862	31	1,892	383	724,917	745,585
Transfers	-	988,954	-	-	-	-	-	(988,954)	-
Disposals	-	(17,242)	-	(6)	-	(21)	(141)	-	(17,410)
At 31 December 2020	494,282	7,633,115	70,709	15,803	10,936	39,638	6,337	658,167	8,928,987
Additions**	-	-	(672)	975	554	1,265	730	589,521	592,373
Transfers	-	404,947	-	-	-	-	-	(404,947)	-
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021	494,282	8,032,967	70,037	16,776	11,490	40,902	6,914	842,741	9,516,109
Accumulated depreciation and impairment									
At 1 January 2020	-	1,802,923	23,393	13,900	10,471	30,500	4,846	115,678	2,001,711
Charge for the year	-	278,652	2,828	905	185	1,818	572	-	284,960
Impairment reversal *	-	-	-	-	-	-	-	(53,529)	(53,529)
Disposals	-	(17,242)	-	(6)	-	(21)	(141)	-	(17,410)
At 31 December 2020	-	2,064,333	26,221	14,799	10,656	32,297	5,277	62,149	2,215,732
Charge for the year	-	299,021	2,791	928	165	1,535	525	-	304,965
Impairment reversal *	-	-	-	-	-	-	-	(32,328)	(32,328)
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021	-	2,358,259	29,012	15,725	10,821	33,831	5,649	29,821	2,483,118
Net book value									
31 December 2021	494,282	5,674,708	41,025	1,051	669	7,071	1,265	812,920	7,032,991
31 December 2020	494,282	5,568,782	44,488	1,004	280	7,341	1,060	596,018	6,713,255

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

5 Property, plant and equipment (continued)

* In prior years, management had recognised an impairment loss relating to cost incurred on shoring and enabling works for two projects (Mirdiff plant and Head office building) that did not develop as anticipated and recognized an impairment loss of AED 41 million. Management has resumed construction of these projects and performed an assessment to determine the recoverable amount of the following assets. The assessment was performed by the engineering department after analyzing the work that can be utilized and will not have to be undertaken again. This was further supported by value-in-use calculation which required the use of assumptions. The calculations use cash flow projections based on financial budgets and a discount rate of 4%. Accordingly, Group has reversed impairment amounted to AED 32 million (2020: AED 53 million).

** During the year 2020, the Group received 2 plots of land from Meydan City Corporation. One of the plot has already constructed with a district cooling plant, which has been acquired during the year and another is a vacant plot (Note 18).

Depreciation expense of AED 299,021 thousand (2020: AED 278,652 thousand) has been charged to 'cost of sales' (Note 25) and AED 5,944 thousand (2020: AED 6,308 thousand) to 'general and administrative expenses' (Note 26).

Capital work-in-progress balances include costs of constructing district cooling plants and networks at various projects.

6 Right-of-use assets and lease liabilities

The Group mainly leases equipment for a period of 15 years with an extension option and a head office for a period of 1 year (since a new head office is currently under construction and is expected be completed after 1 year).

	Equipment AED'000	Buildings AED'000	Total AED'000
Cost			
At 1 January 2020	26,064	4,924	30,988
Additions	1,178	-	1,178
At 31 December 2020	27,242	4,924	32,166
Additions	-	1,070	1,070
At 31 December 2021	27,242	5,994	33,236
Accumulated depreciation			
At 1 January 2020	4,582	2,038	6,620
Charge for the year	4,979	2,038	7,017
At 31 December 2020	9,561	4,076	13,637
Charge for the year	4,625	1,562	6,187
At 31 December 2021	14,186	5,638	19,824
Net book amount			
31 December 2021	13,056	356	13,412
31 December 2020	17,681	848	18,529

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

6 Right-of-use assets and lease liabilities (continued)

Equipment represents semi-permanent plant (SPP) equipment rented from DEWA. The Group recognised lease liabilities as follows:

	2021 AED'000	2020 AED'000
At 1 January	20,744	27,012
Additions during the year	1,070	1,178
Paid during the year	(6,862)	(7,446)
At 31 December	14,952	20,744
Less: current portion	(3,013)	(6,149)
Non-current portion	11,939	14,595

Interest expense included in finance costs for 2021 was AED 712,000 (2020: AED 1,146,000) (Note 30). There are no expenses relating to variable lease payments. Total cash outflows for leases including finance cost during the year was AED 7,574,000 (2020 : AED 8,592,000).

Expenses relating to short-term leases included in general and administrative expenses and to leases of low-value assets that are shown as short-term leases included in general and administrative expenses are as follows:

	2021 AED'000	2020 AED'000
Expense relating to short-term leases (Note 26)	498	738

7 Intangible assets

	2021 AED'000	2020 AED'000
At 1 January	-	-
Additions during the year (Note 31)	364,696	-
Amortised during the year	(400)	-
At 31 December	364,296	-

8 Financial assets at amortised cost

	2021 AED'000	2020 AED'000
At 1 January	-	-
Additions during the year (Note 32)	309,204	-
Interest earned during the year	610	-
Payments during the year	(739)	-
At 31 December	309,075	-
Less: current portion	(3,911)	-
Non-current portion	305,164	-

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

9 Financial assets at fair value through other comprehensive income (FVTOCI)

	2021 AED'000	2020 AED'000
Financial assets at fair value through other comprehensive income	<u>58,113</u>	<u>57,653</u>

During the year, the following gains were recognised in profit or loss and other comprehensive income:

	2021 AED'000	2020 AED'000
Gain recognised in other comprehensive income	<u>460</u>	<u>2,281</u>
Interest income from equity investments held at FVTOCI recognised in profit or loss	<u>2,644</u>	<u>661</u>

Financial assets at fair value through other comprehensive income pertains to an investment in Tier 1 Capital Certificates ("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 following Bonds are classified as equity and at the initial recognition the Group made an irrevocable decision to classify the Bonds as financial assets at fair value through other comprehensive income under IFRS 9 as the Bonds are not held for trading.

10 Inventories

	2021 AED'000	2020 AED'000
Spares and consumables for district cooling services	19,248	26,809
Pre-insulated pipes	<u>7,770</u>	<u>8,272</u>
	<u>27,018</u>	<u>35,081</u>

The cost of inventories recognised as expense and included in 'cost of sales' is AED 4,421 thousand (2020: AED 5,191 thousand) (Note 25).

The inventories provision for the year amounted to AED Nil (2020:AED Nil).

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

11 Trade and other receivables

	2021 AED'000	2020 AED'000
Trade receivables	180,659	193,275
Accrued revenues	27,069	19,576
	<u>207,728</u>	<u>212,851</u>
Less: Provision for Expected credit loss	(56,832)	(48,264)
	<u>150,896</u>	<u>164,587</u>
<i>Other financial assets at amortised cost</i>		
Other receivables	10,216	10,278
<i>Other assets</i>		
Advance to contractors / suppliers	99,285	116,699
Prepayments	14,101	15,037
	<u>113,386</u>	<u>131,736</u>
	<u>274,498</u>	<u>306,601</u>

Other receivables includes AED 4,490 thousand (2020: AED 4,490 thousand) deposit receivable from DEWA.

As at 31 December 2021, the Group faced a concentration of credit risk with three customers (2020 : three customers) accounting for 29.22% (2020: 25.06%) of the trade receivables at that date. Due from one of these customer is fully collected subsequently. Management is of the opinion that two of the other customers are reputed and have an established record of meeting their financial commitments to the Group. In spite of the reputed standing of the customers, the Group has made a provision amounted to AED 25,535 thousand which was equivalent to 55.7% of their outstanding balance as on 31-Dec-2021.

As at 31 December 2021, the movement in the allowance for impairment of receivables is as follows:

	2021 AED'000	2020 AED'000
At 1 January	48,264	34,441
Charge for the year	8,568	13,823
Balance at the end of the year	<u>56,832</u>	<u>48,264</u>

The table on the following page details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base for majority of the customers.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

11 Trade and other receivables (continued)

As at 31 December, the aging analysis of trade receivables is as follows:

2021	Total	Not yet due	0 to 30 days	31 to 90 days	91 to 120 days	121 to 180 days	181 to 365 days	> 365 days
Trade receivables and accrued revenue (AED '000)	207,728	27,069	48,721	43,248	13,259	4,900	16,495	54,036
Provision %	-	0%	3.2%	12.2%	31.6%	53.5%	57.7%	62.3%
Provision (AED'000)	56,832	-	1,553	5,263	4,184	2,623	9,518	33,691
Net trade receivables and accrued revenue(AED'000)	150,896	27,069	47,168	37,985	9,075	2,277	6,977	20,345
2020								
Trade receivables and accrued revenue (AED '000)	212,851	19,576	46,344	41,743	27,348	11,528	24,137	42,175
Provision %		0%	1.1%	6.6%	27.3%	44.3%	48.3%	49.2%
Provision (AED'000)	48,264		519	2,747	7,476	5,104	11,658	20,760
Net trade receivables and accrued revenue(AED'000)	164,587	19,576	45,825	38,996	19,872	6,424	12,479	21,415

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group holds security deposits of AED 381,590 thousand (2020: AED 340,875 thousand) (Note 22) as collateral against receivables. Other classes of trade and other receivables do not contain impaired assets.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

12 Transactions and balances with related parties

Related parties include the shareholders, key management personnel, subsidiaries, joint venture, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence. The Group has availed the exemption as per para 25 of IAS 24 Related Party Disclosure and consider the entities (other than disclosed below) controlled by Government of Dubai as non-related.

	2021 AED'000	2020 AED'000
Transactions with related parties		
<i>Services rendered to entities under common control of shareholder</i>		
Dubai Properties Group	160,070	131,835
Meraas Group	32,285	64,341
Jumeira Group	46,833	39,927
Tecom Investment	53,697	62,389
Global Village	707	640
	<u>293,592</u>	<u>299,132</u>
<i>Services received from Shareholder</i>		
Dubai Electricity and Water Authority (DEWA)	(974,879)	(805,585)
<i>Services received from entities under common control of Ultimate parent</i>		
Finance cost from Emirates NBD	6,903	3,341
<i>Compensation of key management personnel</i>		
Short term benefits	12,719	11,725
End of Service benefits	473	473
	<u>13,192</u>	<u>12,198</u>
Number of key management personnel	1	1

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

12 Transactions and balances with related parties (continued)

Balances with related parties

	2021 AED'000	2020 AED'000
Due from related parties		
<i>Entities under common control of shareholder</i>		
Others	3,618	14,471
Due to related parties		
<i>Shareholders</i>		
Dubai Electricity and Water Authority (DEWA)	153,599	142,879
Tecom Investment	668	41,636
	<u>154,267</u>	<u>184,515</u>
<i>Entities under common control of shareholder</i>		
Dubai Properties Group	1,605	2,064
Dubai Holding LLC	3,708	3,708
	<u>5,313</u>	<u>5,772</u>
<i>Others</i>		
Board of directors	5,050	5,050
Others	1,657	3,909
	<u>166,287</u>	<u>199,246</u>

The outstanding bank borrowings as at 31 December 2021 include a balance of AED 1,002,862 thousand (2020:AED 332,395 thousand) obtained from Emirates NBD, an entity under common control (Note 19).

During the year the Group entered into a transaction with Nakheel PJSC, an entity under common control to acquire Empower Snow LLC (Note 32).

Other receivables include a balance of AED 4,490 thousand (2020:AED 4,490 thousand) deposit receivable from DEWA (Note 11).

13 Financial assets at Fair value through profit or loss (FVTPL)

	2021 AED'000	2020 AED'000
Investment in National Bonds	<u>100,000</u>	<u>-</u>

During the year, the Group made an investment of AED 100 million (2020:Nil) in National Bonds for a tenure of 1 year. As of 31 December the fair value of the investment in National Bonds approximates to carrying value.

14 Term deposits

	2021 AED'000	2020 AED'000
Short-term bank deposits – more than 3 months	<u>114,800</u>	<u>17,500</u>

Term deposits held with banks with a maturity period of more than 3 months. Measurement is based on the principal amount of the deposits and interest is accrued based on the agreed rate of the interest. There is no impairment of the term deposit before the maturity date.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

15 Cash and cash equivalents

	2021 AED'000	2020 AED'000
Cash at bank	244,875	210,196
Short-term bank deposits – less than 3 months	<u>1,000,713</u>	<u>859,000</u>
	<u>1,245,588</u>	<u>1,069,196</u>

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest rate of 0.80 % per annum (2020: 1.12 % per annum).

16 Capital

	2021 AED'000	2020 AED'000
Authorised, issued and fully paid up share capital		
Ordinary shares of 1,000,000,000 AED 1 each	<u>1,000,000</u>	<u>1,000,000</u>

As at 31 December 2021, the authorised and paid up capital of the Corporation amounted to AED 1,000,000,000 (2020: AED 1,000,000,000), of which AED 700,000,000 (2020: AED 700,000,000) was contributed by DEWA and AED 300,000,000 (2020: AED 300,000,000) was contributed by TECOM.

17 Statutory reserve

As required by the Decree of the Corporation and the Articles of Association of the subsidiaries, 10% of the profit for the year is required to be transferred to the statutory reserve. The Corporation and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the issued capital. During 2019, an amount of AED 60 million was transferred to meet the AED 500 million requirement (50% of share capital). The reserve is not available for distribution.

18 Contributed capital

In prior years, the Group received certain plots of land from the Government of Dubai, the valuation of which has been carried out by an independent firm. As disclosed in Note 2.11, the value of such land equivalent to AED 64,690 thousand has been treated as capital contribution from the shareholders as the Corporation is an entity controlled by DEWA, which is wholly-owned by the Government of Dubai.

During the year 2020, the Group received 2 plots of land from Meydan City Corporation with a value of AED 17,500 thousand which has resulted in the total contributed capital amounted to AED 82,190 thousand as of 31 December 2020.

19 Bank borrowings

	2021 AED'000	2020 AED'000
Term loan	1,994,747	1,329,582
Unamortised loan cost	<u>(6,862)</u>	<u>(7,543)</u>
Total	<u>1,987,885</u>	<u>1,322,039</u>
Less: current portion	<u>(1,000,219)</u>	<u>(167,179)</u>
Non-current portion	<u>987,666</u>	<u>1,154,860</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

19 Bank borrowings (continued)

The Group's borrowings are denominated in USD. Interest rates on the Group's borrowings are variable and ranged between 1.58% and 1.65% (2020: 1.62% and 3.3%). Repayment terms are 7 years from June 2019 and the borrowings are unsecured.

The maturity profile of the borrowings is as follows:

	2021	2020
	AED'000	AED'000
Within one year	1,000,219	167,179
After one year but not more than five years	987,666	1,154,860
More than 5 years	-	-
	<u>1,987,885</u>	<u>1,322,039</u>

On 13 December 2018, the Group entered into a new syndicated loan facility with ENBD as the facility agent amounting to US\$ 400m (AED 1.47bn) at an interest rate of Libor + margin with a 7 years repayment facility scheduled from June 2019 to December 2020.

The Group had fully drawn down the total facility of US\$ 400m (AED 1,469m) as of 31 December 2020 (US\$ 136m in 2019 and US\$ 264m in 2020). During the year 2021, the Group made 2 scheduled repayments and 1 voluntary prepayment of US\$ 22.964m (AED 84.349m) each in the month of June 2021 and December 2021 (2020: scheduled repayments of \$ 9.5m (AED 34.9m) each in June 2020 and December 2020).

The undrawn term loan and facilities is Nil as at 31 December 2021 (2020: Nil) at a floating rate linked to LIBOR plus margin. The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

On 14 October 2021, the Corporation entered into a new bridge loan facility with ENBD as the facility agent amounting to US\$ 250mn (AED 918mn) at an interest rate of Libor + margin with a bullet payment facility scheduled before June 2022. The amount was fully drawn down on 14 December 2021.

The movement in bank borrowings during the year:

	2021	2020
	AED'000	AED'000
At 1 January	1,329,582	429,726
Drawdown during the year	918,212	969,645
Repayment during the year	(253,047)	(69,789)
At 31 December	<u>1,994,747</u>	<u>1,329,582</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

19 Bank borrowings (continued)

Details of interest rates, repayment terms and security on term loans are disclosed below:

Outstanding loan Amount AED '000	Repayment terms	Interest rate	Security
1,076,535	Repayable over a period of 7 years from June 2019	LIBOR plus margin	Unsecured
918,212	Bullet repayment in 6 months from drawdown date	LIBOR plus margin	Unsecured

Bank borrowings are denominated in the following currencies:

	2021 AED'000	2020 AED'000
US Dollar Loans	1,994,747	1,329,582

The Group had an outstanding balance in letters of credits amounting to AED 376,697 (2020: AED 621,007) which were fully payable to Emirates NBD, a related party for the Group (Note 34).

The undrawn term loan and facilities is Nil as at 31 December 2021 (2020: Nil) at a floating rate linked to LIBOR plus margin.

The Corporation has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing ranges between one to six months. The fair value of current borrowings equals their carrying amount, as the impact of discounting is nullified with the floating rate interest arrangement for such borrowings.

20 Government grants

Government grants received prior to 23 November 2009 are recognised as income over the useful life of the plant constructed on the granted land. The current portion represents the expected release of government grant for the plants currently in operation and those which are expected to be completed during next year. The actual amount of release may vary due to delay in completion/commencement of the operations of these plants.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

20 Government grants (continued)

	2021 AED'000	2020 AED'000
At 1 January	376,450	379,230
Released during the year (Note 29)	(2,780)	(2,780)
At 31 December	373,670	376,450
Less: current portion	(2,780)	(2,780)
Non-current portion	370,890	373,670

21 Provision for employees' end of service benefits

	2021 AED'000	2020 AED'000
At 1 January	45,450	37,316
Charge for the year (Note 27)	5,523	8,823
Payments made during the year	(1,270)	(689)
At 31 December	49,703	45,450

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2021 and 2020, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of the employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employee's salary in-line with the Group's salary scales, past experience and market conditions.

	2021	2020
The principal assumptions used were as follows:		
Discount rate per year	1.21%	2.21%
Salary increase per year	5%	5%

22 Trade and other payables

	2021 AED'000	2020 AED'000
Refundable customers' security deposits (Note 11)	381,590	340,875
Deferred revenue	335,556	296,031
Project cost accruals	339,088	295,099
Project payables	110,536	148,786
Retentions payable	99,554	101,914
Other liabilities	254,003	291,209
Total	1,520,327	1,473,914
Less : Non-current portion		
Retentions payable	(35,318)	(63,105)
Current portion	1,485,009	1,410,809

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

22 Trade and other payables (continued)

Movement in deferred revenue is as follows:

	2021 AED'000	2020 AED'000
At 1 January	296,031	351,208
Billed during the year	1,026,306	933,828
Less: Income recognised during the year	(986,781)	(989,005)
At 31 December	<u>335,556</u>	<u>296,031</u>

Terms and conditions of the financial liabilities:

Trade payables and other financial liabilities are non-interest bearing and are normally settled on 60-90 day terms. Retentions payable are non-interest bearing and are normally settled in accordance with the terms of the contracts.

Revenue recognized in relation to deferred revenue

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	2021 AED'000	2020 AED'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	62,701	48,033
Revenue recognised from performance obligations satisfied in previous periods	<u>-</u>	<u>-</u>

Revenue is recognised at the point in time at which the performance obligation is satisfied.

23 Revenue

	2021 AED'000	2020 AED'000
District cooling services	2,456,586	2,268,649
Less: discounts	-	(21,479)
Sale of pre-insulated pipes	<u>7,288</u>	<u>7,945</u>
	<u>2,463,874</u>	<u>2,255,115</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

24 Operating segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer ('CEO') makes strategic decisions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The CEO is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components by stream. The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the CEO relies mainly on the revenue and net profit information that contains lower level components. Hence, the segment information provided is primarily to the net profit level of the Group.

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

- The 'Chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies.
- The 'Pre-insulated pipe business' segment is involved in manufacture, assemble and selling activities relating to the expansion of the Group's chilled water business.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

24 Operating segments (continued)

	2021				2020			
	Chilled water AED'000	Pre-insulated pipe AED'000	Intersegment eliminations AED'000	Total AED'000	Chilled water AED'000	Pre-insulated pipe AED'000	Elimination AED'000	Total AED'000
Revenues								
External revenue	2,456,586	7,288	-	2,463,874	2,247,170	7,945	-	2,255,115
Inter-segment revenue	-	26,003	(26,003)	-	-	36,467	(36,467)	-
Total revenues	<u>2,456,586</u>	<u>33,291</u>	<u>(26,003)</u>	<u>2,463,874</u>	<u>2,247,170</u>	<u>44,412</u>	<u>(36,467)</u>	<u>2,255,115</u>
Cost of sales	(1,386,517)	(25,113)	17,181	(1,394,449)	(1,207,312)	(29,108)	20,336	(1,216,084)
Impairment reversal of project cost	32,328	-	-	32,328	53,529	-	-	53,529
Gross profit	<u>1,102,397</u>	<u>8,178</u>	<u>(8,822)</u>	<u>1,101,753</u>	<u>1,093,387</u>	<u>15,304</u>	<u>(16,131)</u>	<u>1,092,560</u>
General and administrative expenses	(169,813)	(6,068)	-	(175,881)	(168,984)	(6,229)	-	(175,213)
Net impairment losses on financial assets	(8,804)	236	-	(8,568)	(13,823)	-	-	(13,823)
Other income	25,177	695	(9,700)	16,172	3,884	1,114	-	4,998
Operating profit	<u>948,957</u>	<u>3,041</u>	<u>(18,522)</u>	<u>933,476</u>	<u>914,464</u>	<u>10,189</u>	<u>(16,131)</u>	<u>908,522</u>
Finance income	10,614	1,019	-	11,633	4,405	213	-	4,618
Finance costs	(9,127)	-	-	(9,127)	(11,878)	-	-	(11,878)
Net profit for the year	<u>950,444</u>	<u>4,060</u>	<u>(18,522)</u>	<u>935,982</u>	<u>906,991</u>	<u>10,402</u>	<u>(16,131)</u>	<u>901,262</u>

Inter-segment transaction are eliminated on consolidation

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

24 Operating segments (continued)

Segment results include an amount of depreciation and amortisation allocated to the operating segments as follows:

	2021			2020		
	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000
Depreciation on Property, Plant & Equipment (Note 5)	300,866	4,099	304,965	280,567	4,393	284,960
Depreciation on Right-of-use asset (Note 6)	6,187	-	6,187	7,017	-	7,017
Total Depreciation	307,053	4,099	311,152	287,584	4,393	291,977

Segment assets and liabilities are as follows:

	2021			2020		
	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000
Segment assets	9,463,091	80,318	9,543,409	8,143,139	89,147	8,232,286
Investment in joint venture	307	-	307	307	-	307
Total assets	9,463,398	80,318	9,543,716	8,143,446	89,147	8,232,593
Segment liabilities	4,101,075	11,749	4,112,824	3,423,204	14,639	3,437,843
Total liabilities	4,101,075	11,749	4,112,824	3,423,204	14,639	3,437,843

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

24 Operating segments (continued)

The table below illustrates the capital expenditures added during the year:

	2021		2020	
	Chilled water AED'000	Pre-insulated pipe AED'000	Chilled water AED'000	Pre-insulated pipe AED'000
			Total AED'000	Total AED'000
Property, plant and equipment	573,291	(1,711)	571,580	6,847
				775,473

Geographic information

The following table presents certain non-current assets and revenue information relating to the Group based on geographical location of the operating units:

	Revenue		Non-current assets	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
United Arab Emirates	2,463,874	2,255,115	7,773,976	6,789,437
Others	-	-	-	-
Total	2,463,874	2,255,115	7,773,976	6,789,437

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

25 Cost of sales

	2021 AED'000	2020 AED'000
Utilities costs	983,520	846,609
Depreciation on PPE (Note 5)	299,021	278,652
Staff costs (Note 27)	37,970	38,355
Depreciation - Right-of-use assets (Note 6)	4,625	4,979
Materials	4,421	5,191
Amortisation of intangible assets (Note 7)	400	-
Others	64,492	42,298
	<u>1,394,449</u>	<u>1,216,084</u>

26 General and administrative expenses

	2021 AED'000	2020 AED'000
Staff costs (Note 27)	134,377	136,073
Depreciation on PPE (Note 5)	5,944	6,308
Directors' remuneration	6,250	6,250
Communication expenses	4,254	5,260
Depreciation - Right-of-use assets (Note 6)	1,562	2,038
Advertising and marketing expenses	4,054	1,580
Rent	498	738
Others	18,942	16,966
	<u>175,881</u>	<u>175,213</u>

27 Staff costs

	2021 AED'000	2020 AED'000
Salaries	106,968	106,590
Staff benefits	59,856	59,015
End of service benefits (Note 21)	5,523	8,823
	<u>172,347</u>	<u>174,428</u>

Staff costs have been charged to:

Cost of sales (Note 25)	37,970	38,355
General and administrative expenses (Note 26)	134,377	136,073
	<u>172,347</u>	<u>174,428</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

28 Impairment reversal

	2021 AED'000	2020 AED'000
Impairment reversal of project cost (Note 5)	32,328	53,529

29 Other income

	2021 AED'000	2020 AED'000
Government grant (Note 20)	2,780	2,780
Others	13,392	2,218
	<u>16,172</u>	<u>4,998</u>

30 Finance income / (costs)

	2021 AED'000	2020 AED'000
Interest income on short-term bank deposits	7,255	3,418
Interest income on financial asset at FVTOCI (Note 9)	2,644	661
Interest income on call account with banks	624	539
Interest income earned on financial assets at amortised cost	610	-
Interest income on financial asset at FVTPL	500	-
Total finance income	<u>11,633</u>	<u>4,618</u>
Interest on lease liabilities	(712)	(1,146)
Interest expense on bank borrowings	(21,662)	(14,871)
	<u>(22,374)</u>	<u>(16,017)</u>
Interest expenses capitalized	13,247	4,139
Total finance costs	<u>(9,127)</u>	<u>(11,878)</u>
Finance income / (costs)- net	<u>2,506</u>	<u>(7,260)</u>

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs is weighted average interest rate applicable to the entity's general borrowings during the year 1.905% (2020 – 1.604%).

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

Amortised cost	2021 AED'000	2020 AED'000
Trade and other receivables, excluding prepayments	260,397	291,564
Due from related parties (Note 12)	3,618	14,471
Financial assets at amortised cost (Note 8)	309,075	-
Term deposits (Note 14)	114,800	17,500
Cash and cash equivalents (Note 15)	1,245,588	1,069,196
Total	<u>1,933,478</u>	<u>1,392,731</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

31 Financial instruments by category (continued)

Fair value through other comprehensive income (FVTOCI)

	2021 AED'000	2020 AED'000
Financial assets at fair value through other comprehensive income (Note 9)	58,113	57,653

Financial assets at Fair value through profit or loss (FVTPL)

	2021 AED'000	2020 AED'000
Investment in National Bonds (Note 13)	100,000	-

	2021 AED'000	2020 AED'000
Other financial liabilities at amortised cost		
Trade and other payables excluding deferred revenue	1,184,771	1,177,883
Due to related parties (Note 12)	166,287	199,246
Lease liabilities (Note 6)	14,952	20,744
Bank borrowings (Note 19)	1,987,885	1,322,039
Total	3,353,895	2,719,912

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values at the reporting date.

32 Acquisition of Empower Snow LLC

On 18 August 2021 later amended on 16 December 2021, the Group entered into a sale and purchase agreement with Nakheel PJSC (Nakheel) to acquire 100% share capital of Empower Snow LLC, a subsidiary of Nakheel, for a period of 30 years for a consideration of AED 673.9 million. Of the consideration, an amount of AED 5.6million retained towards the customers prepayment and security deposit balance transferred by Nakheel on the effective date (net payment: AED 668.3).

Empower 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 Empower 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 Empower Snow LLC transferring the rights, title, and interest in 16 District cooling assets.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

32 Acquisition of Empower Snow LLC (continued)

Management performed a detailed analysis on Empower 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 305.2 million (Note 8) (given the minimum guaranteed amount guaranteed by the seller under the contract). The excess consideration paid of AED 364.3 million represents an intangible for the right to charge users of the district cooling services under the transaction for a period of 30 years (Note 7).

The acquisition of Empower 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 Empower Snow LLC.

33 COVID-19's impact on the Group's operations

In response to the spread of the novel coronavirus ("Covid-19") the management had assessed the impacts on its operations and had taken a series of preventive measures such as safety and health measures for people (such as social distancing and working from home) and securing the supply of materials that are essential to avoid disruption to Group operations.

All of the Group's plants were operational throughout the year and there was no disruption to services provided.

Based on these factors, management believes that the Covid-19 pandemic has had no material effects on the results of key revenue generating operations for the year ended 31 December 2021. Management continues to monitor the situation closely.

Business continuity planning

The Group monitors the COVID-19 situation and takes timely decisions to resolve any concerns.

Liquidity management and going concern assessment

Economic stress in the markets brought on by the COVID-19 crisis is being felt globally through lack of liquidity in the markets. Given the importance of liquidity in this environment, the Group closely monitors cash flow position at its level along with other measures to safeguard future performance of its subsidiaries and therefore intends to support the operations of the Group to continue as a going concern for a foreseeable future, if necessary.

34 Guarantees

As at 31 December 2021, the Group had outstanding bank guarantees and letters of credits amounting to AED 376,697 (2020: AED 621,007), which were issued by the Group's bankers in the normal course of business.

35 Commitments

Capital commitments

As at 31 December 2021, the Group had project commitments of AED 610,685 thousand (2020: AED 821,729 thousand) for projects-in-progress. These commitments represent the value of contracts issued as at 31 December 2021 and as at 31 December 2020, net of invoices recorded and accruals made as at that date.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

36 Earning per share

	2021 AED'000	2020 AED'000
Profit attributable to owners of the parent	935,860	900,950
Number of ordinary shares for basic EPS	<u>1,000,000</u>	<u>1,000,000</u>
Basic and diluted earnings per share	<u>0.935</u>	<u>0.900</u>

37 Non-cash transactions

	2021 AED'000	2020 AED'000
Additions of right-of-use-assets (Note 6)	<u>1,070</u>	<u>1,178</u>
Customer prepayment and security deposit (Note 32)	<u>5,606</u>	<u>-</u>

38 Subsequent events

Federal Corporate Tax

The Ministry of Finance has announced that the UAE will introduce a federal corporate tax on business profits with a standard statutory tax rate of 9% that will be effective for financial years starting on or after 1st June 2023. Businesses will become subject to UAE corporate tax from the beginning of their first financial year that starts on or after 1 June 2023.

The corporate tax will apply to all businesses and commercial activities alike, except for the extraction of natural resources which will remain subject to Emirate level corporate taxation.

Dubai Airport – District Cooling Asset Acquisition

Empower has signed Heads of Terms (HOTs) and is in advanced negotiation with Dubai Airports City Corporation for potential acquisition of district cooling assets. The acquisition will provide Empower to operate the District Cooling infrastructure of the Dubai International Airport (DXB) including all its terminal facilities and complexes. The estimated RT to be served will be 110,000. The transaction does not have impact on the current year.

Emirates Central Cooling Systems Corporation

Consolidated financial statements for the year ended 31 December 2020

Emirates Central Cooling Systems Corporation

Consolidated financial statements for the year ended 31 December 2020

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Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Emirates Central Cooling Systems Corporation ("the Corporation") and its subsidiaries (together "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.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 the International Financial Reporting Standards 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.

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Mohamed ElBorno, Jacques Fakhoury, Douglas O'Mahony and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy



Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements (continued)

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

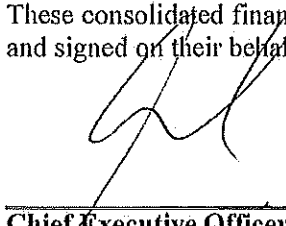
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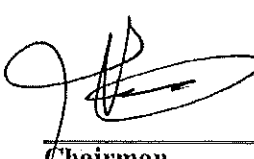
PricewaterhouseCoopers
United Arab Emirates
19 January 2021

Emirates Central Cooling Systems Corporation
Consolidated statement of financial position

		As at 31 December	
	Notes	2020 AED'000	2019 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,713,255	6,199,101
Right-of-use assets	6	18,529	24,368
Financial assets at fair value through other comprehensive income	7	57,653	-
Investment in a joint venture		307	307
		<u>6,789,744</u>	<u>6,223,776</u>
Current assets			
Inventories	8	35,081	41,852
Trade and other receivables	9	306,601	270,740
Due from related parties	10	14,471	2,756
Cash and cash equivalents	11	1,086,696	331,247
		<u>1,442,849</u>	<u>646,595</u>
Total assets		<u>8,232,593</u>	<u>6,870,371</u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the parent			
Capital	12	1,000,000	1,000,000
Statutory reserve	13	500,000	500,000
Other reserves		2,281	-
Retained earnings		3,208,164	2,707,214
Contributed capital	14	82,190	64,690
		<u>4,792,635</u>	<u>4,271,904</u>
Non-controlling interests		2,115	1,803
Total equity		<u>4,794,750</u>	<u>4,273,707</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	1,154,860	352,397
Government grant	16	373,670	376,450
Lease liabilities	6	14,595	19,860
Provision for employees' end of service benefits	17	45,450	37,316
		<u>1,588,575</u>	<u>786,023</u>
Current liabilities			
Trade and other payables	18	1,473,914	1,584,291
Due to related parties	10	199,246	148,141
Bank borrowings	15	167,179	68,277
Government grant	16	2,780	2,780
Lease liabilities	6	6,149	7,152
		<u>1,849,268</u>	<u>1,810,641</u>
Total liabilities		<u>3,437,843</u>	<u>2,596,664</u>
Total equity and liabilities		<u>8,232,593</u>	<u>6,870,371</u>

These consolidated financial statements were approved by the Board of Directors on 19 January 2021 and signed on their behalf by:


Chief Executive Officer


Chairman

The notes on pages 8 to 42 are an integral part of these consolidated financial statements.

Emirates Central Cooling Systems Corporation

Consolidated statement of comprehensive income

	Notes	Year ended 31 December	
		2020 AED'000	2019 AED'000
Revenue	19	2,255,115	2,189,340
Cost of sales	20	(1,216,084)	(1,220,327)
Gross profit		1,039,031	969,013
General and administrative expenses	21	(189,036)	(170,594)
Other income	23	58,527	85,133
Operating profit		908,522	883,552
Finance income	24	4,618	7,226
Finance costs	24	(11,878)	(19,767)
Finance costs – net		(7,260)	(12,541)
Share of profit of joint venture		-	124
Net profit for the year		901,262	871,135
Profit attributable to:			
Owners of the parent		900,950	870,602
Non-controlling interests		312	533
		901,262	871,135
Profit for the year		901,262	871,135
Other comprehensive income for the year	7	2,281	-
Total comprehensive income for the year		903,543	871,135
Total comprehensive income for the year attributable to:			
Owners of the parent		903,231	870,602
Non-controlling interests		312	533
		903,543	871,135

The notes on pages 8 to 42 are an integral part of these consolidated financial statements.

Emirates Central Cooling Systems Corporation

Consolidated statement of changes in equity

Attributable to owners of the parent									
	Notes	Capital AED'000	Statutory reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Contributed capital AED'000	Total equity AED'000	Non-controlling interests AED'000	Total AED'000
At 1 January 2019		1,000,000	439,915	-	2,199,571	64,690	3,704,176	1,270	3,705,446
Adjustment from the adoption of IFRS 16		-	-	-	(2,874)	-	(2,874)	-	(2,874)
Adjusted balance as at 1 January 2019		1,000,000	439,915	-	2,196,697	64,690	3,701,302	1,270	3,702,572
Comprehensive income									
Profit for the year		-	-	-	870,602	-	870,602	533	871,135
Transactions with owners									
Transfer to statutory reserve	13	-	60,085	-	(60,085)	-	-	-	-
Dividends declared		-	-	-	(300,000)	-	(300,000)	-	(300,000)
At 31 December 2019		1,000,000	500,000	-	2,707,214	64,690	4,271,904	1,803	4,273,707
Balance as at 1 January 2020		1,000,000	500,000	-	2,707,214	64,690	4,271,904	1,803	4,273,707
Additions during the year		-	-	-	-	17,500	17,500	-	17,500
Comprehensive income									
Profit for the year		-	-	-	900,950	-	900,950	312	901,262
Other comprehensive Income for the year	7	-	-	2,281	-	-	2,281	-	2,281
Transactions with owners									
Dividends declared		-	-	-	(400,000)	-	(400,000)	-	(400,000)
At 31 December 2020		1,000,000	500,000	2,281	3,208,164	82,190	4,792,635	2,115	4,794,750

The notes on pages 8 to 42 are an integral part of these consolidated financial statements.

Emirates Central Cooling Systems Corporation

Consolidated statement of cash flows

	Notes	Year ended 31 December	
		2020 AED'000	2019 AED'000
Cash flows from operating activities			
Profit for the year		901,262	871,135
Adjustments for:			
Depreciation of property, plant and equipment	5	284,960	255,054
Depreciation of right-of-use assets	6	7,017	6,620
Impairment reversal of project cost		(53,529)	(80,294)
Amortisation of arrangement fee		1,510	1,582
Share of profit of joint venture		-	(124)
Provision for impairment of trade receivables	9	13,823	351
Provision for employees' end of service benefits	17	8,823	5,748
Interest on lease liabilities		1,146	1,214
Finance income	24	(4,618)	(7,226)
Finance costs	24	9,222	16,971
Government grant income	16	(2,780)	(2,780)
Changes in working capital:			
Inventories	8	6,771	(4,170)
Trade and other receivables, net of write-off of receivables and advances to CAPEX suppliers	9,18	(62,438)	(8,488)
Due from related parties	10	(11,715)	5,663
Trade and other payables, excluding project-related payables, project accruals and retention payables	18	(50,236)	(21,069)
Due to related parties, net of dividends declared	10	(18,895)	(16,676)
Cash generated from operations		1,030,323	1,023,511
Payment of employees' end of service benefits	17	(689)	(834)
Net cash generated from operating activities		1,029,634	1,022,677
Cash flows from investing activities			
Payment for property, plant and equipment, net of project accruals, retention payables and advances to CAPEX suppliers	5,9,18	(775,473)	(676,661)
Finance income received	24	4,618	7,226
Short-term deposits (more than 3 months) encashed / (invested)		(17,500)	-
Financial assets acquired	7	(55,372)	-
Changes in the fair value of debt instruments		-	-
Net cash generated from/used in investing activities		(843,727)	(669,435)
Cash flows from financing activities			
Proceeds from bank borrowings		969,645	488,881
Repayment of bank borrowings	15	(69,789)	(69,789)
Dividends paid to shareholders		(330,000)	(470,000)
Payment of lease liabilities		(8,592)	(8,064)
Finance costs paid	24	(9,222)	(16,971)
Net cash used in financing activities		552,042	(75,943)
Net increase in cash and cash equivalents		737,949	277,299
Cash and cash equivalents at the beginning of the year		331,247	53,948
Cash and cash equivalents at the end of the year	11	1,069,196	331,247

The notes on pages 8 to 42 are an integral part of these consolidated financial statements.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020

1 Establishment and operations

Emirates Central Cooling Systems Corporation ("EMPOWER") ("the Corporation") was established on 23 November 2003 as a corporate entity in accordance with Article 3 of Law No. (10) "Emirates Central Cooling System Corporation Incorporation Law for the year 2003" ("the Decree") and commenced commercial operations on 15 February 2004. The Corporation was established as a joint venture between Dubai Electricity and Water Authority ("DEWA"), which is ultimately owned by the Government of Dubai, and the Dubai Development Authority (formerly known as Dubai Creative Clusters Authority) ("the authority"). However, the beneficial interest of the authority was transferred to Tecom Investments FZ-LLC ("TECOM") effective from inception. The ultimate majority shareholder of TECOM is His Highness Mohammed Bin Rashid Al Maktoum.

On 23 November 2009, a letter was issued by the Ruler's Court allowing DEWA to increase its shareholding to 70% in the Corporation and to dilute TECOM's interest to 30%. This change in the shareholding structure has been formalised through Decree No. 3 of 2010 issued by the Ruler's Court.

The principal activities of the Corporation are the provision of district cooling services and management, operation and maintenance of central cooling plants and related distribution networks. The principal office of the Corporation is P.O. Box 8081, Al Hudaiba Awards Building, Dubai, United Arab Emirates.

These consolidated financial statements relate to the Corporation and its subsidiaries (jointly referred to as "the Group").

The Corporation has the following subsidiaries:

Subsidiary	Principal activities	Beneficial holding	
		2020	2019
Empower Logstor LLC ("ELIPS")	Manufacturing of pre-insulated pipes, mainly for district cooling	97.0%	97.0%
Palm District Cooling LLC	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services	99.9%	99.9%
Palm Utilities LLC	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services	99.5%	99.5%
Empower FM LLC	Air-conditioning, ventilation, and air filtration systems installation and maintenance	100%	-
Empower Engineering & Consultancy LLC	Project development consultant	100%	-

ELIPS was established during the year 2007 with the Corporation having a 51% shareholding and Logstor Holding, Denmark having a 49% shareholding. During 2012, the Corporation increased its shareholding to 97% in ELIPS and diluted Logstor Holding, Denmark's interest to 3%.

During 2013, EMPOWER acquired a 99.5% interest in Palm Utilities LLC ("PU") and a 99.9% interest in its subsidiary Palm District Cooling LLC ("PDC").

During 2020, the Corporation established two subsidiaries, namely Empower FM LLC and Empower Engineering & Consultancy LLC with a 100% shareholding in each. The principal activities of Empower FM LLC and Empower Engineering & Consultancy LLC are shown in the table above.

The consolidated financial statements of the Group for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 19 January 2021.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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 consolidated financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the Group during the year

There were no new or amended standards that were required to be adopted by the Group during the year that had a material impact on the Group's consolidated financial statements.

(b) New standards, amendments and interpretations – not effective for the financial year beginning 1 January 2020 and not early adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligation's of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is computed, using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives as follows:

	Years
Plant, equipment and machinery	2 to 30
Buildings	25
Furniture and fixtures	3 to 5
Leasehold improvements	3 to 4
Computer equipment	3
Vehicles	3 to 5

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within profit and loss in the consolidated statement of comprehensive income.

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Group's policies.

2.4 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets

(i) Classification

The Group classifies its financial assets as at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows except for financial assets which are considered as equity instrument.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value through Profit or Loss ("FVPL"). Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payments of Principal and Profit ("SPPI"): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether financial instruments' cash flows represent SPPI.

In making this assessment, the Group considers whether contractual cash flows present a nature consistent with a basic lending arrangement (i.e. profit includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with basic lending arrangement).

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Classification of financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

The Group determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate.

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(i) Classification (continued)

Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

The financial assets of the Group are as follows:

	Carrying amount	
	2020 AED '000	2019 AED '000
Trade and other receivables	306,601	270,740
Cash and bank balances	1,086,696	331,247
Due from related parties	14,471	2,756
Financial assets at fair value through other comprehensive income	57,653	-

The Group holds the following financial assets with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

- Cash and bank balances, which include cash in hand and balances in current accounts.
- Trade receivables, other receivables and due from related parties. Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Other receivables generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained for other receivables. Further information relating to due from related parties are disclosed in Note 9.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(ii) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset, including trade receivables, at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of comprehensive income. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and at fair value through other comprehensive income (FVOCI), which results in accounting loss being recognised in profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b) In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(iii) Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets, if any, is included in finance income using the effective profit rate method.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2. Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(iii) Subsequent measurement (continued)

- *Fair value through other comprehensive income (FVOCI):* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income, if any and foreign exchange gains and losses which are recognised in profit and loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Profit income, if any, from these financial assets is included in finance income using the effective profit rate method.

- *Fair value through profit or loss (FVTPL):* Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in the statement of comprehensive income and presented net in the statement of comprehensive income within other gains/(losses) in the year in which it arises. Profit income, if any, from these financial assets is included in the finance income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in the consolidated statement of comprehensive income, as applicable.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2. Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(iv) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk and is computed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

As trade receivables held by the Group have short credit period (i.e. tenor less than or equal to 12 months and does not comprise significant financing component), the Group applies simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised for receivables.

For all other receivables, at the end of each year the Group applies a three stage impairment approach to measure the expected credit losses (ECL) on all debt instruments carried at amortised cost.

The ECL three stage impairment is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded. When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1 (i.e. recognition of 12-month expected credit losses).

When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continues to be recorded or the financial asset is written off. The profit income, if any, is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(iv) *Impairment (continued)*

Significant increase in credit risk

In assessing whether the credit risk on its financial instrument has increased significantly since initial recognition, the Group compares the probability of a default occurring on the financial instrument as at the reporting date with the probability of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate.

Definition of default

The definition of default used by the Group to measure ECLs and transfer financial instruments between stages is consistent with the definition of default used for internal credit risk management purposes. The Group considers a financial asset to be credit-impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group considers the customer to be in default if the outstanding balance is 90 days past due.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

ECLs for all financial instruments are recognised in other expenses in the consolidated statement of comprehensive income. In the case of debt instruments measured at amortised cost, they are presented net of the related allowance for expected credit loss on the consolidated statement of financial position.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(v) *Derecognition*

Financial assets (or, where applicable, a part of a financial asset) are derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
 - The Group has transferred substantially all the risks and rewards of the asset; or
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.7 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the provision for impairment.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.8 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, current accounts with banks and bank deposits with an original maturity of less than three months, less bank overdrafts.

2.9 Bank 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 comprehensive income 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 twelve months after the statement of financial position date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.10 Government grants

The Government of Dubai granted certain plots of land to the Corporation for use in its principal activities as set out in Note 1. The land is recorded in the books, as and when the grant is made, at the fair market value on the date of grant, carried out by an independent firm of real estate consultants. These grants are credited to deferred government grants in the consolidated statement of financial position and are recognised as income over the useful life of the plant constructed on the land. Return of land to the Government of Dubai prior to commencement of construction of the plant is adjusted against deferred government grants in the consolidated statement of financial position.

As set out in Note 1, the Corporation became an entity controlled by DEWA effective from 23 November 2009. All land plots received by the Corporation from the Government of Dubai after 23 November 2009 are accounted for as contributed capital in the consolidated statement of changes in equity as DEWA is wholly owned by the Government of Dubai.

2.11 Employees end of service benefits

An accrual is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to the statement of financial position date. A provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the statement of financial position date. The accrual relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while the provision relating to end of service benefits is disclosed as a non-current liability.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.11 Employees end of service benefits (continued)

The Group has also joined the pension scheme operated by the Federal Pension General and Society Security Authority. Accordingly, contributions for eligible UAE National employees are made and charged to the consolidated statement of comprehensive income, in accordance with the provisions of Federal Law No. 7 for 1999 relating to Pension and Society Security Law. The Group has no further payment obligation once the contribution has been made.

2.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

2.13 Lease liabilities

At the 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 identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involved the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.13 Lease liabilities (continued)

- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At the inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liabilities.

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 discounted rate, which is determined to be 4.01% per annum.

Lease payments included in the measurement of the lease liability comprise:

- 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

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.13 Lease liabilities (continued)

As a lessee (continued)

- 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 or if the Group changes its assessment of whether it will exercise a purchase, extension or terminate option.

Lease liabilities are subsequently increased by the finance costs on the lease liabilities and decreased by lease payments made.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Group acts as a lessor, it determines at the lease commencement 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 to the lessee substantially all of the risk and rewards of ownership 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 assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Revenue'.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.14 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Corporation and its subsidiaries, and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2.15 Revenue recognition

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 Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. 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.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

2 Summary of significant accounting policies (continued)

2.15 Revenue recognition (continued)

Revenue comprises the fair value of consideration received or receivable for the sales of goods and services in the ordinary course of the 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) *District cooling services*

Demand and consumption charges revenue comprises of available capacity and variable output provided to customers and is recognized when services are provided.

Network integration charges revenue relate to integrating the Group's system with the customer's system and are recognized at the time that the network integration services are completed.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(b) *Pre-insulated pipes*

Revenue from the sale of pre-insulated pipes is recognised when goods are sold.

2.16 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's exposure to market risk arises from:

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group does not have any significant foreign currency exposure, as majority of the transactions are denominated in AED or currencies pegged to AED.

(ii) 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 those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market. The Group has no significant exposure to price risk.

(iii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (floating rate borrowings). Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its consolidated statement of financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The Group does not hedge its exposure to interest rate risk.

At 31 December 2020, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 4,861 thousand (2019: AED 5,097 thousand) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Further, at 31 December 2020, if interest rates on lease liabilities had been 1% higher/lower with all other variables held constant, profit for the year would have been lower by AED 233 thousand (2019: AED 887 thousand), mainly as a result of higher interest expense, and would have been higher by AED 252 thousand (2019: AED 951 thousand), mainly as a result of lower interest expense.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group's exposure to credit risk arises from cash equivalents and outstanding receivables from corporate and retail customers. Deposits for district cooling services are obtained from customers before the provision of any services, which are held as security in order to mitigate credit risk in case of default by customers.

For bank and financial institutions, the Group only deals with reputable local and international banks, which are considered to have a good credit rating.

	2020 AED'000	2019 AED'000
Cash at bank and short-term bank deposits		
A	26	26
A+	14	14
A1	4,556	4,816
A3	643,062	317,718
AA3	8,321	3,795
Baa1	26,500	4,855
BBB+	304,099	-
Caa1	100,118	23
	<u>1,086,696</u>	<u>331,247</u>

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by keeping committed credit lines available.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Total	Less than 1 year	Between 1 to 5 years	More than 5 years
	AED'000	AED'000	AED'000	AED'000
At 31 December 2020				
Bank borrowings (including interest)	1,403,595	190,162	1,213,433	-
Trade and other payables (excluding deferred revenues)	1,177,883	1,177,883	-	-
Lease liabilities	20,744	6,149	6,864	7,731
Due to related parties	199,246	199,246	-	-
	<u>2,801,468</u>	<u>1,573,440</u>	<u>1,220,297</u>	<u>7,731</u>

	Total	Less than 1 year	Between 1 to 5 years	More than 5 years
	AED'000	AED'000	AED'000	AED'000
At 31 December 2019				
Bank borrowings (including interest)	477,392	83,612	310,958	82,822
Trade and other payables (excluding deferred revenues)	1,233,083	1,233,083	-	-
Lease liabilities	27,012	7,152	11,521	8,339
Due to related parties	148,141	148,141	-	-
	<u>1,885,628</u>	<u>1,471,988</u>	<u>322,479</u>	<u>91,161</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Compared to the previous year-end, there has been no material change in the contractual undiscounted cash outflows for financial liabilities during the period. There is no material impact of COVID-19 on the Group's business as detailed in Note 28 of these consolidated financial statements. Net cash generated from operating activities have increased by AED 6,957 thousand from AED 1,023 million for 2019 to AED 1,030 million for the year 2020.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at 31 December 2020 and 31 December 2019 were as follows:

	2020 AED'000	2019 AED'000
Total borrowings	1,322,039	420,674
Less: Cash and cash equivalents	(1,086,696)	(331,247)
Net debt	235,343	89,427
Total equity	4,792,635	4,271,904
Total capital	5,027,978	4,361,331
Gearing ratio	5%	2%

3.3 Fair value estimation

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and cash equivalents, trade and other receivables and due from related parties. Financial liabilities consist of trade and other payables, bank borrowings and due to related parties. The fair values of financial instruments approximate their carrying values.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

4 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are charged to the statement of comprehensive income.

The impairment provisions are determined as the difference between the carrying value of these assets (before impairment charge) and the recoverable amount. The recoverable amount is determined as the higher of "value-in-use" calculations, using pre-tax cash flow projections as approved by the management or fair value less cost to sell.

No impairment charges has been recognised against non-financial assets during the year ended 31 December 2020 (2019: Nil), following management's impairment review.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

5 Property, plant and equipment

	Land AED'000	Plant, equipment and machinery AED'000	Buildings AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost									
At 1 January 2019	476,782	6,216,922	70,709	14,138	10,702	37,128	5,522	486,465	7,318,388
Additions	-	27	-	795	203	1,213	573	714,042	716,853
Transfers	-	444,454	-	-	-	-	-	(444,454)	-
Impairment reversal *	-	-	-	-	-	-	-	80,294	80,294
Disposals	-	-	-	(6)	-	(574)	-	-	(580)
At 31 December 2019	476,782	6,661,403	70,709	14,947	10,905	37,767	6,095	836,347	8,114,955
Additions**	17,500	-	-	862	31	1,892	383	724,917	745,585
Transfers	-	988,954	-	-	-	-	-	(988,954)	-
Impairment reversal *	-	-	-	-	-	-	-	53,529	53,529
Disposals	-	(17,242)	-	(6)	-	(21)	(141)	-	(17,410)
At 31 December 2020	494,282	7,633,115	70,709	15,803	10,936	39,638	6,337	625,839	8,896,659
Accumulated depreciation and impairment									
At 1 January 2019	-	1,555,419	20,565	12,853	10,149	28,344	4,229	29,821	1,661,380
Charge for the year	-	247,504	2,828	1,053	322	2,730	617	-	255,054
Disposals	-	-	-	(6)	-	(574)	-	-	(580)
At 31 December 2019	-	1,802,923	23,393	13,900	10,471	30,500	4,846	29,821	1,915,834
Charge for the year	-	278,652	2,828	905	185	1,818	572	-	284,960
Disposals	-	(17,242)	-	(6)	-	(21)	(141)	-	(17,410)
At 31 December 2020	-	2,064,333	26,221	14,799	10,656	32,297	5,277	29,821	2,183,404
Net book value									
31 December 2020	494,282	5,568,782	44,488	1,004	280	7,341	1,060	596,018	6,713,255
31 December 2019	476,782	4,858,480	47,316	1,047	434	7,267	1,249	806,526	6,199,101

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

5 Property, plant and equipment (continued)

* Prior to its acquisition by EMPOWER, PDC had impaired costs relating to projects that did not develop as anticipated. During 2017, the Group commenced services to the Jumeirah Village Project. This resulted in the reduction of impairment of pipe network costs. Accordingly, as at 31 December 2020, EMPOWER assessed the reversal of impairment corresponding to the upcoming buildings in the Jumeirah Village Project and reversed AED 53 million during 2020 (2019: AED 80 million).

** During the year, the Group received 2 plots of land from Meydan City Corporation. One of the plot has already constructed with a district cooling plant, which has been acquired during the year and another is a vacant plot. The valuation of the plant is provisionally estimated at AED 17,500,000 and accordingly booked under Land.

Depreciation expense of AED 278,652 thousand (2019: AED 247,504 thousand) has been charged to 'cost of sales' (Note 20) and AED 6,308 thousand (2019: AED 7,549 thousand) to 'general and administrative expenses' (Note 21).

Capital work-in-progress balances include costs of constructing district cooling plants and networks at various projects.

6 Right-of-use assets and lease liabilities

The Group mainly leases equipment for a period of 15 years with an extension option and a head office for a period of 1 year (since a new head office is currently under construction and is expected be completed after 1 year).

	Equipment AED'000	Buildings AED'000	Total AED'000
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
Additions	1,178	-	1,178
At 31 December 2020	27,242	4,924	32,166
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
Charge for the year	4,979	2,038	7,017
At 31 December 2020	9,561	4,076	13,637
Net book amount			
31 December 2020	17,681	848	18,529
31 December 2019	21,482	2,886	24,368

Equipment represents semi-permanent plant (SPP) equipment rented from DEWA.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

6 Right-of-use assets and lease liabilities (continued)

The Group recognised lease liabilities as follows:

	2020 AED'000	2019 AED'000
At 1 January	27,012	32,057
Additions during the year	1,178	1,804
Released during the year	(7,446)	(6,849)
At 31 December	20,744	27,012
Less: current portion	(6,149)	(7,152)
Non-current portion	14,595	19,860

Interest expense included in finance costs for 2020 was AED 1,146,000 (2019: AED 1,214,000) (Note 24).

There are no expenses relating to variable lease payments.

Expenses relating to short-term leases included in general and administrative expenses and to leases of low-value assets that are shown as short-term leases included in general and administrative expenses are as follows:

	2020 AED'000	2019 AED'000
Expense relating to short-term leases	738	637

7 Financial assets at fair value through other comprehensive income

	2020 AED'000	2019 AED'000
Financial assets at fair value through other comprehensive income	57,653	-

Financial assets at fair value through other comprehensive income pertains to an investment in Tier 1 Capital Certificates ("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 is not held for trading.

During the year, gains recognised in other comprehensive income amounted to AED 2,281,000

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

8 Inventories

	2020 AED'000	2019 AED'000
Spares and consumables for district cooling services	26,809	25,361
Pre-insulated pipes	8,272	16,491
	<u>35,081</u>	<u>41,852</u>

The cost of inventories recognised as expense and included in 'cost of sales' is AED 5,191,000 (2019: AED 3,674,000).

The inventories provision for the year amounted to Nil (2019: AED 806,000).

9 Trade and other receivables

	2020 AED'000	2019 AED'000
Trade receivables	193,275	135,610
Less: Loss allowance	<u>(48,264)</u>	<u>(34,441)</u>
	145,011	101,169
<i>Other financial assets at amortised cost</i>		
Accrued revenues	19,576	20,606
Other receivables	<u>10,278</u>	<u>8,122</u>
	29,854	28,728
<i>Other assets</i>		
Advance to contractors / suppliers	116,699	129,453
Prepayments	<u>15,037</u>	<u>11,390</u>
	131,736	140,843
	<u>306,601</u>	<u>270,740</u>

As at 31 December 2020, the movement in the allowance for impairment of receivables is as follows:

	2020 AED'000	2019 AED'000
At 1 January	34,441	34,090
Increase in expected credit losses recognised in the consolidated statement of comprehensive income during the year	<u>13,823</u>	<u>351</u>
Balance at the end of the year	<u>48,264</u>	<u>34,441</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

9 Trade and other receivables (continued)

As at 31 December, the aging analysis of trade receivables is as follows:

	2020 (AED'000)		2019 (AED'000)	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Up to 3 months	88,088	3,267	77,578	3,690
3 to 6 months	38,875	12,580	15,977	6,704
6 to 12 months	24,137	12,158	8,047	4,912
12 months and above	42,175	20,259	34,008	19,135
	<u>193,275</u>	<u>48,264</u>	<u>135,610</u>	<u>34,441</u>

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group holds security deposits of AED 340,875 thousand (2019: AED 323,218 thousand) (Note 18) as collateral against receivables. Other classes of trade and other receivables do not contain impaired assets.

10 Transactions and balances with related parties

Related parties include the shareholders, key management personnel, subsidiaries, joint venture, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence.

	2020 AED'000	2019 AED'000
Transactions with related parties		
<i>Services rendered to entities under common control of shareholder</i>		
Dubai Properties Group	131,835	121,004
Meraas Group	64,341	-
Jumeira Group	39,927	62,378
Tecom Investment	62,389	59,929
Global Village	640	710
	<u>299,132</u>	<u>244,021</u>
<i>Services received from Shareholder</i>		
Dubai Electricity and Water Authority (DEWA)	<u>(805,585)</u>	<u>(879,495)</u>
Key management remuneration		
Board of Directors remuneration (Note 21)	<u>6,250</u>	<u>6,250</u>
Key management personnel remuneration includes end of service benefits amounting to AED 472,500 (2019: AED 472,500)	<u>12,198</u>	<u>12,166</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

10 Transactions and balances with related parties (continued)

Balances with related parties

	2020 AED'000	2019 AED'000
Due from related parties		
<i>Entities under common control of shareholder</i>		
Others	14,471	2,756
Due to related parties		
<i>Shareholders</i>		
Dubai Electricity and Water Authority (DEWA)	142,879	58,985
Tecom Investment	41,636	25,395
	<u>184,515</u>	<u>84,380</u>
<i>Entities under common control of shareholder</i>		
Dubai Properties Group	2,064	54,975
Dubai Holding LLC	3,708	3,708
	<u>5,772</u>	<u>58,683</u>
<i>Others</i>		
Board of directors	5,050	5,050
Others	3,909	28
	<u>199,246</u>	<u>148,141</u>

11 Cash and cash equivalents

	2020 AED'000	2019 AED'000
Cash at bank	210,196	156,247
Short-term bank deposits – less than 3 months	859,000	175,000
Short-term bank deposits – more than 3 months	17,500	-
	<u>1,086,696</u>	<u>331,247</u>

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest rate of 1.12 % per annum (2019: 2.52% per annum).

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

	2020 AED'000	2019 AED'000
Cash and cash equivalents	1,086,696	331,247
Less: Short term deposit more than 3 months	(17,500)	-
	<u>1,069,196</u>	<u>331,247</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

12 Capital

	2020 AED'000	2019 AED'000
Authorised capital	1,000,000	1,000,000
Paid up capital	1,000,000	1,000,000

As at 31 December 2020, the authorised and paid up capital of the Corporation amounted to AED 1,000,000,000 (2019: AED 1,000,000,000), of which AED 700,000,000 (2019: AED 700,000,000) was contributed by DEWA and AED 300,000,000 (2019: AED 300,000,000) was contributed by TECOM. The capital comprises 1,000,000 shares of AED 1,000 each.

13 Statutory reserve

As required by the Decree of the Corporation and the Articles of Association of the subsidiaries, 10% of the profit for the year is required to be transferred to the statutory reserve. The Corporation and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the issued capital. During 2019, an amount of AED 60 million was transferred to meet the AED 500 million requirement (50% of share capital). The reserve is not available for distribution.

14 Contributed capital

In prior years, the Group received certain plots of land from the Government of Dubai, the valuation of which has been carried out by an independent firm. As disclosed in Note 2.10, the value of such land has been treated as capital contribution from the shareholders as the Corporation is an entity controlled by DEWA, which is wholly-owned by the Government of Dubai.

During the year, the Group received 2 plots of land from Meydan City Corporation. One of the plot has already constructed with a district cooling plant, which has been acquired during the year and another is a vacant plot. The valuation of the plant is provisionally estimated at AED 17,500,000 and accordingly considered as contributed capital.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

15 Bank borrowings

	2020	2019
	AED'000	AED'000
Term loan	1,329,582	429,726
Unamortised loan cost	(7,543)	(9,052)
Total	1,322,039	420,674
Less: current portion	(167,179)	(68,277)
Non-current portion	1,154,860	352,397

The Group's borrowings are denominated in USD. Interest rates on the Group's borrowings ranged between 1.62% and 3.3% (2019: 3.2% and 4.01%). Repayment terms are 7 years from June 2019 and the borrowings are unsecured.

The maturity profile of the borrowings is as follows:

	2020	2019
	AED'000	AED'000
Within one year	167,179	68,277
After one year but not more than five years	1,154,860	273,106
More than five years	-	79,291
	1,322,039	420,674

On 13 December 2018, the Group entered into a new syndicated loan facility with ENBD as the facility agent amounting to US\$ 400m (AED 1,469m) at an interest rate of Libor+150bps margin with a 7 years repayment facility scheduled from June 2019 to December 2020.

The Group had fully drawdown the total facility of US\$ 400m (AED 1,469m) as of 31-Dec-2020 (US\$ 136m in 2019 and US\$ 264m in 2020). The scheduled repayment of US\$ 9.5m (AED 34.9m) each in June 2020 and Dec 2020 has been duly paid.

The undrawn term loan and facilities is Nil as at 31 December 2020 (2019: AED 993,728 thousand) at a floating rate linked to LIBOR plus margin. The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing ranges between one to six months. The fair value of current borrowings equals their carrying amount, as the impact of discounting is nullified with the floating rate interest arrangement for such borrowings.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

16 Government grants

Government grants received prior to 23 November 2009 are recognised as income over the useful life of the plant constructed on the granted land. The current portion represents the expected release of government grant for the plants currently in operation and those which are expected to be completed during next year. The actual amount of release may vary due to delay in completion/commencement of the operations of these plants.

	2020 AED'000	2019 AED'000
At 1 January	379,230	382,010
Released during the year	(2,780)	(2,780)
At 31 December	376,450	379,230
Less: current portion	(2,780)	(2,780)
Non-current portion	373,670	376,450

17 Provision for employees' end of service benefits

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2020 and 2019, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of the employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employee's salary in-line with the Group's salary scales, past experience and market conditions.

	2020	2019
The principal assumptions used were as follows:		
Discount rate per year	2.21%	2.21%
Salary increase per year	5%	5%

18 Trade and other payables

	2020 AED'000	2019 AED'000
Refundable customers' security deposits (Note 9)	340,875	323,218
Deferred revenue	296,031	351,208
Project cost accruals	295,099	410,018
Project payables	148,786	103,028
Retentions payable	101,914	92,894
Other liabilities	291,209	303,925
	1,473,914	1,584,291

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

19 Revenue

	2020 AED'000	2019 AED'000
District cooling services	2,268,649	2,182,770
Less: discounts (Note 28)	(21,479)	-
Sale of pre-insulated pipes	7,945	6,570
	<u>2,255,115</u>	<u>2,189,340</u>

20 Cost of sales

	2020 AED'000	2019 AED'000
Utilities costs	846,609	886,007
Depreciation (Note 5)	278,652	247,504
Depreciation - Right-of-use assets (Note 6)	4,979	4,582
Materials	5,191	3,674
Staff costs (Note 22)	38,355	35,450
Others	42,298	43,110
	<u>1,216,084</u>	<u>1,220,327</u>

21 General and administrative expenses

	2020 AED'000	2019 AED'000
Staff costs (Note 22)	136,073	128,115
Impairment charges on trade receivables (Note 9)	13,823	351
Depreciation (Note 5)	6,308	7,549
Directors' remuneration (Note 10)	6,250	6,250
Communication expenses	5,260	3,785
Depreciation - Right-of-use assets (Note 6)	2,038	2,038
Advertising and marketing expenses	1,580	4,019
Rent	738	637
Others	16,966	17,850
	<u>189,036</u>	<u>170,594</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

22 Staff costs

	2020 AED'000	2019 AED'000
Salaries	106,590	101,220
Staff benefits	59,015	56,597
End of service benefits (Note 17)	8,823	5,748
	<u>174,428</u>	<u>163,565</u>
Staff costs have been charged to:		
Cost of sales (Note 20)	38,355	35,450
General and administrative expenses (Note 21)	136,073	128,115
	<u>174,428</u>	<u>163,565</u>

23 Other income

	2020 AED'000	2019 AED'000
Government grant	2,780	2,780
Impairment reversal of project cost	53,529	80,294
Others	2,218	2,059
	<u>58,527</u>	<u>85,133</u>

24 Finance costs – net

	2020 AED'000	2019 AED'000
Interest income on short-term bank deposits	4,618	7,226
Interest on lease liabilities	(1,146)	(1,214)
Interest expense on bank borrowings	(10,732)	(18,553)
Finance costs, net	<u>(7,260)</u>	<u>(12,541)</u>

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

25 Financial instruments by category

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

Amortised cost	2020 AED'000	2019 AED'000
Trade and other receivables, excluding prepayments (Note 9)	291,564	259,350
Due from related parties (Note 10)	14,471	2,756
Cash and cash equivalents (Note 11)	1,086,696	331,247
Total	1,392,731	593,353

Fair value through other comprehensive income (FVOCI)

	2020 AED'000	2019 AED'000
Financial assets at fair value through other comprehensive income	57,653	-

	2020 AED'000	2019 AED'000
Other financial liabilities at amortised cost		
Trade and other payables excluding deferred revenue (Note 18)	1,177,883	1,233,083
Due to related parties (Note 10)	199,246	148,141
Bank borrowings (Note 15)	1,322,039	420,674
Total	2,699,168	1,801,898

26 Guarantees

As at 31 December 2020, the Group had outstanding bank guarantees and letters of credits amounting to AED 621,007 (2019: AED 10,472,273), which were issued by the Group's bankers in the normal course of business.

27 Commitments

Capital commitments

As at 31 December 2020, the Group had project commitments of AED 821,729 thousand (2019: AED 716,238 thousand) for projects-in-progress. These commitments represent the value of contracts issued as at 31 December 2020 and as at 31 December 2019, net of invoices recorded and accruals made as at that date.

Emirates Central Cooling Systems Corporation

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

28 COVID-19's impact on the Group's operations

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to avoid disruption to our operations.

At this stage, the impact on our business and results has not been significant, and based on our experience to date, we expect this to remain the case. As we operate in the district cooling sector, being an essential service in the country, we have not found a significant impact on the demand for our services and expect this to continue.

All of the Group's plants were operational throughout the period, even during the government-imposed lockdown and there was no disruption to services provided.

Below are some of the measures that the Group has taken in order to provide relief to its customers:

- 1) A general discount of up to 10% on consumption charges and fuel surcharges provided to all customers during the period of 3 months (mid-March 2020 to mid-June 2020) amounting to AED 18,292,040, which was offset by a similar discount received in the amount of AED 11,965,333 on electricity and water costs for 3 months.
- 2) Payment plans for specific customers during the lockdown period.
- 3) Specific discounts for hotels used as COVID-19 support facilities amounting to AED 3,187,162.

We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

For further information refer to note 3.1 (c).

29 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are charged to the statement of comprehensive income.

The impairment provisions are determined as the difference between the carrying value of these assets (before impairment charge) and the recoverable amount. The recoverable amount is determined as the higher of "value-in-use" calculations, using pre-tax cash flow projections as approved by the management or fair value less cost to sell.

No impairment charges has been recognised against non-financial assets during the year ended 31 December 2020 (2019: Nil), following management's impairment review.

30 Subsequent events

A final dividend of AED 300 million (2019: AED 300 million) has been approved by the Board of Directors through resolution dated 19 January 2021. Dividend per share AED 300 (2019: AED 300)

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