



**NATIONAL CENTRAL COOLING COMPANY PJSC**

(a public joint stock company incorporated in the United Arab Emirates)

**U.S.\$500,000,000**

**2.500 per cent. Notes due 2027**

**Issue Price: 98.864 per cent.**

Application has been made to the United Kingdom Financial Conduct Authority (the “FCA”) in its capacity as competent authority under Regulation (EU) 2017/1129 (the “Prospectus Regulation”) for the U.S.\$500,000,000 2.500 per cent. Notes due 2027 (the “Notes”) of National Central Cooling Company PJSC (the “Issuer” and “Tabreed”) to be admitted to the official list of the FCA (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market (the “Market”). References in this Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended (“MiFID II”). This Prospectus has been approved as a prospectus by the FCA, as competent authority under the Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Interest on the Notes is payable semi-annually in arrear on 21 April and 21 October in each year, except that the first payment will be made on 21 April 2021. Payments on the Notes will be made without deduction for or on account of taxes of a Relevant Jurisdiction as described in Condition 10 (*Taxation*) (see “*Terms and Conditions of the Notes*” below).

The Notes mature on 21 October 2027 but may be redeemed before then: (i) at the option of the Issuer in whole but not in part following the occurrence of a Tax Event or following any exercise by the Issuer of the Clean Up Call Option; and (ii) at the option of the Noteholders in whole or in part following the occurrence of a Change of Control Event and in whole following the occurrence of an Event of Default, in each case, at their principal amount together with accrued interest (each as described under Condition 9 (*Redemption and Purchase*)).

The Notes will be offered and sold in offshore transactions outside the United States in reliance on Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”).

**THE NOTES HAVE NOT BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT, OR ANY STATE SECURITIES LAW, AND THE NOTES 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 U.S. SECURITIES ACT.**

The Notes will be issued in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Notes will be represented by a global registered certificate (the “**Global Certificate**”) which will be registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee for and deposited with a common depositary for Euroclear Bank SA/NV (“**Euroclear**”), and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) on or around 21 October 2020 (the “**Closing Date**”). Definitive certificates (the “**Definitive Certificates**”) evidencing holdings of Notes will be available only in certain limited circumstances. See “*Summary of Provisions Relating to the Notes in Global Form*”.

The Notes are expected to be rated Baa3 by Moody’s Investors Service, Inc. (“**Moody’s**”) and BBB by Fitch Ratings Limited (“**Fitch**”). The Issuer’s current long-term rating by Moody’s is Baa3 (outlook stable) and by Fitch is BBB (outlook negative). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Moody’s is established in the United Kingdom (the “**UK**”). Fitch is established in the European Union (the “**EU**”) and domiciled in the UK. Each of Moody’s and Fitch is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the “**CRA Regulation**”). This list is available on the European Securities and Markets Authority (“**ESMA**”) website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>).

**Investing in the Notes involves a certain risks. See “*Risk Factors*” below.**

*Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers*

**HSBC**

**J.P. Morgan**

*Joint Lead Manager*

**Commercial Bank of Dubai P.S.C.**

**The date of this Prospectus is 20 October 2020**

## IMPORTANT NOTICES

This Prospectus constitutes a prospectus for the purpose of Article 6 of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Group (as defined herein), the rights attaching to the Notes and the reasons for the issuance and its impact on the Issuer. The Issuer, having taken all reasonable care to ensure that such is the case, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Third-party information contained in the sections entitled “*Risk Factors*”, “*The District Cooling Industry*”, “*Overview of the UAE and the Emirate of Abu Dhabi*” has been extracted from information published by the Organization of the Petroleum Exporting Countries, Dubai Regulatory and Supervisory Bureau for Electricity and Water, the International Monetary Fund, the UAE Federal Competitiveness and Statistics Authority, Statistics Centre – Abu Dhabi and Dubai Statistics Center, as the case may be. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the Organization of the Petroleum Exporting Countries, Dubai Regulatory and Supervisory Bureau for Electricity and Water, the International Monetary Fund, the UAE Federal Competitiveness and Statistics Authority, Statistics Centre – Abu Dhabi and Dubai Statistics Center, no facts have been omitted which would render the reproduced information inaccurate or misleading. This Prospectus is to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*” below).

Save for the Issuer, no other party (including the Joint Lead Managers (as defined under “*Subscription and Sale*”) and any of their directors, affiliates, advisers or agents) has made an independent verification of the information contained in this Prospectus in connection with the issue or offering of the Notes and no representation or warranty, express or implied, is made by the Joint Lead Managers or any of their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. No responsibility is accepted by the Joint Lead Managers or any of their directors, affiliates, advisers or agents for any act or omission of the Issuer or any other person (other than the relevant Joint Lead Manager) in connection with the issue and offering of the Notes. Nothing contained in this Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Joint Lead Managers or any of their respective directors, affiliates, advisers or agents in any respect. The contents of this Prospectus are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

No person is authorised to give any information or make any representation not contained in this Prospectus in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer or the Joint Lead Managers or any of their directors, affiliates, advisers or agents. The delivery of this Prospectus does not imply that there has been no change in the business and affairs of the Issuer since the date hereof or that the information herein is correct as of any time subsequent to its date.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. In particular, this Prospectus does not constitute an offer of securities to the public in the United Kingdom. Consequently this document is being distributed only to, and is directed at, (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Prospectus may come are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe

such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other offering material relating to the Notes is set out under “*Subscription and Sale*”.

Neither this Prospectus nor any other information supplied in connection with the issue of the Notes (a) are intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Issuer or the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issue of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Furthermore, no comment is made or advice given by the Issuer or the Joint Lead Managers in respect of taxation matters relating to any Notes or the legality of the purchase of Notes by an investor under applicable or similar laws. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND FINANCIAL ADVISER AS TO TAX, LEGAL, FINANCIAL AND RELATED MATTERS CONCERNING THE PURCHASE OF THE NOTES.**

#### STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities plc (the “**Stabilising Manager**”) (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying such forward-looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*", "*Financial Review*" and "*Description of the Group*" and other sections of this Prospectus. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations and estimates reflected in its forward-looking statements are reasonable as at the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Issuer's ability to achieve and manage growth, whether through organic growth or by winning new concessions or through acquisitions;
- the Issuer's indebtedness adversely affecting its ability to raise additional capital to fund its operations;
- changes in political, social and economic stability associated with countries and regions in which the Issuer operates;
- the political and economic conditions in the UAE and the Middle East;
- significant competition in the district cooling industry;
- the Issuer's ability to maintain and renew agreements at its existing facilities;
- failure to comply with a wide variety of regulations applicable to the Group's business;
- fluctuations in the currency exchange rates in the markets in which the Group operates; and
- any future impairment of the Issuer's goodwill relating to subsidiaries, joint ventures and associates which may represent a reduction in future cash flows.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

Any forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaim any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion in relation to the type of clients criteria only that: (i) the type of clients to whom the Notes are targeted is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' type of clients assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' type of clients assessment) and determining appropriate distribution channels.

**PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE** – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as amended or modified from time to time, the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018).

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the “CBB”) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe for or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF SAUDI ARABIA**

This Prospectus 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 of the Kingdom of Saudi Arabia (the “CMA”).

The CMA does not make any representation as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Notes should conduct their own due diligence on the accuracy of the information relating to the Notes. If you do not understand the contents of this Prospectus, you should consult an authorised financial adviser.

#### **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

The Notes will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority, the Qatar Financial Markets Authority or the Qatar Stock Exchange in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes and interests therein will not be offered to investors domiciled or resident in the State of Qatar (including the Qatar Financial Centre) and do not constitute debt financing in the State of Qatar (including the Qatar Financial Centre) under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar (including the Qatar Financial Centre).

## ENFORCEMENT OF FOREIGN JUDGMENTS

The Issuer is a public joint stock company with an unlimited duration incorporated in, and pursuant to the laws of, the UAE and all or a substantial portion of the assets of the Issuer are located in the UAE. As a result, prospective investors may have difficulty (a) effecting service of process upon the Issuer outside the UAE, (b) enforcing against the Issuer, in courts of jurisdictions other than the UAE, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) enforcing against the Issuer, in the UAE's courts, judgments obtained in jurisdictions other than the UAE, including judgments obtained in respect of the Deed of Covenant in the courts of England.

The Notes, the Fiscal Agency Agreement and the Deed of Covenant are governed by English law and the Issuer has agreed in the Notes, the Fiscal Agency Agreement and the Deed of Covenant that disputes arising thereunder are subject to arbitration, under the Arbitration Rules of the London Court of International Arbitration, seated in London, England or, in certain circumstances, at the election of the Noteholders, to the jurisdiction of the English courts. Investors may have difficulty enforcing foreign judgments and arbitration awards against the Issuer in the courts of the UAE (see further "*Risk Factors – Risks relating to Enforcement – Investors may experience some difficulty in enforcing arbitration awards and foreign judgments against the Issuer*").

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

### PRESENTATION OF FINANCIAL INFORMATION

#### Historical financial statements

The financial statements relating to the Group and included in this Prospectus are :

- the unaudited condensed consolidated interim financial statements as at and for the six month period ended 30 June 2020, which include unreviewed comparative financial information as at and for the six months ended 30 June 2019 (the “**Interim Financial Statements**”);
- the audited consolidated financial statements as at and for the financial year ended 31 December 2019, which include unaudited comparative financial information as at and for the year ended 31 December 2018 (the “**2019 Financial Statements**”); and
- the audited consolidated financial statements as at and for the financial year ended 31 December 2018, which include unaudited comparative financial information as at and for the year ended 31 December 2017 (the “**2018 Financial Statements**” and, together with the 2019 Financial Statements, the “**Annual Financial Statements**”).

The Interim Financial Statements and the Annual Financial Statements are together referred to as the “**Financial Statements**”.

Unless otherwise indicated, (i) the financial information of the Group in this Prospectus as at and for the six-month periods ended 30 June 2020 and 30 June 2019, has been extracted from the Interim Financial Statements, (ii) the financial information of the Group in this Prospectus as at and for the year ended 31 December 2019 has been extracted from the 2019 Financial Statements and (iii) the financial information of the Group in this Prospectus as at and for the years ended 31 December 2018 and 2017 has been extracted from the 2018 Financial Statements.

Certain financial information as at and for the year 31 December 2018 has been re-presented in the comparative period of the 2019 Financial Statements in order to align to the consistency of presentation of the 2019 Financial Statements. Such re-presented financial information includes the following:

- impairment provision for trade receivables was presented as part of administrative and other expenses in the 2018 Financial Statements but has been re-presented as a separate line item in the consolidated statement of profit or loss in the 2019 Financial Statements; and
- certain items within finance costs have been re-presented in order to align to the presentation of the 2019 Financial Statements.

As a result, the financial information as at and for the year ended 31 December 2018 appearing in the 2019 Financial Statements is not directly comparable to the financial information as at and for the year ended 31 December 2018 appearing in the 2018 Financial Statements.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“**IFRS**”), IFRIC Interpretations and applicable requirements of UAE law. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, “*Interim Financial Reporting*”.

Tabreed’s financial year ends on 31 December and references in this Prospectus to “**2017**”, “**2018**” and “**2019**” are to the 12-month period ended on 31 December in each such year.

#### Auditors and unaudited information

The 2018 Financial Statements were audited by Deloitte & Touche (M.E.), (“**Deloitte**”), independent auditors, in accordance with International Standards on Auditing, who issued an unqualified report on the 2018 Financial Statements. The 2019 Financial Statements were audited by PricewaterhouseCoopers (Abu Dhabi Branch) (“**PwC**”), independent auditors, in accordance with International Standards on Auditing, who issued an unqualified report on the 2019 Financial Statements. 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*”, who have issued an unqualified review conclusion on the Interim Financial Statements.

All information in this Prospectus as at or for the six-month periods ended 30 June 2020 and 30 June 2019 is unaudited.

### **Impact of the implementation of IFRS 16 from 1 January 2019**

The Group applied, for the first time, IFRS 16 “*Leases*” (“**IFRS 16**”) with effect from 1 January 2019. In accordance with the standard, the Group applied the modified retrospective approach to the application of IFRS 16. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Note 2.3.8 to the 2019 Financial Statements provides detailed disclosure on the application by the Group of IFRS 16. The effect of the adoption of IFRS 16 as at 1 January 2019 is summarised in the table below:

	<i>(AED thousand)</i>
Increase in right of use assets.....	155,295
Increase in lease liabilities.....	327,906
Increase in finance lease receivables.....	171,642
Increase in retained earnings.....	87,290

### **Impact of the implementation of IFRS 9 and IFRS 15 from 1 January 2018**

The Group applied, for the first time, each of IFRS 9 “*Financial Instruments*” (“**IFRS 9**”) and IFRS 15 “*Revenue from Contracts with Customers*” (“**IFRS 15**”) with effect from 1 January 2018.

#### **IFRS 9**

The impact of the adoption of IFRS 9 on the Group has been limited. The new classification categories for financial assets and the new requirements relating to hedge accounting did not significantly affect the Group. The Group does, however, hold two types of financial asset that are subject to IFRS 9’s new expected credit loss model for determining impairment. These financial asset types are trade receivables and finance lease receivables. The impact of the adoption of IFRS 9 was an increase in the credit loss allowances for trade receivables by AED 44.8 million and finance lease receivables by AED 36.7 million, respectively, in 2018. The changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. However, in accordance with the IFRS transitional provisions, the Group elected not to restate the comparative periods.

#### **IFRS 15**

In accordance with the standard, the Group applied the modified retrospective approach to the application of IFRS 15, which established a five-step model to account for revenue arising from contracts with customers. Although there was no impact on the Group’s revenue recognition due to the application of IFRS 15, for one equity-accounted associate, the application of IFRS 15 resulted in revenue recognised immediately on connection fees and up-front capacity charges in prior years being reversed from opening retained earnings. This revenue will be recognised over the remaining life of the relevant contracts. The cumulative impact on the Group’s investment in associate and retained earnings as at 1 January 2018 in the 2018 Financial Statements was AED 194 million.

### **Certain non-IFRS financial information**

This Prospectus includes certain financial information which has not been prepared in accordance with IFRS and which also constitutes alternative performance measures (“**APMs**”) as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures. None of this financial information, which principally appears under “*Selected financial information—Selected consolidated financial ratios and adjusted EBITDA*” is subject to any audit or review by independent auditors.

Certain sections of this Prospectus, including “*Selected financial information*” and “*Financial review*”, discuss gross profit margin, net profit margin, Adjusted EBITDA and Adjusted EBITDA margin, each of which is an APM and none of which is a measure of financial performance under IFRS. The manner in which each of these



metrics are calculated is described under “*Selected financial information—Selected consolidated financial ratios and adjusted EBITDA*”.

Tabreed believes that the presentation of each of these metrics is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, none of these metrics is a measure of financial performance under IFRS and none of them should be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of the Group’s results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Group’s industry, may calculate these metrics differently from the Group. As all companies do not calculate these metrics in the same manner, the Group’s presentation of these metrics may not be comparable to other similarly titled measures of other companies.

Some of the limitations of using these metrics as a financial measure are:

- they do not reflect the Group’s cash expenditures or future requirements for capital expenditure 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 measure do not reflect any cash requirements for such replacement.

For a reconciliation of reported profit to Adjusted EBITDA for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019, 2018 and 2017, see “*Selected financial information—Selected consolidated financial ratios and adjusted EBITDA*”.

## **PRESENTATION OF OTHER INFORMATION**

### **Currencies**

Unless otherwise indicated, in this Prospectus, all references to:

- “**billion**” are to a thousand million;
- “**dirham**” and “**AED**” are to the lawful currency of the United Arab Emirates;
- “**QR**” are to the lawful currency of Qatar;
- “**Sterling**” and “**£**” are to pounds sterling, being the legal currency of the United Kingdom; and
- “**U.S. dollars**” and “**U.S.\$**” are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in dirham. The Group’s presentation currency is the dirham.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00. All U.S. dollar translations of dirham amounts appearing in this Prospectus have been translated at this fixed exchange rate. Such translations should not be construed as representations that dirham amounts have been or could be converted into U.S. dollars at this or at any other rate of exchange.

### **Third party and market share data**

This Prospectus contains only limited information regarding the Group’s business and the industry in which it operates and competes, as there is no independent third party analysis of the district cooling market in the countries in which the Group operates and the companies engaged in district cooling in those countries are typically privately owned and unlisted and generally do not publish as much information as the Group, which is a listed company.

As a result, any Group market share data or other indication as to the Group's position in its markets included in this Prospectus is referred to as having been estimated or as a statement of the Group's belief. All such estimates and statements have been made by the Group using its own information and any other information which is publicly available. Tabreed believes that these estimates and statements are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. All such estimations and statements have been made in good faith based on the information available and the Group's knowledge of the market within which it operates, but Tabreed cannot guarantee that any third party would reach the same conclusions.

Statistical information relating to the UAE included in this Prospectus has been derived from official public sources, including the International Monetary Fund (the "IMF"), the UAE Federal Competitiveness and Statistics Authority (the "FCSA") and the Organization of the Petroleum Exporting Countries ("OPEC"). All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased the Certificates.

Where information has not been independently sourced, it is the Group's own information.

### **No incorporation of website information**

The Issuer's website is [www.tabreed.ae](http://www.tabreed.ae). Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the Issuer's website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

### **Certain definitions**

In this Prospectus:

- "**Abu Dhabi**" means the Emirate of Abu Dhabi;
- "**connected capacity**" in relation to a district cooling plant owned by the Group means the amount of revenue generating cooling capacity, expressed in RT per annum, over which the Group has contracts with its existing customers;
- "**DIFC**" means the Dubai International Financial Centre;
- "**Dubai**" means the Emirate of Dubai;
- "**GCC**" means the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE);
- "**Government**" means the government of Abu Dhabi;
- "**Group**" means Tabreed and its Subsidiaries (as defined in Condition ● (*Negative Pledge*)) taken as a whole;
- "**MENA region**" means the region comprising the Middle East and North Africa;
- "**RT**" means refrigeration tons, which is the unit of power used to describe the heat-extraction capacity of cooling equipment. One RT is approximately equal to 12,000 British thermal units ("**BTU**") or 3.5 kilowatts; and
- "**UAE**" means the United Arab Emirates.

Unless otherwise specifically stated, all references in this document to the Group's connected capacity at any date is to the aggregate total gross connected capacity of all the plants owned or operated by Tabreed and its subsidiaries, joint ventures and associates.

**Rounding**

In this Prospectus, financial information relating to the Group which has been extracted from the Financial Statements has been rounded to the nearest thousand dirhams, with AED 500 and above being rounded up and AED 499 and below being rounded down. In tables in this Prospectus, the number “0” denotes that the amount is less than AED 500 whilst the symbol “-” indicates that there is no number for the particular item. As a result of such rounding, the totals of financial data presented in tables in this Prospectus and in any related analysis may vary slightly from the arithmetic totals of such data. Percentage changes and other percentage data relating to the Group’s financial information have been calculated on the basis of financial statement data contained in the Financial Statements which have been included in this Prospectus.

**Language**

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus shall be deemed to be incorporated in, and to form part of, this Prospectus:

- (a) the auditors' report and audited consolidated annual financial statements for the financial year ended 31 December 2018 of the Issuer (<http://www.tabreed.ae/uploads/documents/2018/Signed%20ENFS%20Tabreed%28Dec18%29.pdf>) including the information set out at the following pages in particular:
- |  |                 |
|--|-----------------|
| Consolidated Statement of Profit or Loss       | Page 32         |
| Consolidated Statement of Comprehensive Income | Page 33         |
| Consolidated Statement of Financial Position   | Page 34         |
| Consolidated Statement of Changes in Equity    | Page 35         |
| Consolidated Statement of Cash Flows           | Page 36         |
| Notes to Consolidated Financial Statements     | Pages 37 to 101 |
| Independent Auditor's Report                   | Pages 26 to 31  |
- (b) the auditors' report and audited consolidated annual financial statements for the financial year ended 31 December 2019 of the Issuer ([http://www.tabreed.ae/uploads/documents/TABREED\\_FS\\_ANN\\_2019\\_E\\_28\\_01\\_2020.pdf](http://www.tabreed.ae/uploads/documents/TABREED_FS_ANN_2019_E_28_01_2020.pdf)) including the information set out at the following pages in particular:
- |  |                 |
|--|-----------------|
| Consolidated Statement of Profit or Loss       | Page 54         |
| Consolidated Statement of Comprehensive Income | Page 55         |
| Consolidated Statement of Financial Position   | Pages 56 to 57  |
| Consolidated Statement of Changes in Equity    | Pages 58 to 59  |
| Consolidated Statement of Cash Flows           | Pages 60 to 61  |
| Notes to Consolidated Financial Statements     | Pages 62 to 137 |
| Independent Auditor's Report                   | Pages 46 to 51  |
- (c) the interim consolidated financial statements for the six months ended 30 June 2020 of the Issuer ([https://www.tabreed.ae/wp-content/uploads/2020/07/TABREED\\_FS\\_Q2\\_E\\_23\\_07\\_2020.pdf](https://www.tabreed.ae/wp-content/uploads/2020/07/TABREED_FS_Q2_E_23_07_2020.pdf)) including the information set out at the following pages in particular:
- |   |               |
|---|---------------|
| Condensed Consolidated Interim Statement of Profit or Loss            | Page 2        |
| Condensed Consolidated Interim Statement of Comprehensive Income      | Page 3        |
| Condensed Consolidated Interim Statement of Financial Position        | Page 3        |
| Condensed Consolidated Interim Statement of Changes in Equity         | Page 5        |
| Condensed Consolidated Interim Statement of Cash Flows                | Page 6        |
| Notes to Condensed Consolidated Interim Financial Information         | Pages 7 to 21 |
| Review Report on Condensed Consolidated Interim Financial Information | Page 1        |

save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any other information not listed above but contained in such document is either not relevant for investors or covered elsewhere in this Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents deemed to be incorporated by reference in this Prospectus may be obtained, free of charge, from the registered office of the Issuer and viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/rns> and is available for inspection and viewing at the National Storage Mechanism of the FCA at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

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## OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Notes. Each investor should read the entire Prospectus carefully, in particular, the risks of investing in the Notes discussed under “Risk Factors”.

Words and expressions defined in “Terms and Conditions of the Notes” and “Summary of Provisions relating to the Notes in Global Form” shall have the same meanings in this overview.

<b>Issuer:</b> .....	National Central Cooling Company PJSC, a public joint stock company incorporated in the UAE on 17 June 1998, and operating under Dubai licence number 506206 and Abu Dhabi licence number 1017850. The Issuer is headquartered in Abu Dhabi, with its registered office at P.O. Box 29478, Dubai, UAE.
<b>Legal Entity Identifier of the Issuer:</b> .....	254900E7M1Y3DXGQ1283
<b>Fiscal Agent:</b> .....	HSBC Bank plc
<b>Registrar:</b> .....	HSBC Bank plc
<b>The Notes:</b> .....	U.S.\$500,000,000 2.500 per cent. Notes due 2027.
<b>Issue Price:</b> .....	98.864 per cent. of the principal amount of the Notes.
<b>Issue Date:</b> .....	21 October 2020 (the “Closing Date”).
<b>Maturity Date:</b> .....	21 October 2027.
<b>Interest Rate:</b> .....	The Notes will bear interest at the rate of 2.500 per cent. per annum from and including the Closing Date to but excluding the Maturity Date (as defined in the Conditions).
<b>Yield:</b> .....	2.679 per cent.
<b>Interest Payment Dates:</b> .....	Interest will be payable semi-annually in arrear on 21 April and 21 October in each year, commencing on 21 April 2021.
<b>Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers:</b> .....	HSBC Bank plc and J.P. Morgan Securities plc
<b>Joint Lead Manager:</b> .....	Commercial Bank of Dubai P.S.C.
<b>Ranking:</b> .....	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5 ( <i>Negative Pledge</i> )) unsecured obligations of the Issuer. The Notes will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> in right of payment with all other present and future unsecured obligations of the Issuer.
<b>Cross Acceleration:</b> .....	The Notes will have the benefit of a cross acceleration provision as described in Condition 12 ( <i>Events of Default</i> ).
<b>Negative Pledge:</b> .....	The Notes will have the benefit of a negative pledge granted by the Issuer, as more particularly described in Condition 5 ( <i>Negative Pledge</i> ).
<b>Financial Covenants:</b> .....	The Issuer has agreed to certain financial covenants as set out in Condition 6 ( <i>Financial Covenants of the Issuer</i> ).

- Events of Default:** ..... The Notes will be subject to certain events of default as more particularly described in Condition 12 (*Events of Default*). Following the occurrence of an Event of Default, the Notes may be redeemed in full at their principal amount plus accrued interest.
- Change of Control Put Option:**..... Each Noteholder will have the right to require the redemption of its Notes at their principal amount plus accrued interest if a Change of Control Event occurs. See further Condition 9(c) (*Redemption at the option of Noteholders (Change of Control Put Option)*).
- Clean Up Call Option:**..... The Notes may be redeemed prior to the Maturity Date at the option of the Issuer, in whole but not in part, at their principal amount plus accrued interest in accordance with Condition 9(d) (*Redemption at the option of the Issuer (Clean Up Call Option)*) if, at any time, the aggregate principal amount of the Notes then outstanding is no more than 20 per cent. of the aggregate principal amount of the Notes upon issue thereof on the Closing Date.
- Tax Redemption:** ..... The Issuer may at its option redeem the Notes, in whole but not in part, at their principal amount plus accrued interest in the event the Issuer has or will become obliged to pay additional amounts in respect of the Notes as a result of certain changes affecting taxation in the UAE or Dubai, as more particularly described in Condition 9(b) (*Redemption for taxation reasons*).
- Withholding Tax:** ..... All payments by the Issuer in respect of the Notes shall be made without withholding or deduction for, or on account of, any Taxes imposed in the UAE or Dubai (or any political subdivision or any authority thereof or therein having power to tax) unless the withholding or deduction is required by law. In the event that any such withholding or deduction is made by the Issuer as a result of any requirement of law, the Issuer will be required, subject to certain exceptions provided in Condition 10 (*Taxation*), to pay such additional amounts as shall result in receipt by the Noteholders of the amount that would have been received by them had no such withholding or deduction been required.
- Use of Proceeds:**..... See “*Use of Proceeds*” below.
- Form of the Notes:**..... The Notes will be issued in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Notes will be represented by the Global Certificate which will be registered in the name of HSBC Issuer Services Common Depository Nominee (UK) Limited as nominee for, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg on or around the Closing Date. Definitive Certificates evidencing holdings of Notes will be available only in certain limited circumstances. See “*Summary of Provisions Relating to the Notes in Global Form*”.



- Listing and Clearing:** ..... Application has been made to list the Notes on the London Stock Exchange Official List and to trading on the Market.
- The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg, with the following identification codes, in each case as may be updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the relevant ISIN:
- ISIN: XS2242171291
- Common Code: 224217129
- CFI: NATIONAL CENTRA/VAREUR NT 22001231
- FISN: DBVNFR
- Taxation Considerations:**..... See the section entitled “*Taxation*” for a description of certain tax considerations applicable to the Notes.
- Governing Law:**..... The Notes will be governed by, and shall be construed in accordance with, English law.
- Waiver of Immunity:**..... The Issuer has irrevocably agreed that, should any Proceedings (as defined in the Conditions) be taken anywhere (whether for any injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) in relation to those Proceedings (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgment or other legal process) shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Issuer has irrevocably agreed that it and its assets (irrespective of its use or intended use) are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Notes.
- Selling Restrictions:**..... The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States, the EEA, the United Kingdom, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), Singapore, Hong Kong, Japan and the State of Kuwait. See “*Subscription and Sale*”.
- Ratings:**..... The Notes are expected to be rated Baa3 by Moody’s and BBB by Fitch.
- The Issuer is currently rated Baa3 (outlook stable) by Moody’s and BBB (outlook negative) by Fitch.
- A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
- Risk Factors:** ..... There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes. In addition, there are certain factors which are material for the purpose of assessing the market and structural risks associated with the Notes. See “*Risk Factors*”.

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes.*

*In addition, factors which are material for the purpose of assessing the market and structural risks associated with the Notes are also described below.*

*If any of the risks described below actually materialise, the Issuer's and the Group's business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to happen, the trading price of the Notes could decline and investors could lose all or part of their investment. For the purposes of this section, the indication that a risk, uncertainty or problem may have a "material adverse effect" on the Group or that the Group may be "materially adversely affected" means that the risk, uncertainty or problem would be likely, in addition to the effects described in each risk, to negatively impact the Group's ability to make payments in respect of the Notes and the market price of the Notes, except as otherwise indicated or as the context may otherwise require.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Risks relating to the Group**

#### ***The Group may face increased competition in the markets in which it operates***

The Group owns and operates 83 district cooling plants in the UAE and, through subsidiaries and affiliates, the Group also operates five plants in Oman, four plants in Qatar, three plants in Saudi Arabia and one plant in Bahrain.

The Group operates in an increasingly competitive environment. The Group's competitors in these markets include government-owned entities and entities which are owned by major regional property developers. Some of the Group's competitors may have substantially greater financial, personnel, technical, marketing and other resources. In Dubai, the Group believes that certain of its competitors may have a bigger market share in terms of connected capacity than the Group and some of the Group's competitors may be able to leverage their knowledge and contacts more efficiently than the Group. In addition, certain competitors may face less competition for customers because they principally or solely provide district cooling to their parent or sister companies. 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 plants more rapidly, and undertake more extensive advertising and marketing than the Group. Further, some of the Group's competitors are retail focused which may enable them to leverage or expand their customer base in ways that the Group, with its wholesale business-to-business focus, cannot.

The Group's competitive focus is to establish itself as the district cooling partner of choice in all the markets in which it operates. In this context, the Group needs to:

- maintain its market leading positions in terms of connected capacity in the markets in which it operates;
- continue to provide high quality, reliable and cost-effective operations and services to all of its customers;
- maintain strong relationships with its customers to maximise the chance of winning new business from them;
- 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

- leverage the strength of the Group’s major shareholders in accessing opportunities in its target markets.

Any failure by the Group to compete effectively, particularly if it is unable to maintain uninterrupted operations, it loses significant customer relationships, it fails to win new business in the face of competition or it is unable to identify and exploit new opportunities, could materially adversely affect the Group’s future revenue and levels of profitability.

***The Group’s revenue, profits and cash flows are concentrated in the UAE and the Group is therefore exposed to negative economic developments in the UAE***

The Group relies, to a significant extent, on the revenue, profits and cash flows generated by its operations in the UAE to make payments on its financing (including payments under the Transaction Documents upon issuance of the Notes), pay operating expenses, fund its capital expenditure and meet its other obligations that may arise from time to time. For example, in 2019, the Group’s UAE revenue accounted for 95.1 per cent. of its total revenue. Reflecting this concentration, the Group’s results of operations may be negatively affected by adverse economic developments in or affecting the UAE which in turn affect the ability of the Group’s customers in the UAE to perform their obligations under their contracts with the Group.

Although the UAE has one of the most diversified economies in the GCC and the non-oil sector has been driving activity recently, approximately 25 per cent. of the UAE’s nominal GDP in 2019 remained related to the hydrocarbon sector based on the latest GDP data published by the FCSA. Since the start of 2017, oil prices (based on OPEC’s Reference Basket which is a notional blend of crudes from around the world, including Abu Dhabi’s Murban crude oil) increased from an annual average of U.S.\$52.43 per barrel in 2017 to an annual average of U.S.\$69.78 per barrel in 2018 and fell slightly to an annual average of U.S.\$64.04 per barrel in 2019. Following the spread of the COVID-19 pandemic and the measures put in place to try to contain it, the demand for oil fell significantly and, as result, oil prices have been volatile in 2020. For example, the monthly average price of the Reference Basket was U.S.\$65.10 in January, U.S.\$55.53 in February, U.S.\$33.92 in March, U.S.\$17.66 in April, U.S.\$25.17 in May, U.S.\$37.05 in June, U.S.\$43.42 in July and U.S.\$45.19 in August. Generally low international oil prices since mid-2014 have adversely affected GCC economies, reducing fiscal budgets and public spending ability. Although the GCC economies started to recover in 2018, the impact of the COVID-19 pandemic and the measures taken to try to contain it by the UAE and other GCC governments are expected to have a material adverse effect on their economies, which could include significant declines in GDP, increased budget deficits, reduced trade balances, generally reduced liquidity and increased volatility in interest rates and exchange rates. These factors could negatively impact the Group’s revenue to the extent that they materially adversely impact any significant customer of the Group, see “—*The Group enters into long-term contracts with its customers and material changes to key terms in those contracts could adversely affect the Group*” below. In addition, the Group’s continued growth depends in part on its ability to win bids to construct new plants to service new developments and a significant economic slowdown in the UAE could reduce the number of new projects available to the Group to bid on and could increase competition in securing those projects.

***The Group is exposed to adverse political developments affecting the MENA region and the UAE in particular***

While the UAE is currently seen as a relatively stable political environment, certain other jurisdictions in the MENA region are not. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This 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. In particular, the armed conflicts in Syria, Iraq and Yemen have the potential to further destabilise the region, further increase uncertainty and have a material negative impact on the regional economy.

The UAE, along with a number of other countries in the Gulf region, continues to participate in the military intervention in Yemen, which began in 2015 and is currently being scaled back. In mid-2017, Bahrain, Saudi Arabia, the UAE and certain other countries imposed sanctions on Qatar which remain in place. The Group is party to a district cooling joint venture in Qatar in which it has a 44 per cent. shareholding. This joint venture operates as an independent stand-alone company and, since 2017, its growth has been slower than anticipated and no dividends have been received by Tabreed.

From 2019, tensions in the Gulf region have increased following the seizure by Iran of a British tanker in July 2019 and, more broadly, due to several incidents with oil tankers in the Strait of Hormuz. On 14 September 2019, the Abqaiq processing facility and the Kurais oil field in Saudi Arabia were damaged to a significant extent in apparent drone attacks, which caused an immediate significant reduction in the output of Saudi Aramco, Saudi Arabia's national oil company. There can be no assurance that a similar incident could not occur elsewhere in the Gulf region. Furthermore, the 2 January 2020 killing of the prominent Iranian military commander, General Qasem Soleimani, and subsequent political developments in Iraq have resulted in military action being taken by Iran against the United States and its interests in the region.

The Group's business may be adversely affected by the political conditions prevailing from time to time in the MENA region and the UAE in particular. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the Group would be able to sustain its current profit levels if adverse political events or circumstances were to occur.

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

The Group's contracts with its customers are typically long-term and typically provide for two principal sources of revenue:

- fixed capacity charges for cooling capacity reserved to a customer which cover all fixed costs and provide a return on capital. These charges are required to be paid regardless of usage and typically increase annually in line with local consumer price inflation; and
- variable consumption charges based on metered usage which typically cover all variable costs of operation with utility costs, such as fuel and water, being charged on a pass-through basis.

To date, the Group has generally been successful in applying these charges in line with contractual terms, including the inflation-related increases and pass-through provisions where utility costs have escalated, and has also continued to receive capacity payments in cases where not all the capacity has been used.

Nevertheless, there remains a risk that one or more customers may default on its contractual obligations, delay payments or seek to renegotiate its contractual agreement during the term of the relevant contract or as a condition of renewing it and such customers may also seek to challenge certain provisions of the contractual terms which they have agreed to. This risk may be accentuated at times by poor economic performance, including as a result of the impact of the COVID-19 pandemic and low oil prices, or when a customer is experiencing significant financial difficulties or other material adverse changes in its business, which may be more likely in the current economic climate. Should such a risk 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. See also "*—The Group's ability to enforce all of the provisions of its contracts may be limited in certain circumstances*" below. 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. See also "*—Failure to comply with existing laws and regulations, or increased governmental regulation of the Group's operations, could result in substantial additional compliance costs or fines or other sanctions*" below.

***The Group has a significant customer concentration***

In each of 2019, 2018 and 2017, the Group's three biggest customers together accounted for 53.8 per cent., 52.4 per cent. and 53.8 per cent., respectively, of the Group's revenue. These three customers were the UAE armed forces (the "**UAF**"), the Dubai Road Transportation Authority (the "**RTA**") and Aldar Properties PJSC ("**Aldar**"). Since the acquisition of 80 per cent. of the shares in Downtown District Cooling LLC ("**DDC**") in April 2020 from Emaar Properties PJSC ("**Emaar**"), Emaar has become the Group's third largest customer. Any factor, including but not limited to default, repudiation, termination, extended force majeure or expropriation, which affects the Group's ability to recover the full amount of the revenue due to it under one of its contracts with these customers or under its contracts generally could have a material adverse effect on the Group. In any such case, although the Group may be entitled to contractual remedies against the customer or

customers concerned, the enforcement of contractual remedies can be a time-consuming and expensive process and there is no certainty that the Group would successfully recover any or all of the amounts owed to it.

***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 customers are government entities or companies that are controlled directly or indirectly by governments. These government-related customers may be able to negotiate better contractual terms than some of the Group's other customers. For example, one of the Group's significant government-related customers does not have the pass through provisions discussed under "*—The Group enters into long-term contracts with its customers and material changes to key terms in those contracts could adversely affect the Group*" above in its contract. In addition, should any of the Group's government-related customers dispute the contractual terms it has 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, the Group's revenue and cash flow would be negatively impacted and its profitability and reputation could also be adversely affected. The Group also contracts with military customers, which may subject the Group to additional regulations, costs or operational restrictions due to national security concerns or inhibit the Group from using enforcement mechanisms that would be available against a private customer.

***Unexpected equipment failures, or third party damage to the Group's distribution networks, may disrupt the Group's ability to operate its 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 plants are also subject to the risk of catastrophic loss due to unanticipated events, see "*—The Group's operations could be adversely affected by catastrophic events, including natural disasters, terrorist attacks or war, over which it has no control*" below.

Each of 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 or failures. In the future, the Group could experience inoperability or reduced production capabilities in one or more of its plants due to equipment failure. 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.

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 Group's insurance may not cover such losses, see "*—The Group's business involves operating hazards, and its insurance may not be adequate to cover its losses*" below. 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 depends on the supply of electricity, gas and water from third parties***

The Group depends on the supply of electricity, gas and water from third parties for its district cooling plants. The Group obtains these supplies from local utility providers in each jurisdiction in which it operates and, in most cases, pays the local tariff rate for these supplies. In the UAE, for some of the Group's district cooling assets, gas is supplied pursuant to a renewable one-year contract with the Abu Dhabi National Oil Company ("ADNOC"). The Group does not currently have any fixed term supply contract with any other utility supplier.

Should the supply of electricity, gas or water to any of the Group's plants be interrupted for a material period, the Group's ability to operate that plant and provide district cooling services could be adversely affected. As a result, in addition to any lost revenue, the Group may also be responsible for losses incurred by its customers and its reputation could be negatively affected.

***The Group has investments in, and may continue to invest in, companies that the Group does not control or over which it only has joint control and this could expose the Group to additional risks***

The Group currently invests in, and expects to make additional investments in, companies that it does not control or over which it only has joint control. For example, the Group has a 44 per cent. interest in an associate in

Qatar and a 28 per cent. interest in an associate in Saudi Arabia that together own and operate seven of the Group's 83 district cooling plants.

Investments in which the Group has joint control with third parties are subject to the risk that the other shareholders of the company in which the investment is made, who may have different business or investment objectives, may have the ability to block business, financial or management decisions which the Group believes are crucial to the success of the joint venture, or work in concert to implement initiatives which may be contrary to the Group's interests. In addition, the Group's joint venture partners may be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or may experience financial or other difficulties that may adversely impact the Group's investment. These factors could result in lost opportunities, deadlocked management of the entity concerned, a decline in the value of the Group's investment and additional costs or liabilities being incurred by the Group, all of which could negatively affect the Group's profitability.

Investments over which the Group does not have control, including, for example, its Saudi Arabian and Qatar investments which are both equity-accounted associates, are subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Group does not agree or that the majority shareholders or the management of the company may take risks or otherwise act in a manner that does not serve the Group's interests, each of which could reduce the profitability of the entity concerned or cause it to be loss making in any period. The Group can give no assurance as to the performance of any of its joint venture partners. The Group records its proportionate share of the profit or loss of its equity-accounted associates in its consolidated statement of income and any decrease in the profitability, or any increase in the loss, of its equity-accounted associates will adversely affect its profitability. The Group's equity investments in such companies may also be diluted if it does not partake in future equity or equity-linked fundraising opportunities.

#### ***Constructing new district cooling plants is inherently risky***

The Group believes that the principal risk which it faces when constructing a new plant is that it has completed the plant in circumstances where the construction of one or more customer buildings to which the plant is to be connected are delayed or simply not completed, whether because the developer becomes insolvent or the construction becomes uneconomic or for other reasons. In 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 construction of customer buildings or whether chilled water is actually being used by the customer, in practical terms, the Group's ability to enforce such terms may be limited, particularly if the customer 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 plant until completion is achieved by the customer and the customer 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 expenditures without receiving cash flow from the project concerned until future periods;
- possible shortage of available 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;
- an inability to complete projects on schedule or within budgeted amounts;
- over or under estimation of the amount of cooling required as the amount of cooling capacity for a new plant is based on the type of building and the gross floor area provided by the customer, which is not a precise calculation; and
- fluctuations in demand for the capacity produced by the plant due to a number of factors, including market and economic conditions, delayed construction of the customer's site and competition from third

parties, that may result in the Group's investment not generating the originally anticipated level of cash flows.

There can be no assurance that the Group's current or future projects will be completed in the anticipated timeframe or at all, whether as a result of the factors specified above or for any other reason.

The Group's ongoing projects are also exposed to a number of construction risks, including the following:

- major design and/or construction changes, whether caused by changes in technological demand, design defects, market conditions or other factors;
- an inability to find a suitable contractor, either at the commencement of a project or following a default by an appointed contractor;
- default or failure by the Group's contractors to finish projects on time and within budget;
- disruption in service and access to third parties;
- delays arising from shortages and long lead times for the delivery of complex plant and equipment or defective materials;
- shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances;
- unforeseeable ground conditions that cause delays and/or increase costs; and
- escalating costs of construction materials and global commodity prices.

Any of these 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. Tabreed cannot provide any assurance that the Group will, in the future, 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 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/or the costs of construction increasing, both of which would impact the Group's profitability.

***The Group operates in a capital intensive business and a significant increase in capital costs could materially adversely affect its cash flows and profitability***

The Group has significant capital expenditure requirements and the recovery of its capital investment in district cooling plants occurs over a substantial period of time. The capital investment required to develop and construct a district cooling plant varies based on the cost of the necessary fixed assets for the district cooling plant. The price of equipment may increase, particularly if the market demand for the equipment expands ahead of supply or the prices of key component commodities and raw materials used to build the equipment increases. Other factors affecting the amount of capital investment required include, among others, the construction costs of a district cooling plant.

Although the Group typically does not commence construction of a new plant until it has secured offtake agreements for the initial planned capacity to be produced by the plant from one or more creditworthy customers, any significant increase in the costs of developing and constructing a district cooling plant after construction has commenced could materially adversely affect the Group's anticipated returns from the plant. Material changes in the economy or in the financial performance of a customer during the construction period may adversely affect the customer's ability or incentive to perform its contractual obligations on time or at all. Additionally, because of the capital intensive nature of the Group's business and the long construction times, the Group's ability to substitute or replace a non-performing customer may take a long time or require it to incur

significant new capital expenditures. See also “—*The Group’s plants, pipelines and cooling infrastructure are purpose built*” below.

***The due diligence process that the Group undertakes in connection with new district cooling plants and acquisitions may not reveal all relevant facts***

Since 31 December 2016, the Group has acquired five complete or under construction district cooling plants and has completed the construction of a further five district cooling plants with one further plant currently under construction.

Before deciding to construct a new district cooling plant or making an acquisition, the Group conducts due diligence to the extent it deems reasonable and appropriate based on the applicable facts and circumstances. The objective of the due diligence process is to identify attractive investment opportunities and to prepare a framework that may be used from the date of investment to drive operational performance and value creation. When conducting due diligence, the Group evaluates a number of important business, financial, tax, accounting, regulatory, environmental and legal issues in determining whether or not to proceed with the investment. Outside consultants, including legal advisers, accountants, investment banks and industry experts, are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding a new plant or potential acquisition, the Group can only rely on resources available to it, including information provided by the target of the investment where relevant and, in some circumstances, third party investigations. In some cases, information cannot be verified by reference to the underlying sources to the same extent as the Group could for information produced from its own internal sources. The due diligence process may, at times, be subjective and the Group can offer no assurance that any due diligence investigation it carries out with respect to any opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Any failure by the Group to identify relevant facts through the due diligence process may mean that projected rates of return and other relevant factors considered by the Group in making investment decisions prove to be significantly inaccurate over time.

In addition, any acquisitions of new businesses or district cooling plants by the Group in the future carry the risk that the business or plant acquired may underperform relative to the price paid or the resources committed by the Group, the Group may not achieve anticipated cost savings or the Group may otherwise be adversely affected by acquisition-related charges. Through its acquisitions, the Group may also assume unknown or undisclosed liabilities, fail to properly assess known contingent liabilities or assume businesses with internal control deficiencies. While the Group seeks to mitigate these risks through, among other things, due diligence processes and indemnification provisions, the Group cannot be certain that these mitigation measures will be sufficient in all cases. These risks can be particularly significant in emerging markets, where it is difficult to assess the regulatory environment given limited history and precedent and other economic and political factors.

***The Group’s plants, pipelines and cooling infrastructure are purpose built***

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

***The Issuer’s growth strategy may not be successfully implemented***

The Issuer’s growth strategy is centred around:

- leveraging its extensive network of cooling plants in the GCC to connect additional customers to existing facilities, creating accretive incremental revenue streams;



- selectively pursuing large merger and acquisition transactions in the UAE to add shareholder value through attractive project returns while increasing scale to realise cost savings across the UAE portfolio; and
- accelerating adoption of sustainable cooling solutions in geographically and climatically similar countries by exporting its proven utility business model.

The Issuer cannot provide any assurance that the expansion of its operations will be successfully implemented or that it will be able to take advantage of all of the opportunities available to it. The Issuer cannot provide any assurance that it will be successful in new regional markets or that it will continue to be successful in its existing markets or find high quality creditworthy counterparties. In addition, the Group may not be able to increase its connected capacity in the GCC to meet anticipated increases in demand for district cooling services. Although the Issuer believes that the expansion and entry into new jurisdictions will contribute to its growth and future profitability, the Issuer cannot provide any assurance that it will be able to achieve all of its expected business targets or that it will achieve the same level of profitability that has been achieved historically. The Issuer has a selective growth strategy and may lose market share to competitors who are more aggressive in their expansion. An inability to meet existing demand or expand effectively also increases the possibility that competitors will be able to establish a strong presence in the GCC, which may have an adverse effect on the Group's business, financial condition or results of operations.

***The Group may expand into new jurisdictions which would expose it to a range of risks associated with that expansion***

The Group's strategy includes growth through targeted international investment in new district cooling plants or existing operators both in and outside the GCC. For example, in February 2019 Tabreed entered into a 30-year concession agreement with Andhra Pradesh Capital Region Development Authority to build, own, operate and transfer India's first district cooling system with a capacity of RT 20,000 (of which, 5,000 RT is the first phase) in Amaravati, the capital of Andhra Pradesh. The project is currently being re-evaluated following a change of State government in Andhra Pradesh. To the extent that the Group continues to expand internationally, its ability to manage its increased scope of operations and to achieve future profitability depends upon a number of factors, including its ability to:

- integrate acquired business operations into its current operations and/or implement an effective management structure given the terms of the investment (particularly in cases where the Group has only a minority interest);
- increase the scope of its management, operational and financial systems and controls to handle the increased complexity, expanded breadth and geographic area of its operations;
- recruit, train and retain qualified staff to manage and operate its growing business;
- evaluate the contractual, financial, tax, regulatory, environmental and other obligations and liabilities associated with its international acquisitions and investments, including the appropriate implementation of financial oversight and internal controls and the timely preparation of financial statements that are in conformity with the Group's accounting policies;
- identify and assess appropriate creditworthy counterparties and judge market dynamics, growth potential and the competitive environment in its target markets;
- determine, evaluate and manage the risks, including currency risks, and uncertainties in entering new markets and acquiring new businesses through its due diligence and other processes, particularly given the heightened risks in emerging markets;
- implement its short and long term strategic goals in relation to new acquisitions and joint ventures; and
- maintain and obtain necessary permits, licences and approvals from governmental and regulatory authorities and agencies.

Any difficulties in addressing these issues or integrating one or more international acquisitions could result in the anticipated benefits of one or more acquisitions not being realised as well as increased integration expense and other costs, such as compliance and staffing costs, which would reduce the Group's profitability.

***The Group may have material funding requirements and external financing may not always be available or, if available, may only be obtainable on terms that are onerous to the Group***

The Issuer's strategy envisages that the Group will grow through investing in new district cooling plants, expanding existing plants and, potentially, through acquisitions. As a result, the Issuer anticipates that the Group will continue to incur capital and investment expenditure in future years and may have material funding needs in relation to particular projects or to refinance existing indebtedness. The Group intends to fund its future capital and investment expenditures and its financial obligations (including its obligation to make payments in respect of the Notes) through operating cash flow, borrowings from third parties and, potentially, asset monetisations when appropriate opportunities arise and the divestment fits the Group's strategy.

The Group's ability to obtain external financing and the cost of such financing are dependent on numerous factors including general economic and market conditions, international interest rates, credit availability from banks or other lenders, investor confidence in the Group and the success of the Group's business. There can be no assurance that external financing, either on a short-term or long-term basis and whether to fund new projects or investments or to repay existing financing, will be available or, if available, that such financing will be obtainable on terms that are not onerous to the Group.

In the event that appropriate sources of financing are not available or are only available on onerous terms and the Issuer does not have sufficient operating cash flow or cash generated from asset monetisations, this could adversely affect the Group's business through increased borrowing costs and reductions in capital and investment expenditure. In addition, the Group may be forced, among other measures, to do one or more of the following:

- delay or reduce capital expenditures;
- forgo business opportunities, including acquisitions and joint ventures;
- sell assets on less than optimal terms; or
- restructure or refinance all or a portion of its debt on or before maturity.

***The Issuer's credit ratings may change and any ratings downgrade could adversely affect the value of the Notes***

The Issuer has a rating of Baa3 (with stable outlook) from Moody's and BBB (with negative outlook) from Fitch. Both rating agencies affirmed their ratings following the DDC acquisition although both also indicated that negative rating pressure could develop if certain financial metrics remained consistently above defined levels (Fitch) or did not recover from the acquisition within 12-18 months (Moody's).

The Issuer cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

Any future downgrade or withdrawal at any time of a credit rating assigned to Tabreed by any rating agency could increase the Group's cost of borrowing and could also limit its access to debt capital markets. A downgrade may also adversely affect the market price of the Notes and cause trading in the Notes to be volatile.

***The Group is exposed to a range of financial risks including, in particular, the risk of losses arising as a result of adverse changes in interest rates and credit risks on its customers and related parties***

The Group's principal market risk is its exposure to the effect of increases in interest rates on its variable rate interest bearing financial liabilities, which would increase its interest expense and reduce its profitability. As at 31 December 2019 and after taking into account hedging instruments in the form of interest rate swaps, approximately 60 per cent. of the Group's borrowings had variable rates of interest. See note 31(b) to the 2019 Financial Statements which provides a sensitivity analysis in relation to the impact of reasonably possible interest rate changes on the Group's profit and which indicated that a one per cent. increase in interest rates

would have had a negative effect of AED 8 million on the Group's profit for 2019, assuming that all other factors remained constant.

The Group's credit risk principally arises from its trade receivables and amounts due from related parties, which amounted to AED 514 million and AED 19 million, respectively, as at 31 December 2019. Of these amounts, trade receivables with a nominal value of AED 61.5 million were provided for in accordance with the requirements of IFRS 9. Of the Group's total receivables of AED 595 million as at the same date, 21.7 per cent. was more than 90 days past due. Under IFRS 9, the expected credit loss model drives provisions in a situation, such as that arising from COVID-19, where there is potential for losses to increase in future periods. Any such increased provisions would reduce the Group's profitability.

***The Group's business will be adversely affected if the dirham/U.S. dollar peg is removed or adjusted in a manner that adversely affects the Group***

The Group maintains its accounts, and reports its results, in dirham. As at the date of this Prospectus, the dirham remains pegged to the U.S. dollar. However, there can be no assurance that the dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Group.

***The Group is subject to hazards that could result in liabilities, weaken its financial condition and harm its reputation***

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, industrial accidents and adverse weather conditions, and expose the Group to the risk of damage to equipment and property. These hazards can cause personal injuries and loss of life, severe damage to or destruction of property and equipment and other related damage, liability or loss and could lead to suspension of operations at one or more plants and large damages claims from customers and third parties. In addition, if serious accidents or fatalities occur, or the Group's safety record were to deteriorate, the Group may be restricted from undertaking certain operations or from bidding for certain projects and certain existing contracts could be terminated. The occurrence of accidents 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 materially adversely affect the Group.

***The Group's business involves operating hazards and its insurance may not be adequate to cover its losses***

The Group's insurance is intended to cover normal risks in its current operations, including insurance for property and machinery damage, workmen's compensation and public liability. The Group's insurance policies and contractual rights to indemnity may not however adequately cover its losses, and the Group may not have insurance coverage or rights to indemnity for all risks it faces.

Pollution and environmental risks generally are subject to significant deductibles and are not completely insurable. The Group could also experience a significant accident or other event resulting in damage to its plants, projects or equipment, including, but not limited to, fire, severe weather, terrorist acts and acts of war that may not be fully covered by insurance or a recoverable indemnity from a customer. Moreover, the Group may not be able to obtain insurance for certain risks or maintain adequate insurance at rates that it considers reasonable. The Group may also choose not to insure certain risks, for example, save in the case of the recently acquired DDC plants, it does not currently have terrorism insurance cover, it does not have country risk or litigation insurance cover and it does not insure the property or premises of its customers. The occurrence of a loss or liability for which the Group is not fully insured could significantly increase its costs and reduce its profitability.

The Group's existing policies, like all insurance policies, contain certain exclusions and limitations on coverage and some policies may not provide full insurance coverage against all potential risks related to the Group's business. In addition, the Group's insurance policies may not continue to be available and its insurers may not be able to meet all claims made against them. As a result, the Group's insurance policies may not cover the full extent of losses incurred by it. As a result, there is a risk that losses and liabilities from uninsured or underinsured risks may significantly increase the Group's costs which could also significantly impact its profitability.

***The Group's operations may impact the environment, and its properties may have environmental contamination, which could result in material liabilities***

The nature of the Group's operations requires assuming certain risks which could cause environmental, health and safety and other damages. The Group's operations are subject to various environmental laws and regulations, including those dealing with the handling and disposal of waste products, fuel storage and air quality. The Group may be subject to claims under various environmental laws and regulations for damages, as well as for natural resource damage and the investigation and clean-up of soil, surface water, groundwater and other related occurrences. Liability may be imposed without regard to fault and may be strict and/or joint and several, such that the Group may be held responsible for more than its share of any contamination or other damages, or even for the entire share, and may be unable to obtain reimbursement from the parties causing the contamination. The Group's insurance may not be sufficient or may not apply to certain types of environmental damage.

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 legionnaires' disease. The Group takes all 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 legionnaires' disease would impact the operations of the relevant plant and could potentially cause personal injury or death to employees and/or members of the public, which in turn would result in additional liability or loss for the Group and would have an adverse effect on cash flows relating to that plant and the Group's reputation.

***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 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 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 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 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. 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 directly and adversely impact its business operations.

***Failure to comply with existing laws and regulations, or increased governmental regulation of the Group's operations, could result in substantial additional compliance costs or fines or other sanctions***

In September 2019, Abu Dhabi became the first administration in the GCC to introduce specific district cooling regulations. These included provisions to enhance energy efficiency, protect the environment and encourage investment in the sector. For its schemes in Abu Dhabi, the Group has submitted or is in the process of submitting licensing applications to the Abu Dhabi Department of Energy (in its capacity as regulator) in accordance with the requirements of the regulations.

A number of other GCC governments have also announced that they are considering introducing specific district cooling regulations, although none of them has yet indicated when such regulations will be introduced. Although the Group believes that any further regulations introduced, and the approach taken by the Abu Dhabi authorities in implementing the regulations in Abu Dhabi, should be generally supportive of the district cooling

industry, there can be no assurance that this will be the case or that the Group will not have to incur significant compliance costs or otherwise suffer reduced revenue as a result of regulations that limit the amount or type of charges that the Group can pass on to its customers. Additionally, specific district cooling regulations could create more competition through incentives or limit the Group's ability to compete or operate its business as it has in the past.

In addition, the Group's business is subject to general laws and regulations enacted by various national, regional and local governments. Such laws and regulations may relate to licensing requirements, environmental obligations, health and safety obligations and a range of other requirements, some of which may require additional capital expenditure on existing or new plants. These laws and regulations and their interpretation and application may also change from time to time.

Government authorities often have the right to, and frequently do, conduct periodic inspections of the Group's operations. Any such future inspections may conclude that the Group has violated laws, decrees or regulations, and it may be unable to refute such conclusions or remedy the violations. Any failure by the Group to comply with existing laws and regulations may result in:

- significant fines or other penalties and legal liabilities, including the suspension, amendment or termination of its licences and permits, or in orders that it cease certain business activities or in material clean-up costs; and
- the temporary or permanent suspension of affected plants.

Any such decisions, requirements or sanctions, or any increase in governmental regulation of the Group's operations, could increase the Group's costs and reduce its profitability.

Existing and future environmental and climate-related laws and regulations could also require the Group, among other things, to:

- purchase, use or install expensive pollution control, reduction or remediation equipment;
- require the cooling system to be altered to include thermal storage or other efficiency measures;
- modify the Group's product designs and manufacturing processes; and/or
- incur other significant expenses, such as obtaining substitute raw materials or chemicals that may cost more or be less available for the Group's operations.

***The Group's operations could be adversely affected by catastrophic events, including natural disasters, terrorist attacks or war, over which it has no control***

The Group has district cooling plants in locations subject to natural disasters, such as severe weather, flooding and earthquakes as well as interruptions or shortages in the supply of utilities (such as water, electricity and gas) that could disrupt operations. The frequency and severity of natural disasters have increased in the past decade due to abnormal environmental and climate-related changes. A natural disaster or interruption in the supply of utilities that results in a prolonged disruption to any of the Group's material operations, or the operations of its material customers or suppliers, could also materially adversely affect the Group's business. See also "*The Group's business involves operating hazards and its insurance may not be adequate to cover its losses*" above.

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 acts of terrorism, 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 countries in which the Group operates. It is possible that acts of terrorism may occur in these countries and such acts of terrorism could be directed against the Group's property and personnel. Although, to date, 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.

The Group may also face civil liabilities or fines in the ordinary course of its business as a result of damage to third parties caused by natural and man-made disasters. These liabilities may result in the Group being required to make indemnification payments in accordance with applicable laws to the extent and in the amount that such indemnification payments are not covered by its insurance policies.

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 negatively impact its profitability.

***Any failure of the Group's information technology systems or cyber-security breaches could negatively have a material adverse effect on its business and reputation***

The Group depends on its information technology ("IT") systems to conduct its business. The proper functioning of the Group's IT systems are critical to the Group's business and ability to compete effectively. The Group's business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems. Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Group's control, including natural disasters, extended power outages, computer viruses and malicious third party intrusions. The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system input, which are subject to human errors. The Group has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may negatively affect the Group's business and reputation.

The Group is also reliant on third party vendors to supply and maintain much of its IT. In the event that one or more of the third-party vendors that the Group engages to provide support and upgrades with respect to components of the Group's IT ceased operations or became otherwise unable or unwilling to meet the Group's needs, there can be no assurance that the Group would be able to replace any such vendor promptly or on commercially reasonable terms, if at all. Delay or failure in finding a suitable replacement could materially and adversely affect the Group's business and prospects.

Further, in common with other utility companies based in the GCC and elsewhere in the world, the threat to the security of the Group's information and proprietary data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require a continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Any failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could adversely affect the Group's business and reputation.

***The Group's internal controls may not protect it from loss in all circumstances***

The Group is exposed losses arising as a result of fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation and failure to comply with regulatory requirements, including international sanctions requirements. The Group has implemented internal risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential risks that the Group faces.

The Group's employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter these types of misconduct, and the precautions which the Group takes to detect and prevent such misconduct may not be effective in all cases. There can be no assurance that the internal controls implemented to combat these types of misconduct will be successful. Any such actions by employees could expose the Group to financial losses resulting from the need to reimburse customers who suffered loss or as a result of fines or other sanctions, and could damage the Group's reputation.

***The interests of the Issuer's shareholders may, in certain circumstances, be different from the interests of the Noteholders***

The Issuer has two principal shareholders: Mubadala Investment Company which owns 41.9 per cent. of its shares and an ENGIE S.A. group company which owns 40 per cent. of its shares. These two shareholders can together control the outcome of actions requiring shareholders' approval and also control the appointment of all of the members of the Issuer's board of directors (the "**Board**") and thus have the power to influence Board decisions. The interests of the Issuer's shareholders may be different from those of the Issuer's creditors (including the Noteholders), for example in relation to the payment of dividends.

Potential investors should also note that the Issuer's ability to carry on its business could be adversely affected if its shareholders do not agree on the Group's strategy or specific actions to be taken in furtherance of it.

***The loss of certain of the Issuer's senior management or key employees may adversely affect its ability to implement its strategy***

The Issuer is dependent on its skilled and experienced management team in the UAE and in the other jurisdictions in which it operates as well as on certain key technical or skilled employees. Competition for qualified personnel is intense in the Group's market. The Group faces the risk of losing employees to competitors who are able to offer more competitive compensation packages, and the Group may be unable to find replacements in a timely manner. The Group may also need to incur significant costs in training employees in order to enhance their relevant experience and specialised skills. In addition, the Group may need to improve its remuneration packages and its human resources management to improve employee retention.

The Group's business could be adversely affected if it loses the services and contributions of some of its executive or skilled personnel and is unable to adequately replace them, or if its suffer disruptions to its operations arising from labour or industrial disputes.

The Group's continued expansion may increase these pressures. The Group's future operating results will depend on its management's ability to maintain effective control over a large and diversified enterprise. If the Group is unable to recruit personnel with the necessary skills, the attention of its management could be diverted. If the Group cannot recruit and retain the employees necessary to perform all relevant business activities, its business operations may be adversely affected.

***The Group may be involved in litigation from time to time***

The Group may from time to time be party to legal or administrative proceedings, contract disputes or liability claims, and the Group may be 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. For example, the Group has a contractual dispute with one of its customers over unpaid amounts in respect of cooling services provided which it currently expects that it may refer to arbitration in the near future. The Group believes that it would have a strong claim in any arbitration commenced.

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 running the business. In cases where one or more of the Group's material customers 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 dependent, could result in reputational damage which could significantly adversely affect the Group.

**Risks relating to enforcement**

***Investors may experience some difficulty in enforcing arbitration awards and foreign judgments against the Issuer***

The Issuer is incorporated in Dubai, with its headquarters located in Abu Dhabi, and a substantial portion of the assets of the Issuer are located in the UAE. As a result, prospective investors may have difficulty effecting

service of process in the United Kingdom upon the Issuer in connection with any lawsuits related to the Notes, including actions arising under the laws of the England and Wales.

Each of the Deed of Covenant, the Fiscal Agency Agreement, the Subscription Agreement and the Notes are governed by English law (the “**Documents**”) and (subject to the exercise of an option to litigate given to certain parties (other than the Issuer)) the parties to the Documents have agreed to refer any dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA (the “**LCIA Rules**”). The seat of such arbitration shall be London, England. Pursuant to an option to litigate given to certain parties, the Issuer has agreed to submit to the jurisdiction of the courts of England in respect of any dispute arising out of or in connection with the Documents, subject to the right of the Agents, the Noteholders and any Joint Lead Manager, as the case may be, to elect to bring proceedings in any other court or courts of competent jurisdiction. Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that the Issuer has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced.

The UAE courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the parties’ choice of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, court decisions in the UAE are generally not recorded. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”) entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

How the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards has been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign awards under UAE Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of the Law of Civil Procedure. Cabinet Resolution No.57 of 2018 concerning the Executive Regulation of Federal Law No. (11) of 1992 on the Law of Civil Procedure (the “**Cabinet Resolution**”) governs the enforcement of foreign arbitral awards. The Cabinet Resolution confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that the conditions for enforcement of foreign arbitral awards set out in the New York Convention take precedence over the Cabinet Resolution. There remains a risk that notwithstanding the Cabinet Resolution or the terms of an applicable multilateral or bilateral enforcement convention, the UAE courts may in practice still consider and apply the grounds set out in Federal Law No. 6 of 2018 (the “**UAE Arbitration Law**”) related to the enforcement of domestic arbitral awards (as provided in Articles 52 to 57 of the UAE Arbitration Law) to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law and the Cabinet Resolution are both new and it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.



### ***The Issuer's waiver of immunity may not be effective under UAE Law***

Since the Issuer is indirectly part-owned by the Government, it may be able to claim sovereign immunity. Article 106 of the Cabinet Resolution provides that the public property of the UAE or any of the Emirates may not be subject to attachment. There is a risk that the assets of the Issuer may fall within the ambit of government assets and as such cannot be attached or executed upon.

Although the Issuer has irrevocably waived its right in relation to sovereign immunity, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Documents and the Notes are valid and binding under UAE Law. As a result, there is a risk that, notwithstanding such waivers of sovereign immunity by the Issuer, a Noteholder will not be able to enforce a court judgment or arbitral award against certain assets of the Issuer in certain jurisdictions (including in the UAE) without the Issuer having specifically consented to such enforcement at the time when the enforcement is sought.

### **Risks relating to the Notes**

#### ***The terms of the Notes may be modified by a majority of Noteholders without the consent of, or notice to, all Noteholders***

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. For further details of such matters and the relevant majorities required at meetings of Noteholders, see Condition 14 (*Meetings of Noteholders; Modification*) and the corresponding provisions of the Fiscal Agency Agreement.

#### ***Notes with a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade***

The minimum denomination of the Notes is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore it is possible that the Notes may be traded in amounts in excess of such minimum denomination that are not integral multiples of U.S.\$200,000. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than U.S.\$200,000 would need to purchase an additional amount of Notes such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant time, such Noteholder may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least U.S.\$200,000 in order to be eligible to receive a Definitive Certificate.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

#### ***The Notes may be subject to optional redemption by the Issuer and, in such circumstances, investors may not be able to reinvest redemption proceeds of the Notes at the same or a higher rate than the interest rate applicable to the Notes***

In certain circumstances the Notes may be subject to early redemption. In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to certain changes affecting taxation in the UAE or Dubai or any political subdivision or authority therein or thereof having the power to tax as provided or referred to in Condition 10 (*Taxation*), the Issuer may redeem all but not some only of the outstanding Notes in accordance with Condition 9(b) (*Redemption for taxation reasons*). The Notes may also be redeemed prior to the Maturity Date at the option of the Issuer (in whole but not in part) in accordance with Condition 9(d) (*Redemption at the option of the Issuer (Clean Up Call Option)*). The exercise of such early redemption options is likely to limit the market value of the Notes. Prior to or during any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. In circumstances where such early redemption option becomes available to the Issuer (as described above), the Issuer may be expected to exercise such early redemption option to redeem the Notes,

in particular, if, at such time, the Issuer's cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### ***Credit ratings may not reflect all risks***

Each of Moody's and Fitch has assigned credit ratings to the Issuer and is expected to assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the Issuer, the Group, the rights attaching to the Notes and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the relevant rating agency at any time. The initial ratings by Moody's and Fitch will not address the likelihood that the principal on the Notes will be repaid on the scheduled maturity date. Such ratings also will not address the marketability of investments in the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that subsequent purchasers will be willing to pay for the Notes.

In general, European and UK regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU and non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU or UK registered credit rating agency or the relevant non-EU or non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

### ***Investors in the Notes must rely on Euroclear and Clearstream, Luxembourg procedures***

The Notes will be represented on issue by the Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive certificates representing Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

There can be no assurance that procedures implemented by Euroclear and Clearstream, Luxembourg, as applicable, will be sufficient to enable investors to trade their beneficial interests in the Notes, receive payments made in respect of the Notes or vote on any matters concerning the Notes on a timely basis.

### ***A change of law may adversely affect the Notes***

The Notes, the Fiscal Agency Agreement and the Deed of Covenant are governed by English law. No assurance can be given as to the impact of any possible change to English law, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

## **Risks relating to the market generally**

*A secondary market may not develop for any Notes and there may be limited liquidity for Noteholders*

There is no assurance that a secondary market for the Notes will develop or, if it does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of the Notes. Accordingly, a Noteholder may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. The market value of the Notes may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Notes. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes. An investor in the Notes must be prepared to hold those Notes for an indefinite period of time or until their maturity. An application has been made for the listing of the Notes on the Official List and to admit them to trading on the Market but there can be no assurance that any such listing will occur on or prior to the date of this Prospectus or at all, or, if it does occur, that it will enhance the liquidity of the Notes.

*The Notes may be subject to exchange rate risk and exchange controls*

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Issuer does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. However, fluctuations between currencies in the past are not necessarily indicative of fluctuations that may occur in the future. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment on a Note. As a result, investors may receive less amounts under the Notes than expected, or no such amounts. Even if there are no actual exchange controls, it is possible that U.S. dollars may not be available at such Note's maturity.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes which will be incorporated by reference into the Global Certificate and each Definitive Certificate or endorsed thereon or attached thereto.*

The U.S.\$500,000,000 2.500 per cent. Notes due 2027 (the “**Notes**”, which expression includes any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of National Central Cooling Company PJSC (the “**Issuer**”) are (a) constituted by and subject to, and have the benefit of, a deed of covenant dated 21 October 2020 (as amended or supplemented from time to time, the “**Deed of Covenant**”) of the Issuer, and are the subject of a fiscal agency agreement dated 21 October 2020 (as amended or supplemented from time to time, the “**Fiscal Agency Agreement**”) between the Issuer, HSBC Bank plc as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the other paying and transfer agents named therein (together with the Fiscal Agent, the “**Agents**”, which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes) and HSBC Bank plc, in its capacity as Registrar (the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and are subject to their detailed provisions. The Noteholders, defined below are bound by, and are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them. Copies of the Fiscal Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Fiscal Agency Agreement) of the Agents, subject to the Agents being supplied by the Issuer with copies of such documents. References to “**Conditions**” are, unless the context otherwise requires, to the numbered paragraphs of these terms and conditions.

### 1. Form, Denomination and Title

- (a) **Form and denomination.** The Notes are in registered form, serially numbered.

The Notes will be issued in minimum denominations of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000 (each, an “**Authorised Holding**”).

- (b) **Title.** Title to the Notes will pass by transfer and registration as described in Conditions 2 (*Registration*) and 3 (*Transfer of Notes*). The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions, “**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other legal entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality, “**Noteholder**” or “**holder**” means the Person in whose name a Note is for the time being registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) save that, for so long as such Notes or any part thereof are represented by the Global Certificate registered in the name of the common depository (or its nominee) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) or, in respect of Notes in definitive form held in an account with Euroclear or Clearstream, Luxembourg, each Person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the holder of a particular principal amount of the Notes shall be deemed to be the holder of such principal amount of such Notes (and the registered holder of the relevant Note shall be deemed not to be the holder), voting, giving consents and making requests pursuant to these presents, the rights to which shall be vested, as

against the Issuer, solely in such common depository and for which purpose such common depository shall be deemed to be the holder of such principal amount of such Notes in accordance with and subject to its terms and the provisions of these presents; and the words “holder” and “holders” and related expressions shall (where appropriate) be construed accordingly.

A certificate evidencing the Notes in definitive form (a “**Definitive Certificate**”) will be issued to each Noteholder upon exchange of the Global Certificate (only in accordance with the terms thereof).

Upon issue, the Notes will be represented by a global certificate (the “**Global Certificate**”), interests in which will be exchangeable for Definitive Certificates in the circumstances specified in the Global Certificate. The Global Certificate will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg.

- (c) **Third party rights.** No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 2. **Registration**

The Issuer will cause a register (the “**Register**”) to be kept at the Specified Office of the Registrar in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes.

## 3. **Transfer of Notes**

- (a) **Transfer.** Each Note may, subject to the terms of the Fiscal Agency Agreement and to Conditions 3(b) (*Formalities free of charge*), 3(c) (*Closed Periods*) and 3(e) (*Regulations concerning transfer and registration*), be transferred in whole or in part in an Authorised Holding by lodging the relevant Definitive Certificate (with the endorsed form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the Specified Office of the Registrar or any Paying and Transfer Agent. A Note may be registered only in the name of, and transferred only to, a named Person or Persons. No transfer of a Note will be valid unless and until entered on the Register.

The Registrar will within five Business Days (as defined below) of any duly made application for the transfer of a Note, register the transfer and deliver a new Definitive Certificate to the transferee (and, in the case of a transfer of part only of a Note, deliver a Definitive Certificate for the untransferred balance to the transferor), at the Specified Office of the Registrar, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Definitive Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

Transfers of interests in the Global Certificate will be effected by Euroclear or Clearstream, Luxembourg and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Definitive Certificates only in an amount equal to U.S.\$200,000 or any integral multiple thereof and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Fiscal Agency Agreement.

- (b) **Formalities free of charge.** Such transfer will be effected without charge subject to (i) the Person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied

with the documents of title and/or identity of the Person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar.

- (c) **Closed Periods.** Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes.
- (d) **Business Day.** In these Conditions, “**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, Abu Dhabi and the city in which the Specified Office of the Registrar or, as the case may be, the Fiscal Agent is located.
- (e) **Regulations concerning transfer and registration.** All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes in Schedule 1 (*Regulations Concerning the Transfer and Registration of Notes*) to the Fiscal Agency Agreement. The regulations may be changed by the Issuer with the approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requested in writing a copy of such regulations.
- (f) **Authorised Holdings.** No Note may be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Holdings.

#### 4. Status

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer. The Notes will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer.

#### 5. Negative Pledge

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not, and will ensure that none of its Material Subsidiaries will, create or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a “**Security Interest**”), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, Relevant Sukuk Obligation, guarantee or indemnity, or such other security as may be approved by an Extraordinary Resolution of Noteholders.

#### 6. Financial Covenants of the Issuer

The Issuer covenants that for so long as any Note is outstanding (as defined in the Fiscal Agency Agreement), it shall not, and shall not permit any of its Subsidiaries to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to “**Incur**” or, as appropriate, an “**Incurrence**”) any Financial Indebtedness (other than Permitted Financial Indebtedness); *provided that* the Issuer and its Subsidiaries will be permitted to Incur additional Financial Indebtedness if:

- (a) no Event of Default has occurred and is continuing or would occur as a consequence of such Incurrence;

- (b) on the date of such Incurrence the ratio of Consolidated Total Net Indebtedness at the end of the immediately preceding Measurement Period to Total Equity at the end of such Measurement Period does not exceed a ratio of 1.5:1; and
- (c) on the date of such Incurrence the ratio of Consolidated EBITDA for the immediately preceding Measurement Period to Consolidated Net Finance Costs for such Measurement Period is not less than a ratio of 1.5:1.

The provisions of this Condition 6 shall not apply for so long as the Issuer has Investment Grade Status. However, the provisions of Condition 6 shall immediately apply if and for so long as the Issuer ceases to have Investment Grade Status.

## 7. Interest

- (a) **Interest Accrual.** Each Note bears interest from 21 October 2020 (the “**Closing Date**”) at the rate of 2.500 per cent. per annum (the “**Rate of Interest**”) payable semi-annually in arrear on 21 April and 21 October in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 8 (*Payments*). Each period beginning on (and including) the Closing Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an “**Interest Period**”.
- (b) **Cessation of Interest.** Each Note will cease to bear interest from the due date for final redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment) in accordance with Condition 15 (*Notices*).
- (c) **Calculation of Interest for an Interest Period.** The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (d) Calculation of Interest for any other Period

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under Conditions 7(c) (*Calculation of Interest for an Interest Period*) and 7(d) (*Calculation of Interest for any other Period*) by the Fiscal Agent shall, in the absence of manifest and proven error, be binding on all parties.

## 8. Payments

- (a) **Principal.** Payment of principal in respect of each Note and payment of interest due other than on an Interest Payment Date will be made to the Person shown on the Register at the close of business on the Record Date (as defined below) and subject to the surrender (or, in the case of part payment only, endorsement) of any relevant Definitive Certificate at the Specified Office of the Registrar or the Paying and Transfer Agents.
- (b) **Interest.** Payments of interest due on an Interest Payment Date will be made to the Persons shown in the Register at close of business on the Record Date.
- (c) **Record Date.** “**Record Date**” means the Clearing System Business Day immediately prior to the date for the relevant payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

- (d) **Payments.** Each payment in respect of the Notes pursuant to Conditions 8(a) (*Principal*) and 8(b) (*Interest*) will be made by United States dollar cheque drawn on a branch of a bank mailed to the holder of the relevant Note at his address appearing in the Register. However, upon application by the holder to the Specified Office of the Registrar or any Paying and Transfer Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by transfer to a United States dollar account maintained by the payee with a bank.

The holder of a Global Certificate shall be the only Person entitled to receive payments in respect of the Notes represented by such Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Certificate in respect of each amount paid. Each of the Persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Certificate must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Certificate.

Where payment is to be made by cheque, the cheque will be mailed, on the business day preceding the due date for payment or, in the case of payments referred to in Condition 8(a) (*Principal*), if later, on the business day on which the relevant Definitive Certificate is surrendered (or endorsed as the case may be) as specified in Condition 8(a) (*Principal*) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

Where payment is to be made by transfer to a United States dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated, in the case of principal, on the later of the due date for payment and the day on which the relevant Definitive Certificate is surrendered (or, in the case of part payment only, endorsed) and, in the case of interest on the due date for payment.

- (e) **Agents.** The names of the initial Paying and Transfer Agents and Registrar and their Specified Offices are set out below. The Issuer reserves the right under the Fiscal Agency Agreement by giving to the relevant Agent concerned at least 45 days' prior written notice, which notice shall expire at least 30 days before or after any due date for payment in respect of the Notes, to terminate the appointment of any Agent or the Registrar and to appoint successor or additional Agents or another Registrar, *provided that* it will at all times maintain:
- (i) a Fiscal Agent;
  - (ii) a Paying and Transfer Agent (which may be the Fiscal Agent); and
  - (iii) a Registrar.

Notice of any such removal or appointment and of any change in the Specified Office of any Agent or Registrar will be given to Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable.

- (f) **Payments subject to Fiscal Laws; Commissions.** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*) and any withholding or deduction required pursuant to FATCA. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (g) **Delay in Payment.** Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for payment not being a business day or (ii) a cheque mailed in accordance with this Condition 8 (*Payments*) arriving after the due date for payment or being lost in the mail.
- (h) **Business Days.** In this Condition, “**business day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including



dealing in foreign exchange and foreign currency deposits) in New York City and Abu Dhabi and, in the case of surrender of a Definitive Certificate, in the place of the Specified Office of the Registrar or relevant Paying and Transfer Agent, to whom the relevant Definitive Certificate is surrendered.

## 9. Redemption and Purchase

- (a) **Scheduled redemption.** Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed at its principal amount on 21 October 2027 (the “**Maturity Date**”), subject as provided in Condition 8 (*Payments*).
- (b) **Redemption for taxation reasons.** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable) at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, if a Tax Event occurs, where “**Tax Event**” means the Issuer:
- (i) has become or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 20 October 2020; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the delivery by the Issuer of any notice of redemption pursuant to this Condition 9(b), the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer, which shall be binding on the Issuer and the Noteholders, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent in sub-paragraphs (i) and (ii) above have occurred and the Fiscal Agent shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the relevant conditions precedent in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (c) **Redemption at the option of Noteholders (Change of Control Put Option).** If a Change of Control Event occurs, the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving a Put Notice to the Issuer as provided in this Condition 9(c) at any time during the Change of Control Put Period, redeem such Note on the Change of Control Put Date at its principal amount together (if applicable) with interest accrued and unpaid to (but excluding) the Change of Control Put Date.

Immediately upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a “**Change of Control Notice**”) to the Noteholders in accordance with Condition 15 (*Notices*) specifying the nature of the Change of Control Event and the procedure for exercising the put option contained in this Condition 9(c).

To exercise the put option pursuant to this Condition 9(c), a holder must deposit the certificate representing the Note(s) to be redeemed with the Registrar or any Paying and Transfer Agent at its Specified Office, together with a duly completed put option exercise notice (“**Put Notice**”)

in the form obtainable from any Paying and Transfer or the Registrar within the Change of Control Put Period. A Put Notice, once given, shall be irrevocable.

For the purpose of this Condition 9(c):

a “**Change of Control**” will occur if any Person or Persons other than:

- (a) the Government of Abu Dhabi (or any entity controlled directly or indirectly by the Government of Abu Dhabi); or
- (b) Engie S.A. (or any entity controlled directly or indirectly by Engie S.A.),

acquires (individually or in aggregate) more than 50 per cent. of the issued share capital of the Issuer. For such purposes, each of the Government of Abu Dhabi and/or Engie S.A. will be deemed to “**control**” an entity if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of such entity or otherwise controls, or has the power to control, the affairs and policies of such entity;

a “**Change of Control Event**” will occur if:

- (a) a Change of Control occurs; and
- (b) either:
  - (i) at the time that the Change of Control occurs, the Issuer does not have Investment Grade Status; or
  - (ii) at any time during the Specified Downgrade Period:
    - (A) the Issuer ceases to have Investment Grade Status; and
    - (B) in respect of such cessation of Investment Grade Status, any relevant Rating Agency that had assigned an Investment Grade Rating to the Issuer which has been withdrawn or downgraded below an Investment Grade Rating publicly announces that such withdrawal or downgrading of the rating was the result, in whole or in part, of the Change of Control;

“**Change of Control Put Date**” means, in respect of any Change of Control Put Period, the date which falls 14 days after the date on which the relevant holder exercises its option in accordance with this Condition 9(c);

“**Change of Control Put Period**” means, in relation to any Change of Control Event, the period from and including the date on which a Change of Control Notice is given to and including the date falling 60 days after the date on which any such notice is given; and

“**Specified Downgrade Period**” means the period:

- (a) commencing on the date on which the Change of Control occurred; and
- (b) ending on the date falling 90 days after the date on which the Change of Control occurred.
- (c) **Redemption at the option of the Issuer (Clean Up Call Option).** If, at any time, pursuant to the redemption of Notes in accordance with Condition 9(c) (*Redemption at the option of Noteholders (Change of Control Put Option)*) and/or pursuant to the purchase and cancellation of Notes pursuant to Conditions 9(f) (*Purchase*) and 9(g) (*Cancellation of Notes*) the aggregate principal amount of the Notes then outstanding is no more than 20 per cent. of the aggregate principal amount of the Notes upon issue thereof on the Closing Date, then the Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption (the “**Clean-Up Call Date**”)), redeem all (but not some only) of the remaining

outstanding Notes on the Clean-up Call Date at their principal amount together with any accrued and unpaid interest on the Notes to (but excluding) the Clean-Up Call Date.

Upon the expiry of any such notice given in accordance with, and payment in full of such amounts due to Noteholders pursuant to, this Condition 9(d), no further amounts shall be payable in respect of the Notes and the Issuer shall have no further obligations in respect thereof.

- (d) **No other Redemption.** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in this Condition 9 and Condition 12 (*Events of Default*).
- (e) **Purchase.** The Issuer and any of its Subsidiaries may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased may be held or resold (*provided that* such resale is outside the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or the relevant Subsidiary, as the case may be, in compliance with Condition 9(f) (*Cancellation of Notes*) below. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 14 (*Meetings of Noteholders; Modification*).
- (f) **Cancellation of Notes.** All Notes which are redeemed pursuant to this Condition 9 and Condition 12 (*Events of Default*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on the London Stock Exchange and the rules of such exchange so require, the Issuer shall promptly inform the London Stock Exchange of the cancellation of any Notes under this Condition 9(f).

## 10. Taxation

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any Taxes imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction or any political sub-division thereof or by any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) **Presentation in relevant Tax Jurisdiction:** presented for payment in a Relevant Jurisdiction;
- (b) **Other Connection:** held by or on behalf of a holder who is liable to such Taxes in respect of such Note by reason of his having a present or former connection with a Relevant Jurisdiction, other than the mere holding of such Note; or
- (c) **Presentation/surrender more than 30 days after the Relevant Date:** presented or (if applicable) surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting or, as the case may be, surrendering it for payment on such 30th day.

For the avoidance of doubt, neither the Issuer nor any Agent nor any other Person will be obliged to make any additional payments to the Noteholders in respect of amounts withheld or deducted pursuant to FATCA.

## 11. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 12. Events of Default

The Fiscal Agent shall upon receipt of written requests to the Issuer at the Specified Office of the Fiscal Agent from the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution declare the Notes, without further formality, due and payable in each case at their principal amount together with accrued interest if any of the events listed in paragraphs (a) to (i) (inclusive) below (each, an “**Event of Default**”) occurs.

Upon such declaration by the Fiscal Agent, the Fiscal Agent shall give notice thereof in the manner provided in the Fiscal Agency Agreement to the Issuer and the holders of the Notes in accordance with Condition 15 (*Notices*).

- (a) **Non-payment.** The Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of seven Business Days in the case of principal or 14 Business Days in the case of interest; or
- (b) **Breach of other obligations.** The Issuer defaults in the performance or observance of or compliance with any of its other duties, obligations or undertakings under these Conditions, the Notes, the Deed of Covenant or the Fiscal Agency Agreement and such default is not capable of remedy or (if capable of remedy) is not remedied within 30 days after written notice of such default shall have been given to the Issuer at the Specified Office of the Fiscal Agent by any holder of Notes; or
- (c) **Cross-acceleration.** Any other present or future Indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised:
  - (i) becomes due and payable prior to its stated maturity by reason of any event of default (howsoever described); or
  - (ii) is not paid when due or, as the case may be, within any applicable grace period, save in each case where the liability in respect of the relevant Indebtedness is being contested by the Issuer or such Material Subsidiary, as the case may be, in good faith and by all appropriate means and *provided that* the aggregate amount of the relevant Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or
- (d) **Enforcement proceedings.** A distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a material part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged, withdrawn or stayed within 30 days; or
- (e) **Security enforced.** Any Security Interests, present or future, created or assumed by the Issuer or any of its Material Subsidiaries securing any Indebtedness which equals or exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies), as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person, but excluding the issue of any notification to the Issuer or such Material Subsidiary, as the case may be, that such Security Interest has become enforceable) unless the full amount of the Indebtedness which is secured by the relevant Security Interest is discharged within 30 days of the first date on which a step is taken to enforce the relevant Security Interest; or
- (f) **Insolvency.** The Issuer or any of its Material Subsidiaries is (or is deemed by law or adjudicated or found by a court to be) insolvent or bankrupt or unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of its Material Subsidiaries; or

- (g) **Winding-up.** An administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries or the Issuer or any of its Material Subsidiaries ceases or threatens to cease, or is required to cease, to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Delegate or by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in another Subsidiary; or
- (h) **Invalidity, illegality or unenforceability.** At any time:
  - (i) the validity of the Notes, the Deed of Covenant or the Fiscal Agency Agreement is contested by the Issuer or the Issuer shall deny or repudiate (or does or causes to be done any act or thing evidencing an intention to repudiate) any of its obligations under the Notes, the Deed of Covenant or the Fiscal Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise);
  - (ii) it is or becomes unlawful or impossible for the Issuer (by way of insolvency or otherwise) to perform or comply with all or any of its obligations set out in the Notes, the Deed of Covenant or the Fiscal Agency Agreement; or
  - (iii) all or any of the Issuer's duties, obligations and undertakings under the Notes, the Deed of Covenant or the Fiscal Agency Agreement are not or cease to be legal, valid, binding and enforceable; or
- (i) **Analogous event.** Any event occurs that under the laws of the United Arab Emirates or any Emirate therein has an analogous effect to any of the events referred to in paragraphs (g) and (h) above.

### 13. Replacement of Notes

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Paying and Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (*provided that* the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

### 14. Meetings of Noteholders; Modification

- (a) **Meetings of Noteholders.** The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Fiscal Agency Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Noteholders holding not less than 10 per cent. in principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing a clear majority of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; *provided, however, that* any proposals relating to any Reserved Matter (as defined below) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than 75 per cent. or, at any adjourned meeting, 25 per cent. of the principal amount of the outstanding Notes form a quorum. The Noteholders may sanction by Extraordinary Resolution the waiver of any or all past or existing Events of

Default and rescind any declaration that the Notes are immediately due and repayable as a result of any such Event of Default (including any failure to pay any principal and/or interest following such declaration); *provided, however, that* any proposal for any waiver of any Event of Default (or related rescission of a declaration that the Notes are immediately due and repayable) arising from a matter (including any modification of any provisions of these Conditions or the Fiscal Agency Agreement) a proposal to effect which would be a Reserved Matter shall itself be a Reserved Matter. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present at the meeting(s) or not.

- (b) **Reserved Matters.** In these Conditions, “**Reserved Matter**” means any proposal whereby:
- (i) the principal amount of, or interest on, or other amounts payable in respect of the Notes is to be reduced or cancelled or the rate of interest on the Notes is to be reduced or the method of calculating the rate of interest on the Notes is to be modified;
  - (ii) the status of the Notes under Condition 4 (*Status*) is to be amended;
  - (iii) the Events of Default set out in Condition 12 (*Events of Default*) are to be amended;
  - (iv) the currency of payment of the Notes or the due date or date for any payment in respect of the Notes is to be changed;
  - (v) the provisions contained in Schedule 4 (*Provisions for Meetings of Noteholders*) to the Fiscal Agency Agreement concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or the definition of “Extraordinary Resolution” or the definition of “outstanding” is to be modified;
  - (vi) this definition of Reserved Matter is to be amended;
  - (vii) the Deed of Covenant is to be modified or cancelled; or
  - (viii) the governing law of the Notes is to be changed.
- (c) **Written resolution.** A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed by or on behalf of Persons holding not less than 90 per cent. of the aggregate principal amount of the outstanding Notes (a “**Written Resolution**”). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. Further, where the Notes are held by or on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Issuer may be given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with the operating rules and procedures of the relevant clearing system(s) by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Notes then outstanding (an “**Electronic Consent**”). Any Written Resolution or Electronic Consent shall take effect as an Extraordinary Resolution and will be binding on all Noteholders whether or not they participated in such Written Resolution or Electronic Consent.
- (d) **Modification without Noteholders’ consent.** The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of the Notes or the Fiscal Agency Agreement which is in its opinion of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on the Noteholders and, if the Fiscal Agent so requires, shall be notified to the Noteholders as soon as practicable thereafter.

## 15. Notices

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. Notices to Noteholders will be valid if published, for so long as the Notes are admitted to trading on the London Stock Exchange and

the rules of such exchange so require, in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if, in the opinion of the Fiscal Agent, such publication is not practicable, in a leading English language daily newspaper of general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner that complies with any other relevant rules of any stock exchange or other relevant authority on which the Notes are for the time being or by which they have for the time being admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

*So long as any of the Notes are represented by the Global Certificate, notices required to be published in accordance with Condition 15 (Notices) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the London Stock Exchange; and (ii) so long as the Notes are admitted to trading on the London Stock Exchange and the rules of the London Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*).*

## **16. Further Issues**

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Fiscal Agency Agreement, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so as to be consolidated and form a single series with the Notes (“**Further Notes**”).

## **17. Currency Indemnity**

United States dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than United States dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the United States dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that United States dollar amount is less than the United States dollar amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any such event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 17, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order made in connection with the Notes.

## **18. Governing Law and Dispute Resolution**

### **(a) Governing Law**

The Notes, the Deed of Covenant and the Fiscal Agency Agreement, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

### **(b) Arbitration**

Without limiting the rights of the Noteholders under Condition 18(c) (*Jurisdiction*), any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Notes, the Deed of Covenant and/or the Fiscal Agency Agreement (including any

dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a “**Dispute**”) shall be referred to and finally resolved by arbitration under the London Court of International Arbitration (“**LCIA**”) Rules (the “**Rules**”), which rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 18(b). For these purposes:

- (i) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party to the Dispute and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA;
- (ii) the seat of arbitration shall be London, England; and
- (iii) the language of the arbitration shall be English.

(c) **Jurisdiction**

Notwithstanding Condition 18(b) (*Arbitration*), each Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer require that a dispute be heard by the courts of England. If any Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with this Condition 18(c) and, subject as provided below, any arbitration commenced under Condition 18(b) (*Arbitration*) in respect of that Dispute will be terminated. Each Person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration (as defined in the Rules) in respect of any Dispute, the relevant Noteholder must also within 28 days of service of a Request for Arbitration give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (ii) his entitlement to be paid his proper fees and disbursements; and
- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

If notice is delivered to the Issuer in accordance with this Condition 18(c), the courts of England are to have jurisdiction to settle any such dispute and accordingly any legal action or proceedings arising out of or in connection with any Notes, the Deed of Covenant and/or the Fiscal Agency Agreement (“**Proceedings**”) may be brought in such courts.

The Issuer agrees in respect of the Notes to irrevocably submit, and has in the Deed of Covenant and the Fiscal Agency Agreement irrevocably submitted, to the jurisdiction of such courts and waived any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum.



This Condition 18(c) is for the benefit of the Noteholders only. As a result, and notwithstanding the remainder of this Condition 18(c), the Noteholders may bring Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Noteholders may take concurrent Proceedings in any number of jurisdictions.

(d) **Service of Process**

The Issuer agrees that the process by which any Proceedings are commenced in England pursuant to Condition 18(c) (*Jurisdiction*) or by which any Proceedings are commenced in the English courts in support of, or in connection with, an arbitration commenced pursuant to Condition 18(b) (*Arbitration*) may be served on it by being delivered to Law Debenture Corporate Services Limited (the “**Process Agent**”) at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom or, if different, the Process Agent’s registered office from time to time. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall promptly appoint a further Person in England to accept service of process on its behalf and notify the Noteholders of such appointment. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(e) **Waiver of Immunity**

The Issuer irrevocably agrees in respect of the Notes, and has in the Deed of Covenant and the Fiscal Agency Agreement irrevocably agreed that, should any Proceedings be taken anywhere (whether for any injunction, specific performance, damages or otherwise), to the extent permitted by law no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) in relation to those Proceedings (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgment or other legal process) shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. To the extent permitted by law the Issuer irrevocably agrees that it and its assets (irrespective of its use or intended use) are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Notes, the Deed of Covenant and the Fiscal Agency Agreement.

(f) **Consent**

The Issuer irrevocably and generally consents in respect of the Notes, and has in the Deed of Covenant and the Fiscal Agency Agreement irrevocably and generally consented, in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

## 19. **Definitions and Interpretation**

For the purposes of these Conditions:

“**Borrowings**” means, at any time, the outstanding principal, capital or nominal amount and any fixed or minimum premium payable on prepayment or redemption of any indebtedness for or in respect of Financial Indebtedness determined by reference to the most recent consolidated audited financial statements of the Group and, for the purposes of the definition of “Consolidated Total Net Indebtedness” only, taking account of the Incurrence or repayment of any Borrowings since that date; *provided that* Borrowings shall not include any indebtedness in respect of letters of credit, bid bonds or performance guarantees issued in the ordinary course of business to the extent such letters of credit or performance guarantees are not drawn upon or, if drawn upon, are honoured in accordance with their terms;

“**Clean Up Call Option**” means the call option set out in Condition 9(d) (*Redemption at the option of the Issuer (Clean Up Call Option)*);

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended;

“**Consolidated Cash and Cash Equivalents**” means, at any time:

- (a) cash in hand or on deposit with any acceptable bank;
- (b) certificates of deposit, maturing within one year after the relevant date of calculation, issued by an acceptable bank;
- (c) any investment in marketable obligations issued or guaranteed by the government of the United States of America or the United Kingdom or any other government of a state having an equivalent credit rating (an “**Acceptable Government**”) or by an instrumentality or agency of an Acceptable Government having an equivalent credit rating;
- (d) open market commercial paper:
  - (i) for which a recognised trading market exists;
  - (ii) issued in the United States of America or the United Kingdom;
  - (iii) which matures within one year after the relevant date of calculation; and
  - (iv) which has a credit rating of either A-1 by S&P or Fitch or P-1 by Moody’s, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term debt obligations, an equivalent rating; or
- (e) Sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an acceptable bank or any dematerialised equivalent, in each case, to which any member of the Group is beneficially entitled at that time. An acceptable bank for this purpose is a commercial bank or trust company which has a rating of BBB minus or higher by S&P or Fitch or Baa3 or higher by Moody’s or a comparable rating from a nationally recognised credit rating agency for its long-term obligations;

“**Consolidated EBIT**” means, in respect of any Measurement Period, the consolidated operating profit of the Group before taxation:

- (a) before deducting any Consolidated Finance Costs;
- (b) not including any accrued interest owing to any member of the Group;
- (c) before taking into account any Exceptional Items;
- (d) after deducting the amount of any profit of any Non-Group Entity to the extent that the amount of the profit included in the most recently available audited consolidated financial statements of the Issuer exceeds the amount actually received in cash by members of the Group through distributions by the Non-Group Entity; and
- (e) before taking into account any unrealised gains or losses on any financial instrument (other than any derivative instrument which is accounted for on a hedge accounting basis), in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation;

“**Consolidated EBITDA**” means, in relation to any period, Consolidated EBIT for the immediately preceding Measurement Period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group (and taking no account of the reversal of any previous impairment charge made in that period);

“**Consolidated Finance Costs**” means, for any period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in

respect of Borrowings whether such amounts were paid or payable (but excluding any such amounts which were capitalised) by any member of the Group (calculated on a consolidated basis) during the immediately preceding Measurement Period:

- (a) including any amortised upfront management or arrangement fees or costs;
- (b) including the interest (but not the capital) element of payments in respect of Finance Leases;
- (c) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Group under any interest rate hedging arrangement (other than an amount payable on the termination of any interest rate hedging agreement); and
- (d) excluding any dividends on preference shares, so that no amount shall be added (or deducted or excluded) more than once;

**“Consolidated Interest Receivable”** means, in respect of any period, all interest and other financing charges received or receivable by the Group during the immediately preceding Measurement Period calculated on a consolidated basis;

**“Consolidated Net Finance Costs”** means, in respect of any period, Consolidated Finance Costs for the immediately preceding Measurement Period less Consolidated Interest Receivable for the immediately preceding Measurement Period calculated on a consolidated basis;

**“Consolidated Total Net Indebtedness”** means at any time the aggregate amount of all obligations of the Group for or in respect of Borrowings but deducting the aggregate amount of Consolidated Cash and Cash Equivalents held by the Group at such time, and so that no amount shall be included or excluded more than once;

**“EBITDA”** means, in respect of any period, profit in respect of such period, plus; (i) finance costs (net of interest income); (ii) income tax (if any); and (iii) depreciation and amortisation, including amortisation of finance leases under a concession agreement or other operating lease required to be treated as a finance lease by the Group under IFRS 16 – Leases, in each case in respect of such period and at any time; (a) in relation to the Issuer, shall be calculated by reference to the relevant amounts shown in the then latest audited consolidated financial statements of the Issuer; and (b) in relation to any Subsidiary, shall be calculated by reference to the relevant amounts (consolidated in the case of a Subsidiary which itself has subsidiaries) shown in the then latest financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary, less: share of profit / (loss) from associates and joint ventures;

**“Exceptional Items”** means any material items of an unusual or non-recurring nature which represent gains or losses including those arising on:

- (a) the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;
- (b) disposals, revaluations or impairments of non-current assets; and
- (c) disposals of assets associated with discontinued operations;

**“Extraordinary Resolution”** has the meaning given to it in the Fiscal Agency Agreement;

**“Fair Market Value”** means, with respect to any asset or property, the sale value that would be paid in an arm’s-length transaction between an independent, informed and willing seller under no compulsion to sell and an independent, informed and willing buyer under no compulsion to buy;

**“FATCA”** means sections 1471 to 1474 of the Code, any agreement described in section 1471(b) of the Code, or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations promulgated thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto;

“**Finance Lease**” means any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, sukuk, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis) or where recourse is limited to customary warranties and indemnities;
- (f) any amount raised under any other transaction (including any *Shari'a*-compliant financing, Securitisation and any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close out of that derivative transaction, that amount) shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of a Person that is not a member of the Group and which liability would fall within one of the other paragraphs of this definition; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) (inclusive) above but without double counting where Financial Indebtedness is both borrowed and guaranteed (or indemnified against) by different Group companies;

“**Group**” means the Issuer and its Subsidiaries taken as a whole;

“**IFRS**” means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“**IASB**”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re issued from time to time);

“**Indebtedness**” means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) or any *Shari'a*-compliant alternative of the foregoing other than any such obligations, guarantees or indemnities owing or given by one member of the group to another member of the Group;

“**Investment Grade Rating**” means a rating equal to or higher than: (i) Baa3 (or the equivalent) by Moody’s; (ii) BBB- (or the equivalent) by Fitch; or (iii) BBB- (or the equivalent) by S&P, or in each case the equivalent thereof from any other Rating Agency (as applicable);

“**Investment Grade Status**” means that the Issuer has an Investment Grade Rating from at least one Rating Agency;

“**Liability**” means, in respect of any Person, any actual loss, damage, cost, charge, award, claim, demand, expense, judgment, action, proceeding or other liability whatsoever and including any value added tax or similar tax charged or chargeable in respect of any sums referred to in this definition and

legal or other fees and expenses on a full indemnity basis and references to “**Liabilities**” shall mean all of these;

“**London Stock Exchange**” means the London Stock Exchange plc;

“**Material Subsidiary**” means any Subsidiary:

- (a) whose EBITDA (consolidated in the case of a Subsidiary which itself has subsidiaries) or whose Total Assets (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 10 per cent. of the consolidated EBITDA of the Issuer, or, as the case may be, the consolidated Total Assets of the Issuer, as the case may be; and/or
- (b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon; (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary; and (b) the transferee Subsidiary shall immediately become a Material Subsidiary; *provided that* on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a),

*provided that* if any acquisition or disposal has occurred after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer relate, in applying each of the above tests the reference in the relevant defined terms to the latest audited consolidated financial statements shall be deemed to be a reference to such audited consolidated financial statements as if the relevant acquisition or disposal had been reflected in such audited consolidated financial statements by reference (where applicable) to any relevant Subsidiary’s then latest relevant financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries);

“**Measurement Period**” means a period of 12 months ending on: (i) the last day of the most recently completed financial year of the Issuer for which consolidated audited financial statements were prepared; and (ii) if consolidated reviewed interim financial statements of the Issuer are published, the last day of the relevant period in respect of which such financial statements were prepared;

“**Non-Group Entity**” means any investment or entity (which is not itself a member of the Group (including associates and joint ventures)) in which any member of the Group has an ownership interest;

“**Non-recourse Project Financing**” means any financing of all or part of the costs of the acquisition, construction or development of any project; *provided that*:

- (a) any Security Interest given by the Issuer in connection therewith is limited solely to the assets of the project;
- (b) the Persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced; and
- (c) there is no other recourse to the Issuer in respect of any default by any Person under the financing;

“**Paying and Transfer Agents**” means the paying and transfer agents (including the Fiscal Agent) appointed pursuant to the Fiscal Agency Agreement or any successor in each case at their respective Specified Offices;

“**Permitted Financial Indebtedness**” means:

- (a) any Financial Indebtedness outstanding on the Closing Date;
- (b) any Financial Indebtedness owed by the Issuer or any Subsidiary of the Issuer to the Issuer or any other Subsidiary of the Issuer; *provided, however*, that any subsequent disposition, pledge or transfer of such Financial Indebtedness (other than to the Issuer or a Subsidiary of the Issuer)

shall be deemed, in each case, to constitute the Incurrence of such Financial Indebtedness by the obligor thereof;

- (c) any Financial Indebtedness of the Issuer or a Subsidiary of the Issuer Incurred and outstanding on or prior to the date on which such Subsidiary became a Subsidiary of the Issuer (other than Financial Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which the Subsidiary became a Subsidiary of the Issuer);
- (d) any amounts owed to suppliers in respect of goods or services supplied in the ordinary course of business;
- (e) any amounts owed in respect of transactions entered into (including, without limitation, letters of credit, bid bonds or performance guarantees) to facilitate trade finance or to secure any contract to provide cooling services, in each case, in the ordinary course of business;
- (f) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (d) and (e) (inclusive); and
- (g) any payment obligation of the Issuer in respect of its Financial Indebtedness which ranks, or is expressed to rank, subordinate or junior to the payment obligations of the Issuer under the Notes;

**“Permitted Security Interest”** means:

- (a) any Security Interest existing on the date on which agreement is reached to issue the Notes;
- (b) any Security Interest securing Relevant Indebtedness or a Relevant Sukuk Obligation of a Person existing at the time that such Person is merged into, or consolidated with, the Issuer; *provided that* such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer;
- (c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer and not created in contemplation of such acquisition;
- (d) any Security Interest granted to secure a Non-recourse Project Financing or to secure any indebtedness incurred in connection with a Securitisation;
- (e) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (d) (inclusive) of this definition; *provided that* with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets); or
- (f) any Security Interest in respect of any Relevant Indebtedness or Relevant Sukuk Obligation not otherwise permitted under any other paragraph of this definition; *provided that* the aggregate outstanding amount secured thereby shall not at any time exceed an amount equal to 10 per cent. of the Total Assets of the Issuer;

**“Rating Agencies”** means (i) Moody’s Investors Service, Inc. (“**Moody’s**”), (ii) Fitch Ratings Limited (“**Fitch**”), (iii) Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”) and (iv) if any one or more of Moody’s, Fitch or S&P do not make a rating of the Issuer publicly available, one or more other internationally recognised securities rating agencies selected by the Issuer;

**“Relevant Date”** means, in respect of any Note, the date on which payment of principal and/or interest in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation or, as the case may be, surrender of the Note being made in accordance with the Conditions, such payment will be made; *provided that* payment is in fact made upon such presentation or surrender;

“**Relevant Indebtedness**” means any indebtedness, other than indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or represented or evidenced by, bonds, certificates, debentures, loan stock or other securities which for the time being are, or are intended to be, or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“**Relevant Jurisdiction**” means each of the United Arab Emirates and the Emirate of Dubai;

“**Relevant Sukuk Obligation**” means any present or future undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari’a*, whether or not in return for consideration of any kind, other than any such obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“**Securitisation**” means any securitisation of existing or future assets and/or revenues; *provided that*:

- (a) any Security Interest given by the Issuer in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;
- (b) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and
- (c) there is no other recourse to the Issuer in respect of any default by any Person under the securitisation;

“**Subsidiary**” means, at any particular time, any company which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the Issuer. For a company to be “**controlled**” by the Issuer means that the Issuer (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls, or has the power to control, the affairs and policies of that company;

“**Taxes**” means any present or future taxes, duties, assessments or governmental charges of whatever nature;

“**Total Assets**” means at any time: (i) in relation to the Issuer, the consolidated total assets of the Issuer, calculated by reference to the then latest audited or auditor reviewed consolidated financial statements of the Issuer; (ii) in relation to any Subsidiary, the total assets (consolidated in the case of a Subsidiary which itself has subsidiaries) of such Subsidiary calculated by reference to the then latest financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary, *provided that* for this purpose, in calculating the amount of the total assets of any Subsidiary of the Issuer, any receivables due from the Issuer or any other Subsidiary shall be excluded and *provided further that* if at any time the relevant financial statements do not include a line item for “total assets”, the relevant amount shall be the aggregate value of all assets of the Issuer or the relevant Subsidiary (consolidated or, as the case may be, unconsolidated) which are treated as assets in accordance with IFRS, as shown in the most recently available audited or auditor reviewed consolidated financial statements of the Issuer or the relevant Subsidiary prepared in accordance with IFRS or, if no such value is specified in those financial statements, the Fair Market Value of such assets; and

“**Total Equity**” means at any time the aggregate of the amounts paid up or credited as paid up on the issued ordinary share capital of the Group including minority interests (on a consolidated basis) and the aggregate of the amounts standing to the credit of the reserves of each member of the Group, including any amount credited to the share premium account and revaluation reserves, determined by reference

to the most recent consolidated audited financial statements of the Group, but adding or deducting (as the case may be):

- (a) (to the extent included) any amount shown in respect of goodwill or other intangible assets of each member of the Group;
- (b) (to the extent included) any provision or credit for deferred taxation which relates to the revaluation of any item which is excluded from the calculation of Total Equity;
- (c) any amount in respect of any dividend or distribution declared, recommended or made by any member of the Group and to the extent such distribution is not provided for in the most recently available audited consolidated financial statements of the Issuer; and
- (d) the amount raised in respect of any issue of ordinary share capital, including amounts credited to share premium account, and so that no amount shall be included or excluded more than once.



## USE OF PROCEEDS

The net proceeds of the issue of the Notes, after deduction of the total expenses related to the admission to trading, are expected to amount to approximately U.S.\$494,310,000. In line with the Issuer's strategy of making selective acquisitions of existing district cooling plants and in accordance with the Issuer's investment criteria (see "*Description of the Group – Strategy*"), the proceeds of the issuance are intended to be used to acquire certain operational district cooling assets in Abu Dhabi with an aggregate contracted capacity of 95,000 RT with long-term contracts. The approximate cost of the acquisitions will be AED 1.43 billion and the acquisitions are expected to be completed by the end of 2020. The balance of the proceeds, if any, will be used for the Issuer's general corporate purposes.

## SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with “Financial Review”.

See also “Presentation of Financial and Certain Other Information” for a discussion of the sources of the numbers contained in this section. Further, the selected financial information as at and for the six months ended 30 June 2019 has been extracted from the comparative financial information included in the Interim Financial Statements and the selected financial information as at and for the year ended 31 December 2017 has been extracted from the comparative financial information included in the 2018 Financial Statements.

All information in this section as at, and for the six-month periods ended, 30 June 2020 and 30 June 2019 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

The table below shows the Group’s consolidated statement of financial position data as at 30 June 2020 and as at 31 December in each of 2019, 2018 and 2017.

	As at 30 June	As at 31 December		
	2020	2019	2018	2017
	<i>(AED thousands)</i>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Capital work in progress .....	276,548	66,956	104,270	170,831
Property, plant and equipment .....	4,460,228	3,940,360	4,051,993	3,745,386
Right of use asset .....	126,527	136,267	—	—
Intangible assets and goodwill .....	2,340,162	28,527	28,527	27,710
Investments in associates and joint ventures .....	704,844	605,708	579,280	826,199
Advance towards investment in an associate .....	—	126,274	—	—
Finance lease receivables	2,844,282	2,836,547	2,625,050	2,715,106
	<b>10,752,591</b>	<b>7,740,639</b>	<b>7,389,120</b>	<b>7,485,232</b>
<b>Current assets</b>				
Inventories.....	42,567	34,673	32,806	32,648
Trade and other receivables.....	755,611	593,424	568,482	516,819
Finance lease receivables .....	321,207	307,984	244,916	242,638
Cash and bank balances .....	310,552	226,902	248,946	418,280
	<b>1,429,937</b>	<b>1,162,983</b>	<b>1,095,150</b>	<b>1,210,385</b>
<b>TOTAL ASSETS</b>	<b>12,182,528</b>	<b>8,903,622</b>	<b>8,484,270</b>	<b>8,695,617</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Issued capital.....	2,715,529	2,715,529	2,715,529	2,715,529
Treasury shares .....	(2,016)	(2,016)	(2,016)	(2,016)
Statutory reserve .....	358,466	358,466	316,867	274,104
Retained earnings.....	1,862,416	1,923,249	955,960	1,071,952
Foreign currency translation reserve .....	(1,690)	(1,686)	(2,368)	(2,780)
Cumulative change in fair value of derivatives in cash flow hedges .....	(111,345)	(48,553)	(20,886)	(37,774)
Other reserve.....	—	—	706,920	706,920
<b>Equity attributable to the equity holders of the parent .....</b>	<b>4,821,360</b>	<b>4,944,989</b>	<b>4,670,006</b>	<b>4,725,935</b>
Non-controlling interests.....	695,592	70,666	67,462	71,085
<b>Total equity.....</b>	<b>5,516,952</b>	<b>5,015,655</b>	<b>4,737,468</b>	<b>4,797,020</b>
<b>Non-current liabilities</b>				
Trade and other payables.....	95,261	95,261	102,917	128,444
Interest bearing loans and borrowings.....	3,578,555	870,477	1,016,526	1,844,622
Islamic financing arrangements.....	—	—	—	1,089,880
Non-convertible sukuk .....	1,829,400	1,828,843	1,828,794	—
Lease liabilities .....	232,614	247,495	—	—
Provision for employees’ end of service benefits.....	33,632	31,390	29,255	25,976
	<b>5,769,462</b>	<b>3,073,466</b>	<b>2,977,492</b>	<b>3,088,922</b>
<b>Current liabilities</b>				
Trade and other payables.....	702,441	620,013	625,645	575,552
Interest bearing loans and borrowings.....	148,261	147,234	143,665	164,457

	As at 30 June	As at 31 December		
	2020	2019	2018	2017
		<i>(AED thousands)</i>		
Islamic financing arrangements.....	—	—	—	65,292
Obligations under finance leases.....	—	—	—	4,374
Lease liabilities .....	45,412	47,254	—	—
	<b>896,114</b>	<b>814,501</b>	<b>769,310</b>	<b>809,675</b>
<b>Total liabilities</b> .....	<b>6,665,576</b>	<b>3,887,967</b>	<b>3,746,802</b>	<b>3,898,597</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>12,182,528</b>	<b>8,903,622</b>	<b>8,484,270</b>	<b>8,695,617</b>

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA

The table below shows the Group's consolidated statement of profit or loss data for each of the six-month periods ended 30 June 2020 and 30 June 2019.

	Six months ended 30 June	
	2020	2019
	<i>(AED thousands)</i>	
Revenues	710,015	671,935
Operating costs.....	(345,724)	(321,930)
<b>Gross profit</b> .....	<b>364,291</b>	<b>350,005</b>
Administrative and other expenses.....	(111,756)	(104,943)
<b>Operating profit</b> .....	<b>252,535</b>	<b>245,062</b>
Finance costs.....	(94,973)	(91,242)
Finance income .....	673	1,194
Impairment provision for trade receivables.....	(19,700)	—
Other gains and losses.....	67,759	9,651
Share of results of associates and joint ventures, net.....	23,367	40,220
<b>Profit for the period</b> .....	<b>229,661</b>	<b>204,885</b>
Attributable to:		
Equity holders of the parent .....	224,298	199,363
Non-controlling interests.....	5,363	5,522
	<b>229,661</b>	<b>204,885</b>

The table below shows the Group's consolidated statement of profit or loss data for each of 2019, 2018 and 2017.

	2019	2018	2017
		<i>(AED thousands)</i>	
Revenues	1,520,103	1,446,885	1,399,428
Operating costs.....	(767,549)	(783,957)	(771,764)
<b>Gross profit</b> .....	<b>752,554</b>	<b>662,928</b>	<b>627,664</b>
Impairment provision for trade receivables.....	(13,576)	(13,112) <sup>(1)</sup>	(11,972) <sup>(1)</sup>
Administrative and other expenses.....	(206,671)	(190,593) <sup>(1)</sup>	(183,585) <sup>(1)</sup>
<b>Operating profit</b> .....	<b>532,307</b>	<b>459,223</b>	<b>432,107</b>
Finance costs.....	(180,793)	(162,503)	(162,318)
Finance income .....	3,112	1,060	840
Other gains and losses.....	27,051	43,246	2,351
Share of results of associates and joint ventures .....	99,127	90,290	128,790
<b>Profit for the year</b> .....	<b>480,804</b>	<b>431,316</b>	<b>401,770</b>
Attributable to:			
Equity holders of the parent .....	472,479	427,628	400,113
Non-controlling interests.....	8,325	3,688	1,657
	<b>480,804</b>	<b>431,316</b>	<b>401,770</b>

Note:

- (1) Impairment provision for trade receivables was presented as part of administrative and other expenses in the 2018 Financial Statements but has been re-presented here for consistency of presentation with the 2019 Financial Statements.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME DATA

The table below shows the Group's consolidated statement of comprehensive income data for each of the six-month periods ended 30 June 2020 and 30 June 2019.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>(AED thousands)</i>	
Net profit for the period .....	229,661	204,885
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net movement in fair value of derivatives in cash flow hedges .....	(22,703)	(6,300)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges .....	(40,089)	(17,369)
Exchange difference arising on translation of overseas operations .....	(4)	214
<b>Total comprehensive income for the period</b> .....	<b>166,865</b>	<b>181,430</b>

The table below shows the Group's consolidated statement of comprehensive income data for each of 2019, 2018 and 2017.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(AED thousands)</i>		
Net profit for the year .....	480,804	431,316	401,770
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net movement in fair value of derivatives in cash flow hedges related to IRS .....	(8,249)	2,694	(7,485)
Settlement of cash flow hedges reclassified top profit and loss during the year .....	—	8,872	—
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges related to IRS .....	(19,418)	5,322	(738)
Exchange difference on translation of overseas operations .....	682	412	(65)
<b>Total other comprehensive (loss)/income</b> .....	<b>(26,985)</b>	<b>17,300</b>	<b>(8,288)</b>
<b>Total comprehensive income for the year</b> .....	<b>453,819</b>	<b>448,616</b>	<b>393,482</b>

#### **CONSOLIDATED STATEMENT OF CASH FLOWS DATA**

The table below summarises the Group's consolidated statement of cash flows data for each of the six-month periods ended 30 June 2020 and 30 June 2019.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>(AED thousands)</i>	
Net cash flows generated from operating activities .....	310,223	349,479
Net cash flows used in investing activities .....	(2,536,188)	(23,506)
Net cash flows generated from/(used in) financing activities .....	2,309,615	(373,604)
Cash and cash equivalents at 1 January .....	226,902	248,946
Cash and cash equivalents at 30 June .....	310,552	201,315

The table below summarises the Group's consolidated statement of cash flows for each of 2019, 2018 and 2017.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(AED thousands)</i>		
Net cash flows generated from operating activities .....	781,910	662,122	555,092
Net cash flows generated from/(used in) investing activities .....	183,978	(241,230)	(74,219)
Net cash flows used in financing activities .....	(619,976)	(590,226)	(452,554)
Cash and cash equivalents at 1 January .....	248,946	418,280	389,961
Cash and cash equivalents at 31 December .....	226,902	248,946	418,280

#### **SELECTED CONSOLIDATED FINANCIAL RATIOS AND ADJUSTED EBITDA**

The table below shows selected consolidated financial ratios and Adjusted EBITDA for the Group as at, and for the six-month periods ended, 30 June 2020 and 30 June 2019 and as at, and for the years ended, 31 December in each of 2019, 2018 and 2017. Each of these ratios and Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information".

	As at/six months ended 30		As at/years ended 31 December		
	June		2019	2018	2017
	2020	2019	2019	2018	2017
			<i>(per cent., except where otherwise stated)</i>		
Gross profit margin <sup>(1)</sup> .....	51.3	52.1	49.5	45.8	44.9
Net profit margin <sup>(2)</sup> .....	31.6	29.7	31.1	29.6	28.6
Adjusted EBITDA (AED thousands) <sup>(3)</sup> .....	395,149	365,959	763,177	694,226	628,036
Adjusted EBITDA margin <sup>(4)</sup> .....	55.7	54.5	50.2	48.0	44.9

Notes:

- (1) Gross profit for the period divided by revenue.
- (2) Profit for the period attributable to shareholders of the parent divided by revenue.
- (3) Calculated as profit for the period before finance costs, depreciation, finance lease amortisation, finance income, share of results of associates and joint ventures and other gains and losses.
- (4) Adjusted EBITDA for the period divided by revenue.

### Adjusted EBITDA

Adjusted EBITDA has been calculated as profit for the year adjusted to add back finance costs, depreciation and finance lease amortisation and subtract finance income, share of results of associates and joint ventures and other gains and losses, all as recorded in the Financial Statements. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see “*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*”.

The table below shows a reconciliation of the Group’s Adjusted EBITDA to its net profit for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019, 2018 and 2017.

	As at/six months ended 30		As at/years ended 31 December		
	June		2019	2018	2017
	2020	2019	2019	2018	2017
			<i>(AED thousands)</i>		
Profit for the period.....	229,661	204,885	480,804	431,316	401,770
Add/(subtract):					
Finance costs .....	94,973	91,242	180,793	162,503	162,318
Depreciation and amortisation.....	101,548	91,622	170,010	149,562	140,188
Finance lease amortisation <sup>(1)</sup> .....	60,766	29,275	60,860	85,441	55,741
Finance income .....	(673)	(1,194)	(3,112)	(1,060)	(840)
Share of results of associates and joint ventures .....	(23,367)	(40,220)	(99,127)	(90,290)	(128,790)
Other gains and losses <sup>(2)</sup> .....	(67,759)	(9,651)	(27,051)	(43,246)	(2,351)
<b>Adjusted EBITDA.....</b>	<b>395,149</b>	<b>365,959</b>	<b>763,177</b>	<b>694,226</b>	<b>628,036</b>

Note:

- (1) Finance lease amortisation is lease rentals received during the period less finance lease income recognised for the period as disclosed in note 11 to the Interim Financial Statements and note 15 to each of the Annual Financial Statements. For the year ended 31 December 2019 and the six months ended 30 June 2020, finance lease amortisation also includes variable lease payment CPI indexation. Tabreed believes this adjustment addresses the timing differences between cash receipts and income recognised on finance leases.
- (2) Other gains and losses in the six months ended 30 June 2020 are discussed under “*Financial review—Results of operations—Six months ended 30 June 2020 compared to six months ended 30 June 2019—Other gains and losses*”.

## FINANCIAL REVIEW

*The following discussion and analysis should be read in conjunction with the information set out in “Presentation of Financial and Certain Other Information”, “Selected Financial Information” and the Financial Statements.*

*The discussion of the Group’s financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS. This 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 Prospectus, particularly under the headings “Cautionary Note Regarding Forward-Looking Statements” and “Risk factors”.*

*See “Presentation of Financial and Certain Other Information” for a discussion of the source of the numbers presented in this section and certain other relevant information.*

*All information in this section as at, and for the six-month periods ended, 30 June 2020 and 30 June 2019 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year.*

### OVERVIEW

Tabreed designs, engineers, finances, constructs and operates district cooling facilities. District cooling is an ideal energy system for large-scale, high density developments such as business districts, airports, university campuses, residential towers, shopping malls and hospitals. District cooling relies on a centralised cooling plant that provides chilled water that is used to cool buildings within its grid. The plant supplies chilled water through a network of underground insulated pipes. See “*The district cooling industry*”.

Tabreed believes that it is one of the world’s largest district cooling companies in terms of connected capacity. The Group currently owns and operates 70 plants across the UAE, of which 62 are wholly owned or controlled. Through subsidiaries and affiliates, the Group also operates five plants in Oman, four plants in Qatar, three plants in Saudi Arabia and one plant in Bahrain, bringing its total number of owned and operated plants to 83 across five countries.

The Group generates revenue principally from:

- fixed capacity charges for cooling capacity reserved to a customer which covers all fixed costs and provides a return on capital. These charges are paid regardless of usage and typically increase annually in line with local consumer price inflation;
- variable consumption charges based on metered usage which typically cover all variable costs of operation with utility costs, such as fuel and water, being charged on a pass-through basis; and
- its other value chain businesses, comprising subsidiaries and joint ventures which service the district cooling and air conditioning industry and which represented 4.1 per cent. of the Group’s total revenue in the six months to 30 June 2020.

The Group’s strategy is to maintain and enhance its leading district cooling position through maintaining high levels of customer service to existing customers, including ensuring high levels of availability and improving cost efficiency, and growing the business through the construction of new plants, connecting new customers to existing plants which have excess capacity, selective acquisitions of existing plants and selective expansion outside the GCC.

In 2019, the Group generated revenue of AED 1,520 million, Adjusted EBITDA of AED 763 million and profit for the year of AED 481 million. In the six months ended 30 June 2020, the Group’s revenue was AED 710 million, its Adjusted EBITDA was AED 395 million and its profit for the period was AED 230 million. As at 30 June 2020, the Group had total assets of AED 12,183 million.

Reflecting local climatic conditions, the Group’s business is seasonal, with consumption generally peaking in the third quarter and being at its lowest in the first quarter of each year. As a result, the Group generally records higher revenue and operating costs at times of peak consumption.

## PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations.

### Revenue

The Group's revenue from district cooling comprises two main revenue streams:

- fixed capacity charges for cooling capacity reserved to a customer which covers all fixed costs and provides a return on capital. These charges are paid regardless of usage and typically increase annually in line with local consumer price inflation; and
- variable consumption charges based on metered usage which cover all variable costs of operation with utility costs, such as fuel and water, being typically charged on a pass-through basis, and therefore with a significantly lower margin than the fixed capacity charges.

The Group sets the capacity charge for each plant in its long-term contracts by reference to the investment in constructing the plant, the fixed costs incurred in operating the plant and its target return on investment. In each of the six-month periods ended 30 June 2020 and 30 June 2019 and in each of 2019, 2018 and 2017, the Group's capacity charges comprised 66 per cent., 65 per cent., 63 per cent., 62 per cent. and 60 per cent. of its total revenue. In each of the six-month periods ended 30 June 2020 and 30 June 2019 and in each of 2019, 2018 and 2017, the Group's capacity charges comprised 84 per cent., 87 per cent., 85 per cent., 84 per cent. and 85 per cent. of its Adjusted EBITDA.

The Group sets the consumption charge for each plant in its long-term contracts by reference to the variable costs incurred to produce the volumes of refrigeration tons consumed by the customer. The Group is not significantly exposed to changes in fuel and water costs or most other costs incurred in relation to materials used for cooling, as changes in these costs are typically passed through in the consumption fee. In each of the six-month periods ended 30 June 2020 and 30 June 2019 and in each of 2019, 2018 and 2017, the Group's consumption charges comprised 34 per cent., 35 per cent., 37 per cent., 38 per cent. and 40 per cent. of its total revenue. In each of the six-month periods ended 30 June 2020 and 30 June 2019 and in each of 2019, 2018 and 2017, the Group's consumption charges comprised 16 per cent., 13 per cent., 15 per cent., 16 per cent. and 15 per cent. of its Adjusted EBITDA.

Because the Group's capacity revenue does not depend on usage and reflecting the long-term nature of the Group's contracts, the Group has a significant committed recurring revenue stream for at least the next ten years. Without taking into account any new contracts that may be entered into, assuming no defaults or terminations and ignoring the annual inflation-adjusted increase, the Group's capacity revenue (as a percentage of the capacity revenue it recorded in 2019) is projected to be 100 per cent. in 2020 through 2022, 99 per cent. in 2023 and 2024, 97 per cent. in 2025, 96 per cent. in 2026 and 2027, 93 per cent. in 2028 and 89 per cent. in 2029.

## New plants and new connections at existing plants

The table below shows a breakdown of the Group's connected capacity as at 30 June 2020 and 31 December in each of 2019, 2018 and 2017.

	As at 30 June 2020	As at 31 December		
		2019	2018	2017
		<i>(RT thousands)</i>		
<b>Consolidated</b>				
UAE <sup>(1)</sup> .....	872 <sup>(2)</sup>	724	702 <sup>(3)</sup>	668
Bahrain.....	32	28	27	26
Oman.....	32	32	24	17
<b>Total consolidated</b> .....	<b>936</b>	<b>784</b>	<b>752</b>	<b>712</b>
<b>Equity accounted</b> .....				
UAE <sup>(4)</sup> .....	71	71	71 <sup>(5)</sup>	103
Qatar.....	224	218	218	199
Saudi Arabia.....	110	110	90	79
<b>Total equity accounted</b> .....	<b>405</b>	<b>399</b>	<b>379</b>	<b>381</b>
<b>Total</b> .....	<b>1,343</b>	<b>1,183</b>	<b>1,131</b>	<b>1,092</b>

Notes:

- (1) Includes 55,000 RT acquired by Tabreed from one of its associates, Sahara Cooling Limited, and sold to a customer of Tabreed.
- (2) Reflects the acquisition of DDC which added 146,000 RT, see “—Acquisitions and disposals” below.
- (3) Includes 32,800 RT of S&T Cool District Cooling Company LLC, formerly an equity accounted joint venture, see “—Acquisitions and disposals” below.
- (4) Excludes 55,000 RT acquired by Tabreed from one of its associates, Sahara Cooling Limited, and sold to a customer of Tabreed.
- (5) Excludes 32,800 RT of S&T Cool District Cooling Company LLC, formerly an equity accounted joint venture, see “—Acquisitions and disposals” below.

The Group's connected capacity (which expression includes the full connected capacity of the Group's joint ventures and associates) amounted to 1,344,449 RT as at 30 June 2020, 1,182,715 RT as at 31 December 2019, 1,131,379 RT as at 31 December 2018 and 1,092,000 RT as at 31 December 2017, reflecting increases of 13.8 per cent. in the six months ended 30 June 2020, 4.5 per cent. in 2019 and 3.6 per cent. in 2018.

The connected capacity of Tabreed and its subsidiaries amounted to 938,998 RT as at 30 June 2020, 783,789 RT as at 31 December 2019, 752,453 RT as at 31 December 2018 and 744,504 RT as at 31 December 2017, an increase of 156,208 RT in the six months ended 30 June 2020 (which includes 146,000 RT added through the acquisition of DDC), compared to 31,336 RT in 2019 and 7,949 RT in 2018.

The Group expects that in total it will organically add 75,000 RT of new connected capacity in the two years ending 31 December 2021, which includes 13,000 RT added in the first six months of 2020.

New connected capacity at Tabreed and its subsidiaries impacts the Group's revenue through capacity and consumption charges, its operating costs (including depreciation) and, for new plants, its staff and related costs. New equity accounted connected capacity impacts the Group through its share of results of its joint ventures and associates.

### Acquisitions and disposals

In January 2019, Tabreed announced an agreement to acquire the Masdar City district cooling plant and concession. The acquisition is being funded using internally generated cash. The definitive project agreements are in the final negotiation stage and Tabreed expects them to be finalised and signed within the next several months. The timing of the closure will not have any material financial impact on Tabreed.

In April 2020, the Group announced the acquisition of 80 per cent. of the shares in DDC, a cooling services provider in Downtown Dubai, for cash consideration of AED 2,480 million. The acquisition was funded using drawings under a corporate debt facility. DDC operates three district cooling plants with a capacity of 146,000 RT, with a fourth plant currently under construction. The acquisition included customer contracts with a fair value of AED 2,243 million at the acquisition date. These represent the expected cash flows from DDC's cooling services agreements discounted at the Group's weighted average cost of capital plus a specified risk premium. See note 7 to the Interim Financial Statements.



The Group's results for 2018 were impacted by an acquisition of shares in a joint venture and the disposal of shares in an associate.

In March 2018, the Group acquired the remaining 50 per cent. of a joint venture, S&T Cool District Cooling Company LLC ("**S&T Cool**") which it did not already own, and S&T Cool was fully consolidated from that date. This acquisition contributed AED 46 million in revenue in the period from the acquisition to 31 December 2018. The Group financed the acquisition through drawings under its revolving credit facility, which also impacted its finance cost in 2018. In addition, the acquisition generated a gain of AED 44 million in 2018.

During 2018, the Group's shareholding in an associate, Tabreed District Cooling Company ("**Saudi Tabreed**") fell from 25 per cent. to 20 per cent. as a result of a new shareholder acquiring newly issued shares and purchasing shares held by the existing shareholders. This transaction generated an AED 33 million gain for the Group in 2018. In the first six months of 2020, the Group increased its shareholding in Saudi Tabreed to 27.99 per cent. using internally generated cash.

## **COVID-19**

To date, the Group has not experienced any major service interruption or other material direct impact from the COVID-19 pandemic on its business. The Group continues to monitor the indirect impact of the pandemic on its business, operations and finances, particularly on chilled water consumption which affects its consumption revenue which was approximately 4 per cent. lower in the six months ended 30 June 2020 than in the corresponding period of 2019 (after excluding the increases resulting from the DDC acquisition) and on its value chain businesses which generated lower revenue in the six months ended 30 June 2020 than in the corresponding period of 2019. COVID-19 did not, however, have any impact of the Group's fixed capacity charges which comprise the majority of its revenue from its chilled water business. The Group has taken appropriate precautions to ensure the safety and security of its operational staff and uninterrupted customer service and arrangements have been made for administrative staff to work remotely. In particular, in line with UAE laws and regulations, Tabreed carries out routine COVID-19 tests for its staff. Tabreed also has an active business continuity plan in place which is activated if and when a COVID-19 positive case is identified and which includes specialised quarantine facilities and alternative accommodation arrangements for operational staff.

The Group considers that, based on current and forecast conditions, the IFRS 9 expected credit loss from its trade receivables is likely to increase. Although it has proved difficult to quantify the increase in the currently uncertain environment and the absence of historical statistical data, the Group has made an additional AED 19.7 million loss allowance in the Interim Financial Statements. The Group intends to review these allowances at each reporting date as the situation evolves and its historical data increases.

The Group is also taking appropriate measures to monitor and manage its liquidity as the pandemic continues.

## **SIGNIFICANT ACCOUNTING POLICIES**

The Financial Statements have been prepared in accordance with IFRS. For a discussion of the significant accounting policies applied by the Group generally, see note 2.3 to the 2019 Financial Statements and note 3 to the Interim Financial Statements.

## **CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the Group's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Group's financial statements, see note 2.6 to the 2019 Financial Statements, which identifies three judgments (relating to the making of provisions in

respect of its contractual obligations, determining lease terms and its lessor accounting policy following the implementation of IFRS 16) which have the most significant effect on the amounts recognised in the Financial Statements and two key estimates and assumptions (relating to the determination of impairment in respect of its financial and non-financial assets, respectively) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In addition, note 4 to the Interim Financial Statements identifies three additional judgments relating to business combinations, impairment of intangible assets including goodwill and COVID-19, respectively.

## RESULTS OF OPERATIONS

### Six months ended 30 June 2020 compared to the six months ended 30 June 2019

#### Revenue

The Group's revenue comprises:

- revenue from the supply of chilled water; and
- revenue from value chain businesses.

The table below shows the breakdown of the Group's revenue in each of the six-month periods ended 30 June 2020 and 30 June 2019.

	Six months ended 30 June			
	2020		2019	
	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)
Supply of chilled water .....	681,166	95.9	634,427	94.4
Value chain businesses.....	28,849	4.1	37,508	5.6
<b>Total revenue.....</b>	<b>710,015</b>	<b>100.0</b>	<b>671,935</b>	<b>100.0</b>

The Group's revenue from the supply of chilled water is derived through long-term contracts (typically of 25 years duration) with its customers. These contracts typically provide for two main charges:

- a fixed monthly capacity charge, which is paid regardless of cooling use, and typically escalates in accordance with the local consumer price inflation rate; and
- a monthly consumption charge based on metered consumption volumes, which typically reflects a pass through of variable operating costs, including utilities.

The Group's total revenue was AED 710 million for the six months ended 30 June 2020 compared to AED 672 million for the corresponding period in 2019, an increase of AED 38 million, or 5.7 per cent. This increase reflected:

- an AED 47 million, or 7.4 per cent., increase in revenue from the supply of chilled water, from AED 634 million for the six months ended 30 June 2019 to AED 681 million for the corresponding period in 2020; and
- an AED 9 million, or 23.1 per cent., fall in revenue from the value chain businesses, from AED 38 million for the six months ended 30 June 2019 to AED 29 million for the corresponding period in 2020.

The increase in revenue from the supply of chilled water in the 2020 period compared to the 2019 period principally reflected the acquisition of DDC (which contributed AED 70.3 million), which was offset by lower consumption volumes and higher finance lease amortisation due to negative inflation.

The fall in revenue from the value chain business in the 2020 period compared to the 2019 period principally reflected deteriorating market conditions due to COVID-19.

### **Direct costs**

The Group's direct costs principally comprise utility costs, depreciation, the purchase of chilled water from a third party, the costs related to its staff directly engaged in operations and the cost of inventories recognised as an expense.

The table below shows the breakdown of the Group's operating costs by type in each of the six-month periods ended 30 June 2020 and 30 June 2019.

	Six months ended 30 June			
	2020		2019	
	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)
Utility costs .....	174,382	50	162,744	51
Depreciation .....	76,718	22	73,686	23
Depreciation on right of use assets .....	16,805	5	10,550	3
Purchase of chilled water from a related party ...	30,127	9	31,706	10
Staff and others .....	33,541	10	25,795	8
Cost of inventories recognised as an expense ....	14,151	4	17,449	5
<b>Total operating costs .....</b>	<b>345,724</b>	<b>100.0</b>	<b>321,930</b>	<b>100.0</b>

The Group's total operating costs were AED 346 million for the six months ended 30 June 2020 compared to AED 322 million for the corresponding period in 2019, an increase of AED 24 million, or 7.4 per cent. This increase principally reflected the impact of the DDC acquisition (which contributed AED 44 million) which was offset by savings in utilities as a result of lower consumption volumes.

The table below shows the breakdown of the Group's operating costs by business segment in each of the six-month periods ended 30 June 2020 and 30 June 2019.

	Six months ended 30 June			
	2020		2019	
	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)
Supply of chilled water .....	328,603	95.0	303,154	94.2
Value chain businesses .....	22,248	6.4	22,928	7.1
Eliminations .....	(5,127)	(1.5)	(4,152)	(1.3)
<b>Total operating costs .....</b>	<b>345,724</b>	<b>100.0</b>	<b>321,930</b>	<b>100.0</b>

By business segment, the increase in total operating costs principally reflected:

- an AED 25 million, or 8.4 per cent., increase in operating costs related to the supply of chilled water, from AED 303 million for the six months ended 30 June 2019 to AED 329 million for the corresponding period in 2020; and
- an AED 1 million, or 3.0 per cent., fall in operating costs related to the value chain businesses, from AED 23 million for the six months ended 30 June 2019 to AED 22 million for the corresponding period in 2020.

The increase in operating costs related to the supply of chilled water in the 2020 period compared to the 2019 period principally reflected higher utilities costs and an increase in depreciation, in both cases as a result of the acquisition of DDC.

The fall in operating costs related to the value chain business in the 2020 period compared to the 2019 period principally reflected lower sales as a result of COVID-19.

### **Gross profit**

Reflecting the above factors, the Group's gross profit was AED 364 million for the six months ended 30 June 2020 compared to AED 350 million for the corresponding period in 2019, an increase of AED 14 million, or 4.1 per cent.

The Group's gross profit for:

- the chilled water business was AED 353 million for the six months ended 30 June 2020 compared to AED 331 million for the corresponding period in 2019, an increase of AED 21 million, or 6.4 per cent; and
- the value chain businesses was AED 23 million for the six months ended 30 June 2020 compared to AED 28 million for the corresponding period in 2019, a fall of AED 4 million, or 15.2 per cent.

The Group's gross profit margins were 51.3 per cent. for the six months ended 30 June 2020 and 52.1 per cent. for the corresponding period in 2019.

The Group's gross profit margins for:

- the chilled water business were 51.8 per cent. for the six months ended 30 June 2020 and 52.2 per cent. for the corresponding period in 2019; and
- the value chain businesses were 51.2 per cent. for the six months ended 30 June 2020 and 54.6 per cent. for the corresponding period in 2019.

#### ***Allowance for impairment of trade receivables***

The Group's allowance for the impairment of trade receivables was AED 20 million for the six months ended 30 June 2020 compared to no provision for the corresponding period in 2019. The provision in the six months ended 30 June 2020 reflected the Group's assessment of its expected credit losses on its trade receivables in light of the possible impact of the COVID-19 pandemic on its customers.

#### ***Administrative and other expenses***

The Group's administrative and other expenses principally comprise the costs of its administrative and other non-operating staff, its allowance for impairment of trade receivables (if any) and depreciation.

The table below shows the breakdown of the Group's administrative and other expenses by type in each of the six-month periods ended 30 June 2020 and 30 June 2019.

	<b>Six months ended 30 June</b>			
	<b>2020</b>		<b>2019</b>	
	<i>(AED thousands)</i>	<i>(per cent.)</i>	<i>(AED thousands)</i>	<i>(per cent.)</i>
Staff costs.....	73,304	65.6	79,723	76
Depreciation.....	8,026	7.2	7,388	7
Other administrative and general expenses .....	30,426	27.2	17,832	17
<b>Total .....</b>	<b>111,756</b>	<b>100.0</b>	<b>104,943</b>	<b>100.0</b>

The Group's total administrative and general expenses were AED 112 million for the six months ended 30 June 2020 compared to AED 105 million for the corresponding period in 2019, an increase of AED 7 million, or 6.5 per cent. This principally reflected the impact of the DDC acquisition offset by lower staff cost in the value chain businesses.

#### ***Operating profit***

Reflecting the above factors, the Group's operating profit was AED 253 million for the six months ended 30 June 2020 compared to AED 245 million for the corresponding period in 2019, an increase of AED 7 million, or 3.0 per cent.

#### ***Net finance costs***

The Group's finance costs principally comprise the interest and profit charged on its financing arrangements and amounted to AED 95 million for the six months ended 30 June 2020 compared to AED 91 million for the corresponding period in 2019, an increase of AED 4 million, or 4.1 per cent. This increase principally reflected the drawdown of a new facility of U.S.\$692 million to finance the DDC acquisition.

Net of a small amount of finance income comprising interest on the Group's cash balances in each period, the Group's net finance cost was AED 94 million in the six months ended 30 June 2020 compared to AED 90 million in the corresponding period of 2019.

### ***Other gains and losses***

The Group's other gains and losses amounted to AED 68 million for the six months ended 30 June 2020 compared to AED 10 million for the corresponding period in 2019. Included in the gains and losses for the six months ended 30 June 2020 was a modification gain of AED 82 million which related to an amendment of the pricing and term of a finance lease with an existing customer. See "*—Certain significant statement of financial position items—Finance lease receivables*" below.

### ***Share of results of associates and joint ventures***

The Group had four associates and two joint ventures in each of the six month periods ended 30 June 2020 and 30 June 2019. All of the Group's associates and joint ventures are equity accounted, which means that the Group records its aggregate proportionate share of the profit or loss made by each entity in its statement of profit or loss for each year.

The table below shows the breakdown of the Group's share of results of its equity accounted investees in each of the six-month periods ended 30 June 2020 and 30 June 2019.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>(AED thousands)</i>	
Share of profits from associates, net.....	18,996	30,156
Share of profits from joint ventures, net.....	4,371	10,064
<b>Share of results of associates and joint ventures.....</b>	<b>23,367</b>	<b>40,220</b>

The Group's share of profits from associates was AED 19 million for the six months ended 30 June 2020 compared to AED 30 million for the corresponding period in 2019. The lower share of profits in the 2020 period principally reflected lower income from Qatar District Cooling Company ("**Qatar Cool**") due to a delay in the service commencement date for a customer as well as COVID-19-related discounts in both Qatar and Saudi Arabia.

The Group's share of profits from its joint ventures was AED 4 million for the six months ended 30 June 2020 compared to AED 10 million for the corresponding period in 2019 reflecting one-off termination fees from a customer received in the 2019 period.

### ***Profit for the period***

Reflecting the above factors, the Group's profit for the period was AED 230 million for the six months ended 30 June 2020 compared to AED 205 million for the corresponding period in 2019, an increase of AED 25 million, or 12.1 per cent.

### ***Other comprehensive income or loss***

The Group's other comprehensive income or loss in each period comprised the net movement in the fair value of its and its equity-accounted investees' cash flow hedging instruments and currency translation differences arising on the translation of accounts of foreign entities into dirham for the purposes of consolidation.

The table below shows the breakdown of the Group's other comprehensive income or loss in each of the six-month periods ended 30 June 2020 and 30 June 2019.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>(AED thousands)</i>	
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net movement in fair value of derivatives in cash flow hedges .....	(22,703)	(6,300)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges .....	(40,089)	(17,369)
Exchange differences arising on translation of overseas operations.....	(4)	214
<b>Total other comprehensive loss for the period.....</b>	<b>(62,796)</b>	<b>(23,455)</b>

The Group's total other comprehensive loss was AED 63 million for the six months ended 30 June 2020 compared to a total other comprehensive loss of AED 23 million for the corresponding period in 2019. In both cases, the losses principally reflected negative net movements in the fair value of derivatives in cash flow hedges for both the Group and its equity-accounted investees. These changes in fair value principally reflected changes in both EIBOR and LIBOR rates.

### ***Total comprehensive income***

Reflecting the above factors and the Group's profit for each period, the Group's total comprehensive income was AED 167 million for the six months ended 30 June 2020 compared to AED 181 million for the corresponding period in 2019, a fall of AED 15 million, or 8.0 per cent.

### ***Adjusted EBITDA***

The Group's Adjusted EBITDA was AED 395 million for the six months ended 30 June 2020 compared to AED 366 million for the corresponding period in 2019, an increase of AED 29 million, or 8 per cent. The Group's Adjusted EBITDA margins were 55.7 per cent. for the six months ended 30 June 2020 and 54.5 per cent. for the corresponding period in 2019.

### **2019, 2018 and 2017 compared**

#### ***Revenue***

The table below shows the breakdown of the Group's revenue in 2019, 2018 and 2017.

	2019		2018		2017	
	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)
Supply of chilled water <sup>(1)</sup> .....	1,456,391	95.8	1,361,311	94.1	1,317,296	94.1
Value chain businesses.....	63,712	4.2	85,574	5.9	82,132	5.9
<b>Total revenue</b> .....	<b>1,520,103</b>	<b>100.0</b>	<b>1,446,885</b>	<b>100.0</b>	<b>1,399,428</b>	<b>100.0</b>

Note:

(1) Including lease income.

The Group's total revenue was AED 1,520 million for 2019 compared to AED 1,447 million for 2018 and AED 1,399 million for 2017, an increase of AED 73 million, or 5.1 per cent., in 2019 and an increase of AED 47 million, or 3.4 per cent., in 2018.

The AED 73 million increase in 2019 compared to 2018 reflected:

- an AED 95 million, or 7.0 per cent., increase in revenue from the supply of chilled water, from AED 1,361 million for 2018 to AED 1,456 million for 2019; and
- an AED 22 million, or 25.5 per cent., fall in revenue from the value chain businesses, from AED 86 million for 2018 to AED 64 million for 2019.

The increase in revenue from the supply of chilled water in 2019 compared to 2018 principally reflected a positive inflationary impact, new connections and higher customer volumes.

The fall in revenue from the value chain business in 2019 compared to 2018 principally reflected lower revenue in two subsidiaries, Ian Banham and Associates ("**Ian Banham**"), a mechanical, electrical and plumbing consultancy, and CoolTech Energy Water Treatment LLC ("**CoolTech**"), which offers water treatment services.

#### ***2018 and 2017 compared***

The AED 47 million increase in 2018 compared to 2017 reflected:

- an AED 44 million, or 3.3 per cent., increase in revenue from the supply of chilled water, from AED 1,317 million for 2017 to AED 1,361 million for 2018; and
- an AED 3 million, or 4.2 per cent., increase in revenue from the value chain businesses, from AED 82 million for 2017 to AED 86 million for 2018.

The increase in revenue from the supply of chilled water in 2018 compared to 2017 principally reflected the full consolidation of S&T Cool, a positive inflationary impact and higher customer volumes.

The increase in revenue from the value chain business in 2018 compared to 2017 principally reflected higher revenue from Emirates Pre-Insulated Pipes LLC (“EPPI”), a pipe manufacturing company.

### Direct costs

The table below shows the breakdown of the Group’s direct costs by type in each of 2019, 2018 and 2017.

	2019		2018		2017	
	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)
Utility costs.....	449,085	58.5	438,845	56.0	435,213	56.4
Depreciation .....	142,487	18.6	141,377	18.0	133,430	17.3
Depreciation on right of use assets..	11,620	1.5	—	—	—	—
Purchase of chilled water from a related party .....	60,839	7.9	99,167	12.6	99,359	12.9
Staff and others.....	67,088	8.7	65,050	8.3	71,470	9.3
Cost of inventories recognised as an expense.....	36,430	4.7	39,518	5.0	32,292	4.2
<b>Total operating costs .....</b>	<b>767,549</b>	<b>100.0</b>	<b>783,957</b>	<b>100.0</b>	<b>771,764</b>	<b>100.0</b>

The Group’s total operating costs were AED 768 million for 2019 compared to AED 784 million for 2018 and AED 772 million for 2017, a fall of AED 16 million, or 2.1 per cent., in 2019 compared to 2018 and an increase of AED 12 million, or 1.6 per cent., in 2018 compared to 2017.

### 2019 and 2018 compared

The AED 16 million fall in 2019 compared to 2018 principally reflected a fall of AED 38 million, or 38.6 per cent., in the cost of purchasing chilled water from a related party which was due to the implementation of IFRS 16 which resulted in a chilled water purchase arrangement (which had previously been accounted for as direct costs) being reclassified as an operating lease with the relevant costs being accounted for as finance costs and depreciation. This fall was offset by:

- an increase of AED 13 million, or 9.0 per cent., in depreciation which was driven by the implementation of IFRS 16 and the requirement to depreciate capitalised lease right of use assets; and
- an increase of AED 10 million, or 2.3 per cent., in utility costs driven by growth in chilled water consumption and a full year impact of the full consolidation of S&T Cool.

### 2018 and 2017 compared

The AED 12 million increase in 2018 compared to 2017 principally reflected:

- an increase of AED 8 million, or 6.0 per cent., in depreciation principally as a result of the full consolidation of S&T Cool from April 2018;
- an increase of AED 7 million, or 22.4 per cent., in cost of inventories recognised as an expense which was driven by the value chain businesses, principally an increase in business volumes at EPPI; and
- an increase of AED 4 million, or 0.8 per cent., in utility costs due to the full consolidation of S&T Cool,

which were partially offset by a fall of AED 6 million, or 9.0 per cent., in staff and other costs which was driven by less maintenance time being allocated as direct staff costs in 2018 compared to 2017.

The table below shows the breakdown of the Group’s operating costs by business segment in each of 2019, 2018 and 2017.

	2019		2018		2017	
	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)
Supply of chilled water.....	720,941	93.9	730,743	93.2	721,943	93.5
Value chain businesses.....	64,349	8.4	66,946	8.5	64,815	8.4
Eliminations.....	(17,741)	(2.3)	(13,732)	(1.8)	(14,994)	(1.9)
<b>Total operating costs .....</b>	<b>767,549</b>	<b>100.0</b>	<b>783,957</b>	<b>100.0</b>	<b>771,764</b>	<b>100.0</b>

### *2019 and 2018 compared*

The AED 16 million fall in operating costs in 2019 compared to 2018 principally reflected:

- an AED 10 million, or 1.3 per cent., fall in operating costs related to the chilled water business, principally as a result of the implementation of IFRS 16 which resulted in lower direct costs and higher finance and depreciation costs; and
- an AED 3 million, or 3.9 per cent., fall in operating costs related to the value chain businesses, principally as a result of lower business volumes at Ian Banham and CoolTech.

### *2018 and 2017 compared*

The AED 12 million increase in operating costs in 2018 compared to 2017 principally reflected:

- an AED 9 million, or 1.2 per cent., increase in operating costs related to the chilled water business, principally as a result of the full consolidation of S&T Cool; and
- an AED 2 million, or 3.3 per cent., increase in operating costs related to the value chain businesses, principally as a result of the increase in business volumes at EPPI.

### ***Gross profit***

Reflecting the above factors, the Group's gross profit was AED 753 million for 2019 compared to AED 663 million for 2018 and AED 628 million for 2017, an increase of AED 90 million, or 13.5 per cent., in 2019 compared to 2018 and AED 35 million, or 5.6 per cent., in 2018 compared to 2017.

The Group's gross profit for:

- the chilled water business was AED 735 million for 2019 compared to AED 631 million for 2018 and AED 595 million for 2017, an increase of AED 105 million, or 16.6 per cent., in 2019 compared to 2018 and AED 35 million, or 5.9 per cent., in 2018 compared to 2017; and
- the value chain businesses was AED 24 million for 2019 compared to AED 41 million for 2018 and AED 41 million for 2017, a fall of AED 18 million, or 42.6 per cent., in 2019 compared to 2018 and no change in 2018 compared to 2017.

The Group's gross profit margins were 49.5 per cent. for 2019, 45.8 per cent. for 2018 and 44.9 per cent. for 2017. The Group's gross profit margins for:

- the chilled water business were 50.5 per cent. for 2019, 46.3 per cent. for 2018 and 45.2 per cent. for 2017; and
- the value chain businesses were 26.9 per cent. for 2019, 38.1 per cent. for 2018 and 38.8 per cent. for 2017.

### ***Allowance for impairment of trade receivables***

The Group's allowance for the impairment of trade receivables was AED 14 million in 2019 compared to AED 13 million in 2018 and AED 12 million in 2017, an increase of AED 0.5 million, or 3.5 per cent., in 2019 compared to 2018 and an increase of AED 1 million, or 9.5 per cent., in 2018 compared to 2017.

### ***Administrative and other expenses***

The table below shows the breakdown of the Group's administrative and other expenses by type in each of 2019, 2018 and 2017.



	2019		2018		2017	
	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)	(AED thousands)	(per cent.)
Staff costs.....	142,303	68.9	138,191	72.5	129,191	70.4
Depreciation.....	15,903	7.7	8,185	4.3	6,758	3.7
Other administrative and general expenses .....	48,465	23.4	44,217	23.2	47,636	25.9
<b>Total .....</b>	<b>206,671</b>	<b>100.0</b>	<b>190,593</b>	<b>100.0</b>	<b>183,585</b>	<b>100.0</b>

The Group's total administrative and general expenses were AED 207 million for 2019 compared to AED 191 million for 2018 and AED 184 million for 2017, an increase of AED 16 million, or 8.4 per cent., in 2019 compared to 2018 and an increase of AED 7 million, or 3.8 per cent., in 2018 compared to 2017.

#### 2019 and 2018 compared

The AED 16 million increase in 2019 compared to 2018 reflected:

- an increase of AED 8 million, or 94.3 per cent., in depreciation which was driven by the implementation of IFRS 16 and the requirement to depreciate capitalised lease right of use assets;
- an increase of AED 4 million, or 3.0 per cent., in staff costs mainly due to a reclassification from operating costs; and
- an increase of AED 4 million, or 9.6 per cent., in other general and administrative expenses.

#### 2018 and 2017 compared

The AED 7 million increase in 2018 compared to 2017 principally reflected an increase of AED 9 million, or 7.0 per cent., in other staff costs principally driven by more maintenance staff costs that were not allocated to direct costs in 2018 compared to 2017 as well as less project time capitalised in 2018 compared to 2017.

#### Operating profit

Reflecting the above factors, the Group's operating profit was AED 532 million for 2019 compared to AED 459 million for 2018 and AED 432 million for 2017, an increase of AED 73 million, or 15.9 per cent. in 2019 compared to 2018 and an increase of AED 27 million, or 6.3 per cent. in 2018 compared to 2017.

#### Net finance costs

The table below shows the Group's net finance costs for each of 2019, 2018 and 2017.

	2019	2018	2017
		(AED thousands)	
Interest on interest bearing loans and borrowings .....	56,111	90,637	114,261
Profit on Islamic financing arrangements.....	100,997	49,383	22,883
Accretion expense on mandatory convertible bonds .....	—	—	3,456
Amortisation of transaction costs .....	4,622	14,897	15,728
Finance cost related to lease liabilities .....	17,234	—	—
Other finance costs .....	1,829	7,586	5,990
<b>Total finance costs .....</b>	<b>180,793</b>	<b>162,503</b>	<b>162,318</b>
Finance income .....	(3,112)	(1,060)	(840)
<b>Net finance costs .....</b>	<b>177,681</b>	<b>161,443</b>	<b>161,478</b>

Note:

- (1) Certain finance costs have been represented in 2018 and 2017 in order to align with the presentation format of 2019. In particular, (i) for 2018, "Profit recognised on settlement of cash flow hedges" had been presented within the line of "Interest on interest bearing loans and borrowings" and "Interest element of obligations under finance lease" has been presented within "Other finance costs" and (ii) for 2017, "Interest element of obligations under finance lease" has been presented within "Other finance costs".

The Group's net finance cost was AED 178 million for 2019 compared to AED 161 million for each of 2018 and 2017, an increase of AED 16 million, or 10.1 per cent. in 2019 compared to 2018.

In 2019, the AED 16 million increase principally reflected:

- AED 17 million higher interest and profit on borrowings (including Islamic finance arrangements) driven by the full year impact of the issuance of sukuk in October 2018; and
- AED 17 million finance cost relating to lease liabilities charged as a result of the implementation of IFRS 16,

which were offset by AED 10 million due to lower amortisation of transaction costs and AED 6 million lower other finance costs due to reduced interest rates.

### **Other gains and losses**

The Group's other gains and losses amounted to gains of AED 27 million for 2019 compared to AED 43 million for 2018 and AED 2 million for 2017. The principal contributors to the gains in 2019 and 2018 were gains recorded on the initial recognition of finance leases at plants in the UAE and Oman in 2019 and a gain recorded on the sale of shares in Saudi Tabreed in 2018.

### **Share of results of associates and joint ventures**

The Group had four associates in each of 2019, 2018 and 2017 and, reflecting the full consolidation of S&T Cool in March 2018, two joint ventures in 2019 and for most of 2018 and three joint ventures in 2017 and part of 2018.

The table below shows the breakdown of the Group's share of results of its equity accounted investees in each of 2019, 2018 and 2017.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
		<i>(AED thousands)</i>	
Share of profits from associates: .....			
Qatar District Cooling Company.....	35,653	33,952	48,951
Saudi Tabreed District Cooling Company.....	14,521	21,971	34,609
Others <sup>(1)</sup> .....	20,530	16,927	19,910
<b>Total share of profits from associates</b> .....	<b>70,704</b>	<b>72,850</b>	<b>103,470</b>
Share of profits from joint ventures, net.....	28,423	17,440	25,321
<b>Share of results of associates and joint ventures</b> .....	<b>99,127</b>	<b>90,290</b>	<b>128,790</b>

Note:

(1) Industrial City Cooling Company and Sahara Cooling Limited

The Group's principal associates in terms of share of profit generated are Qatar Cool, in which the Group had a 44 per cent. shareholding throughout the three-year period, and Saudi Tabreed, in which the Group had a 25 per cent. shareholding in 2017 and a 20 per cent. shareholding for most of 2018 and throughout 2019.

The Group's share of profits from associates was AED 71 million for 2019 compared to AED 73 million for 2018 and AED 103 million for 2017. The fall of AED 2 million, or 2.9 per cent., in 2019 compared to 2018 principally reflected an AED 7 million lower share of profit from Saudi Tabreed principally as a result of the Group's lower shareholding in 2019 and for most of 2018 which was offset by increases at other associates. The fall of AED 31 million, or 29.6 per cent., in 2018 compared to 2017 principally reflected AED 15 million, or 30.6 per cent., lower share of profit from Qatar Cool as a result of the implementation of IFRS 15 which resulted in upfront capacity fee income at Qatar Cool being spread over the lifetime of the contract rather than, as previously, being recognised in full in the year it was invoiced and AED 13 million, or 36.5 per cent. lower share of profit from Saudi Tabreed principally as a result of the fact that the Group's proportionate share in the profits of Saudi Tabreed fell from 25 per cent. in 2017 to 20 per cent. with effect from March 2018.

The Group's share of profits from its joint ventures was AED 28 million for 2019 compared to AED 17 million for 2018 and AED 25 million for 2017. The increase of AED 11 million, or 63.0 per cent., in 2019 compared to 2018 principally reflected a non-recurring gain at one associate. The fall of AED 8 million, or 31.1 per cent., in 2018 compared to 2017 principally reflected the full consolidation of S&T Cool in March 2018.

## ***Profit for the year***

Reflecting the above factors, the Group's profit for the year was AED 481 million for 2019 compared to AED 431 million for 2018 and AED 402 million for 2017, an increase of AED 49 million, or 11.5 per cent. in 2019 compared to 2018 and an increase of AED 30 million, or 7.4 per cent. in 2018 compared to 2017.

## ***Other comprehensive income or loss***

The Group's other comprehensive income or loss in each year principally comprises the net change in the fair value of its and its equity-accounted investees' hedging instruments and currency translation differences on the translation of accounts of foreign entities into dirham for the purposes of consolidation. In addition, in 2018 the settlement of cash flow hedges also impacted the Group's other comprehensive income.

The table below shows the breakdown of the Group's other comprehensive income or loss in each of 2019, 2018 and 2017.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>(AED thousands)</i>	
<i>Items that may be reclassified subsequently to profit or loss .....</i>			
Net movement in fair value of derivatives in cash flow hedges related to IRS .....	(8,249)	2,694	(7,485)
Settlement of cash flow hedges reclassified to profit and loss during the year.....	—	8,872	—
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges related to IRS .....	(19,418)	5,322	(738)
Exchange differences arising on translation of overseas operations...	682	412	(65)
<b>Total other comprehensive (loss)/income .....</b>	<b><u>(26,985)</u></b>	<b><u>17,300</u></b>	<b><u>(8,288)</u></b>

The Group's total other comprehensive loss was AED 27 million in 2019 compared to total other comprehensive income of AED 17 million in 2018 and other comprehensive loss of AED 8 million in 2017. The loss in 2019 principally reflected a negative net movement in the fair value of derivatives in the Group's cash flow hedges. In 2018, the Group recorded positive net movement in fair value on these derivatives and in 2017 it recorded a negative change in their fair value. These changes in fair value principally reflected changes in EIBOR and LIBOR rates.

In addition, in 2018, the Group recorded other comprehensive income of AED 9 million on the settlement of cash flow hedges reclassified to profit or loss during the year.

## ***Total comprehensive income***

Reflecting the above factors and the Group's profit for the year, the Group's total comprehensive income was AED 454 million in 2019 compared to AED 449 million in 2018 and AED 393 million in 2017, an increase of AED 5 million, or 1.2 per cent., in 2019 and an increase of AED 55 million, or 14.0 per cent., in 2018.

## ***Adjusted EBITDA***

The Group's Adjusted EBITDA was AED 763 million in 2019 compared to AED 694 million in 2018 and AED 628 million in 2017, an increase of AED 69 million, or 9.9 per cent. in 2019 and an increase of AED 66 million, or 10.5 per cent., in 2018. The Group's Adjusted EBITDA margins were 50.2 per cent. in 2019, 48.0 per cent. in 2018 and 44.9 per cent. in 2017.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

The Group's principal cash requirements are to complete ongoing capital projects, principally the construction of new plants, expansions of existing plants and new connections, to purchase property, plant and equipment, to make investments in subsidiaries and equity-accounted investees or other acquisitions, to make payments in respect of its financing obligations and to pay dividends.

The Group's principal sources of funds to finance these requirements are its operating cash flow, dividends from its associates and joint ventures and the proceeds of new financing arrangements entered into. Tabreed has a revolving credit facility, which is a working capital facility that it utilises from time to time to ensure

continued liquidity in the event of inconsistent receipts from customers and/or payments to suppliers. In addition, the facility provides short-term liquidity for capital projects.

## Cash flow

The tables below summarises the Group's cash flow from operating activities, investing activities and financing activities for each of the six-month periods ended 30 June 2020 and 30 June 2019.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>(AED thousands)</i>	
Net cash flows generated from operating activities.....	310,223	349,479
Net cash flows used in investing activities.....	(2,536,188)	(23,506)
Net cash flows generated from/(used in) financing activities.....	2,309,615	(373,604)
Cash and cash equivalents at 1 January.....	226,902	248,946
Cash and cash equivalents at 30 June.....	310,552	201,315

The tables below summarises the Group's cash flow from operating activities, investing activities and financing activities for each of 2019, 2018 and 2017.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
		<i>(AED thousands)</i>	
Net cash flows generated from operating activities.....	781,910	662,122	555,092
Net cash flows generated from/(used in) investing activities.....	183,978	(241,230)	(74,219)
Net cash flows used in financing activities.....	(619,976)	(590,226)	(452,554)
Cash and cash equivalents at 1 January.....	248,946	418,280	389,961
Cash and cash equivalents at 31 December.....	226,902	248,946	418,280

## Operating activities

### *Six month-periods compared*

The Group's net cash generated from operating activities for the six months ended 30 June 2020 was AED 310 million compared to AED 349 million for the corresponding period in 2019. The Group's operating cash flows before changes in working capital for the six months ended 30 June 2020 were AED 255 million compared to AED 210 million for the corresponding period in 2019. The Group's operating cash flows before changes in working capital principally reflect its profit for the period adjusted to add back depreciation and finance costs and to deduct finance lease income, share of results of equity accounted investees and other gains. The principal working capital changes in the two six-month periods were cash inflows from lease rentals received (which were substantially similar in each period) and cash outflows from trade and other receivables (which were significantly higher in the six months ended 30 June 2020 than in the comparable period of 2019).

### *2019, 2018 and 2017 compared*

The Group's net cash generated from operating activities for 2019 was AED 782 million compared to AED 662 million for 2018 and AED 555 million for 2017. The Group's operating cash flows before changes in working capital for 2019 were AED 456 million compared to AED 416 million for 2018 and AED 399 million for 2017. The Group's operating cash flows before changes in working capital principally reflect its profit for the year adjusted to add back depreciation and finance costs and to deduct finance lease income, share of results of equity accounted investees and other gains. The principal working capital changes in each year were cash inflows from lease rentals received and, 2019, trade and other payables and cash outflows from trade and other receivables.

## Investing activities

### *Six month-periods compared*

The Group's net cash flow used in investing activities for the six months ended 30 June 2020 was AED 2,536 million compared to AED 24 million for the corresponding period in 2019. In the 2020 period, the principal investment made was AED 2,480 million in the acquisition of an 80 per cent. shareholding in DDC and AED 61 million in payments for capital work in progress principally associated with new plant construction and new connections. In the 2019 period, the principal investment made was AED 32 million in payments for capital work in progress associated with new plant construction and new connections.

### *2019, 2018 and 2017 compared*

The Group's net cash flow generated from investing activities for 2019 was AED 184 million compared to net cash used in investing activities of AED 241 million for 2018 and a net cash flow used in investing activities of AED 74 million for 2017.

In 2019, the principal investments made were an advance of AED 126 million towards its acquisition of an additional 8 per cent. of the shares in Saudi Tabreed and AED 91 million in payments for capital work in progress associated with two new plants and new connections. These outflows were offset by AED 44 million received in dividends from associates and a joint venture.

In 2018, the principal investments made were AED 163 million in repayment of a loan on the acquisition of the remaining 50 per cent. shareholding in its former joint venture, S&T Cool, AED 89 million cash outflow on the acquisition of S&T Cool, and AED 87 million in payments for capital work in progress associated with new plant construction. These outflows were offset by AED 74 million received in dividends from associates and a joint venture and AED 40 million received from the disposal of a 5 per cent. shareholding in an associate, Saudi Tabreed.

In 2017, the principal investments made were AED 114 million in the purchase of property, plant and equipment and AED 84 million in payments for capital work in progress associated with new plant construction, a plant acquisition and new connections. These outflows were offset by AED 122 million received in dividends from associates and a joint venture.

### **Financing activities**

#### *Six-month periods compared*

The Group's net cash flow generated from financing activities for the six months ended 30 June 2020 was AED 2,310 million compared to net cash used in financing activities of AED 374 million for the corresponding period in 2019. In the 2020 period, the Group's principal cash inflow was AED 2,776 million in new borrowings, principally to finance the acquisition of DDC. Its principal cash outflows in the same period were AED 285 million in dividends paid and AED 86 million in interest paid. In the 2019 period, the Group's principal cash outflows were dividends paid of AED 258 million, borrowings repaid of AED 104 million and interest paid of AED 79 million. These outflows were offset by an AED 95 million inflow from new borrowings.

### *2019, 2018 and 2017 compared*

The Group's net cash flow used in financing activities for 2019 was AED 620 million compared to AED 590 million for 2018 and AED 453 million for 2017.

In 2019, the Group's principal cash outflows were AED 258 million in dividends paid, AED 241 million in borrowings repaid and AED 162 million in interest paid. These cash outflows were offset by an inflow of AED 95 million from new borrowings.

In 2018, the Group's principal cash outflows were AED 3,256 million in borrowings (including Islamic financing) repaid, AED 217 million in dividends paid and AED 130 million in interest paid. These outflows were offset by an inflow of AED 3,023 million from new borrowings (including an issue of sukuk).

In 2017, the Group's principal cash outflows were AED 1,400 million in borrowings (including Islamic financing) repaid, AED 177 million in dividends paid and AED 187 million in interest paid (including a cash coupon on mandatory convertibles bonds). These outflows were offset by an inflow of AED 1,319 million from a new Islamic financing arrangement and other borrowings.

### **Borrowings**

The Group's outstanding borrowings as at 30 June 2020 comprised five conventional term loans and an Islamic financing arrangement in the form of an issue of sukuk.

The table below summarises the Group's outstanding borrowings as at 30 June 2020 and as at 31 December in each of 2019, 2018 and 2017.

	As at 30 June	As at 31 December		
	2020	2019	2018	2017
		<i>(AED thousands)</i>		
Term loan 1.....	916,809	714,676	840,417	—
Term loan 2.....	67,311	67,311	72,702	65,096
Term loan 3.....	161,809	166,114	174,095	180,470
Term loan 4.....	68,254	69,610	72,977	74,776
Term loan 5.....	2,512,633	—	—	—
Term loan – Facility A.....	—	—	—	149,263
Term loan – Facility B.....	—	—	—	1,424,426
Term loan.....	—	—	—	115,048
Non-convertible sukuk.....	1,829,400	1,828,843	1,828,794	—
Islamic financing – Tranche A.....	—	—	—	970,534
Islamic financing – Tranche B.....	—	—	—	184,638
<b>Total borrowings</b> .....	<b>5,556,216</b>	<b>2,846,554</b>	<b>2,988,985</b>	<b>3,164,251</b>

### **Outstanding facilities**

#### *Term loan 1*

Term loan 1 comprises an unsecured facility for up to U.S.\$250 million, with an interest rate of LIBOR plus an initial margin of 1.65 per cent. per annum, payable quarterly. Term loan 1 is repayable in ten fixed semi-annual instalments and a 30 per cent. bullet payment on 31 December 2023.

Term loan 1 also comprises an unsecured revolving facility of AED 590 million which carries interest at EIBOR plus a margin and is repayable on 31 December 2023. As at 30 June 2020, AED 265 million was outstanding under this facility. No amounts were outstanding under this facility as at 31 December in each of 2019 and 2018.

#### *Term loan 2*

Term loan has been borrowed by Tabreed Oman SAOC, a subsidiary of Tabreed. It is not guaranteed by Tabreed or any other Group company. Term loan 2 has been borrowed from a commercial bank and is secured against receivables and plant and machinery of the borrower. It is repayable in quarterly instalments and matures in 2028. It carries fixed interest of 5.25 per cent.

#### *Term loan 3*

Term loan 3 was obtained by Tabreed Parks Investment LLC to finance the construction of a new plant for Dubai Parks & Resorts. It bears interest at EIBOR plus a margin, payable quarterly, and is secured against the plant. It is repayable in 23 semi-annual instalments commencing March 2017, with the final repayment due in March 2028.

#### *Term loan 4*

Term loan 4 was obtained by Prime District Cooling to finance the acquisition of the Nations Tower district cooling plant. It bears interest at EIBOR plus a margin, payable quarterly, and is secured against the plant. It is repayable in 60 quarterly instalments, with the final repayment due in June 2031.

#### *Term loan 5*

Term loan 5 is a syndicated facility of U.S.\$692 million borrowed by Tabreed to finance the acquisition of DDC. The facility is unsecured, bears interest at LIBOR plus a margin, payable on a flexible basis as agreed with the lender at every interest reset period. The facility is repayable in a single bullet repayment due in March 2025.

#### *Non-convertible sukuk issue*

In 2018, the Group issued U.S.\$500 million sukuk due 2025 which carry a profit rate of 5.5 per cent., payable semi-annually.

### **Financial covenants**

The Group is in compliance with all financial covenants contained within its borrowings.

### Undrawn commitments

As at 30 June 2020, the Group had AED 325 million in available undrawn commitments under its revolving credit facility.

### Maturity profile

Of the Group's AED 5,556 million borrowings outstanding as at 30 June 2020, 2.7 per cent. was scheduled to mature within 12 months. The table below summarises the maturity profile of the Group's borrowings at 30 June 2020. As at 30 June 2020, the weighted average life (the "WAL") of the Group's borrowings was 5.0 years.

	As at 30 June 2020	
	(AED thousands)	(per cent.)
Repayable within 12 months.....	148,261	2.7
Repayable between one and five years.....	3,399,123	61.2
Repayable after five years.....	2,008,832	36.1
<b>Total.....</b>	<b>5,556,216</b>	<b>100.0</b>

### Hedging activities

The Group is exposed to the impact of interest rate changes on its variable rate borrowings. In order to reduce this risk, the Group enters into interest rate swap agreements with banks for amounts that mirror the drawdown and repayment schedule of certain of its variable rate loans. These swaps are designated as effective cash flow hedges.

As at 31 December 2019, the notional amount of the Group's interest rate swaps was AED 157 million and the net cash outflows from these swaps was expected to be AED 2 million during 2020 and AED 3 million in 2021 and 2022. In the first six months of 2020, the Group has entered into further interest rate hedging contracts and, as at 30 June 2020, approximately 24 per cent. of the Group's borrowings had variable rates of interest after taking account of its hedging arrangements.

### CAPITAL EXPENDITURE AND CAPITAL WORK IN PROGRESS

The table below shows the Group's capital expenditure and capital work in progress by business segment in the six month periods ended 30 June in each of 2020 and 2019 and in each of 2019, 2018 and 2017.

	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			(AED thousands)		
<b>Capital expenditure.....</b>					
Chilled water.....	2,954	5,862	10,828	4,305	18,467
Value chain businesses.....	1,230	282	2,177	694	2,218
<b>Total capital expenditure.....</b>	<b>4,184</b>	<b>6,144</b>	<b>13,005</b>	<b>4,999</b>	<b>20,685</b>
<b>Capital work in progress.....</b>					
Chilled water.....	46,559	37,627	126,587	90,478	74,986
<b>Total.....</b>	<b>46,559</b>	<b>37,627</b>	<b>139,592</b>	<b>95,477</b>	<b>95,671</b>

The Group's capital expenditure and capital work in progress in the six months ended 30 June 2020 principally related to new connections in the UAE. The acquisition of DDC was accounted as a business combination and therefore did not constitute capital expenditure.

The Group's capital expenditure and capital work in progress in 2019 principally related to the construction of a plant for the UAF and the construction of a plant in Oman.

The Group's capital expenditure and capital work in progress in 2018 principally related to new connections on existing plants.

The Group's capital expenditure and capital work in progress in 2017 principally related to the acquisition of the Nation Towers district cooling plant, the construction of a plant in Dubai to service Dubai Parks & Resorts, the construction of a plant in Oman and new connections in the UAE and Bahrain.

As at 30 June 2020, Tabreed's authorised and committed capital expenditure amounted to AED 197 million. In addition, its share of the authorised and committed future capital expenditure of its associates and joint ventures as at 30 June 2020 amounted to AED 28.2 million, which principally relates to Saudi Tabreed and Qatar Cool.

No assurance can be given as to the actual amounts of capital expenditure that may be incurred in future periods. The timing and amount of capital expenditure is highly dependent on market conditions, the progress of projects, new opportunities that may arise and a range of other factors outside the control of the Group.

## CERTAIN SIGNIFICANT STATEMENT OF FINANCIAL POSITION ITEMS

### Assets

The Group's principal assets as at 30 June 2020 are:

- its property, plant and equipment, which amounted to AED 4,460 million, or 36.6 per cent. of the Group's total assets compared to AED 3,940 million as at 31 December 2019;
- its finance lease receivables, which amounted to AED 3,165 million, or 26.0 per cent. of the Group's total assets compared to AED 3,144 million as at 31 December 2019; and
- its intangible assets, which amounted to AED 2,340 million, or 19.2 per cent. of the Group's total assets compared to AED 29 million as at 31 December 2019.

### *Property, plant and equipment*

The Group's property, plant and equipment principally comprises its district cooling plants and their associated distribution networks. These assets are stated at cost less accumulated depreciation and any impairment in value. Cost includes the cost of replacing plant and equipment and major overhaul costs when incurred, in each case if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss when incurred. The AED 520 million, or 13.2 per cent., increase in the Group's property, plant and equipment as at 30 June 2020 compared to 31 December 2019 principally reflected the acquisition of DDC.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets, which is 30 years for plant and related integrated assets and 50 years for distribution assets.

The depreciation charge in respect of the Group's district cooling plants and their associated distribution networks amounted to AED 150 million in 2019, AED 150 million in 2018 and AED 140 million in 2017.

As at 31 December 2019, the Group had recorded impairment of AED 528 million in respect of its district cooling plants and AED 474 million in respect of its distribution networks.

### *Finance lease receivables*

Tabreed enters into cooling service agreements with its customers for the provision of chilled water. Some of these agreements, being the ones where Tabreed transfers substantially all the risks and rewards of ownership to the customer, qualify as finance leases.

In relation to its finance leases, the Group records the amount due from the lessee in the statement of financial position as finance lease receivables. These are carried at the amount of the net investment in the lease after making provision for impairment.

The table below shows the movement in finance lease receivables during the six months ended 30 June 2020 and during each of 2019, 2018 and 2017.

	Six months ended 30 June 2020	Year ended 31 December		
		2019	2018	2017
		<i>(AED thousands)</i>		
At 1 January .....	3,144,531	2,869,966	2,957,744	3,013,485
Implementation of IFRS 9 .....	—	—	(36,675)	—
Implementation of IFRS 16 .....	—	171,642	—	—
Initial recognition of new finance lease receivables during the year .....	—	163,783	34,338	—



	Six months ended 30 June 2020	Year ended 31 December		
		2019	2018	2017
		<i>(AED thousands)</i>		
Finance lease income .....	117,992	208,120	196,359	188,158
Lease rentals received .....	(162,246)	(323,029)	(281,800)	(243,899)
Variable lease payment CPI indexation .....	(16,512)	54,049	—	—
Modification of finance lease .....	81,724	—	—	—
<b>At 31 December .....</b>	<b>3,165,489</b>	<b>3,144,531</b>	<b>2,869,966</b>	<b>2,957,744</b>

In the six months ended 30 June 2020, the Group amended the pricing and term of a finance lease with a customer which was, for accounting purposes, treated as the extinguishment of the original finance lease receivable in an amount of AED 1,239 million and the creation of a new finance lease receivables in an amount of AED 1,320 million. The difference of AED 82 million was accounted as a modification gain in the income statement.

The table below shows the future minimum lease receivables under finance leases together with the present value of net minimum lease receivables as at 31 December in each of 2019, 2018 and 2017.

	As at 31 December					
	2019		2018		2017	
	Minimum lease receivables	Present value thereof	Minimum lease receivables	Present value thereof	Minimum lease receivables	Present value thereof
	<i>(AED thousands)</i>					
Within one year .....	331,412	307,984	256,692	244,524	250,883	242,638
Between one and five years .....	1,325,652	1,089,950	1,092,477	891,869	1,057,596	876,162
After five years .....	3,630,515	1,746,597	3,482,525	1,733,573	3,784,481	1,838,944
	<b>5,287,579</b>	<b>3,144,531</b>	<b>4,831,694</b>	<b>2,869,966</b>	<b>5,092,960</b>	<b>2,957,744</b>
Unearned revenue .....	(2,143,048)	—	(1,961,728)	—	(2,135,216)	—
	<b>3,144,531</b>	<b>3,144,531</b>	<b>2,869,966</b>	<b>2,869,966</b>	<b>2,957,744</b>	<b>2,957,744</b>

### Intangible assets

The Group's intangible assets as at 30 June 2020 comprised customer contracts arising on the acquisition of DDC in the amount of AED 2,233 million (after amortisation for the period) and goodwill of AED 107 million (of which, AED 79 million related to the acquisition of DDC). As at 31 December in each of 2019, 2018 and 2017, the Group's intangible assets solely comprised goodwill, which principally related to the acquisition of Ian Banham & Associates and amounted to AED 29 million in each of 2019 and 2018 and AED 28 million in 2017.

### Liabilities

The Group's principal liabilities are its interest bearing loans and borrowings and non-convertible sukuk, which together amounted to AED 5,556 million, or 83.4 per cent. of the Group's total liabilities, as at 30 June 2020. The Group's interest bearing loans and borrowings and Islamic financing arrangements are discussed under "*Liquidity and capital resources—Borrowings*" above.

### Equity

The Group's total equity was AED 5,517 million as at 30 June 2020. Its issued share capital amounted to AED 2,716 million and comprised 2,715,529,123 ordinary shares of AED 1 each.

The Group's retained earnings amounted to AED 1,862 million as at 30 June 2020.

### OPERATING LEASE COMMITMENTS

The table below shows the Group's operating lease commitments as at 31 December in each of 2019, 2018 and 2017.

	<b>As at 31 December</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
		<i>(AED thousands)</i>	
Within one year .....	70,924	69,789	110,248
Between one and five years.....	283,696	279,155	438,232
After five years.....	931,479	1,052,927	1,940,022
<b>Total operating lease commitments .....</b>	<b>1,286,099</b>	<b>1,401,871</b>	<b>2,488,502</b>

Tabreed enters into cooling service agreements with its customers for the provision of chilled water. Some of these agreements, being the ones where Tabreed does not transfer substantially all the risks and rewards of ownership to the customer, qualify as operating leases.

All of the operating leases are non-cancellable and they have remaining terms of between 15 and 30 years. The operating lease commitments shown in the table above represent the future minimum rentals receivable by the Group as at the date specified.

## CONTINGENT LIABILITIES

The table below shows the Group's contingent liabilities (in the form of bank guarantees) as at 30 June 2020 and as at 31 December in each of 2019, 2018 and 2017.

	<b>As at 30 June</b>	<b>As at 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
		<i>(AED thousands)</i>		
Performance guarantees .....	101,594	100,257	91,652	112,588
Advance payment guarantees.....	633	633	633	673
Financial guarantees.....	50	50	24,986	2,585
<b>Total contingent liabilities .....</b>	<b>102,777</b>	<b>100,940</b>	<b>117,271</b>	<b>115,846</b>

Tabreed's share of the contingent liabilities of its associates and joint ventures was AED 12 million as at 31 December 2019, AED 13 million as at 31 December 2018 and AED 13 million as at 31 December 2017.

## RELATED PARTY TRANSACTIONS

The Group's principal related party transactions are with the Government (as its ultimate shareholder) and the Government's related entities, as well as with Tabreed's associates, joint ventures, other major shareholder, directors and executive management and entities controlled by any of them. These transactions include accounts receivable and payable and bank and loan balances. Further information on the Group's related party transactions in each period is set out in note 17 to the Interim Financial Statements and note 28 to the each of the Annual Financial Statements.

## DISCLOSURES ABOUT RISK

The Group is exposed to a number of risks and takes steps to mitigate certain of these risks as described in note 31 to the 2019 Financial Statements.

## DESCRIPTION OF THE GROUP

### INTRODUCTION

Tabreed believes that it is one of the world's largest district cooling companies in terms of connected capacity. The Group currently owns and operates 70 plants across the UAE, of which 62 are wholly owned or controlled. Through subsidiaries and affiliates, the Group also operates five plants in Oman, four in Qatar, three plants in Saudi Arabia and one plant in Bahrain, bringing its total number of owned and operated plants to 83 across five countries.

In 2019, the Group made available 1.18 million RT of connected capacity to its customers in the GCC, which it estimated equated to a 2.06 billion kilowatt hour reduction in energy consumption in the GCC and a 1.23 million ton elimination of carbon dioxide ("CO<sub>2</sub>") emissions, when compared to conventional cooling systems.

Tabreed designs, engineers, finances, constructs and operates district cooling facilities. District cooling is an ideal energy system for large-scale, high density developments such as business districts, airports, university campuses, residential towers, shopping malls and hospitals. District cooling relies on a centralised cooling plant that provides chilled water that is used to cool buildings within its grid. The plant supplies chilled water through a network of underground insulated pipes. See "*The district cooling industry*".

District cooling is efficient and cost-effective. When compared with traditional cooling technologies, the Group's district cooling offers, among other benefits:

- greater reliability due to the use of standard industrial equipment, built in equipment redundancy and a comprehensive maintenance programme (as opposed to ad hoc end-user maintenance) which is in place throughout the plant's life; and
- up to 50 per cent. less energy usage than conventional cooling, based on publications by the Dubai Regulatory and Supervisory Bureau for Electricity and Water (the "**RSB-Dubai**"), which leads to environmental benefits, including lower CO<sub>2</sub> emissions as a result of lower energy consumption.

See further "*The district cooling industry—Benefits of district cooling*".

The Group's key strengths include (i) its resilient infrastructure business model with long-term contracts that typically include fixed inflation-indexed capacity charges designed to cover fixed costs and provide a return on capital and variable consumption-based charges that typically pass through the Group's utility costs, and (ii) its strong creditworthy customers, many of which are governments or government-related entities. In addition, the Group has two significant shareholders as discussed below and is, in Abu Dhabi, a national champion of a critical utility service with an environmentally friendly footprint.

The Group's strategy is to maintain and enhance its leading district cooling position through maintaining high levels of customer service to existing customers, including ensuring high levels of availability and improving cost efficiency, and growing the business through the construction of new plants, connecting new customers to existing plants which have excess capacity and selective acquisitions of existing plants. While the Group's geographical focus will remain on the GCC, it may undertake selective expansion outside the GCC, for example it has been awarded a concession to construct a district cooling plant in India with a capacity of RT 20,000 (of which, 5,000 RT is the first phase), although the project is currently being re-evaluated following a change of State government. To date, Tabreed has not incurred any significant capital expenditure or investment costs in relation to this project.

In addition to its core district cooling business, the Group also has a number of subsidiaries and joint ventures which service the district cooling and air conditioning industry, which it refers to as value chain businesses. Together, these businesses generated 4.1 per cent. of the Group's revenue in 2019 and during the first six months of 2020.

Tabreed is 42 per cent. owned by Mubadala and 40 per cent. owned by ENGIE, with the balance of its issued share capital being owned by other shareholders. Mubadala is an Abu Dhabi government-owned global investment company that is focused on delivering sustainable financial returns to realise the Government's vision for a globally integrated and diversified economy. Mubadala is active in 13 sectors and more than 30

countries around the world. ENGIE is a global energy and services group, focused on three core activities: low-carbon power generation, mainly based on natural gas and renewable energy, global networks and customer solutions. Its operations cover 70 countries in five continents.

In 2019, the Group generated revenue of AED 1,520 million, Adjusted EBITDA of AED 763 million and profit for the year of AED 481 million. In the six months ended 30 June 2020, the Group's revenue was AED 710 million, its Adjusted EBITDA was AED 395 million and its profit for the period was AED 230 million. As at 30 June 2020, the Group had total assets of AED 12,183 million.

Reflecting local climatic conditions, the Group's business is seasonal, with consumption generally peaking in the third quarter and being at its lowest in the first quarter of each year.

## **HISTORY**

Tabreed was incorporated on 17 June 1998 as a public joint stock company with an unlimited duration pursuant to the UAE Commercial Companies Law, and operates under Dubai licence number 506206 and Abu Dhabi licence number 1017850. Tabreed is headquartered in Abu Dhabi, its registered office is at P.O. Box 29478, Dubai, UAE and its main telephone number is +971-2-2020400.

Following incorporation, Tabreed signed an agreement to supply chilled water to the UAF in 1999 and in 2000 its shares were listed on the Dubai Financial Market. Tabreed was the first commercial provider of district cooling services in the GCC.

In 2019, the UAF, the RTA and Aldar were the Group's three largest customers, accounting for approximately 54 per cent. of its revenue from its chilled water business. The UAF is the Group's largest customer having signed a contract with the Group in 2000. In 2005, the Group signed agreements with the RTA and with Aldar, which were its second and third largest customers in 2019, together accounting for 31 per cent. of its revenue from its chilled water business.

Between 2006 and 2008, the Group expanded rapidly in the GCC. In 2009, the Group recorded a significant loss due to economic slowdown following the global financial crisis. As part of a major restructuring and recapitalisation exercise, Mubadala injected AED 3.1 billion of new capital in the form of mandatory convertible bonds and became the majority shareholder (on a fully diluted basis) in Tabreed. In 2014, Tabreed renewed its contract with the UAF for a minimum of 20 years and refinanced AED 2.6 billion of bank facilities put in place at the time of the restructuring.

In 2015, Tabreed renewed its contract with Aldar for a 30-year term and also bought back just under 30 per cent. of the mandatory convertible bonds ("MCBs") it had previously issued to Mubadala, financing the repurchase through additional borrowing of AED 1 billion. In 2016, the Group's connected capacity exceeded one million RT for the first time, after it connected its then fourth largest customer, DXB Entertainments PJSC ("**DXB Entertainments**"), which owns Dubai Parks and Resorts in Dubai. In 2017, Mubadala converted the remaining MCBs and, simultaneously, ENGIE made a strategic investment in Tabreed, acquiring a 40 per cent. shareholding from Mubadala.

In February 2019, Tabreed was awarded a concession to build, own, operate and transfer India's first district cooling system in Amaravati, the capital of Andhra Pradesh. The project is currently being re-evaluated. In April 2020, Tabreed acquired an 80 per cent. shareholding in DDC at a cost of AED 2.48 billion. The acquired business currently provides 146,000 RT of contracted capacity through a network that distributes chilled water produced in three operational interconnected district cooling plants, with a fourth plant that is currently under construction. Following the acquisition, Emaar became the Group's third largest customer and in March 2020 Tabreed signed a long term concession agreement with Emaar.

## **STRATEGY**

Tabreed's strategy is to maintain and enhance its leading district cooling position both through the continued provision of high levels of service to existing customers and by growing its district cooling business.

## Maintaining high levels of service to existing customers

Tabreed's focus for existing customers is three-fold:

- **Reliability:** Tabreed aims to always ensure a high level of availability given the critical nature of the service it provides. District cooling availability across all of the Group's plants typically exceeds 99.9 per cent., taking into account both planned and unplanned maintenance;
- **Improving cost efficiency:** Tabreed focuses on improving the efficient use of utilities (such as electricity, water and chemicals) to reduce demand for these resources. Of these, the most important is efficient use of electricity, as the cooling industry (including district cooling and other forms of cooling) is estimated to account for approximately 70 per cent. of peak power demand in the GCC, based on publications by the RSB – Dubai. In 2019, fuel (of which electricity is the main component) represented approximately 59 per cent. of Tabreed's operating costs (including depreciation). Efficiency initiatives include the improved collation and analysis of data to allow for centralised, expert control of the plants and the installation of more energy efficient components within the plants. The use of thermal energy storage, where possible, also improves efficiency; and
- **Customer relationship management:** Tabreed aims at all times to provide high quality customer relationship management through a 24/7 hotline with dedicated customer management staff and a team of more than 200 technical staff dedicated to heating, ventilation and air conditioning facility management services.

## Growth of the district cooling business

Tabreed's growth strategy is centred around:

- adding capacity through the construction of new plants for new and existing customers and leveraging its extensive network of cooling plants in the GCC to connect additional customers to existing facilities, creating accretive incremental revenue streams. Tabreed has added 53,500 RT (equal to 5.4 per cent. of its total installed base as at 1 July 2017) in the three years to 30 June 2020 through this method;
- selectively pursuing large merger and acquisition transactions in the UAE to add shareholder value through attractive project returns while increasing scale to realise cost savings across the UAE portfolio. A prime example of this approach is the recent acquisition of 80 per cent. of Emaar's Downtown Dubai cooling plants and the proposed acquisition of certain operational district cooling assets in Abu Dhabi with long-term (30 or more years) contracts that will immediately generate incremental cash flows for the Group, see "*Use of proceeds*". Tabreed believes that the current economic situation may present further opportunities to partner with prime developers in the UAE and grow its market share; and
- accelerating the adoption of sustainable cooling solutions in geographically and climatically similar countries by exporting its proven utility business model.

In making acquisitions of existing district cooling plants and networks, Tabreed's investment criteria is to invest in utility scale projects with fully contracted and predictable cash flows. In all its investments, Tabreed seeks a minimum project internal rate of return plus a value creation premium.

Whilst implementing its growth strategy, Tabreed is committed to maintaining an investment grade rating. The Board and management continually review the asset portfolio and will divest or invest based on the performance of individual assets, to recycle capital and to drive value creation. An example of such a divestment could include a potential sale of Tabreed's interest in Qatar Cool, as the Board has authorised management to pursue such a sale, if acceptable terms can be agreed with a suitable buyer.

## STRENGTHS

Tabreed believes that it has a number of significant strengths:

### Leading position in the GCC district cooling market

Tabreed believes that it is one of the world's largest district cooling companies in terms of connected capacity provided from its fleet of 83 plants across the Group as at 30 June 2020. Tabreed is the only district cooling

company with a broad presence across the GCC. The Group has plants and operations in Abu Dhabi, Dubai, Qatar, Saudi Arabia, Oman and Bahrain. It is also the largest independent entity by connected capacity in all the markets in which it operates in other than Dubai, where it believes that it is the second largest district cooling company by connected capacity. See further “*The district cooling industry—Competition*”.

The Group operates in the UAE principally through Tabreed and in the other GCC markets through subsidiaries (in Bahrain and Oman) and equity-accounted associates or joint ventures (in Saudi Arabia and Qatar).

In addition, Tabreed believes that its ability to develop and offer end-to-end cooling solutions through the use of its value chain businesses distinguishes Tabreed from many of its competitors who do not have the same ability.

### **Attractive market fundamentals**

The need for cooling in the GCC, whether conventional or district cooling, is driven by the climatic conditions and in particular hot and humid summers where temperatures may remain above 40 degrees Celsius for long periods. Tabreed believes that the importance of district cooling in the GCC is likely to increase driven by:

- economic diversification and industrialisation initiatives, as well as population growth, in key markets such as Abu Dhabi, Dubai, Qatar and Saudi Arabia which is driving investment in high density development across a range of segments, including tourism, hospitality, healthcare, education, retail, residential, commercial, aviation, railways and ports. Almost all of the recent high density developments in the Group’s key markets have been district cooled and Tabreed believes, based on its own internal research, that there will continue to be strong demand for district cooling for new high density developments brought online in the future;
- government policy that Tabreed expects will increasingly promote district cooling as the GCC governments seek to achieve ambitious energy efficiency targets. For example, the Abu Dhabi Department of Energy has announced that it is targeting 30 per cent. refrigeration capacity penetration for district cooling by 2030, in Dubai the target is to increase district cooling refrigeration capacity penetration from 16 per cent. in 2011 to 40 per cent. in 2030 through regulation, in Qatar all projects on the Pearl and West Bay are required to use district cooling and in Saudi Arabia the Saudi Industrial Development Fund is providing funds to district cooling companies; and
- reflecting the fact that district cooling is around 50 per cent. more energy efficient than conventional cooling, decreasing energy subsidies in the GCC (driven by low oil prices placing pressure on government finances, particularly in 2015 and 2016 and, more recently, in 2020) which increase the cost to users who bear the cost of the cooling have increased the attractiveness to users of district cooling.

### **Inherently resilient business model**

The Group has an inherently resilient infrastructure business model which it believes has a low operating risk and which generates strong margins. The Group’s district cooling business model generates two sources of revenue:

- fixed capacity charges for cooling capacity reserved to a customer which covers all fixed costs and provides a return on capital. These charges are paid regardless of usage and typically increase annually in line with local consumer price inflation; and
- variable consumption charges based on metered usage which cover all variable costs of operation with utility costs, such as fuel and water, being typically charged on a pass-through basis.

The low operating risk nature of the Group’s business is reflected in the fact that new plants are typically only constructed once offtake contracts with take or pay structures for capacity charges have been secured. These contracts are typically entered into for a term of 25 years or more. Tabreed believes that there is low contract termination risk given that (i) most contracts do not expire for at least ten years, (ii) it has almost no historic experience of termination (and no material contract has ever been terminated), and (iii) district cooling is significantly cheaper than any alternative. In addition, factors that support contract renewal include the useful life of plant and equipment typically exceeding contract terms and the fact that there is no economic alternative

for customers whose developments have been designed for district cooling. The Group's network of existing pipes and infrastructure, including rights of way, also puts the Group in a favourable position for contractual renewals as it would be disruptive and capital intensive for its existing pipes and infrastructure to be replaced by another district cooling competitor. In recent years, the Group has successfully renewed two of its three largest contracts and the remaining largest contract does not expire before 2037.

Tabreed's business generates strong and predictable operating cash flows, amounting to AED 310 million and AED 349 million in the six-month periods ended 30 June 2020 and 2019 and to AED 782 million, AED 662 million and AED 555 million in 2019, 2018 and 2017, and Adjusted EBITDA margins which were 55.7 per cent. and 54.5 per cent. in the six-month periods ended 30 June 2020 and 2019 and 50.2 per cent., 48.0 per cent. and 44.9 per cent. in 2019, 2018 and 2017 and which are driven by the inflation-indexed capacity payments which do not depend on customer usage.

### **Long-term recurring capacity revenue from strong creditworthy counterparties**

Because the Group's capacity revenue does not depend on usage and reflecting the long-term nature of the Group's contracts, the Group has a significant committed recurring revenue stream for at least the next ten years. Without taking into account any new contracts that may be entered into, assuming no defaults or terminations and ignoring the annual inflation-adjusted increase, the Group's capacity revenue (as a percentage of the capacity revenue it recorded in 2019) is projected to be 100 per cent. in 2020 through 2022, 99 per cent. in 2023 and 2024, 97 per cent. in 2025, 96 per cent. in 2026 and 2027, 93 per cent. in 2028 and 89 per cent. in 2029.

In total, in 2019 approximately 52 per cent. of the Group's revenue from its chilled water business was derived from GCC governments or entities wholly owned by those governments and a further 5 per cent. was derived from entities that were majority-owned by GCC governments. Two of the Group's three largest customers are Abu Dhabi and Dubai government entities, respectively. Unlike many of its competitors whose customer base is principally retail, the Group's customers are predominantly businesses or government entities which, the Group believes, reduces its counterparty credit and collection risk.

### **Experienced management team driving operational excellence**

Tabreed believes that its experienced management team drives operational excellence across the Group. During its 20-year history Tabreed has constructed 76 plants with a significant track record of on-time delivery and a long operations and maintenance history. To date, the Group has not experienced a single major plant outage and its plant availability level has exceeded 99.99 per cent. for each year since it began operations.

### **Key partnerships**

Tabreed believes that the Group benefits from key partnerships both with its principal shareholders and other significant companies in key markets. In relation to its shareholders, Tabreed believes that it benefits from the complementary strengths of Mubadala as an important and influential regional company and ENGIE with its core utility experience and extensive regional footprint that the Group can access in support of its business, see further "*—Principal shareholders*" below.

In relation to other significant companies in key markets:

- in 2020, following the acquisition of 80 per cent. of the shares in DDC, Emaar has remained a 20 per cent. shareholder in DDC and is now the Group's third largest customer;
- in 2004, Tabreed and ACWA Holding Company ("**ACWA Holding**") established Saudi Tabreed to provide district cooling services in Saudi Arabia; and
- in 2003, Tabreed and United Development Company QPSC ("**UDC**") established Qatar Cool to provide district cooling services in Qatar.

### ***Emaar***

Emaar is a real estate development company. Emaar is active in the master-planned property development, shopping malls and retail, and hospitality and leisure sectors. Emaar's businesses operate both in the UAE and internationally and its focus is on design excellence, build quality and timely delivery.

Established in 1997, Emaar Properties is listed on the Dubai Financial Market. Emaar recorded revenue and profit for the year of AED 24.6 billion and AED 8.2 billion, respectively, in 2019.

### ***ACWA Holding***

ACWA Holding is a joint venture between Abunayyan Holding Company and Al Muhaidib Group. Founded in 2002, the company capitalised on the rapidly growing demand for power and water in Saudi Arabia and the wider region, and has diversified into complementary activities including power and water management, district cooling, civil contracting, pipe, aluminium and chemicals manufacturing, and industrial mining. Its diverse operations provide a range of opportunities to Saudi Tabreed for captive growth and ACWA Holding also provides domestic Saudi market and business environment expertise.

### ***UDC***

UDC is a leading Qatari public shareholding company with a mission to identify and invest in long-term projects contributing to Qatar's growth and providing good shareholder value. UDC was established in 1999 and had total assets of QR 18.4 billion at 30 June 2020, according to its website. UDC's current portfolio includes real estate development, property management, hospitality and maritime and infrastructure and utilities.

UDC's operations provide a range of opportunities to Qatar Cool for captive growth within its developments and UDC also provides domestic Qatari market and business environment expertise. UDC is the master developer for the Pearl and part of the West Bay development, where all three of Qatar Cool's current plants are located.

## **PRINCIPAL SHAREHOLDERS**

Tabreed's principal shareholders are Mubadala, which has a 42 per cent. shareholding, and ENGIE, which has a 40 per cent. shareholding.

### **Mubadala**

Mubadala is an Abu Dhabi government-owned global investment company with a mandate to create sustainable financial returns for Abu Dhabi. Mubadala, which is Abu Dhabi's leading strategic investment company, has more than 50 businesses and investments in more than 50 countries around the world.

Mubadala's utilities portfolio is a global player in the utilities infrastructure sector, which includes renewable and conventional power generation, water desalination and district cooling businesses. Its portfolio of utilities businesses includes power plants in Algeria and Oman as well as district cooling facilities across the GCC through Tabreed.

### **ENGIE**

ENGIE is a global energy and services group whose key activities are renewable energy, gas and services. Its operations cover close to 70 countries in five continents.

ENGIE is headquartered in France and its purpose is to act to accelerate the transition towards a carbon-neutral economy, through reduced energy consumption and more environmentally friendly solutions.

### **Other shareholders and board representation**

The remaining 18 per cent. of Tabreed's shares are owned by institutional and retail shareholders and Tabreed is not aware of any shareholder, other than Mubadala and ENGIE, which holds more than 5 per cent. of its share capital. The Board comprises nine members, of which four are ENGIE employees and three are Mubadala employees.

## **BUSINESS**

The Group operates in two business segments: chilled water and value chain businesses.

The Group's chilled water business constructs, owns, operates and maintains cooling and air-conditioning systems and produces and distributes chilled water for use in district cooling. The value chain businesses are



involved in ancillary activities relating to the expansion of the Group’s chilled water business and are discussed under “—Value chain businesses” below.

The table below shows the relative importance of the Group’s two business segments in terms of external revenue, gross profit and operating profit for each of 2019, 2018 and 2017.

	2019		2018		2017	
	Chilled water	Value chain	Chilled water	Value chain	Chilled water	Value chain
			<i>(per cent.)</i>			
External revenue .....	95.8	4.2	94.1	5.9	94.1	5.9
Gross profit <sup>(1)</sup> .....	97.7	3.1	95.1	6.2	94.9	6.5
Operating profit <sup>(1)</sup> .....	99.2	(0.4)	97.7	3.4	98.9	2.1

Note:

(1) Figures do not total as a result of consolidation eliminations.

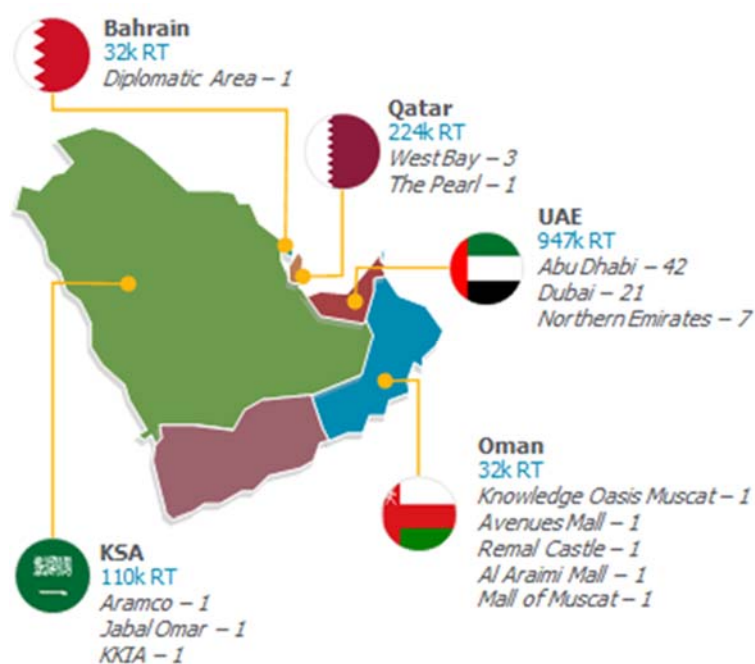
## Chilled water

### Introduction

The Group’s core business activity is the provision of district cooling services for air conditioning in the UAE, Qatar, Saudi Arabia, Bahrain and Oman. The Group’s customers for these services are almost entirely businesses or government bodies. The Group’s chilled water reporting segment recorded external revenue of AED 1,456 million in 2019 compared to AED 1,361 million in 2018 and AED 1,317 million in 2017.

### Plant network

The diagram below provides information on the Group’s footprint.



In the UAE, Tabreed currently owns and operates 70 plants with a total current connected capacity of approximately 940,000 RT.

The table below shows Tabreed’s existing UAE connected capacity by ownership status as at 30 June 2020:

	<u>Existing capacity</u>
Wholly owned or controlled plants .....	940,000 RT <sup>(1)</sup>
Plants owned through joint ventures .....	406,000 RT <sup>(2)</sup>

Notes:

(1) Excludes 55,000 RT acquired by Tabreed from one of its associates, Sahara Cooling Limited.

(2) Includes 55,000 RT acquired by Tabreed from one of its associates, Sahara Cooling Limited, and sold to a customer of Tabreed.

Outside the UAE, the Group has:

- four plants in Qatar owned and operated by its 44 per cent. owned associate, Qatar Cool, with a total connected capacity of 224,000 RT, including the world's largest district cooling plant at The Pearl;
- three plants in Saudi Arabia owned and operated by its 28 per cent. owned associate, Saudi Tabreed, with a total connected capacity of 110,000 RT;
- five plants in Oman owned and operated by its 61 per cent. owned subsidiary, Tabreed Oman SAOC, with a total connected capacity of 32,000 RT; and
- one plant in Bahrain owned and operated by its 99 per cent. owned subsidiary, Bahrain District Cooling Company, with a total connected capacity of 32,000 RT.

In total, the Group's 83 owned and operated plants have an aggregate connected capacity of 1,343,000 RT. In January 2020, Tabreed announced that it planned to add 75,000 RT of new connected capacity across the Group by the end of 2021. Of this, 13,000 RT was added in the six months ended 30 June 2020. This new connected capacity has been and will be delivered in part through new plants and in part through connecting new customers to existing plants.

In addition, the Group operates and maintains several plants owned by other parties, primarily in Saudi Arabia.

It typically takes the Group between 18 and 24 months to design and construct a new plant. Some plants are capable of being expanded and such expansions take less time, typically between six and 12 months, to implement. New customer connections to existing plants can also be completed in less time, although the time required varies from case to case mainly depending on whether additional underground piping needs to be installed to reach the customer. New connections to existing plants are usually more profitable as the capital cost per RT of new connected capacity is usually lower than that for the original plant.

The Group typically undertakes a conceptual design for a plant, and awards an engineering, procurement and construction ("EPC") lump sum contract on that basis. The EPC contracts conform to market standards and separate contracts are typically awarded for the cooling plants and the distribution systems. For cooling plants in the UAE, Tabreed selects contractors on a competitive basis and only uses its own contracting joint venture formed with SNC Lavalin, called SNC Lavalin Gulf Contractors LLC ("SLGC"), if it is more competitive than other contractors invited to bid. SLGC is described further under "*—Value chain businesses*" below. Contractors for the distribution systems, which are typically owned by the Group, are also selected on a competitive basis.

### ***Operations and maintenance strategy***

The Group has 20 years' experience of building, operating and maintaining district cooling plants. Its strategy is to safely operate and maintain the plants and other facilities to provide a reliable service efficiently while preserving the value and extending the life of the assets.

The Group has operated and maintained all of its plants in-house since it was established in 1998. During this time, it has experienced no major outage of supply interruption and less than 0.01 per cent. scheduled and unscheduled maintenance downtime. This strong operating track 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.

Tabreed believes that the Group is recognised as a regional leader, as evidenced by the fact that it is contracted by third parties to manage their facilities.

The Group's 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 plants.

### *Customers*

Before building any new project, the relevant Group company secures a long-term (typically 25 years or more) offtake agreement with an anchor customer or customers which Tabreed considers to be creditworthy. The contract typically provides for two separate charges during the life of the contract, being a fixed capacity fee irrespective of usage and a variable consumption fee based on metered usage.

The capacity fee is set by reference to the investment in constructing the plant, fixed costs incurred in operating the plant and a target return on investment and is typically subject to inflation adjustments. The consumption fee is set by reference to the variable costs incurred to produce the volumes of refrigeration tons consumed. The Group is not significantly exposed to changes in fuel 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 fee.

Customers are typically invoiced on a monthly basis and payment is made by most customers by bank transfer or cheque. Consumption is measured by metering systems that monitor the flow of water and supply and return temperature. From this data, the amount of energy used is calculated in BTU and converted into ton-hours. The metering systems are read monthly. Customers are billed in accordance with the meter readings and the terms of the relevant contract.

Except in circumstances beyond the Group’s control, failure to provide chilled water supply may result in customers having a contractual right to liquidated damages and/or other financial penalties against the Group or, in the case of prolonged chilled water supply outages due to extreme plant or network failure, customers may ultimately have the right to terminate the offtake agreement if an alternative temporary cooling supply cannot be arranged for the customer. The Group typically has the right to suspend the supply of chilled water in the event of late payment by the customer.

Tabreed believes that the main advantages associated with its long-term contracts are:

- stability of offtake;
- commitment of customers before capacity is installed;
- margin protection with respect to inflation and related cost escalation factors; and
- overall reduction in market risk in a highly capital-intensive business.

The Group’s chilled water customers principally comprise GCC governments and government-owned entities and otherwise tend to be large privately owned corporations. The Group has only a very small volume of retail customers. In 2019, approximately 52 per cent. of the Group’s revenue from its chilled water business was derived from GCC governments or entities wholly owned by them, an additional 5 per cent. was derived from entities with majority GCC government ownership and the balance was almost entirely derived from corporations with no, or with minority, GCC government ownership.

In 2019, the Group’s three largest customers accounted for approximately 54 per cent. of its revenue from the chilled water businesses. These customers were:

- *UAF* – the Group provides connected capacity to the UAF through 24 plants in the UAE. All of the plants were developed under build, own, operate, transfer (“**BOOT**”) contracts, with ownership of the plants being transferred to the UAF at the end of a specific term agreed on a plant-by-plant basis; *provided that*, in all cases, the term is equal to or greater than 20 years from the date of commencement of chilled water supply;
- *RTA* – the Group provides connected capacity to the RTA through 16 plants in Dubai which provide cooling for the red and green lines of the Dubai metro. All of the plants were developed under **BOOT** contracts, with ownership of the plants being transferred to the RTA at the end of the contract term, which is 2037 for the red line and 2040 for the green line. Unlike many of its other contracts, the

Group's contract with the RTA does not contain an operating cost pass through mechanism, although the contract does provide for escalation of all cooling charges in line with consumer price inflation in Dubai; and

- *Aldar* – the Group provides connected capacity to Aldar through six plants in Abu Dhabi. All of the plants were developed under a build, own and operate contract with a concession structure which expires in 2044.
- The aggregate connected capacity provided to the above three largest customers was 365,700 RT as at 31 December 2019. Following the acquisition of DDC in 2020, Emaar became the Group's third largest customer, increasing the aggregate connected capacity provided by the Group to its three largest customers to 394,700 RT as at 30 June 2020.

### ***Fuel and water***

The fuel and water supplied to the Group comprised approximately 59 per cent. of its operating costs including depreciation in 2019. The Group pays standard market tariffs for the supply of electricity and water, increases in which are typically passed through to customers by way of the consumption tariff. Whilst most of Tabreed's plants in the UAE use electricity from the national grid as their fuel source, some plants in remote locations also use gas fired generators as their power source. Gas for these generators is supplied pursuant to a one year renewable contract with the ADNOC. At the time of the renewal of the last contract with ADNOC, the price of the gas being supplied by ADNOC was agreed for the next three years. Any increase in the cost of the gas supplied by ADNOC is also passed through to the relevant customers through the consumption tariff.

The Group is not party to any long-term contracts for the supply of fuel and water in markets outside the UAE.

### ***Landmark projects***

The Group currently owns and operates 83 plants across the GCC. Some of its notable district cooling plants developed in its 20 year history include:

- the delivery since 2007 of district cooling to the Sheikh Zayed Mosque in Abu Dhabi, one of the world's largest mosques;
- the delivery since 2010 of district cooling to Ferrari World in Abu Dhabi, a themed amusement park with the largest space frame structure ever built and 200,000 m<sup>2</sup> roof;
- the delivery since 2010 of district cooling to the Dubai Metro, the first infrastructure project of its kind in the Arabian Peninsula and the world's longest driverless and fully automated metro network, with more than 47 stations.
- the delivery since 2013 of district cooling to Cleveland Clinic in Abu Dhabi, a major multi-speciality hospital;
- the delivery since 2016 of district cooling to Legoland Dubai, a theme park which covers 278,709 m<sup>2</sup> in Dubai Parks & Resorts, Dubai;
- the delivery of district cooling to major office buildings such as the offices at the World Trade Centre, a 59-storey building that is part of a development that includes a mall, souq and one of the tallest residential buildings in the GCC (since 2014), the Aldar HQ building (since 2010), one of Abu Dhabi's iconic buildings, and Etihad Towers (since 2010), which comprises one office and three residential towers and includes an hotel and shopping mall; and
- the delivery of district cooling to a number of hotels, including the Shangri-La Dubai (since 2003), the Ritz Carlton Abu Dhabi (since 2013) and the St Regis Abu Dhabi (since 2017).

### **Value chain businesses**

The Group's value chain businesses include manufacturing, services and contracting companies. The Group's value chain businesses reporting segment recorded external revenue of AED 64 million in 2019 compared to

AED 86 million in 2018 and AED 82 million in 2017, equal to 4.2 per cent., 5.9 per cent. and 5.9 per cent. of the Group's external revenue, respectively.

The Group views its value chain businesses as non-core assets and has indicated its willingness to exit these businesses should an attractive offer be made. The Group's principal value chain businesses are:

### ***EPPI***

EPPI was established in 2000 and commenced operations in 2002. It is 60 per cent. owned by Tabreed and manufactures thermally pre-insulate piping systems for chilled and hot water, oil and gas, and other energy-related applications. Nearly 90 per cent. of EPPI's output is sold for use in the district cooling industry. EPPI serves all district cooling providers (including Tabreed) in the UAE. Its manufacturing facilities are located in Abu Dhabi and are equipped with modern pipe fabrication technology. EPPI also provides product engineering support, on-site technical assistance and installation supervision.

### ***Ian Banham***

Ian Banham was established in the UAE in 1976. Tabreed acquired its 70 per cent. stake in Ian Banham in 2004. Ian Banham provides engineering consultancy services in all aspects of electrical and mechanical works for residential, commercial, hotel, institutional and industrial projects. Its main office is in Abu Dhabi with branches in Dubai and Sharjah.

### ***Installation Integrity 2000 LLC (i2i)***

i2i was established in 1999 to provide technical services for both new and existing buildings, including testing, balancing and commissioning of heating, venting and air conditioning systems; building services inspections; maintenance review; and engineering services. Tabreed acquired an initial 60 per cent. shareholding in i2i in 2002 and has subsequently acquired the remaining shares, making i2i a wholly owned subsidiary.

### ***CoolTech***

CoolTech was established in 2003 to provide water treatment solutions. It is involved in sale of chemical additives for water systems, including district cooling systems. Cooltech also installs, operates and maintains on-site dosing and monitoring systems, on-site chlorine generators and treated sewerage effluent systems, and provides technical consulting services to the water treatment industry

### ***SLGC***

SLGC was established in 2004 as a joint venture between Tabreed (51 per cent.) and SNC Lavalin (49 per cent.). SLGC is an independent EPC contractor which provides design and construction services to Tabreed for its district cooling projects, as well as to third parties. Prior to 2010, all contracts between Tabreed and SLGC were negotiated on an arm's-length and project-by-project basis but since then Tabreed has awarded all EPC contracts on a competitive tender basis with SLGC being one of several EPC contractors invited to bid. SLGC does not provide or install the distribution systems necessary to connect Tabreed's plants to its customers. Since Tabreed does not have management control of SLGC, this company is accounted for as a joint venture. SLGC has to date constructed more than 60 district cooling plants for Tabreed and third parties.

## **HEALTH, SAFETY AND ENVIRONMENT**

Tabreed is committed to promoting a positive health, safety and environment ("**HSE**") culture across the Group. Tabreed's HSE policy is to conduct its business in a socially responsible manner and HSE is a key consideration in business planning and operational decisions. Tabreed's senior management team is committed to HSE which has a direct reporting line to the chief executive officer ("**CEO**"). In addition, HSE reports are submitted to the Board on a monthly basis and senior management undertake multiple plant and site visits annually. Tabreed seeks to comply with all applicable HSE regulations and best practices and to achieve a continuous improvement in its HSE performance through regular and relevant training, integrating HSE into plant operations and processes, regular internal and external HSE audits and mandatory HSE induction for new employees and contractors.

Tabreed has secured International Organisation for Standardisation ("**ISO**") 9001 quality management systems accreditation and ISO 14001 environment management systems accreditation. It has also secured the British

Standard Institute's OHSAS 18001 occupational health and safety management systems accreditation. In 2019, Tabreed became the first district cooling company to receive the ISO 50001 certification for the development and implementation of an effective Energy Management System.

The Group has received specific permits from environment agencies in each jurisdiction in which it operates. The Group has all necessary clearances for effluent water release and emissions into the air and its waste management reduction plan, which applies across all plants, project sites and offices, aims to protect the environment and minimise waste materials through prudent waste management procedures. Examples of the Group's innovative solutions and environmentally friendly approach include:

- the use of thermal energy storage, which involves storing chilled water in large tanks which decreases the total energy consumed at the plants, in many of its plants to help achieve larger savings in electricity consumption and improve plant performance;
- the use of seawater instead of potable water in one of its plants in Bahrain, which has led to an annual saving of approximately 80 million imperial gallons of potable water; and
- being one of the pioneers in the use of treated sewage effluent ("TSE") in district cooling plants, which enhances the sustainability of resources by recycling sewage water to replace potable water. TSE can result in up to 35 per cent. savings over conventional potable water systems. Tabreed currently uses TSE in two plants, and is looking to expand its use to additional plants.

The Group's total recorded incident rate was 0.5 in 2017 and zero in each of 2018 and 2019. In addition, the Group has had a nil lost time injury frequency rate since 2015.

No Group company is in material breach of any applicable HSE regulation or licence condition.

Tabreed uses wet cooling towers in its business. In the past, these types of cooling tower have been a source of legionella bacteria which can cause legionnaires' disease. Tabreed has taken number of steps in line with federal and local regulations in the UAE to mitigate this risk, such as rigorous chemical control of the cooling water, frequent cleaning of cooling towers, frequent testing of bacteria and awareness training for its staff. Furthermore, Tabreed has public liability insurance cover in relation to legal liability arising from its operations. See "*—Insurance*" below and "*Risk factors—The Group's operations may impact the environment, and its properties may have environmental contamination, which could result in material liabilities*".

## **INFORMATION TECHNOLOGY**

Tabreed aims to develop a best-in-class IT organisation, in order to operate with speed and flexibility and drive process improvement through automation and standardisation. Tabreed's IT strategy is aligned with its business strategy and aims to provide:

- superior IT service excellence;
- product simplification and solutions excellence;
- proactive IT cost optimisation as an ongoing discipline; and
- operational excellence through lean methodologies and information technology infrastructure library best practices.

Tabreed is working on defining and optimising external platforms through digital transformation, third party ecosystems and technology (including outsourcing, cloud, digitisation and legacy system improvement). For example, Tabreed is undertaking a pilot project to implement a data meter data warehouse platform in the UAE, which will store key plant process data in real time. This platform will enable near real-time monitoring and health condition of plant equipment. In 2019, Tabreed successfully integrated a data-based operational intelligence software across its network of district cooling plants to monitor, analyse and improve overall plant performance and reliability, achieving meaningful water and energy efficiency improvements during 2019 as a result.

All of Tabreed's IT assets are purchased off the shelf. Once implemented, the support and maintenance of those IT assets is provided by Tabreed's IT department and contracted third party support. Tabreed's enterprise

resource planning system is fully integrated across most subsidiaries in the UAE. Tabreed's IT assets outside the UAE are managed and supported by dedicated IT resources and systems.

To improve business continuity, Tabreed's plants' IT assets are isolated from any external network to avoid exposure to malicious attack. Additionally, Tabreed has outsourced its critical infrastructure to a certified professional local cloud service provider to host and manage, which has provided improved data backup, disaster recovery, high availability, robust IT security and resilience.

The Group also follows a recognised security standards, including:

- governance, risk and compliance monitoring, including risk management and audit trail;
- an effective incident response plan which allows for decisions to be made quickly and effectively following an attack or data compromise; and
- proactive patch management to protect the IT infrastructure and applications from operational disruption, IT security breaches and to provide minimal disruption of service.

Tabreed has not experienced any malicious interference with its IT systems in any of its Group companies.

## **INSURANCE**

Tabreed has insurance policies covering property, machinery, workman's compensation and public liability. Most of these policies are held with regional insurance companies and many are reinsured internationally. Tabreed believes that its insurance coverage is in accordance with customary practice in its industry, including with respect to the terms of and the coverage provided by such insurance.

Tabreed's property insurance policy provides property all risks and business interruption cover for the Group's plants. The policy contains a specific provision offering indemnity for damaged property on a replacement basis rather than a cash sum. War risks and cover for acts of terrorism are specifically excluded.

Tabreed's insurance policy in respect of machinery covers machinery breakdown and applies to all existing plants. The basis of indemnity offers reinstatement, with no depreciation but no betterment. Cover for acts of terrorism is specifically excluded. The policy also covers loss of profit due to breakdown of machinery in the UAE.

Tabreed's Group Life insurance policy includes workman's compensation cover for all staff working within the UAE.

Tabreed's public liability insurance policy provides cover for all legal liabilities arising out of its operations. This cover extends to liabilities of up to AED 100 million and, to date, there have been no material claims made by Tabreed under this insurance policy.

Tabreed requires its contractors to maintain all relevant insurance in respect of new plants under construction until such time as the plants have been completely handed over to Tabreed.

Tabreed's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations and Tabreed will only receive insurance proceeds in respect of a claim made by it to the extent that its insurers have the funds to make payment. Therefore insurance may not cover all losses incurred by Tabreed and no assurance is given that Tabreed will not suffer losses beyond the limits of, or outside the cover provided by, its insurance policies.

## **RESEARCH AND DEVELOPMENT**

Tabreed cooperates with institutions such as Abu Dhabi Future Energy Company ("Masdar") on research and development initiatives to develop cooling and building technology that minimises power and water consumption and the lifecycle costs of cooling systems. For example, as part of its announced acquisition of the Masdar City cooling part and concession, Tabreed will also acquire the use of two deep geothermal wells located in Masdar City that are a part of a major research and development collaboration initiative, which is expected to enable Tabreed to leverage its sector expertise and innovative approach to create unique, reliable and sustainable cooling solutions through geothermal technology.

## REGULATION

The district cooling market is largely an unregulated market in the GCC, although in some cases a regulator has been appointed. The status of regulation in each of Tabreed's key markets is as follows:

- **UAE – Abu Dhabi:** The Abu Dhabi Regulatory and Supervisory Bureau for Electricity and Water (the “**RSB-Abu Dhabi**”) gathered operational information from Abu Dhabi-based district cooling companies, including Tabreed, from 2014 to 2016. In August 2016, the RSB-Abu Dhabi announced that a regulatory framework for the district cooling sector was being developed. In accordance with Abu Dhabi Law No. (11) of 2018, the Ruler of Abu Dhabi established the Department of Energy, which replaced the RSB-Abu Dhabi and assumed responsibility for the regulation of the energy section in Abu Dhabi and which now has the power to issue regulations in respect of the production, storage, distribution and supply of cooling liquids used in central cooling systems. In September 2019, specific district cooling regulations were introduced in Abu Dhabi, which included provisions to enhance energy efficiency, protect the environment and encourage investment in the sector. The Group has submitted, and is in the process of submitting, licensing applications to the Department of Energy in accordance with the requirements of the new district cooling regulations.
- **UAE – Dubai:** District cooling has been adopted as part of the Government of Dubai's energy demand side management and the RSB-Dubai has been appointed as the regulator of the sector. While the RSB-Dubai actively collects data from district cooling providers in Dubai and certain policy statements have been made, no regulatory framework has yet been introduced and Tabreed is not aware of any timeline for the introduction of a regulatory framework in Dubai.
- **Qatar:** District cooling is a key component of the Government of Qatar's drive to reduce energy consumption and the District Cooling Services Department of Qatar General Electricity and Water Corporation (“**Kahramaa**”) has been appointed as regulator. In October 2017, Kahramaa announced that it expected a regulatory framework for the district cooling sector to be passed into law soon, but otherwise Tabreed is not aware of any specific timeline for the introduction of such a framework in Qatar.
- **Saudi Arabia:** The Electricity & Co-generation Regulatory Authority (“**ECRA**”) has been appointed as the regulator of the district cooling sector in Saudi Arabia and has started to develop the economic and technical regulations that will underpin the future regulatory framework for the sector.
- **Other countries:** No regulatory framework has been introduced in either Bahrain or Oman and Tabreed is not aware of any timeline for introducing a regulatory framework in either of these countries.

The Group has all licences required from the relevant authorities in all jurisdictions in which it operates and no Group company is in material breach of any applicable regulation or licence condition.

## INTELLECTUAL PROPERTY

Tabreed does not believe that it owns any intellectual property rights the loss of which would significantly adversely affect its business. The name “Tabreed” and the water towers logo on the front cover of this Prospectus have both been registered in all the jurisdictions in which Tabreed operates.



## MANAGEMENT

### The Board

Tabreed's Board provides guidance and direction to its management towards achieving the strategic objectives of Tabreed. The Board is responsible for the direction and oversight of Tabreed on behalf of the shareholders. The day to day activities of Tabreed are delegated to management through the Board approved Delegation of Authority.

The Delegation of Authority delegates authority from the Board to executive management to execute certain:

- contractual or other commitments;
- expenditure, purchases; and
- investments,

in each case below a specified maximum amount, beyond which approval of the Board is required. To give effect to the Delegation of Authority, the Board has granted a general Power of Attorney to the Chief Executive Officer.

All other powers, authorities and responsibilities in respect of the management of Tabreed are vested in the Board in accordance with Tabreed's Articles of Association (the "**Articles**"), subject to those matters reserved under the Articles and/or applicable laws and regulations for the exclusive decision of the shareholders at the General Assembly.

The Board also provides guidance and direction to management through the following mandates that are regularly reviewed by the Board:

- the five-year strategic plan;
- Tabreed's policies;
- the annual budget;
- key performance indicators; and
- regular reporting against performance targets.

Tabreed's internal control function is maintained by the Board. It provides independent, objective and authoritative advice as well as assurance over the internal control environment to the Board, the Audit Committee and management, to assist them in discharging their functions and duties conferred and imposed on them.

The Board ensures that the internal controls are effective by reviewing the work of the Audit Committee, effectively dealing with risk and control issues at Board meetings and requiring that risk and internal control issues are discussed at each Board meeting. The Board also ensures that an internal control review is conducted by the internal control function each year.

In line with the Articles, each Board member is appointed by Tabreed's shareholders for a renewable period of three years. The current three-year period ends in March 2023.

As a listed company, a majority of Tabreed's directors are required to be non-executive and independent and a majority (including the Chairman) must be UAE nationals.

Decisions at Board meetings are taken by a simple majority with the Chairman having a casting vote. However, any appointment or replacement of a member of senior management or change to the business plan requires the approval of at least six of the nine members of the Board.

The table below shows Tabreed’s current Board members and their date of first appointment.

<b>Director</b>	<b>Designation</b>	<b>First Appointment</b>
Khaled Abdulla Al Qubaisi (Chairman)	Non-executive and independent	12 March 2008
Paulo Almirante (Vice Chairman)	Non-executive	11 September 2017
H.E. Dr. Ahmad Bin Abdullah Humaid Belhoul Al Falasi	Non- executive and independent	6 March 2017
Mohammed Al Huraimel Alshamsi	Non-executive and independent	24 March 2014
Mohamed Jameel Al Ramahi	Non-executive and independent	6 March 2017
Sébastien Arbola	Non-executive	11 September 2017
Frédéric Claux	Non-executive	11 September 2017
Frédérique Dufresnoy	Non-executive	11 September 2017
Saeed Ali Khalfan Al Dhaheri	Non-executive and independent	6 March 2017

The address of each Board member is c/o Tabreed, P.O. Box 29478, Abu Dhabi, UAE. There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to Tabreed.

Detailed below is brief biographical information on the Board members:

***Khaled Abdulla Al Qubaisi – Chairman***

Khaled Abdulla Al Qubaisi is the Chief Executive Officer, Aerospace, Renewables & Information Communications Technology at Mubadala.

He is also the Chairman of the Board of Injazat Data Systems and a Board Member of Masdar, Emirates Global Aluminium, Global Foundries and Emirates Integrated Telecommunications Company PJSC.

Mr. Al Qubaisi holds a Bachelor of Arts degree in Finance and Operations Management from Boston University, a Master of Science from George Washington University and is a Chartered Financial Analyst Institute member.

***Paulo Almirante – Vice Chairman***

Paulo Almirante is currently Chief Operating Officer of ENGIE. Mr. Almirante is a member of ENGIE’s Executive Committee in charge of Brazil; Middle East, South and Central Asia and Turkey; North, South and Eastern Europe and Generation Europe.

Mr Almirante is a board member of numerous ENGIE group companies.

He holds a Master of Science degree in Mechanical Engineering Production Management and a Master of Science degree in Mechanical Engineering Thermodynamics from the Instituto Superior Técnico in Lisbon.

***H.E. Dr. Ahmad Bin Abdullah Humaid Belhoul Al Falasi***

His Excellency, Dr. Ahmad Bin Abdullah Humaid Belhoul Al Falasi, is the Minister of State for Entrepreneurship and Small and Medium Enterprises. In this role, he is responsible for designing national initiatives to strengthen the UAE’s small and medium enterprise sector. He is also tasked with setting a strategic direction and developing a general national policy for the country’s tourism sector. Prior to this, His Excellency was the Minister of State for Higher Education and Advanced Skills, where he supervised the development of higher education and scientific research in the UAE and the development of advanced skills for UAE youth for the future. His Excellency is also the former Chairman of the Federal Authority for Human Resources and the former Chairman of the UAE Space Agency. His other previously held positions include CEO of Masdar Company; Executive Director of Strategy and Tourism Sector Development at Dubai Tourism; Vice President of the Mubadala Industry Unit; and Consultant for McKinsey & Company.

His Excellency holds a Ph.D. from Sir John Monash University in Australia, a Master of Science degree from the University of Melbourne and a Bachelor of Science degree in Telecommunications Engineering from Khalifa University.

### ***Mohammed Al Huraimel Alshamsi***

Mohammed Al Huraimel Alshamsi is the Director of Utilities Investments at Mubadala, where he is responsible for the Utilities investments portfolio, which includes thermal power and district cooling assets.

Mr. Al Shamsi holds a Master of Business Administration degree from the HEC School of Management – Paris, France, and a Bachelor of Finance degree from the American University of Sharjah.

### ***Mohamed Jameel Al Ramahi***

Mohamed Jameel Al Ramahi is the Chief Executive Officer of Masdar, where he leads Masdar's development and strategic direction as it plays a prominent role in the renewable energy and clean technology sector.

Mr. Al Ramahi is a member of Masdar's Investment Committee.

Mr. Al Ramahi holds a Bachelor of Business Administration and Finance degree from the University of Evansville.

### ***Sébastien Arbola***

Sébastien Arbola is the CEO of the Middle East, South and Central Asia and Turkey region for ENGIE. He leads ENGIE's operations and growth across the region, ranging from large scale power generation and water desalination to gas retail and distribution. Prior to that, he was the Chief Financial Officer and Senior Vice President of ENGIE's Asian environmental operations as Mergers and Acquisitions Group Director. He has held roles of increasing seniority in Finance and Management over his 11-year tenure with ENGIE.

He is a graduate of the Ecole Supérieure de Commerce de Paris.

### ***Frédéric Claux***

Frédéric Claux is currently the Head of Acquisitions, Investments and Financial Advisory for ENGIE, with more than 17 years of experience at the company.

Mr Claux also serves as a non-executive Board member of Les Eoliennes en Mer (offshore wind).

He graduated from French civil engineering school Ecole Nationale des Ponts et Chaussées and holds a Master of Business Administration degree from HEC business school in Paris.

### ***Frédérique Dufresnoy***

Frédérique Dufresnoy is Deputy Director of Decentralised Solutions for Cities at ENGIE. Prior to that, she was the Director of Finance, Risks and International Development at ENGIE and Chief Financial Officer of ENGIE's European operations.

Ms. Dufresnoy holds a Master of Business degree from Emlyon Business School and a Master of Business Administration degree from the University of Texas.

### ***Saeed Ali Khalfan Al Dhaheri***

Saeed Ali Khalfan Al Dhaheri, is Director of Investments at Ali & Sons Holding LLC. His current role at Ali & Sons Holding includes active management of that company's securities portfolio, whilst overseeing its real estate & hospitality division, as well as risk management of Ali & Sons and its subsidiaries.

Mr. Khalfan holds a Bachelor of Finance degree from the American University in Dubai.

### ***Board committees***

Tabreed has four Board committees:

#### ***Audit committee***

The Board maintains an Audit Committee that monitors financial statements, renews and recommends changes to Tabreed's financial and control systems, and appoints and maintains an appropriate relationship with

Tabreed’s external auditors. The Audit Committee also oversees the internal control function and is responsible for approving recommendations for internal control improvements.

The current members of the Audit Committee are Mohammed Jameel Al Ramahi (Chair), Frédérique Dufresnoy and Saeed Ali Khalfan Al Dhaheri. The Audit Committee met four times in 2019.

#### *Nomination and remuneration committee*

The Nomination and Remuneration Committee assists the Board in discharging its responsibilities in relation to qualifications, compensation, appointment and succession of Tabreed’s directors and key management personnel. The Committee oversees Tabreed’s nomination process for the Board and continuously monitors the independency of the independent members of the Board.

The current members of the Nomination and Remuneration Committee are H.E. Dr Ahmed Belhou Al Falasi (Chair), Mohammed Al Huraimel Alshamsi and Sébastien Arbola. The Nomination and Remuneration Committee met twice in 2019.

#### *Finance committee*

The role of the Finance Committee is to assist the Board in monitoring and reviewing:

- the economics and financial returns of investments and commitments;
- debt and equity financing transactions; and
- financial risk management programmes.

The current members of the Finance Committee are Mohammed Al Huraimel Alshamsi (Chair), Frédéric Claux and Saeed Ali Khalfan Al Dhaheri. The Finance Committee met four times in 2019.

#### *Projects committee*

The role of the Projects Committee is to assist the Board and management in the successful tendering and execution of projects, management of project related contracts, procurement processes, HSE and any other matter that may be critical for the efficient, safe and reliable operation of the Group’s projects and existing assets.

The current members of the Projects Committee are Frédéric Claux (Chair), Mohammed Al Huraimel Alshamsi and Sébastien Arbola. The Projects Committee met three times in 2019.

### **Executive management**

The following table sets out the names of the current members of Tabreed’s executive management, their position and the date they joined Tabreed:

<b>Name</b>	<b>Position</b>	<b>Date joined</b>
Bader Saeed Al Lamki	Chief Executive Officer	21 April 2019
Adel Salem Al Wahedi	Chief Financial Officer	10 March 2020
Francois-Xavier Boul	Chief Development Officer	25 September 2017
Jean-Francois Chartrain	Chief Operating Officer	5 November 2017
Hamish Jooste	Chief Legal Counsel	15 January 2012

The address of each of the members of the executive management is c/o Tabreed, P.O. Box 29478, Abu Dhabi, UAE. There are no potential conflicts of interest between the private interests or other duties of the executive management listed above and their duties to Tabreed.

Detailed below is brief biographical information on the members of the executive management:

**Bader Saeed Al Lamki, Chief Executive Officer**

Bader is the Chief Executive Officer of Tabreed, where he is responsible for overseeing Tabreed's operations in the UAE and across the GCC, as well as ensuring that Tabreed continues to generate sustainable and long-term value for all its stakeholders.

Bader joined Tabreed in April 2019, bringing with him approximately 20 years' diversified experience in the oil and gas, energy efficiency, clean energy and utilities sectors.

Prior to joining Tabreed, Bader was responsible for steering the Masdar Clean Energy business' growth activities and helped build its renewable energy portfolio across 25 countries, leading on a number of its projects. He was also responsible for bidding, acquisition and green field project development and maximising value from Masdar's utility-scale renewable energy portfolio globally through effective asset and operational management.

Before Masdar, Bader worked at ADMA-OPCO, successfully leading a strategic development initiative to increase the company's daily oil production. Earlier in his career, Bader worked for Total, advising it on oil and gas projects in Africa.

Bader serves as a board member in various Group companies.

He holds a Bachelor's degree in Chemical Engineering from UAE University.

***Adel Salem Al Wahedi, Chief Financial Officer***

Adel is the Chief Financial Officer of Tabreed, where he is responsible for finance, supply chain management and IT.

Adel joined Tabreed in March 2020. He has 22 years' experience in the fields of corporate finance, mergers and acquisitions, statutory accounting, budgeting, planning, costing and strategic decision making.

Prior to joining Tabreed, Adel was Group CFO of Arabtec Holding Company PJSC. Before that, he served as CFO for Abu Dhabi Ports Company and Petrofac Emirates and held senior positions at Emirates Telecommunications Corporation (Etisalat).

Adel serves as a board member of in various Group companies.

Adel holds a Bachelor's degree in Commerce from UAE University with a major in accounting.

***Francois-Xavier Boul, Chief Development Officer***

Francois-Xavier is the Chief Development Officer of Tabreed, where he is heading the business development and the technical teams.

Francois-Xavier joined Tabreed in September 2017, bringing with him more than 15 years' experience in business development, acquisitions and project and structured finance.

Prior to joining Tabreed, Francois-Xavier was Senior Vice President – Business Development with ENGIE in the UAE, where he was responsible for leading the business development, structuring and negotiation of projects and equity investments. Prior to joining ENGIE, he worked for ACWA Power (Dubai), ABC Bank (Bahrain), Ambac (London) and Natixis (Paris). He started his career at Dragages et Travaux Construction Group (Bouygues Construction group) in Hong-Kong.

Francois-Xavier holds a Bachelor degree in Mathematics and General Science and is a graduate of the Ecole Centrale de Lyon (MSc in Civil Engineering and Environment).

***Jean-Francois Chartrain, Chief Operating Officer***

Jean-Francois is the Chief Operating Officer of Tabreed, where he is responsible for UAE assets management and operation and maintenance.

Jean-Francois joined Tabreed in November 2017, bringing with him more than 18 years' experience in the fields of business development, engineering and construction across various sectors such as utilities, energy and renewables, and environment industries across various geographies.

Prior to joining Tabreed, Jean-Francois was Technical Director at ENGIE Italia, where he headed three separate departments: design, maintenance engineering, and energy efficiency. He was also responsible for leading the private development district heating schemes. Previously, Jean-Francois also worked at GDF SUEZ Energie Services, CLIMESPACE and INGEVALOR.

Jean-Francois serves as a board member of several of Tabreed's group companies and joint ventures.

Jean-Francois holds a Bachelor degree in Mechanical and Electrical Engineering from Ecole Nationale Supérieure d'Electricité et de Mécanique, France, and a Master of Business Administration degree from European School of Management in Paris.

### ***Hamish Jooste, Chief Legal Counsel***

Hamish is the Chief Legal Counsel of Tabreed, where he is responsible for the legal affairs of Tabreed, including corporate governance and company secretarial matters.

Hamish joined Tabreed in 2012 and has more than 20 years' experience in corporate and commercial law, M&A, banking and utilities.

Prior to joining Tabreed, Hamish practiced law in four countries across three different continents at large international law firms.

In addition to serving as Chief Legal Counsel, Hamish acts as Secretary to the Board.

Hamish has a Bachelor of Laws degree and a Bachelor of Economics degree from the University of Western Australia.

### ***Management committees***

To ensure that Tabreed conducts its affairs with integrity and in line with best corporate practices, on the authority of the Board, Tabreed has various management committees, of which the three key management committees are:

- the Investment Committee, which has a mandate to consider and, if applicable, endorse projects, commitments and investments prior to their being proposed to the relevant Board committees and then to the Board for final approval;
- the Insider Information and Share Dealings Committee that monitors and controls the handling of inside information and regulates transactions and holdings of Tabreed shares by Board members and employees of Tabreed; and
- the Business Continuity Committee, which has a mandate to ensure that Tabreed can respond in an appropriate and timely manner to any business interruption threats or business interruption events that Tabreed may face.

## **EMPLOYEES**

As at 30 June 2020, the Group had 873 full time staff in the UAE. The percentage of UAE nationals (as a percentage of full time corporate staff in the UAE) was 41 per cent. as at 30 June 2020.

The Group offers its UAE employees a range of benefits (subject to standard eligibility criteria), including housing allowance, transportation allowance, furniture allowance, UAE child allowance, mobile allowance, recreation allowance, child education allowance, annual ticket allowance, pension contribution for UAE nationals and overtime (where applicable). Historically, the Group has paid staff performance bonuses and runs a long-term staff retention scheme, as well as paying end of service benefits in line with the market and UAE law.

The Group is committed to the development of its employees and has developed a robust framework to facilitate this process. The Group employs various training and development initiatives and provides a number of training programmes, including:

- development programmes for technical and soft skills based on employees' needs (involving public training courses, in-house training and e-learning);
- development programmes for executives;
- emiratization initiatives, including post graduate assistance; a "StarTrain" programme; an internships programme and a scholarship programme; and
- other initiatives such as employee engagement workshops and coaching workshops.

In January 2019, Tabreed announced the launch of its Ethra'a initiative, a knowledge development programme established to develop human capital and prepare the district energy sector's future leaders.

The Ethra'a initiative aims to build a highly-skilled talent pool and develop human capital by facilitating knowledge sharing and innovation between the industry and academia. This aims to further drive knowledge-based economic growth in line with the Abu Dhabi Economic Vision 2030, and strategic talent development to support environmental sustainability and the green economy ambitions outlined in the UAE's Green Agenda 2030, an overarching framework to transform the country into a green economy. The initiative is also aligned with Abu Dhabi Government economic reform plan 'Tomorrow 2021' (Ghadan 2021), which places significant focus on the development of technology, talent and research.

Ethra'a is built on five engagement pillars, with an overall objective to create opportunities for engineering graduates, by equipping them with the knowledge, skills and competencies to become successful in highly skilled roles within the district energy sector. These pillars are:

- guest lectures delivered by subject matter experts at Tabreed to initiate knowledge transfer and improve understanding of the district energy sector;
- an in-house, capability-building programme, which features programmes designed to equip UAE nationals with workplace skills and help improve their performance;
- educational tours at district cooling plants, designed to develop a greater understanding of how sustainable engineering theory can be put into practice;
- establishing cooperative research clusters for scientific advancements in the field of renewable energy and sustainable technologies; and
- a sponsorship programme, designed to give outstanding Emirati students the opportunity to pursue UAE-based accredited university or technical college education.

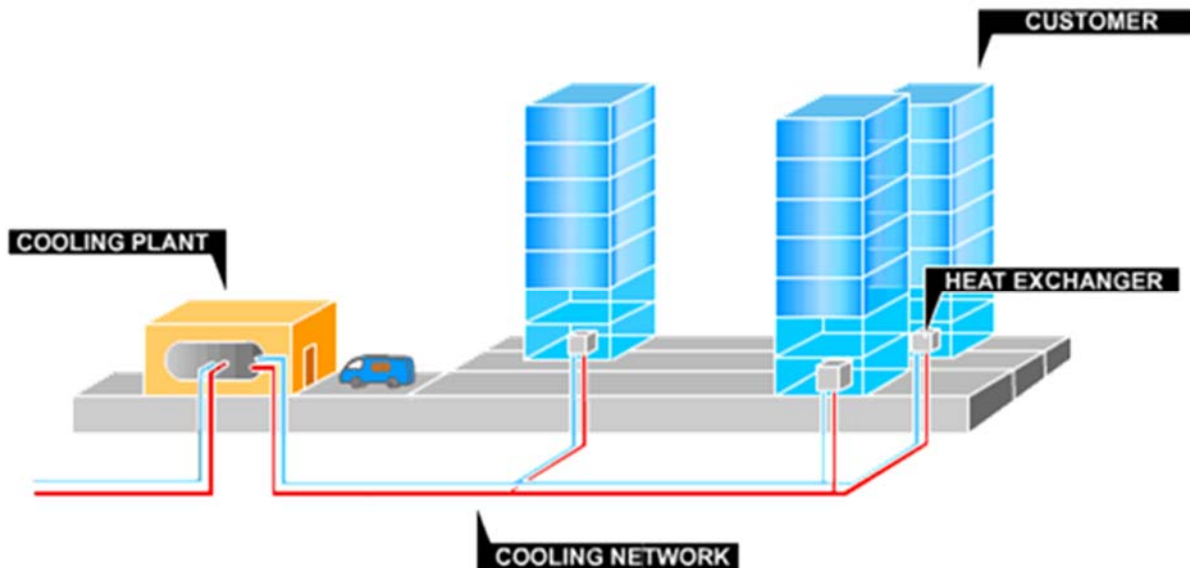
## THE DISTRICT COOLING INDUSTRY

*The information in this section is based on publicly available information. The Issuer and Tabreed accept responsibility for accurately reproducing the information and as far as the Issuer and Tabreed are aware no facts have been omitted which would render the information inaccurate or misleading, but the Issuer and Tabreed accept no further responsibility for such information. The information may be approximations or use rounded numbers.*

### INTRODUCTION

District cooling is a form of energy exchanging for air conditioning. It uses a central plant to cool water and distribute it through insulated pipes to customers' buildings through a dedicated closed network. At the customer's building, the chilled water passes through a heat exchanger where it cools the customer's own water circulating through their internal network. Air is then passed over the chilled water pipes in the customer's network to produce an air conditioned environment. The warmer water is returned to the central plant to be re-chilled and redistributed. The technology is similar to standard air conditioning systems. Each central plant consists of one or more chillers, heat exchangers, pumps and insulated piping. District cooling can be run on electricity, natural gas or wasted heat and, depending on the type of equipment installed, can use potable water, treated sewerage effluent or seawater for heat rejection. Gas powered plants are usually more expensive to install, but may be cheaper to operate depending on various parameters (including utility prices).

The picture below illustrates a typical district cooling plant and network.



District cooling achieves economies of scale through the use of a centralised plant, rather than individual chillers in each building avoiding contingencies at each unit level and taking advantage of diversity of loads connected. By reducing capital and energy costs, district cooling can reduce building operating costs and eliminate the capital cost of conventional air conditioning, whilst meeting environmental regulations with an outsourced service. In addition, in some cases, chilled water may be stored for peak time use through the installation of a thermal energy storage ("TES") tank, improving the cost-effectiveness of such solution.

District cooling output is measured in tons and ton-hours of cooling. One ton-hour of cooling is equivalent to 12,000 BTUs. Ton-hours are measured by recording the flow of water and the differential between the chilled water temperature at the point of supply and the warmer water temperature at the point of return. Plant capacity is specified in tons of cooling capacity.

District cooling systems can replace conventional air conditioning systems provided a sufficient scale/density is achieved, but primarily compete with air-cooled chiller systems serving larger buildings and installations. Most tall buildings have such chillers, typically mounted on the roof. In addition to consuming larger amounts of electricity, this typical building equipment is subject to an adverse operating environment, including extreme heat, saline humidity and windborne sand. Over time, performance, efficiency and reliability deteriorate,



leading to higher running costs, significant maintenance costs, potential failures and, ultimately, to equipment replacement. In addition, air cooled equipment can be noisy and can create uncomfortable vibrations.

By switching to a district cooling technology, building owners stand to gain from a reduction in electricity consumption by up to 50 per cent., significant CO<sub>2</sub> reductions from an environmentally friendly solution and other benefits described below.

## **BENEFITS OF DISTRICT COOLING**

Despite the potentially higher initial capital costs compared to alternative forms of cooling technology, the benefits of district cooling, both commercial and social, are recognised by building owners, property management companies, municipal governments, state planning committees and environmentalists.

The benefits of district cooling include:

- **Reduced construction costs.** By outsourcing the purchasing of the cooling equipment, the owner or manager of a large property does not need to invest in all the capital cost of a complete cooling infrastructure, which can represent up to 10 to 15 per cent. of the overall cost of a building;
- **Reduced operations and maintenance costs.** Larger buildings require a skilled workforce in air conditioning, security, ventilation, electricity and elevators. Outsourcing of cooling services leads to a reduction in building operation and maintenance costs and overheads as there are no on-site chillers to operate and maintain;
- **Higher reliability.** District cooling plants and networks are (i) operated by experienced teams, and (ii) use state of the art industrial type equipment favouring higher reliability than alternative technologies. Some level of equipment redundancy, diversity of loads and high standards of maintenance contribute to achieve higher reliabilities;
- **Increased space in the building and value enhancement.** The space where the chiller would have been located is freed up for the construction of, for example, roof-top pools or gardens. The reduction in roof noise can also increase the value of top floors of large buildings;
- **Greater ability to control and regulate air quality.** Traditional systems are usually not adequately operated and controlled, in particular when output is below the optimal levels for which the system was designed. A district cooling system allows operators to match the supply and demand of cooling more exactly, ensuring there is always the right amount of energy in the system to take the heat away from the customer's premises;
- **Improved efficiency through economies of scale.** Cooling unit systems are typically designed with in-built overcapacity. A central cooling plant can be significantly more efficient since it is operated in accordance with the best utility practices and with a clear focus on efficiency;
- **Lower fuel consumption than an on-site system.** District cooling can substantially reduce the electricity costs of cooling a large property by achieving up to 50 per cent. savings in electricity consumption compared with stand-alone cooling solutions;
- **Reduced energy consumption and reduced peak energy demand.** It is currently estimated that 70 per cent. of the overall electricity consumption in the UAE during peak load periods in the summer is attributable to air conditioning systems. District cooling systems have been estimated to save up to 50 per cent. of energy consumption of conventional cooling, based on publications by the Dubai Regulatory and Supervisory Bureau for Electricity and Water (the "**RSB-Dubai**"), which leads to environmental benefits, including lower CO<sub>2</sub> emissions as a result of lower energy consumption (although to the extent that a plant uses desalinated water, this does not take into account the energy used in the desalination process). In addition, the use of TES can help shave electricity peak. There is therefore a strong rationale for having district cooling in the UAE; and
- **Lower lifecycle costs.** District cooling can have the additional benefit of providing a less costly form of cooling when criteria such as a high load density, (high and/or unsubsidised) utility costs and

diversity of loads meet. This enables a lower cost per RT hour compared with alternative cooling solutions.

## **GCC DISTRICT COOLING MARKET**

Tabreed pioneered commercial district cooling services in the UAE, when it commissioned the first plant (of 3,800 tons connected capacity) for the UAF in 1999. Since 1999, management estimates that the connected capacity operated by commercial district cooling service providers in the UAE market has grown to approximately 3.0 million tons, with Tabreed achieving close to 0.95 million tons of connected capacity in the UAE as at 30 June 2020.

Many countries in the GCC have articulated long-term development strategies and the region is characterised by a large number of strategic real estate projects. These projects create significant demand for cooling. The discussion of Tabreed's markets set out below is based on Tabreed's internal research and assessments.

### **Abu Dhabi**

Abu Dhabi is a relatively mature market in terms of district cooling penetration and state of development. Tabreed believes that it has a dominant market share (in terms of connected capacity) of district cooling in Abu Dhabi.

### **Dubai**

Dubai is a mature market in terms of district cooling penetration and state of development. Tabreed believes that it has the second largest market share (in terms of connected capacity) in Dubai, as discussed further below.

### **Qatar**

Qatar is a growing market in terms of district cooling penetration and state of development, although political developments in Qatar create uncertainty. Tabreed believes that it has the dominant market share (in terms of connected capacity) in Qatar.

### **Saudi Arabia**

Saudi Arabia is a large and growing market in terms of district cooling penetration and state of development. Tabreed believes that it has only a small market share (in terms of connected capacity) of district cooling in Saudi Arabia, although the market is characterised by captive district cooling and Tabreed believes that it is still the largest provider.

### **Oman**

Oman is a small market in terms of district cooling penetration and state of development and offers relatively limited growth options. Tabreed believes that it the largest provider of district cooling in Oman although its market share is still likely to be less than 20 per cent., reflecting the fact that captive plants are also a feature of the Oman market. Oman remains the smallest market by connected capacity in the GCC in which Tabreed has a presence.

## **COMPETITION**

Tabreed is one of the leading district cooling companies in the GCC by connected capacity. It is also the only company with plants in each of the UAE, Qatar, Saudi Arabia, Oman and Bahrain.

Tabreed's principal competitors in the UAE are include Emirates Central Cooling Systems Corporation ("**Empower**") and PAL Technology Services LLC ("**PAL Technology**"). According to its website, Empower provides district cooling services to more than 120,000 customers and operates approximately 1,530,000 RT. Empower is indirectly owned by the government of Dubai through two government owned companies. PAL Technologies is part of the PAL group of companies and is based in Abu Dhabi.

Internationally, Tabreed competes with other major district cooling companies in each jurisdiction where it operates and certain of these companies also compete with Tabreed for projects in the UAE.

There are a number of other district cooling companies which principally provide district cooling services predominantly on a captive basis in that the majority of their district cooling facilities serve projects developed by their shareholder. Examples of these entities include Emirates District Cooling LLC (“**EmiCool**”), which is wholly owned by Dubai Investment PJSC as well as entities within the ADNOC and Nakheel groups of companies.

The Group’s competitive focus is to establish itself as the district cooling partner of choice in all the markets in which it operates. In this context, the key success factors for the Group are to:

- maintain its market leading positions in terms of connected capacity in the markets in which it operates;
- continue to provide high quality, reliable and cost-effective operations and services to all of its customers;
- maintain strong relationships with its customers to maximise the chance of winning new business from them;
- bid competitively for new projects, both in terms of price and by demonstrating a flexible approach to ensure that the customer’s needs are met to the fullest extent possible; and
- leverage the strength of the Group’s major shareholders in accessing opportunities in the GCC and wider region.

## OVERVIEW OF THE UAE AND THE EMIRATE OF ABU DHABI

### THE UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi. The federation is governed by the Supreme Council of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (who may serve for an unlimited number of renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and as President of the UAE.

Based on International Monetary Fund (“IMF”) estimates for 2019 (extracted from the IMF’s World Economic Database (April 2020)), the UAE is the fourth largest economy in the MENA region after Saudi Arabia, Iran and Egypt based on nominal GDP purchasing power parity. It has a more diversified economy than most of the other countries in the Gulf Cooperation Council (the “GCC”). According to OPEC data, as at 31 December 2019, the UAE had approximately 6 per cent. of the world’s proven global oil reserves and approximately 3 per cent. of the world’s natural gas reserves (giving it the sixth largest proven crude oil reserves in the world and the seventh largest proven natural gas reserves according to OPEC data).

The UAE enjoys generally good relations with the other states in the GCC, although it has, along with certain other GCC and other countries, imposed sanctions on, and curtailed diplomatic relations with, Qatar and also has a longstanding territorial dispute with Iran over three islands in the Gulf and, as such, is not immune to the political risks that have overshadowed the region.

### ABU DHABI

Abu Dhabi is the largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE federation.

Abu Dhabi represents approximately 95 per cent. of the UAE’s total crude oil reserves, giving it reserves of approximately 100 billion barrels. At the current Field Sustainable Oil Production Rate, Abu Dhabi’s oil reserves are expected to last in excess of 80 years. In terms of production capacity, Abu Dhabi’s onshore facilities currently exceed its offshore facilities.

Abu Dhabi’s oil is considered light, with gravities in the 34 – 40 degree American Petroleum Institute gravity range. Murban, a blend from the onshore fields, is its major export crude. Virtually all of Abu Dhabi’s crude oil is exported to Asia.

### Summary Abu Dhabi statistical data

#### *Abu Dhabi nominal GDP*

The table below shows Abu Dhabi’s nominal GDP and its percentage growth rate for each of the years indicated.

	2015	2016	2017	2018	2019
Abu Dhabi nominal GDP (current prices).....	778,501	760,396	813,623	932,441	915,250
Percentage change in Abu Dhabi nominal GDP	(18.9)	(2.3)	7.0	14.6	(1.8)

Source: Statistics Centre – Abu Dhabi (SCAD)

Abu Dhabi’s GDP is generated principally by the hydrocarbon sector (mining and quarrying), which contributed 35.1 per cent. of nominal GDP in 2015, 31.7 per cent. in 2016, 34.1 per cent. in 2017, 41.7 per cent. in 2018 and 40.8 per cent. in 2019. Outside the hydrocarbon sector, the principal contributors to Abu Dhabi’s nominal GDP in each of 2015, 2016, 2017, 2018 and 2019 have been:

- construction (which accounted for 9.4 per cent. of Abu Dhabi’s nominal GDP in 2019);

- financial and insurance activities (which accounted for 7.7 per cent. of Abu Dhabi's nominal GDP in 2019);
- public administration and defence, compulsory social service (which accounted for 7.0 per cent. of Abu Dhabi's nominal GDP in 2019);
- manufacturing (which accounted for 6.3 per cent. of Abu Dhabi's nominal GDP in 2019);
- wholesale and retail trade, repair of motor vehicles and motorcycles (which accounted for 5.2 per cent. of Abu Dhabi's nominal GDP in 2019); and
- real estate activities and electricity, gas and water supply; waste management activities (each of which accounted for 4.2 per cent. of Abu Dhabi's nominal GDP in 2019).

Together, these non-hydrocarbon sectors accounted for 47.8 per cent. of nominal GDP in 2015, 51.2 per cent. in 2016, 49.7 per cent. in 2017, 43.7 per cent. in 2018 and 44.0 per cent. in 2019.

### ***Abu Dhabi real GDP***

In common with general practice among hydrocarbon-producing countries, Abu Dhabi's real GDP is calculated using hydrocarbon prices from a base year (in Abu Dhabi's case, 2007). This eliminates the effect of volatile price changes in hydrocarbon products on real hydrocarbon GDP and instead shows only the effects of production changes. The production figures that are included in the calculation of hydrocarbon real GDP include both oil and gas production, as well as certain related product production.

Abu Dhabi's real GDP grew at an annual rate of 4.9 per cent. in 2015. The growth slowed to 2.6 per cent. in 2016, turned negative at minus 0.9 per cent. in 2017, was 1.2 per cent. in 2018 and was 1.5 per cent. in 2019.

The tables below shows the growth rates in Abu Dhabi's real GDP by hydrocarbon sector and non-hydrocarbon sector for each of the years indicated.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
			<i>(per cent.)</i>		
Abu Dhabi hydrocarbon real GDP growth.....	4.4	2.7	(2.9)	3.5	3.5
Abu Dhabi non-hydrocarbon real GDP growth.....	5.5	2.4	0.9	(0.8)	(0.5)
Abu Dhabi total real GDP growth.....	4.9	2.6	(0.9)	1.2	1.5

Source: SCAD

Real growth in the hydrocarbon sector has been driven principally by production changes. The non-hydrocarbon sector of the economy grew by 5.5 per cent. in 2015. Real GDP growth for the non-hydrocarbon sector slowed to 2.4 per cent. in 2016 and 0.9 per cent. in 2017 and was negative at 0.8 per cent. in 2018 and 0.5 per cent. in 2019, principally reflecting continued corporate restructuring, a slowdown in government investment, declining real estate prices and construction activity and tightening fiscal conditions, in part due to rising U.S. interest rates which strengthened the U.S. dollar.

The table below shows Abu Dhabi's real GDP and its percentage growth rate for each of the years indicated.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
			<i>(AED millions)</i>		
Abu Dhabi real GDP (constant 2007 prices).....	770,011	789,716	782,289	792,065	803,568
Percentage change in Abu Dhabi real GDP.....	4.9	2.6	(0.9)	1.2	1.5

Source: SCAD

The fastest growing sectors between 2015 and 2019 in real GP terms were:

- accommodation and food service activities, with a compound annual growth rate of 5.33 per cent.;
- activities of households as employers, with a compound annual growth rate of 4.87 per cent.;
- agriculture, with a compound annual growth rate of 3.45 per cent.;

- information and communication, with a compound annual growth rate of 3.33 per cent.;
- education, with a compound annual growth rate of 2.64 per cent.; and
- manufacturing, with a compound annual growth rate of 2.32 per cent.

### ***UAE and Abu Dhabi population***

The most recent UAE census for which data has been published was conducted in 2005. Censuses in individual emirates, including Abu Dhabi in 2011, have subsequently been undertaken. All Abu Dhabi population figures set out below for 2010 and subsequent years are estimates based on historic data, including the unpublished census results. The most recent estimate of population for the UAE as a whole was made by the UAE Federal Competitiveness and Statistics Authority (the “FCSA”), which estimated the registered resident population of the UAE to be approximately 9.4 million as at 31 December 2018 of that year. The most recent public estimate of population in Abu Dhabi was made by SCAD, which estimated the usual resident population of Abu Dhabi to be approximately 2.9 million as at 30 June 2016.

The International Bank for Reconstruction and Development (the World Bank) has estimated the population of the UAE as a whole to be approximately 9.4 million in 2017.

The populations of both the UAE and Abu Dhabi have grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the emirates have developed. The table below illustrates this growth since 1985, using census data for each of 1985, 1995 and 2005.

### ***Population of Abu Dhabi and the UAE***

	<u>1985</u>	<u>1995</u>	<u>2005</u>	<u>2016</u>	<u>2018</u>
UAE population .....	1,379,303	2,411,041	4,106,427	—	9,366,829 <sup>(1)</sup>
Abu Dhabi population .....	566,036	942,463	1,399,484	2,908,173 <sup>(2)</sup>	—

Note:

(1) FCSA estimate as at 31 December 2018.

(2) SCAD estimates as at 30 June.

Sources: SCAD (Abu Dhabi population figures) and FCSA (UAE population figures).

Based on SCAD data, Abu Dhabi’s population grew by 7.7 per cent. between 30 June 2012 and 30 June 2013, by 6.6 per cent. between 30 June 2013 and 30 June 2014, by 4.8 per cent. between 30 June 2014 and 30 June 2015 and by 4.4 per cent. between 30 June 2015 and 30 June 2016.

As at 30 June 2016 and based on SCAD estimates, Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 and over and 16.6 per cent. being under the age of 15. The historic annual average growth rate of the population between 2010 and 2016 was 5.6 per cent., with the population of UAE citizens living in Abu Dhabi growing at an annual average rate of 3.9 per cent. and the non-national population growing at an annual average rate of 6.0 per cent. over the period. The population mix as at 30 June 2016 comprised 19.0 per cent. UAE nationals and 81.0 per cent. non-nationals. The majority of the non-national population is male (with a ratio of 2.01 males to 1 female at 30 June 2016), reflecting the fact that the population principally comprises male migrant workers.

### ***Abu Dhabi inflation***

The table below sets out annual inflation rates in Abu Dhabi for each of the years indicated:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Consumer prices (percentage change, year on year) .....	4.3	2.0	1.6	3.3	(0.8)

Source: SCAD

According to SCAD, the Abu Dhabi inflation rate in May 2020 was minus 2.8 per cent. compared with May 2019. Inflation in Abu Dhabi in the first five months of 2020 ranged between a high of minus 1.4 per cent. in April and a low of minus 2.8 per cent. in May, in each case when compared against the same month in the previous year.

## Summary Dubai statistical data

Dubai is the second largest of the seven Emirates. Since the UAE was established, when approximately half of Dubai's GDP was oil-related, the emirate's reliance on oil has decreased significantly and Dubai now has a diversified economy. Reflecting the emirate's strategic geographic location, rising levels of international trade and the Government's long-standing strategy of positioning the emirate as a trading centre, the wholesale and retail trade (which includes automotive repair) sector is the principal contributor to GDP.

### Dubai nominal GDP

The table below shows Dubai's nominal GDP and its percentage growth rate for each of the years indicated.

	2015	2016	2017	2018	2019
Dubai nominal GDP (current prices).....	388,816	395,835	411,589	421,201	432,347
Percentage change in Dubai nominal GDP .....	2.6	1.8	4.0	2.3	2.7

Source: Dubai Statistics Centre

The principal contributors to Dubai's nominal GDP are:

- wholesale and retail trade, repair of motor vehicles and motorcycles (which accounted for 25.4 per cent. of Dubai's nominal GDP in 2019);
- transportation and storage (which accounted for 12.2 per cent. of Dubai's nominal GDP in 2019);
- financial and insurance activities (which accounted for 11.3 per cent. of Dubai's nominal GDP in 2019);
- manufacturing (which accounted for 8.7 per cent. of Dubai's nominal GDP in 2019);
- public administration and defence; compulsory social security (which accounted for 6.9 per cent. of Dubai's nominal GDP in 2019);
- construction (which accounted for 6.4 per cent. of Dubai's nominal GDP in 2019); and
- real estate activities (which accounted for 6.1 per cent. of Dubai's nominal GDP in 2019).

Together, these sectors accounted for 77.0 per cent. of Dubai's nominal GDP in 2019.

### Dubai real GDP

Dubai's real GDP grew during the period between 2015 and 2019. The table below shows the growth rates in Dubai's real GDP for each of the years indicated.

The table below shows Dubai's real GDP and its percentage growth rate for each of the years indicated.

	2015	2016	2017	2018	2019
Dubai real GDP (constant prices).....	367,437	378,765	390,543	398,559	407,424
Percentage change in Dubai real GDP ...	4.0	3.1	3.1	2.1	2.2

Source: Dubai Statistics Center

Almost every sector in Dubai grew in real terms between 2015 and 2019, with some of the very small sectors showing the fastest growth rates. Of the sectors that contributed more than 2 per cent. to Dubai's real GDP in 2019, the fastest growing between 2015 and 2018 in real GDP terms were:

- real estate activities, with a compound annual growth rate of 5.90 per cent.
- transportation and storage, with a compound annual growth rate of 4.96 per cent.;
- accommodation and food service activities, with a compound annual growth rate of 4.81 per cent.;

- professional, scientific and technical activities, with a compound annual growth rate of 4.33 per cent.; and
- electricity, gas and water supply; waste management, with a compound annual growth rate of 4.20 per cent.

### ***Dubai population***

The population of Dubai has grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the emirates have developed. The table below illustrates this growth since 1985, using census data for each of 1985, 1995 and 2005.

	<u>1985</u>	<u>1995</u>	<u>2005</u>	<u>2010</u>	<u>2019</u>
Dubai population.....	370,788	689,420	1,321,453	1,905,476 <sup>(1)</sup>	3,355,900 <sup>(1)</sup>

Note:

(1) Dubai Statistics Center estimate as at 31 December.

Source: Dubai Statistics Center

The population mix in Dubai at 31 December 2019 is estimated to have comprised 7.9 per cent. UAE nationals and 92.1 per cent. non-nationals. The majority of the non-national population is male (with a ratio of 2.28 males to 1 female at 31 December 2019), reflecting the fact that the population principally comprises male migrant workers.

### ***Dubai inflation***

The table below sets out annual inflation rates in Dubai for each of the years indicated:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Consumer prices (percentage change, year on year) .....	3.65	2.91	2.10	1.50	(2.98)

Source: Dubai Statistics Center

According to the Dubai Statistics Centre, the Dubai inflation rate in July 2020 was minus 3.1 per cent. compared with July 2019. Inflation in Dubai in the first seven months of 2020 ranged between a high of minus 3.5 per cent. in May and a low of minus 1.2 per cent. in February, in each case when compared against the same month in the previous year.



## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

### 1. Global Certificates

The Notes will be evidenced on issue by the Global Certificate (deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg).

Interests in the Global Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See “– *Book-Entry Procedures*”.

Except following an Exchange Event (described below), owners of interests in the Global Certificate will not be entitled to receive physical delivery of certificated Notes in definitive form (the “**Definitive Certificates**”).

### 2. Amendments to the Conditions

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the above Conditions of the Notes. The following is a summary of those provisions:

*Payments.* Payments of principal and interest in respect of Notes evidenced by the Global Certificate will be made against presentation for endorsement by the Fiscal Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of the Global Certificate to or to the order of the Fiscal Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

*Notices.* So long as any Notes are represented by the Global Certificate and the Global Certificate is held on behalf of one or more clearing systems, notices to Noteholders required to be published in the *Financial Times* may be given by delivery of the relevant notice to such clearing systems for communication by it to entitled accountholders in substitution for delivery thereof as required by the Conditions of such Notes; *provided that* for so long as the Notes are listed on the Official List and admitted to trading on the Market and the rules of the London Stock Exchange so require, notices shall also be published in a leading newspaper having general circulation in England (which is expected to be the *Financial Times*).

*Meetings.* The holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.\$200,000 in principal amount of Notes for which the Global Certificate may be exchangeable.

*Prescription.* Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Global Certificate will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).

*Change of Control Put Option.* The Noteholders’ put option in Condition 9(c) (*Redemption at the option of Noteholders (Change of Control Put Option)*) of the Notes may be exercised by the holder of the Global Certificate giving notice to the Fiscal Agent of the principal amount of Notes in respect of which the option is exercised and presenting the Global Certificate for endorsement of exercise within the time limits specified in such Condition.

*Clean Up Call Option.* No drawing of Notes will be required under Condition 9(d) (*Redemption at the option of the Issuer (Clean Up Call Option)*) of the Notes in the event that the Issuer exercises its call option in such Condition while the Notes are represented by the Global Certificate in respect of less than the aggregate principal amount of Notes outstanding.

*Purchase and Cancellation.* Cancellation of any Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Global Certificate.

### 3. **Exchange for and Transfers of Definitive Certificates**

The Global Certificate will become exchangeable, free of charge to the holder, in whole but not in part, for Definitive Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so, or (b) an Event of Default (as defined in Condition 12 (*Events of Default*) of the Notes) occurs (each an “**Exchange Event**”). In such circumstances, the Issuer will procure that the Registrar notifies the Noteholders as soon as practicable after the occurrence of the relevant event and that such Definitive Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes.

The holder of a Definitive Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Paying and Transfer Agent, together with the completed form of transfer thereon. The Registrar will not register the transfer of any Notes or exchange of interests in a Global Certificate for Definitive Certificates for a period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Notes.

### 4. **Book-Entry Procedures**

Custodial and depository links are expected to be established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See “*Book-Entry Ownership*” and “*Settlement and Transfer of Interests in Notes held in the Clearing Systems*” below.

Investors may hold their interests in the Global Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**”) and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

### 5. **Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

## 6. **Book-Entry Ownership**

*Euroclear and Clearstream, Luxembourg*

A Global Certificate representing the Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

## 7. **Relationship of Participants with Clearing Systems**

Each of the persons shown in the records of Euroclear and Clearstream, Luxembourg as the holder of a Note evidenced by the Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by the Global Certificate, the common depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective interests in the principal amount of the Global Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of interests in the Global Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by the Global Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of the Global Certificate in respect of each amount so paid. None of the Issuer or any Paying and Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

## 8. **Settlement and Transfer of Interests in Notes held in the Clearing Systems**

Subject to the rules and procedures of the applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in the Global Certificate are exchanged for Definitive Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Certificate to such persons may be limited.

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Notes and receiving payments under those Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### **United Arab Emirates (excluding the Dubai International Financial Centre)**

The following summary of the anticipated tax treatment in the UAE in relation to the payments on the Notes is based on the taxation law and practice in force at the date of this Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree of 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments made under the Notes. If any such withholding or deduction is required to be made in respect of payments due by the Issuer under the Notes, the Issuer has undertaken to gross-up the payments due by it accordingly (subject to certain limited exceptions).

The Constitution of the UAE specifically reserves to the UAE federal government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “**FATCA**”, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the second anniversary of the date on which final regulations defining the term “foreign passthru payments” are published in the U.S. Federal Register. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### **The proposed financial transactions tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 (such as the issuance and subscription of Notes) are expected to be exempt.

Under the Commission's Proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

## SUBSCRIPTION AND SALE

HSBC Bank plc, J.P. Morgan Securities plc and Commercial Bank of Dubai P.S.C. (the “**Joint Lead Managers**”) have, pursuant to a subscription agreement dated 20 October 2020 (the “**Subscription Agreement**”), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Notes at 98.864 per cent. of their principal amount. The Issuer has agreed to pay to the Joint Lead Managers certain commissions in respect of their services for managing the issue and the offering of the Notes. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

To the extent permitted by local law, the Joint Lead Managers and the Issuer may agree that commissions or fees may be offered to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Notes purchased by such intermediary and/or its customers. Any disclosure and other obligations in relation to the payment of such commission to such intermediary are solely the responsibility of the relevant intermediary and none of the Issuer, the Joint Lead Managers or any of their affiliates, nor any person who controls or is a director, officer, employee or agent of any such person, accepts any liability or responsibility whatsoever for compliance with such obligations. Each customer of any such intermediary is responsible for determining for itself whether an investment in the Notes is consistent with its investment objectives.

Certain of the Joint Lead Managers have, directly or indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to the Issuer and its affiliates from time to time, for which they have received monetary compensation. Certain of the Joint Lead Managers may from time to time also enter into swap and other derivative transactions with the Issuer and its affiliates. In addition, certain of the Joint Lead Managers and their affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the Issuer or its affiliates.

### General

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer and any other Joint Lead Manager shall have any responsibility therefor.

None of the Issuer and any of the Joint Lead Managers have made any representations that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any applicable restrictions on the distribution of the Prospectus and the offering and sale of Notes.

### United States

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each Joint Lead Manager has agreed that:

- (a) it has not solicited and will not solicit offers for, or offer or sell, Notes by means of any general solicitation or advertising in the United States or otherwise in any manner involving a public offerings within the meaning of Section 4(2) of the Securities Act;
- (b) none of it, its affiliates or any person acting on its or their behalf, has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes; and

- (c) such Joint Lead Manager, or any person acting on its behalf, will offer or sell or solicit offers for the Notes as part of their initial distribution only in offshore transactions within the meaning and meeting the requirements of Rule 903 under the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

### **Public Offer Selling Restriction under the Prospectus Regulation**

In relation to each Member State of the European Economic Area or the United Kingdom (each, a “**Relevant State**”), each Joint Lead Manager has represented and agreed that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Joint Lead Manager or Joint Lead Managers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

*provided that* no such offer of Notes shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### **United Kingdom**

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Market Act 2000, as amended (the “**FSMA**”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### **Dubai International Financial Centre**

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

- (i) an “**Exempt Offer**” in accordance with the Markets Rules (MKT Module) of the rulebook of the Dubai Financial Services Authority (the “**DFSA Rulebook**”); and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.



## **Kingdom of Saudi Arabia**

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Notes. Any investor in Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9 or Article 10 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Market Authority (the “**CMA**”) resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the CMA resolution number 1-104-2019 dated 30 September 2019 (the “**KSA Regulations**”), made through a person authorised by the CMA to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in Saudi Arabia other than to sophisticated investors under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Notes to a Saudi Investor will be made in compliance with Article 9 or Article 10 and Article 11 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer of sale is otherwise in compliance with Article 15 of the KSA Regulations.

## **Kingdom of Bahrain**

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are accredited investors.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) 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).

## **State of Qatar (including the Qatar Financial Centre)**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (i) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre).

This Prospectus: (a) has not been, and will not be, reviewed, registered with or approved by the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority, the Qatar Financial Markets Authority or the Qatar Stock Exchange and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (b) is intended for the original recipient only and must not be provided to any other person; and (c) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

## **Singapore**

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold

any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time (the “SFA”)) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) 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
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Product classification pursuant to Section 309B of the SFA – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018).*

## **Hong Kong**

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong by means of any document, any Notes other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, 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 any Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold any Notes, and will not, directly or indirectly, offer or sell any Notes 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 other entity organised under the laws of Japan) or to others for re-offering or re-sale, 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 of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **State of Kuwait**

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than 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 Notes is being made in the State of Kuwait, and no agreement relating to the sale of the Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in the State of Kuwait.

## GENERAL INFORMATION

### 1. Clearing Systems

The Notes have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems with a Common Code of 224217129. The International Securities Identification Number (ISIN) for the Notes is XS2242171291.

The Financial Instrument Short Name (FISN) is NATIONAL CENTRA/VAREUR NT 22001231 and the Classification of Financial Instruments (CFI) code is DBVNFR, in each case as may be updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the relevant ISIN.

### 2. Admission to Trading

Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market. It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on or around the Closing Date. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules.

The total expenses related to the admission to trading of the Notes on the Market are estimated at £7,515.

### 3. Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolution of the Board passed on 6 October 2020.

### 4. Legal Entity Identifier

The Legal Entity Identifier code of the Issuer is 254900E7M1Y3DXGQ1283.

### 5. Material Adverse Change

There has been no significant change in the financial performance or financial position of the Issuer or of the Group since 30 June 2020 and there has been no material adverse change in the prospects of the Issuer or of the Group since 31 December 2019.

### 6. Litigation

Except as disclosed in “*Risk Factors – Risks relating to the Group – The Group may be involved in litigation from time to time*”, neither the Issuer nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or of the Group.

### 7. Documents on Display

For so long as any of the Notes is outstanding, copies of the following documents may be inspected: (i) on the website of the Issuer at [www.tabreed.ae/investor-relations](http://www.tabreed.ae/investor-relations); and (ii) at the specified offices of each of the Paying and Transfer Agents during normal business hours:

- (a) the constitutional documents of the Issuer;
- (b) the Financial Statements, together with the audit and, as applicable, review reports prepared in connection therewith;
- (c) the Deed of Covenant;
- (d) the Agency Agreement; and

(e) this Prospectus and any supplements thereto.

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, the information contained on the website referred to in this paragraph is not incorporated by reference into, or otherwise included in, this Prospectus.

This Prospectus will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/marketnews-home.html](http://www.londonstockexchange.com/exchange/news/market-news/marketnews-home.html).

## **8. Auditors**

The auditors of the Issuer are PricewaterhouseCoopers (Abu Dhabi Branch) (“**PwC**”) and their business address is 25th Floor, Al Khatem Tower, Abu Dhabi Global Market, Abu Dhabi, PO Box 45263, United Arab Emirates. PwC were appointed as auditors of the Issuer with effect from 1 January 2019 and have audited, in accordance with International Standards on Auditing, the Issuer’s consolidated financial statements as of and for the year ended 31 December 2019 as stated in their unqualified auditor’s report appearing in this Prospectus.

PwC is a registered audit firm in the UAE, operating under professional licences issued by the Department of Economic Development and the UAE Ministry of Economy. There is no professional institute of auditors in the UAE and, accordingly, PwC is not a member of a professional body in the UAE. All PwC partners directly involved in the audit are members of the institutes from where they received their professional qualification.

Previously, the auditors of the Issuer were Deloitte & Touche (M.E.) (“**Deloitte**”) and their business address is Al Sila Tower, Abu Dhabi Global Market Square, P.O. Box 990, Abu Dhabi, United Arab Emirates. Deloitte have audited, in accordance with International Standards on Auditing, the Issuer’s consolidated financial statements as of and for the year ended 31 December 2018 as stated in their unqualified auditor’s report appearing in this Prospectus.

Deloitte is regulated in the UAE by the UAE Ministry of Economy which has issued Deloitte with a license to practice as auditors. There is no professional institute of auditors in the UAE and, accordingly, Deloitte is not a member of a professional body in the UAE. All of Deloitte’s audit partners are members of the institutes from where they received their professional qualification.

## **9. Conflicts of Interest**

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer towards the Issuer and their private interests and/or other duties.

## **10. Obligation to Supplement This Prospectus**

The Issuer shall have no obligation to supplement this Prospectus after the end of the offer or admission to trading of the Notes.

## ISSUER

### **National Central Cooling Company PJSC**

Level 2, Accelerator Building  
Masdar City  
P.O. Box 29478  
Abu Dhabi  
United Arab Emirates

## JOINT GLOBAL COORDINATORS, JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

**HSBC Bank plc**  
8 Canada Square  
London, E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

## JOINT LEAD MANAGER

### **Commercial Bank of Dubai P.S.C.**

Port Saeed, Al Ittihad Street  
P.O. Box 2668  
Dubai  
United Arab Emirates

## REGISTRAR AND FISCAL AGENT

**HSBC Bank plc**  
8 Canada Square  
London, E14 5HQ  
United Kingdom

## LEGAL ADVISERS

*To the Issuer as to English and UAE law*

**Allen & Overy LLP**  
11<sup>th</sup> Floor, Burj Daman Building  
Al Mustaqbal Street  
Dubai International Financial Centre  
Dubai  
P.O. Box 506678  
United Arab Emirates

*To the Joint Lead Managers as to English and UAE law*

**White & Case LLP**  
Level 6, Burj Daman  
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Dubai International Financial Centre  
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P.O. Box 9705  
United Arab Emirates

## AUDITORS TO THE ISSUER

### **PricewaterhouseCoopers (Abu Dhabi Branch)**

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