**OFFERING CIRCULAR**

# ABU DHABI PORTS COMPANY PJSC

(*incorporated with limited liability in the Emirate of Abu Dhabi, United Arab Emirates*)

## Euro Medium Term Note Programme

Under this Euro Medium Term Note Programme (the **Programme**), Abu Dhabi Ports Company PJSC (the **Issuer** or **AD Ports**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".**

This Offering Circular has been approved as a base prospectus by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer that is the subject of this Offering Circular or of the quality of the Notes that are the subject of this Offering Circular. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular 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 main market.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's main market and have been admitted to the Official List. The London Stock Exchange's main market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (**UK MiFIR**).

**This Offering Circular (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the United Kingdom and/or offered to the public in the United Kingdom other than in circumstances where an exemption is available under Section 86 of the Financial Services and Markets Act 2000 (the FSMA). The obligation to supplement this Offering Circular in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Offering Circular is no longer valid.**

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

The requirement to publish a prospectus under the FSMA only applies to Notes which are admitted to trading on a UK regulated market as defined in UK MiFIR and/or offered to the public in the United Kingdom other than in circumstances where an exemption is available under section 86 of the FSMA. References in this Offering Circular to **Exempt Notes** are to Notes for which no prospectus is required to be published under the UK Prospectus Regulation and the FSMA. The FCA has neither approved nor reviewed information contained in this Offering Circular in connection with Exempt Notes.

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the **Final Terms**) which will be delivered to the FCA and, where listed, the London Stock Exchange.

Copies of the Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service. In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

The Issuer has been rated A+ by Standard & Poor's Global Ratings Europe Limited (**S&P**) and A+ by Fitch Ratings Ltd (**Fitch**). The Programme is expected to be rated A+ by S&P and A+ by Fitch.

S&P is established in the European Economic Area (the **EEA**) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. S&P is not established in the United Kingdom (**UK**) and has not applied for registration in accordance with the UK CRA Regulation. Ratings issued by S&P have been endorsed by S&P Global Ratings UK Limited in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**) and have not been withdrawn. As such, the ratings issued by S&P may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

Fitch is established in the UK and is registered in accordance with the UK CRA Regulation. Fitch is not established in the EEA and has not applied for registration under the CRA Regulation. The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited in accordance with the CRA Regulation and have not been withdrawn. Fitch Ratings Ireland Limited is established in the EEA and registered under the CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by ESMA on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes will be calculated by reference to one of EURIBOR, LIBID, LIBOR, LIMEAN, SHIBOR, HIBOR, SIBOR, EIBOR, SAIBOR, BBSW, JPY LIBOR, PRIBOR, CNH HIBOR, TRLIBOR or TRYLIBOR and TIBOR as specified in the relevant Final Terms (or in the case of Exempt Notes, the Pricing Supplement). As at the date of this Offering Circular, the administrators of LIBOR, EURIBOR, JPY LIBOR, PRIBOR and SAIBOR are included in the register of administrators of the FCA's register of administrators under Article 36 of Regulation (EU) No 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**). As at the date of this Offering Circular, the administrators of SHIBOR, HIBOR, SIBOR, EIBOR, BBSW, CNH HIBOR, TRLIBOR or TRYLIBOR and TIBOR are not included in the FCA's register of administrators under Article 36 of the UK Benchmarks Regulation. As far as the Issuers are aware, the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that the Treasury Markets Association of Banks, the Association of Banks in Singapore, the UAE Central Bank, ASX Limited, the Banks Association of Turkey and the JBA TIBOR Administration, are not currently required to obtain authorisation/registration (or, if located outside the United Kingdom, recognition, endorsement or equivalence).

**Arrangers**

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|---|---|
| **Citigroup** | **First Abu Dhabi Bank** |

**Dealers**

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| **Citigroup** | **First Abu Dhabi Bank** |

The date of this Offering Circular is 27 April 2021.

## IMPORTANT INFORMATION

**This Offering Circular comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 8 of the UK Prospectus Regulation. When used in this Offering Circular, Prospectus Regulation means Regulation (EU) 2017/1129 and UK Prospectus Regulation means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.**

**The Issuer accepts responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer the information contained in this Offering Circular is in accordance with the facts and this Offering Circular does not omit anything likely to affect the import of such information.**

**Where information has been sourced from a third party, 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 relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.**

**Neither the Arrangers nor the Dealers have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers or the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme. No Arranger or Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme.**

**No person is or has been authorised by the Issuer or any of the Arrangers or Dealers to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Arrangers or Dealers.**

**Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Arrangers or Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any 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. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Arrangers or Dealers to any person to subscribe for or to purchase any Notes.**

**Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers or Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.**

**IMPORTANT – EEA RETAIL INVESTORS –** If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT – UK RETAIL INVESTORS** – If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MIFID II PRODUCT GOVERNANCE / TARGET MARKET** – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market 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 target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

**UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET** – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

**NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) -** Unless otherwise stated in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular has been prepared on the basis that any Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) will (i) only be admitted to trading on a regulated market (as defined in UK MiFIR), or a specific segment of a regulated market, to which only qualified investors (as defined in the UK Prospectus Regulation) can have access (in which case they shall not be offered or sold to non-qualified investors) or (ii) only be offered to the public pursuant to an exemption under section 86 of the FSMA.

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arrangers and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the EEA, the United Kingdom, the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre), the Abu Dhabi Global Market, the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, Singapore, Hong Kong and Japan, see "*Subscription and Sale*".

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public joint stock company organised under the laws of the United Arab Emirates (the **UAE**). All or a substantial portion of the assets of the Issuer are located within the UAE. As a result, it may not be possible for investors to effect service of process outside the UAE upon the Issuer, or to enforce judgments against it obtained in courts outside the UAE predicated upon civil liabilities of the Issuer under laws other than UAE law. The Notes are governed by English law and disputes in respect of them may be settled under the Arbitration Rules of the London Court of International Arbitration in London, England. In addition, actions in respect of the Notes may be brought in the English courts at the option of any Noteholder.

In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the Abu Dhabi courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Notes. Investors may have difficulties in enforcing any English court judgments or arbitration awards against the Issuer in the courts of Abu Dhabi. Please see "*Risk Factors—Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme—Risks relating to enforcement*" for more information.

## NOTICE TO THE RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Offering Circular 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 Offering Circular 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 Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the Notes 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 Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of Notes will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

## NOTICE TO THE RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This document 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 **Capital Market Authority**).

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

# PRESENTATION OF FINANCIAL AND OTHER INFORMATION

## PRESENTATION OF FINANCIAL INFORMATION

### Historical financial statements

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

- the audited consolidated financial statements as at and for the year ended 31 December 2020 (the **2020 Financial Statements**); and
- the audited consolidated financial statements as at and for the year ended 31 December 2019 (the **2019 Financial Statements** and, together with the 2020 Financial Statements, the **Financial Statements**).

The Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (**IFRS**) and the applicable provisions of UAE Federal Law No. 2 of 2015, as amended.

The Group's financial year ends on 31 December and references in this Offering Circular to **2020, 2019** and **2018** are to the 12 month period ending on 31 December in each such year.

### Restatement of 2019 Financial Statements

Abu Dhabi Law No. (16) for 2020 required that all the assets, rights and obligations of The Higher Corporation for Specialized Economic Zones in the Emirate of Abu Dhabi should be transferred to AD Ports from its parent company, Abu Dhabi Developmental Holding Company PJSC (**ADQ**). As a result, these assets, rights and obligations (referred to in this Offering Circular as **ZonesCorp**) were transferred to AD Ports with effect from 1 June 2020. The Group applied the book-value approach to account for this common control transaction and elected to account for it retrospectively with effect from 1 January 2019. As a result, the comparative figures for 2019 in the 2020 Financial Statements were restated to reflect the acquisition as if it had occurred on 1 January 2019.

Note 12 to the 2020 Financial Statements provides further information on the accounting treatment of this transaction.

Reflecting the restatement of 2019 Financial Statements as a result of this transaction, all financial information in this Offering Circular as at, and for the year ended 31 December 2019 which is identified as being:

- "**original**" or presented on "**an original basis**" has been extracted from the 2019 Financial Statements; and
- "**restated**" or presented on "**a restated basis**" has been extracted from the comparative financial information in the 2020 Financial Statements.

In addition, certain amounts for 2019 were reclassified in the 2020 Financial Statements for consistency with the current year presentation. Among other reclassifications, this included the reclassification of unbilled lease receivables as non-current assets, changes between various heads of cash flows and changes in the classification of revenue breakdowns.

All financial information in this Offering Circular as at, and for the year ended 31 December 2020 has been extracted from the 2020 Financial Statements and all financial information in this Offering Circular as at, and for the year ended 31 December 2018 has been extracted from the 2019 Financial Statements.

**Auditors**

The Financial Statements have been audited by KPMG Lower Gulf Limited, independent auditors (the Auditors), in accordance with International Standards on Auditing, who have issued unqualified reports on the Financial Statements.

**Certain unaudited and non-IFRS financial information**

Certain financial information in this Offering Circular contained in "*Selected financial information—Selected consolidated ratios*" and "*Financial review*" has not been prepared in accordance with IFRS and also constitutes alternative performance measures (**APMs**) for the purposes of the ESMA Guidelines on Alternative Performance Measures. None of this financial information is subject to any audit or review by independent auditors.

***Adjusted EBITDA***

Adjusted EBITDA is not a measure of financial performance under IFRS and investors should not consider Adjusted EBITDA as an alternative to:

- operating income or net income (as determined in accordance with IFRS) as a measure of operating performance;
- cash flows from ongoing operations, investing and financing activities (as determined in accordance with IFRS) as a measure of ability to meet cash needs; or
- any other measures of performance under IFRS.

In determining Adjusted EBITDA, the Group adds back to, or subtracts from, as appropriate, profit for the year the following items:

- finance costs, including IFRS-16-related costs;
- depreciation and amortisation both as recorded in direct costs and general and administrative expenses;
- impairment of investment properties;
- finance income;
- fair value gain on pre-existing interest in a joint venture; and
- revenue from government grants.

AD Ports believes that the presentation of Adjusted EBITDA 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, Adjusted EBITDA is not a measure of financial performance under IFRS and should be viewed as supplemental to the Financial Statements. Adjusted EBITDA does not by itself provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. In addition, Adjusted EBITDA should not be used instead of, or considered as an alternative to, the Group's historical financial results.

Other companies, including those in the Group's industry, may calculate Adjusted EBITDA differently from the Group. As all companies do not calculate Adjusted EBITDA in the same manner, the Group's presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Some of the limitations of using Adjusted EBITDA as a financial measure are:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs;
- it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- it is not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measure does not reflect any cash requirements for such replacement; and
- the further adjustments made in calculating Adjusted EBITDA are those that management consider are not representative of the underlying operations of the Group and therefore subjective in nature.

For a reconciliation of reported profit before tax to Adjusted EBITDA for each of 2020, 2019 and 2018, see "*Selected financial information—Adjusted EBITDA*".

## PRESENTATION OF OTHER INFORMATION

### Clusters

References in this Offering Circular to:

- **Ports cluster** are to:
  - the nine ports owned by the Group in Abu Dhabi, being Khalifa Port, Mina Zayed Port, Mussafah Port, Mugharraq Port, Delma Port, Al Mirfa Port, Al Sila Port, Shahama Port and Free Port;
  - Fujairah Port, which the Group's subsidiary Fujairah Terminals Operating Company – Fujairah Terminals LLC (**Fujairah Terminals**) operates under a 35-year concession;
  - Kamsar Terminal at Kamsar Port in Guinea, which the Group operates under a management services agreement;
  - the Group's subsidiary Autoterminal Khalifa Port LLC (the **Autoterminal Khalifa**), in which the Group has a 51 per cent. shareholding;
  - a joint venture, Abu Dhabi Ports Operating Company PJSC – Abu Dhabi Terminals (the **ADT joint venture**), in which the Group has a 51 per cent. shareholding; and
  - its 10 per cent. investment in CSP Abu Dhabi Terminal LLC (**CSP Terminal**);
- **Industrial and free zones cluster** (the **IFZ cluster**) are, except where specifically stated otherwise, to the following land parcels:

- industrial (non-free trade) zones with an area of approximately 310km$^2$ within the Khalifa Industrial Zone Abu Dhabi (**KIZAD**), the largest integrated trade, logistics and industrial hub in the United Arab Emirates (the **UAE)**;

- Khalifa Port Free Trade Zone, an area of approximately 100km$^2$ within KIZAD; and

- the ZonesCorp economic, industrial and commercial trade zones with a combined area of approximately 145km2 and located in Mussafah, Al Haffar, Al Fayah, and Al Ain, the 29 workers residential cities across Abu Dhabi that are regulated by ZonesCorp and a joint venture, ZonesCorp Infrastructure Fund (**ZIF**), established for construction of infrastructure at some of the ZonesCorp industrial zones;

- **Logistics cluster** are to the logistics operations, including transportation, warehouse and cargo handling services and valued added services, undertaken by the Group's subsidiaries, Abu Dhabi Ports Operating and Logistic Company LLC and MICCO Logistics – Sole Proprietorship LLC (**MICCO**);

- **Maritime cluster** are to (i) the maritime business undertaken by the Group's subsidiaries, Abu Dhabi Marine Services Safeen LLC (SAFEEN) and **SAFEEN** Feeders, (ii) transshipment services both in Guinea (through a joint venture company) and in the UAE and (iii) offshore support services provided by a subsidiary through a partnership established in 2020. In addition, the Maritime cluster includes the Group's subsidiary, Abu Dhabi Maritime Academy – Sole Proprietorship LLC (**Abu Dhabi Maritime Academy**), which provides training in maritime skills and Maritime Authority – Sole Proprietorship LLC (**Abu Dhabi Maritime**), which is the primary custodian of Abu Dhabi's waterways and regulator of the maritime sector in Abu Dhabi; and

- **Digital cluster** are to the business carried on by Maqta Gateway LLC (**Maqta Gateway**).

**Currencies**

Unless otherwise indicated, in this Offering Circular, all references to:

- **dirham** and **AED** are to the lawful currency of the UAE; 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 Offering Circular has been expressed in dirham. The Group's functional currency is dirham and the Group prepares its financial statements in 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. For ease of presentation, certain financial information included in this Offering Circular is presented as translated into U.S. dollars at this rate. These translations should not be construed as a representation that the amounts in question have been, could have been or could be converted into U.S. dollars at that or any other rate.

**Third party and market share data**

This Offering Circular contains information regarding the Group's business and the industries in which it operates and competes, which the Group has obtained from third party sources identified in this Offering Circular. Where third party information has been used in this Offering Circular, the source of such information has been identified.

In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Offering Circular is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. AD Ports believes that these estimates of market share 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. Although all such estimations have been made in good faith based on the information available and the Group's knowledge of the market within which it operates, AD Ports cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Abu Dhabi and the UAE included in this Offering Circular has been derived from official public sources, including publications of the Statistics Centre – Abu Dhabi (**SCAD**), the UAE Federal Competitiveness and Statistics Authority (the **FCSA**), the International Monetary Fund (the **IMF**) and the Organization of 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 Notes.

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

### No incorporation of website information

AD Ports' website is www.adports.ae. The information on this website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

### Definitions

In this Offering Circular:

- **Abu Dhabi** means the Emirate of Abu Dhabi;
- **GCC** means the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE);
- **Government** means the government of Abu Dhabi;
- **industrial zones** means the Khalifa Port Free Trade Zone, the other industrial zones owned by KIZAD and the ZonesCorp economic, industrial and commercial trade zones; and
- **MENA region** means the region comprising the Middle East and North Africa.

### Rounding

In this Offering Circular, certain financial information which has been extracted from the Financial Statements (which are presented in thousands of dirham) has been rounded to the nearest million dirham, with AED 500,000 and above being rounded up and AED 499,999 and below being rounded down. As a result of such rounding, the totals of data presented in tables in this Offering Circular may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item. 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.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular 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 these 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*" and "*Description of* *the Group*" and other sections of this document. 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, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Offering Circular, if one or more of the risks or uncertainties materialise which the Issuer has identified in this Offering Circular, 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.

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward-looking statements contained in it.

## SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has 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 or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) has 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 the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms or Pricing Supplement 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 stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is**

**made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

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## OVERVIEW OF THE PROGRAMME

***The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes (the Conditions), in which event, in the case of Notes other than Exempt Notes, and if appropriate, a new Offering Circular or a supplement to this Offering Circular will be published.***

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Delegated Regulation (EU) No 2019/980 as it forms part of domestic law by virtue of the EUWA (the **UK Delegated Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

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| Issuer: | Abu Dhabi Ports Company PJSC |
| Issuer Legal Entity Identifier (LEI): | 213800F5LEV1NQJ68T87 |
| Risk Factors: | There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under "*Risk Factors*". |
| Description: | Euro Medium Term Note Programme |
| Arrangers: | Citigroup Global Markets Limited<br>First Abu Dhabi Bank PJSC |
| Dealers: | Citigroup Global Markets Limited<br>First Abu Dhabi Bank PJSC<br><br>and any other Dealers appointed in accordance with the Programme Agreement. |
| Certain Restrictions: | Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular. |

**Notes having a maturity of less than one year**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute

deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 (or its equivalent in another currency), see "*Subscription and Sale*".

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| Issuing and Principal Paying Agent: | Citibank N.A., London Branch. |
| Programme Size: | The Programme is unlimited in amount. |
| Distribution: | Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. |
| Currencies: | Subject to any applicable legal or regulatory restrictions, notes may be denominated in any currency agreed between the Issuer and the relevant Dealer. |
| Maturities: | The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. |
| Issue Price: | Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par. |
| Form of Notes: | The Notes will be issued in either bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. |
| Fixed Rate Notes: | Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer. |
| Floating Rate Notes: | Floating Rate Notes will bear interest at a rate determined: |

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(b) on the basis of the reference rate set out in the applicable

Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

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| | Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer. |
| | The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. |
| | Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. |
| Benchmark Discontinuation**:** | In the event that a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), then the relevant Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See Condition 5.2(b)(iii) for further information. |
| Zero Coupon Notes: | Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest. |
| Redemption: | The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (including following the occurrence of a Change of Control Event) upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. |
| | Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions - Notes having a maturity of less than one year*" above. |
| Change of Control: | If so specified in the applicable Final Terms (or in the case of Exempt Notes, the applicable Pricing Supplement), each holder will have the right to require the redemption of its Notes if a Change of Control Event occurs as further described in Condition 7.4. |

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| Denomination of Notes: | The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions - Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note (other than an Exempt Note) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) unless it is to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors (as defined in the UK Prospectus Regulation) have access. |
| Taxation: | All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by a Tax Jurisdiction as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted. |
| Negative Pledge: | The terms of the Notes will contain a negative pledge provision as further described in Condition 4. |
| Cross Default: | The terms of the Notes will contain a cross default provision as further described in Condition 10. |
| Status of the Notes: | The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding. |
| Rating: | The Programme is expected to be rated A+ by S&P and A+ by Fitch. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating(s) assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. |
| Listing: | Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.<br><br>Exempt Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series or may be neither listed nor admitted to trading on any market. |

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| Governing Law: | The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law. |
| Selling Restrictions: | There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre), the Abu Dhabi Global Market, the Dubai International Financial Centre, Kingdom of Saudi Arabia, Kingdom of Bahrain, Singapore, Hong Kong and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*". |
| United States Selling Restrictions: | Regulation S, Category 2. TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). |

# RISK FACTORS

*In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due. The Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Offering Circular a number of factors which could materially adversely affect its business and ability to make payments due.*

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

*Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

## FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

## RISKS RELATED TO THE GROUP

### The Group's revenue generated by its IFZ cluster is dependent upon occupancy levels and rental rates

The Group owns and operates industrial zones within KIZAD as well as the ZonesCorp industrial zones. The revenue generated by the Group's IFZ cluster primarily comprises leasing revenue and gas supply revenue, as well as revenue from registration and licensing activities and administration services. In 2020, the IFZ cluster was the Group's largest business in terms of revenue and generated 45.2 per cent. of the Group's consolidated revenue in that year. These revenues are driven by the supply of, and demand for, available space which is suitable to tenants in the relevant industrial zone, as well as other factors, such as the perceived desirability of the area by tenants as a business location.

The principal factors affecting the Group's revenue from its industrial zones are the occupancy levels it achieves and the rental rates it charges. A decrease in demand for space in the Group's industrial zones, including for land, warehouses, offices and onsite residential accommodation, would adversely affect the occupancy levels in the industrial zones and consequently the rental income and revenue from licensing activities and administrative services that the IFZ cluster is able to achieve. Furthermore, while KIZAD is still under development and has significant space in which to expand (approximately 350km$^2$ remains to be commercialised), the boundaries of the Group's other significant industrial zones, Industrial City of Abu Dhabi (ICAD), Al Haffar, Al Fayah and Industrial City of Al Ain, are limited, which means that their growth is limited to the development of any undeveloped land or the re-development of developed properties in each area. As at 31 December 2020, the occupancy in KIZAD and ZonesCorp was 81 per cent. and 74 per cent., respectively, in each case based on the area within the industrial zone that has been commercialised. Demand for space in the Group's industrial zones may, in the future, be adversely affected by, among other things:

- competitive factors, including the age, construction quality and design of the properties and related improvements within the Group's industrial zones, the rents that may be charged for individual leases, and the incentives available to prospective tenants, in each case relative to those of industrial parks and free zones operated by the Group's competitors;
- a downturn in the global, regional or local economy, for example an impairment charge of AED 459 million in 2020 was driven by the impact of the coronavirus disease 2019 (**COVID-19**) pandemic on the cluster's Razeen workers city and the IFZ cluster's performance was impacted by various relief measures offered to support its customers;

- circumstances which cause Abu Dhabi to be perceived as a less desirable place to do business;
- a change in law reducing the economic advantages to tenants of doing business in the relevant location;
- a decline in the level of services provided to tenants in the relevant location; and/or
- a change in the environmental condition of the relevant location.

The nature and mix of tenants is a significant factor affecting the Group's overall rental income from its industrial zones. While the Group seeks to allocate the land and facilities available to it among a mix of tenants that yield the most revenue, various factors may adversely affect the Group's ability to achieve such a mix, including prior long-term commitments, changes in demand patterns (or a mis-estimation of such patterns by the Group) and reduced overall levels of demand. In particular, because of the significant number of long-term land leases, it may be difficult for the Group to adjust its tenant mix to maximise its potential revenue.

Additionally, leasing revenue received by the Group could also be affected by legislative restrictions on the permissible level of rental increases and possible future changes in law. Abu Dhabi legislation prescribes the maximum increase which is permitted upon renewal of most types of leases in Abu Dhabi and could restrict the Group's ability to increase lease rates and, accordingly, the leasing revenues generated by the IFZ cluster.

**A significant proportion of the Group's revenue generated by its Ports cluster is concentrated among a limited number of customers and the remaining revenue can be adversely impacted by external factors, including lower trade volumes**

In 2020, the Ports cluster was the Group's second largest business in terms of revenue and generated 27.1 per cent. of the Group's consolidated revenue in that year. In the same year, approximately one-half of the Ports cluster's revenue was derived from five customers to which the Group had either granted long-term concessions to operate port facilities or with which it had long-term agreements in place. The concession fees payable to the Group have a variable component expressed as a percentage of revenue so the Group is, to an extent, exposed to market fluctuations in relation to the long-term fees. Any factors affecting the ability of any of these customers to make payments to the Group could significantly adversely affect the Ports cluster's revenue in future periods.

In addition, a significant part of the Ports cluster's revenue is derived from general cargo operations. These variable revenues are driven by the volumes of general cargo, which in turn depend on general cargo trade volumes. As a result the occurrence of any negative economic, political or geographical events that affect trade in and between the locations that the Group's ports serve could have an adverse impact on the Ports cluster's revenue. This in turn could negatively affect the Group's business.

Trade volumes, in particular, can be affected by, amongst other factors:

- changing economic cycles and other macro-economic developments;
- the imposition of tariffs, trade barriers, sanctions, boycotts and other restrictions;
- significant variations in the exchange rates applicable to currencies in the regions in which the Group operates;
- government reactions to economic conditions and developments;
- the development of emerging market economies and government policies;
- fluctuations in the price of oil to the extent that they impact global trade and macro-economic growth;

- trade disputes and work stoppages, particularly in the transportation services industry; and

- acts of war, hostilities, natural disasters, epidemics, pandemics (such as the ongoing COVID-19 pandemic) or terrorism.

COVID-19, which escalated into a global pandemic, resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses globally. These restrictive measures have slowed national economic development, disrupted international trade, and resulted in travel disruptions and a temporary decrease in global shipping. In line with global economic trends, the Group has been affected by the pandemic and its consequences. For example, the pandemic is estimated to have impacted the Group's container and general cargo volumes negatively by approximately 10 per cent. when compared to expectations at the start of the year due to the preventative measures implemented around the world which had a knock on impact on trade flows. In addition, the Group's cruise terminal at Mina Zayed Port has been closed since March 2020 as part of the COVID-19 preventive measures undertaken by the Government.

The pandemic has contributed to unprecedented volatility in international and regional trade and it remains unclear how this will evolve through 2021. For example, due to the indefinite nature of the probable impact of COVID-19 on the global economy, the Drewry Container Forecaster Q4 2020 Update (published in December 2020) forecasts a 2.1 per cent. decline in the baseline scenario for worldwide port handling in 2020. Although a decrease in international and regional trade is expected, the duration, impact and severity of such decrease or the rapid spread of the outbreak (particularly in Middle East where the Group has most of its operations) on the Group's results cannot be predicted as AD Ports is unable to quantify in any meaningful way the likely scale of the impacts since the duration of the outbreak is currently unknown but such impact could be significant, particularly in 2021.

If global trading volumes decline significantly in future periods as a consequence of global economic or political events, or if trade routes shift away from ports operated by the Group, the Group's business, prospects, results of operation and financial condition, as well as its future growth, could be materially and adversely affected, see "*—Risks related to the region in which the Group principally operates—The Group is subject to political and economic conditions in Abu Dhabi, as well as the UAE as a whole*" below.

**AD Ports' ultimate shareholder, the Government, has the ability to exert significant influence over the Group and the Government's interests may conflict with the interests of the Group or the Noteholders**

ADQ, which is wholly-owned by the Government, owns 100 per cent. of AD Ports' issued and outstanding share capital and, therefore, has the ability to exert significant influence over the Group.

ADQ and the Government may exert control over, among other things:

- election of AD Ports' directors and, in turn, the selection of its management;

- the Group's business policies and strategies, including its dividend policy;

- budget approval;

- the issuance of new debt or equity securities and the arrangement of other sources of financing;

- mergers, acquisitions and disposals of the Group's assets or businesses, for example in 2019 the Government directed the Group to transfer certain warehouses located within Mina Zayed Port, which had generated revenue of AED 117 million in 2018, to the municipality of Abu Dhabi;

- increases or decreases in share capital; and

- amendments to AD Ports' constitutional documents.

Consequently, there can be no assurance that the resolution of any matter at a general meeting of the shareholders that may involve the interests of ADQ or the Government will be resolved in what the Noteholders would consider to be in their or the Group's best interests.

Any such resolution may have a material adverse effect on the business, prospects, results of operation and financial condition of the Group.

***Potential investors should note that the Government does not guarantee the obligations of AD Ports in respect of any Notes issued under the Programme and the Noteholders therefore do not benefit from any legally enforceable Government backing***. In addition, the Government is not legally obliged to fund any of the Group's projects or investments and accordingly should not be expected to do so.

**The Group has an ambitious growth strategy and its inability to achieve and manage the growth of its business, whether through organic growth or through joint ventures, new concessions and acquisitions, could adversely impact the Group's business**

The Group has an ambitious growth strategy both at a corporate and an individual cluster level. The Group's ability to achieve and manage the future growth of its business will depend upon a number of factors, including the Group's ability to maintain, expand or develop relationships with its customers, suppliers, contractors, lenders, government entities and authorities and other third parties, reach agreements with potential joint venture partners on commercial and technical terms satisfactory to the Group, find and exploit suitable development, expansion or acquisition opportunities and expand the Group's operating capacity in line with market demand on a timely and reasonable basis. It will also depend on the Group's ability to adjust and optimise its management and operating structure.

In pursuance of its strategy, the Group has entered into new joint ventures, signed a concession agreement to operate Fujairah Port for 35 years in 2017 and, in 2019, it acquired the entire share capital of MICCO with a view to significantly expanding its logistics business.

Growth through acquisitions also entails risks inherent in identifying suitable opportunities and assessing the value, strengths and weaknesses of the acquisition candidates, as well as integrating the acquired businesses into the Group's operations. In addition, prior to acquisition by the Group, target companies may have incurred contractual, financial, regulatory, environmental or other obligations and liabilities that may impact the Group in the future and that are not adequately reflected in the historical financial statements of such companies or otherwise known to the Group or discovered by it during the due diligence process or with respect to which the Group does not have adequate indemnities from the seller. Furthermore, the Group's ability to complete acquisitions will depend on, and may be limited by, the availability of suitable acquisition targets and restrictions contained in the Group's debt instruments and other existing and future financing arrangements. The Group's ability to complete acquisitions may also be limited by its ability to secure financing for such acquisitions. Furthermore, the Group's ability to complete acquisitions may be restricted by regulatory constraints within the countries in which the Group operates due to anti-trust laws or political conflicts.

The Group currently invests in, and expects to make additional investments in, joint ventures and companies that it does not control or over which it only has joint control. These investments are subject to particular risks, see "*—Certain of the Group's operations are run through joint ventures and other entities in which it holds a minority interest, and, in some cases, the Group does not have the right or power to direct the management and policies of such companies*" below.

The Group's investment in development and expansion projects and acquisitions and joint ventures has increased over the last few years. The Group's capital and investment expenditure has increased in recent years, from AED 578 million in 2018 to AED 1,805 million in 2019 on a restated basis and AED 2,571 million in 2020. These and other future investments in capacity will continue be based on the Group's expectations of market demand. However, there can be no assurance that market demand or the Group's business will increase in the near future or that demand for its services will grow at rates sufficient to achieve a satisfactory return on any expenditure that it makes. The Group also cannot provide assurance that any future acquisitions will be successfully identified and completed or that, if acquisitions are completed, the acquired companies will generate sufficient revenue to offset the associated costs.

To the extent that the Group undertakes projects and makes investments in countries in which it has little or no previous investment experience, the Group may not be able to assess the risks of investing in such countries adequately, or may be unfamiliar with the laws and regulations of such countries governing the Group's projects and investments. The Group cannot guarantee that its strategy will be successful in such markets. The projects and investments that the Group makes in those countries could lose some or all of their value and may generate returns that are substantially lower than those experienced by the Group through other projects and investments.

A failure on the Group's part to manage its growth efficiently and effectively could have a material adverse effect on the Group's business, prospects, results of operation and financial condition.

**The Group is exposed to credit risk with respect to its counterparties and the Group's business could be adversely affected if its counterparties default on their obligations to the Group**

A failure by any of the Group's debtors to pay their obligations to the Group, or inability to pay by any of the Group's counterparties, may have a significant impact on the Group's reserves and profitability. This risk is enhanced in the context of certain significant customer concentrations to which the Group is exposed. For example, as at 31 December 2020, the Group's two largest customers accounted for 14.8 per cent. of the Group's trade receivables and due from related parties. In addition, in 2020, approximately 20 per cent. of the IFZ cluster's revenue was derived from five customers, approximately one-half of the Ports cluster's revenue was derived from five customers and 54.7 per cent. of the Logistics cluster's revenue was earned pursuant to its largest contract. Any factors affecting the ability of any of the Group's significant customers to continue to make payments to the Group could significantly adversely affect its revenue in future periods and thus have a material adverse effect on the Group's business, prospects, results of operation and financial condition.

While the Group seeks to limit its credit risk by setting credit limits for individual counterparties, taking financial guarantees from counterparties and monitoring outstanding receivables, the Group's counterparties may in the future default on their obligations to the Group due to bankruptcy, lack of liquidity, operational failure or other reasons. The Group's credit risk is increased by the fact that its largest counterparties operate in the same region and therefore may be similarly affected by changes in economic and other conditions. In addition, the Group is often unable to obtain reliable information regarding the financial condition of a number of its customers because they are privately-held companies and have no obligation to make such information publicly available. While the Group takes steps to closely monitor this risk and to ensure tight control in respect of the credit risk of its counterparties, any delayed payment, non-payment or non-performance on the part of one or more of the Group's major customers, or a number of the Group's smaller counterparties, could have a material adverse effect on the Group's business, prospects, results of operation and financial condition (including cash flow).

**Certain of the Group's operations are run through joint ventures and other entities in which it holds a minority interest, and, in some cases, the Group does not have the right or power to direct the management and policies of such companies**

The Group is party to a number of significant joint ventures, including:

- Abu Dhabi Terminals (**ADT**), which is a joint venture between AD Ports (51 per cent. ownership) and Terminal Investment Limited (the container terminal arm of Mediterranean Shipping Company S.A. (**MSC**)), which was formed in 2018 and under which ADT operates Khalifa Ports Container Terminal 1 under a 35-year concession;

- ZIF, which is a joint venture between AD Ports (50 per cent. ownership) and an external investor, which was formed for financing and developing infrastructure facilities across various industrial zones in ZonesCorp; and

- four joint ventures with LDPL Ship Management & Operation DMCEST (**LDPL**) relating to the transshipment of bauxite for Emirates Global Aluminium (**EGA**) from the port of Kamsar in Guinea to the mother vessels off-shore for onward shipment to Khalifa Port and other destinations.

The Group also has a 10 per cent. interest in CSP Abu Dhabi Terminal, which is 90 per cent. owned by COSCO Shipping Ports, and operates, under a 35-year concession with a five year extension option, the second container terminal at Khalifa Port which opened in December 2018 and has a design capacity of 2.5 million TEUs per year and an extension option for up to 1 million TEUs per year.

The Group is therefore exposed to risks related to actions taken by its joint venture partners in, and the controlling shareholder of, these entities. In 2020, the Group's share of profits from its joint ventures was AED 51 million, which constituted 12.9 per cent. of the Group's profit for the year which was AED 397 million. The Group's investment in joint ventures was AED 284 million as at 31 December 2020, which constituted 1.1 per cent. of the Group's total assets as at that date. To the extent that the Group does not have a controlling equity stake in, or the right or power to direct the management and policies of, a joint venture or other company through which the Group conducts its operations, joint venture partners or controlling shareholders may take action that is not in accordance with the Group's policies and objectives. Should a joint venture partner or controlling shareholder act contrary to the Group's interest, it could have a material adverse effect upon the Group's business, prospects, results of operation and financial condition.

Joint venture transactions present many of the same risks involved in acquisitions, but also involve additional risks, including the possibility that the Group's joint venture partners may have economic, business or legal interests or goals that are inconsistent with the Group's own, may become bankrupt, may refuse to make additional investments that the Group deems necessary or desirable or may prove otherwise unwilling or unable to fulfil their obligations under the relevant joint venture or associated agreements. In addition, joint ventures with government entities also expose the Group to risks relating to differences in focus or priorities between successive regimes.

The Group's ability to expand successfully through joint ventures will depend upon the availability of suitable and willing joint venture partners, the Group's ability to consummate such transactions and the availability of financing on commercially acceptable terms. The Group cannot give any assurance that it will be successful in completing joint ventures or that, once completed, a joint venture will be profitable for the Group. If a joint venture is unsuccessful, the Group may be unable to recoup its initial investment and the Group's business, prospects, results of operation and financial condition may be materially and adversely affected.

In certain of its joint ventures and minority investments, the Group is reliant on the particular expertise of its joint venture partners and any failure by any such partner to perform its obligations in a diligent manner could also adversely impact the Group's investment. The Group can give no assurance as to the performance of any of its joint venture partners.

**Competition with other industrial and free zone operators and within the MENA region**

The Group's industrial zones compete with those of other free zone operators and economic areas in the GCC which may offer lower rents, cheaper utilities and/or different benefits to those offered by the Group's industrial zones. The IFZ cluster, which generated 45.2 per cent. of the Group's revenue in 2020, competes with a large number of other industrial and free zones throughout the UAE. These include the free zone at Jebel Ali in Dubai, known as the Jebel Ali Free Zone, which is situated adjacent to Jebel Ali port in Dubai. In addition, other GCC nations are developing or expanding integrated port and free zone projects.

In addition, while the Group is experienced in operating industrial zones, the implementation of its strategy for the IFZ cluster may face other forms or competition which may be new or unique to the economic region. Currently, the Group achieves competitive lease rates in KIZAD. However, its ability to continue to do so is contingent on KIZAD retaining its leading position in the market by virtue of being a more attractive location and its ability to attract and retain new and existing customers.

Competition with other free zones and integrated port projects could result in the Group having to reduce its lease rates or service prices, which could materially and adversely affect the cash flows generated and, if coupled with a decline in occupancy levels, could if sustained, materially and adversely affect the Group's business, prospects, results of operation and financial condition.

**The container terminal industry is highly competitive which could adversely affect the Group's ability to maintain or increase its profitability**

The Group operates Fujairah Port, which has a significant container terminal, under a concession. The Group is also exposed to the container terminal industry through the variable element of the concession fees charged to the operators of its two container terminals at Khalifa Port and its share of the profit recognised by its joint venture, ADT, which operates one of the container terminals at Khalifa Port. The Group also has a 10 per cent. investment in CSP Abu Dhabi Terminal, which operates the other terminal.

Following significant consolidation in the decade up until 2007, both internally and within the container shipping industry, consolidation within the container terminal industry has stabilised in recent years. According to Drewry, the five largest terminal operators by throughput and capacity, COSCO Shipping Ports, PSA International, APM Terminals, Hutchison Ports and DP World, collectively accounted for 430.8 million TEU, or 53.8 per cent., of global gross throughput in 2019 (source: Drewry's Global Container Terminal Operators Annual Review and Forecast 2020/21). Consolidation within the container terminal industry, including the formation of shipping alliances (for example 2M, Ocean Alliance and The Alliance) in which members generally give preference to associated terminals owned by their partners, means that most of the Group's competitor terminal operators are larger than the Group and many may have greater financial resources than the Group and, therefore, may be able to bid for new concessions at higher concession rates, invest more heavily or effectively in their facilities or withstand price competition and price volatility more successfully than the Group. In addition, some of the Group's competitors may have broader operational experience and longer standing relationships with international shipping companies.

If the Group is unable to compete effectively against its container terminal competitors, the Group may be forced to increase its offer when bidding for new concessions or seeking to renew existing concessions or lower its concession fees in relation to concessions where it is owner, either of which could have a material adverse effect on the Group's business, prospects, results of operation and financial condition.

**The Group's Logistics cluster is exposed to a range of risks which could negatively impact its performance**

The Group's Logistics cluster generated 16.0 per cent. of the Group's consolidated revenue in 2020.

The Group provides logistics services to a range of customers and is exposed to a range of risks relating to these services, including:

- contracts coming to an end and not being renewed or the termination of contracts by key customers, for example as a result of a change in a client's outsourcing or logistics strategy;
- the loss of significant infrastructure, such as warehouses, or assets due to fire or another disruptive event;

- inability to obtain or delays in procuring the infrastructure and/or long lead time equipment necessary to support growth;

- increased competition within the UAE and GCC;

- systems disruptions impacting the cluster's logistics operations;

- supply chain disruptions impacting demand for the cluster's core clients' products; and

- a disruption in trade flows, including as a result of worsening geopolitical or economic conditions, for example the Logistics cluster was adversely impacted by an unfavourable change in the mix of volumes handled in its largest contract as a result of COVID-19.

Any of the above factors could result in a decline in the demand for the Group's logistics services and products and could, if sustained, materially and adversely affect the business, prospects, results of operation and financial condition of the Group.

**Competition and certain other risks could adversely impact the Group's Maritime cluster**

The Group's Maritime cluster generated 10.7 per cent. of the Group's consolidated revenue in 2020.

The Group provides maritime services to a range of governments, businesses and organisations. The maritime services industries in which the Group operates are highly competitive. The Group may face increasing competition in this industry as a result of new market entrants, decrease in vessel volumes entering ports as well as changes in global vessel utilisation and market rates. Furthermore, the Group may face a potential shift in its competitive landscape as its peers and competitors look to, or are in the process of, consolidating through mergers and acquisitions to improve their competitive positioning and broaden their current service offering. The Group may not be able to maintain the necessary skills and financial resources to enable it to compete under such market conditions.

Other risks that could negatively affect the Group's Maritime cluster include:

- breakdowns of key assets, such as the inability to obtain critical spare parts, for example due to delays or customs issues, particularly as a result of COVID-19;

- the shutdown of key client plants, for example those operated by EGA and Emirates Steel Industries PJSC;

- the unavailability of key crew, for example due to COVID-19;

- political instability, safety risks for staff and outbreaks of disease, all of which are risks in relation to the Group's operations at Kamsar Port in Guinea;

- a decline in trade through Abu Dhabi; and

- advances in technology that make services redundant, for example software that replaces pilots, technology that replaces tugs and/or auto mooring systems.

In addition, any failure by the Group to maintain its technical sophistication, durability, range, timeliness and price of the services and products offered as well as its failure to maintain its relationships with clients and intermediaries or reputational strength could result in a decline in the demand for the Group's maritime services and products. Any failure by the Group to maintain its competitive position could adversely impact the Group's ability to secure new contracts, expand into new areas of maritime business, gain new port licenses and renew or extend its existing contracts and port licenses, which could, if sustained, materially and adversely affect the business, prospects, results of operation and financial condition of the Group.

**The Group is exposed to certain risks in respect of the expansion of terminals and port facilities and the development and construction of new terminals and port facilities**

The Group has numerous new developments and major expansion projects underway. These projects typically require substantial capital expenditures throughout the development, construction and upgrading phases and may take months or years before they become operational and start generating revenue and cash flow for the Group, during which time the Group is subject to a number of construction, financing, operating and other risks beyond its control, including, but not limited to:

- adverse weather conditions and natural disasters;
- an inability on the Group's part to make any necessary financing arrangements on terms favourable to it, if at all;
- risk of counterparty defaults which tend to increase during periods of recession;
- changes in demand for the Group's services;
- labour disputes and disputes with sub-contractors;
- inadequate infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of equipment, utilities and transportation and other links that are necessary or desirable for the successful operation of a project;
- failure to complete projects according to specification, on time and within budget;
- accidents, civil unrest, wars, epidemics, pandemics and other unforeseen events;
- changes in governmental priorities or the level of governmental support that the Group receives; and
- an inability to obtain on a timely basis, if at all, and maintain project development permission or requisite governmental licenses, permits or approvals.

The occurrence of one or more of these events may negatively affect the Group's ability to complete its current or future projects on schedule, if at all, or within the estimated budget and may prevent it from achieving the projected revenue, internal rates of return or capacity utilisation associated with such projects. There can be no assurance that the revenue or profit that the Group is able to generate from its projects will be sufficient to cover the associated construction and development costs.

Furthermore, because certain of the Group's development and expansion projects are governed by contracts that it enters into with the owner of a particular port (for example, Fujairah Port), failure on the Group's part to fulfil its obligations relating to such projects, including meeting its deadlines in a timely manner, may constitute a breach under the relevant contract and subject the Group to penalties, including payment of liquidated damages, or, in the case of a serious breach, termination of a project and/or civil liabilities. Although the Group attempts to allocate risk of failure to sub-contractors and suppliers to the fullest extent possible, if the Group is unable to seek full indemnification from third parties with respect to any such breach, the Group's business, prospects, results of operation and financial condition may be materially and adversely affected.

**The due diligence process that the Group undertakes in connection with its projects and investments may not reveal all relevant facts**

Before implementing a project or making a new investment, including mergers or acquisitions, 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 a project or an investment. Outside consultants, including legal advisers, accountants, investment banks, market analysts and industry experts, are involved in the due diligence process in varying degrees depending on the type of project or investment. Nevertheless, when conducting due diligence and making an assessment regarding a project or an investment, 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 project or investment 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.

**The Group's businesses require substantial capital investment and the Group may not have sufficient capital to make, or may be restricted by covenants in its financing agreements from making, future capital expenditures and other investments as it deems necessary or desirable**

The Group operates in capital intensive sectors that require a substantial amount of capital and other long-term expenditures, including those relating to the development of new infrastructure and facilities, the expansion of existing infrastructure and facilities and the acquisition of equipment. The Group's strategy also envisages that it will grow through acquisitions and joint ventures in the future which may also require significant financing. The Group expects to utilise a combination of internally generated cash and external borrowings, including banking and capital markets transactions, to meet its financing requirements.

The Group's ability to arrange external financing and the cost of such financing are dependent on numerous factors, including its future financial condition, general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, applicable provisions of tax and securities laws and political and economic conditions in any relevant jurisdiction. Historically, volatile market conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit and capital markets and increased volatility in interest rates and exchange rates. Any such decline in global credit markets and/or reduced liquidity may affect the Group's ability to secure financing on commercially reasonable terms, if at all. The Group cannot provide any assurance that it will be able to arrange any such external financing on commercially reasonable terms, if at all, and the Group may be required to secure any such financing with a lien over its assets or agree to contractual limitations on its business.

In addition, covenants contained in the Group's current or future financing agreements may restrict it from undertaking capital and investment expenditure in amounts and at times that the Group deems necessary or desirable. See "*Risk Factors—The Group's indebtedness could adversely affect its ability to raise additional capital to fund its operations and limit its ability to react to changes in the economy or the industries in which it operates*" below. If the Group is unable to generate or obtain funds sufficient to make, or is otherwise restricted from making, necessary or desirable capital expenditure and other investments, it may be unable to grow its business, which may have a material adverse effect on the Group's business, prospects, results of operation and financial condition.

**The Group's indebtedness could adversely affect its ability to raise additional capital to fund its operations and limit its ability to react to changes in the economy or the industries in which it operates**

As at 31 December 2020, the Group had AED 4,050 million of outstanding loans and borrowings and the Group may incur further additional indebtedness in the future, including through the issue of Notes under the Programme, to finance the growth of its business.

The Group's indebtedness may expose it to a number of risks, including:

- increasing the Group's vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on the Group's indebtedness, thereby reducing the Group's ability to use its cash flow to fund its operations, capital expenditures and future business opportunities and to pay dividends;
- exposing the Group to the risk of increased interest rates with respect to its borrowings at variable rates of interest, unless the Group is able to fully hedge its interest rate exposure with respect to such borrowings and even if it does so it may then become subject to mark to market losses on those hedges;
- restricting the Group from making strategic acquisitions or causing it to make non-strategic divestitures;
- limiting the Group's ability to obtain additional financing for working capital, capital and investment expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes;
- limiting the Group's ability to adjust to changing market conditions and place it at a competitive disadvantage compared to its competitors that are less highly leveraged; and
- ratings currently assigned to the Issuer and/or the Certificates being placed on credit watch or downgraded, which could increase the cost refinancing any existing debt and could adversely affect the trading price of the Notes.

In addition, the Group's future debt agreements may contain various covenants that limit its ability to engage in specified types of transactions. These covenants could limit the Group's ability to, among other things (and subject to certain thresholds):

- incur or guarantee additional financial indebtedness or issue certain redeemable shares;
- grant security or create any security interests; and
- consolidate, merge or sell or otherwise dispose of any of the Group's assets.

Furthermore, certain of the Group's debt agreements contain, and future agreements may contain, cross-default clauses whereby a default under one of the Group's debt agreements may constitute an event of default under another of the Group's debt agreements.

Moreover, the Conditions contain a "change of control" provision which requires the Government, either directly or indirectly, to own more than 50 per cent. of AD Port's issued share capital. However, the Group has no ability to control the actions of the Government with respect to its holding of AD Ports' share capital and can therefore make no assurance that the Government will not dispose of its holdings of AD Ports' share capital in the future. A breach of any of these covenants would result in a default under any financing document which contained them and a breach of the change of control provision would enable the holder of any Note outstanding to elect to have his Notes redeemed. To the extent that the Notes are trading below their redemption price at the time, the holders would be incentivised to redeem their Notes and there can be no assurance that the Group would have sufficient funds at the time to make any such redemption. Accordingly, any such event could materially and adversely affect the Group's business, prospects, results of operation and financial condition.

For further information regarding the Group's material indebtedness and the undertakings and covenants included therein, see "*Financial review—Liquidity and Capital Resources—Borrowings*".

**Increases in interest rates may adversely affect the Group's financial condition**

Interest rates are highly sensitive to many factors beyond the Group's control, including the interest rate and other monetary policies of governments and central banks in the jurisdictions in which the Group operates. The variable rate debt portion of the Group's financial liabilities (loans and borrowings) is subject to interest rate risk resulting from fluctuations in the relevant reference rates underlying such debt. Consequently, any increase in such reference rates will result in an increase in the Group's interest rate expense and may have a material adverse effect on the Group's financial condition and results of operations.

As at 31 December 2020, all of the Group's loans and borrowings carried interest at floating rates. A hypothetical 1 per cent. increase in interest rates, with all other variables held constant, would have resulted in AED 29 million of higher interest cash outflow and an AED 12 million decrease in the Group's profit (post capitalisation of interest) in 2020.

**The Group's port services, logistics operations, projects and other businesses are subject to operational risks such as breakdown of vessels or equipment, accidents, natural disasters and other catastrophic events beyond the Group's control**

The Group's business operations and development and construction projects could be adversely affected or disrupted by operational risks such as breakdown of vessels or equipment, accidents, natural disasters (such as earthquakes, floods, tsunamis, hurricanes, fires or typhoons) or other catastrophic or otherwise disruptive events, including, but not limited to:

- changes to predominant natural weather, hydrologic and climatic patterns, including sea levels;
- the amount of silting that occurs in the areas around and leading to the Group's port facilities;
- invasion, piracy, sabotage, rebellion, revolution, insurrection, military or usurped power, war and radioactive or other material environmental contamination;
- riots or other forms of civil disturbance;
- occurrence of any contagious disease (such as Avian Flu, Ebola Virus Disease, SARS, Zika Virus Disease or COVID-19), which may adversely affect global or regional trade volumes or customer demand with respect to cargo transported to or from affected areas;
- major accidents, including chemical, and radioactive or other material environmental contamination;
- denial of the use of any railway, port, airport, shipping service or other means of public transport; and
- strike or lock-out or other industrial action by workers or employers.

The occurrence of any of these events at one or more of the Group's facilities or development and construction projects may cause delays in the arrival and departure of vessels, may render significant areas in one of more of its industrial zones uninhabitable or may otherwise disrupt the Group's operations, may increase the costs associated with dredging activities, reduce the Group's leasing income, require significant capital expenditure to rectify, subject the Group to liability or impact its brand and reputation and may otherwise hinder the normal operation of its business, which could materially and adversely affect the Group's business, prospects, results of operation and financial condition.

The Group's business may require individuals to work with potentially hazardous materials, which may be volatile and often highly flammable. If improperly handled or subjected to unsuitable conditions, such materials could impair the operations at the Group's industrial zones and ports. This could lead to disruptions to the Group's business and expose it to legal and regulatory costs and liabilities, which could adversely affect its results of operations and reputation.

In addition, the Group's business relies on a number of third parties involved in activities such as stevedoring, the provision of construction services, the provision and repair of equipment and accommodation for the Group's contract labour. The failure or inability of these parties to provide the required services efficiently, or at all, could disrupt the Group's operations and, thus, have an adverse effect on its business, cash flows and results of operations.

The effect of any of the events described may be worsened to the extent that any such event involves risks for which the Group is uninsured or not fully insured, see "*Risk Factors—The Group may not maintain sufficient insurance coverage for the risks associated with the operation of its businesses*" below.

**The Group may not maintain sufficient insurance coverage for the risks associated with the operation of its businesses**

The Group's operations may be affected by a number of risks, including terrorist acts and war-related events, for which full insurance cover is either not available or not available on commercially reasonable terms. In addition, the severity and frequency of various other events, such as accidents and other mishaps, business interruptions or potential damage to the Group's facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and acts of God, as well as risks relating to the Group's provision of services to customers, including, with respect to the Group's industrial zone operations and its port operations, damage to customers' property, delays, misrouting of cargo and documentation errors, may result in losses or expose the Group to liabilities in excess of its insurance coverage or significantly impair the Group's reputation and hinder its ability to function effectively.

The Group's insurance policies are limited in their coverage amount and typically contain significant excess provisions. In addition, the policies are subject to exclusions and conditions which, if not strictly complied with, could render the policy voidable at the option of the insurer. There can be no assurance that the Group's insurance coverage will be sufficient to cover the loss arising from any or all such events or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

Should an incident occur in relation to which the Group has no insurance cover or inadequate insurance cover, the Group could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed and, in certain cases, it may remain liable for financial obligations related to the impacted property. Any of these occurrences could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

**The Group relies on security procedures at other facilities or by its customers, which are outside its control**

The Group inspects the physical condition of cargo that enters its ports or logistics centres in accordance with its own practice and the inspection procedures prescribed by, and under the authority of, relevant regulations. The Group also relies on the security procedures carried out by its customers on its logistics and the relevant port facilities that cargo, especially containers, have previously passed through to supplement its own inspection to varying degrees. However, there can be no assurance that the cargo that passes through or is received at the Group's ports or logistics centres will not be adversely affected by breaches in security or acts of terrorism, either directly or indirectly, in other areas of the supply chain, which would have an adverse effect on the Group's operations. A security breach or act of terrorism that occurs at one or more of the facilities, or at another facility that has handled cargo prior to the cargo arriving at the Group's facilities, could subject the Group to significant liability, including the risk of litigation and loss of goodwill.

**Security requirements that impact its Ports cluster may increase the Group's operating costs**

In recent years, various international bodies and governmental agencies and authorities in the countries in which the Group operates have implemented security measures that affect some of the Group's port operations and the costs associated with such operations. The International Ship and Port Facility Security Code (**ISPS Code**), which was implemented in 2004, is an example of such security measures. The ISPS Code is a comprehensive set of measures designed to enhance the security of ships and port facilities and requires the Group and the Group's staff to, among other things, gather and assess information related to shippers and cargos; maintain communication protocols; restrict access to the Group's facilities as appropriate; provide the means to raise alarms, establish vessel and port security plans; and ensure training and drills are conducted.

Any failure on the Group's part to comply with the security requirements applicable to the Group or obtain relevant security-related certifications may, among other things, prevent certain shipping line customers from using the Group's facilities and result in higher insurance premiums, which could have a material adverse effect on the Group's business, prospects, results of operation and financial condition.

**The Group is subject to a wide variety of regulations and may face substantial liability if it fails to comply with existing or future regulations applicable to its businesses**

The Group must comply with a wide range of laws, regulations and administrative policies, including environmental regulations, safety standards, employment (including pensions), unloading and storage of hazardous materials, anti-corruption, banking and tax. The Group's ability to operate its businesses is contingent on the Group's ability to comply with these laws and regulations and to obtain, maintain and renew as necessary related approvals, permits and licenses from governmental agencies and authorities. As the laws and regulations governing the Group's operations, and the legal interpretations of these laws and regulations, are not uniform across the jurisdictions in which the Group may operate in the future, the Group is exposed to the costs and administrative difficulties involved in keeping itself informed of new and evolving legislation and regulations across different jurisdictions. Due to the complexities involved in ensuring compliance with different and sometimes inconsistent national and international regulatory regimes, there can be no assurance that the Group will remain in compliance with all of the regulatory and licensing requirements imposed on it by each relevant jurisdiction in which it operates or may operate in the future.

The Group's failure to comply with all applicable regulations and obtain and maintain requisite certifications, approvals, permits and licenses, whether intentional or unintentional, could lead to substantial penalties, including criminal or administrative penalties or other punitive measures, result in revocation of the Group's licenses and/or increased regulatory scrutiny, impair the Group's reputation, subject it to liability for damages, trigger a default under one or more of its financing agreements or invalidate or increase the cost of the insurance that it maintains. Additionally, the Group's failure to comply with regulations that affect its staff, such as health and safety regulations, could affect its ability to attract and retain staff, see "*Risk Factors—If the Group fails to retain and attract qualified and experienced employees, its business may be harmed*" below. The Group could also incur civil liabilities such as abatement and compensation for loss in amounts in excess of, or that are not covered by, the Group's insurance, see "*Risk Factors—The Group may not maintain sufficient insurance coverage for the risks associated with the operation of its businesses*" above. For the most serious violations the Group could also be forced to suspend operations until it obtains such approvals, certifications, permits or licenses or otherwise bring its operations into compliance.

In addition, changes to existing regulations or tariffs or the introduction of new regulations or licensing requirements (which may be retrospective) are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any such regulations, tariffs or licensing requirements could materially and adversely affect the Group's business by reducing its revenue, increasing its operating costs or both and the Group may be unable to mitigate the impact of such changes. Further or future tariff reductions, including, for example, more stringent caps on lease rate increases, for one or more of the Group's operations could have a negative effect on the Group's results of operations.

Finally, any expansion of the scope of the regulations governing the Group's environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of the Group's ability to address environmental incidents or external threats. If the Group is unable to control the costs involved in complying with these and other laws and regulations, or recover the full amount of such costs from its customers, the Group's business, prospects, results of operation and financial condition could be materially and adversely affected.

**If the Group fails to retain and attract qualified and experienced employees, its business may be harmed**

If the Group is unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or fails to recruit skilled professional and technical staff in pace with its growth, its business and financial results may suffer. There is intense competition in the UAE for skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. Consequently, when talented employees leave, the Group may have difficulty, and incur additional costs, replacing them. The loss of any member of the Group's management team or any of the Group's senior specialists within its clusters may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives such as expansion of capacity. These adverse results could, among other things, reduce potential revenue, prevent the Group from diversifying its service lines and expose it to downturns in the markets in which the Group operates, all of which could materially and adversely affect the Group's business, prospects, results of operation and financial condition.

**Failure in the Group's information and technology systems could result in delays to its business operations**

The Group's information and technology (IT) systems are designed to enable it to use its infrastructure resources as efficiently as possible and to monitor and control all aspects of its operations. Although each of the Group's business, based on its nature, is configured to keep its systems operational under abnormal conditions, including with respect to business processes and procedures, any failure or breakdown in these systems could interrupt its normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Any prolonged failure or breakdown could dramatically impact the Group's ability to offer services to its customers, which could have a material adverse effect on the Group's business, prospects, results of operation and financial condition. Similarly, any significant delays or interruptions in the Group's loading or unloading of a customer's cargo caused by any failure of its or its concessionaries' IT systems could negatively impact its reputation as an efficient and reliable port and terminal operator.

The Group continues to embed more digitalisation into its strategy as it seeks to achieve advantages with regard to customer experience, revenue and cost since the Group believes that greater digitalisation will help it to achieve growth targets in an evolving landscape. However, any failure or lack of synergy between the Group's new digital solutions and its existing information and technology systems could impact the Group's ability to offer services to its customers, which could have a material adverse effect on the Group's business, prospects, results of operation and financial condition.

Further, the threat to the security of the Group's information and data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require 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. 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 reputation, business, prospects, results of operation and financial condition.

The Group is also reliant on third party vendors to supply and maintain a material part of its IT. In the event that one or more of the other third-party vendors that the Group engages to provide support and upgrades with respect to components of the Group's information technology 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, prospects, results of operation and financial condition.

**The Group may be subject to risks arising from international trade controls or disputes**

The Group operates businesses which have throughput originating from or arriving at a destination in countries which have adopted trade defence instruments such as anti-dumping and anti-subsidies laws and regulations. Moreover, import and exports are affected by discretionary import duties that may be imposed by some governments. The Group considers that the use of trade defence measures and other forms of trade controls by some countries is likely to increase in the future. For example, the "trade war" between the U.S. and China through the course of 2018 and 2019 resulted in the imposition of tariffs by the U.S. on certain goods imported into the U.S. from China, and vice versa. Similarly, in June 2019, India imposed retaliatory trade tariffs on certain U.S. products after India lost its preferential treatment under the U.S. generalised system of preferences. The Group does not have any operations in the U.S.; however counter-measures have been and could be adopted by other countries which are markets for the Group's throughput. Other countries could enact more barriers to trade. The worsening of trade relations around the world could result in negative repercussions in the relevant countries and have a knock-on effect on global trade and the economic environment. Additionally, between 2017 and early 2021, the Kingdom of Saudi Arabia, the UAE, the Kingdom of Bahrain and Egypt cut diplomatic ties and restricted business with the State of Qatar by restricting access to that country with an air, sea and land traffic embargo. During the economic embargo, restrictions were placed on products shipped directly to the State of Qatar from the Kingdom of Saudi Arabia, the UAE or the Kingdom of Bahrain. In February 2019, the UAE partially lifted the restrictions imposed on the State of Qatar and allowed cargoes originating in the State of Qatar to enter UAE ports while still maintaining the ban against the State of Qatar flagged vessels. In January 2021 the embargo was ended. Any trade defence measures, embargoes or duties imposed on exports or imports that form part of the Group's throughput could have a material and adverse effect on the Group's business, results of operations or financial condition.

**The Group has related party transactions and will continue to do so in the future**

The Group has entered into transactions with other Government- or ADQ-owned companies in the ordinary course of its business. While the Group believes that all such transactions have been conducted on an arm's length basis, there can be no assurance that the Group could not have achieved more favourable terms had such transactions been entered into with third parties. Furthermore, it is likely that the Group will enter into related party transactions in the ordinary course of its business in the future. The Group cannot provide any assurance that such transactions, individually or in the aggregate, will not have an adverse effect on its business, cash flows, results of operations or on its expected ratings.

**Any adjustment to, or ending of, the UAE's currency peg could negatively affect the Group**

Since November 1980, the dirham has been pegged to the U.S. dollar at a rate of AED 3.6725 = U.S.$1.00. However, there is no assurance that the dirham will remain pegged to the U.S. dollar or that it will remain pegged at the same fixed rate of exchange. Any devaluation of the dirham against the dollar could adversely affect the Group, particularly for example if it had significant outstanding and unhedged U.S. dollar-denominated liabilities at the time.

## RISKS RELATED TO THE REGION IN WHICH THE GROUP PRINCIPALLY OPERATES

**The Group is subject to political and economic conditions in Abu Dhabi, as well as the UAE**

In 2020, almost all of the Group's revenue related to its operations located in Abu Dhabi. Consequently, the Group's results of operations are and will continue to be affected by the financial, political and general economic conditions prevailing from time to time in or affecting Abu Dhabi, the UAE and the Middle East as well as the broader Indian Subcontinent and Africa regions.

Although it has one of the most diversified economies in the GCC, the UAE's wealth remains largely based on oil and gas. International oil prices fell significantly in 2020, in part reflecting reduced demand as a result of the impact of COVID-19 containment measures around the world. This trend was exacerbated by the expiry, at the end of March 2020, of the three-year partnership between OPEC and major non-OPEC providers. In March 2020, Saudi Arabia announced that it would raise oil output and discount its oil in April. However, on 10 April 2020, a new OPEC plus agreement was announced. This and subsequent agreements have resulted in a significant reduction in global oil supply. Reflecting these developments, the average monthly price of the OPEC Reference Basket, which was U.S.$65.10 in January 2020, fell to U.S.$55.53 in February 2020, U.S.$33.92 in March 2020 and U.S.$17.64 in April 2020. The average monthly price subsequently recovered to an extent in the remainder of 2020, resulting in an average annual price of the OPEC Reference Basket of U.S.$41.47 in 2020. Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which the Group has no control.

The significantly lower international prices for hydrocarbon products in 2020 have had a significant adverse effect on the oil revenue dependent GCC economies, resulting in reduced fiscal budgets and public spending plans, together with increased budgetary deficits across the GCC. Despite the UAE being viewed as being less vulnerable than some of its GCC neighbours due to the growth in its non-oil sector and the sizeable wealth of the Government, fluctuations in energy prices have an important bearing on economic growth and the UAE is also reliant on the real estate, trade, transportation and tourism sectors, which are all significantly exposed to global recession induced by the COVID-19 market shock. For example, according to the IMF's World Economic Database of April 2021, the UAE's real GDP is expected to fall by 5.9 per cent. in 2020 and its current account is expected to decline significantly in 2020.

In addition, while the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of MENA countries, including Egypt, Algeria, the Hashemite Kingdom of Jordan, Libya, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the Republic of Yemen, the Republic of Iraq (Kurdistan), Syria, Palestine, the Republic of Turkey, Tunisia and the Sultanate of Oman. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State) and the overthrow of existing leadership and has given rise to increased political uncertainty across the region. Further, the UAE, along with other Arab states, participated in the Saudi Arabian led intervention in Yemen which began in 2015 in response to requests for assistance from the Yemeni government against the Al Houthi militia. The UAE completed its phased withdrawal from Yemen in February 2020. The UAE is also a member of another Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. Political tension between the Islamic Republic of Iran and the

Kingdom of Saudi Arabia is also on the rise, including as a result of tightening of Iranian sanctions by the U.S. These situations have caused significant disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. Though the effects of the uncertainty have been varied, 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.

Continued instability affecting the countries in the MENA region could adversely impact the UAE. For example, on 2 January 2020, the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike, the Islamic Republic of Iran launched missiles at a U.S. base in the Republic of Iraq. To date there has been no significant impact on the UAE as a result of the continued instability in the MENA region and, in particular, Khalifa Port continues to be regarded as a safe haven for trade and shipping in the Middle East. However, any blockage of, or other event affecting, the Strait of Hormuz or other political or military disruptions in the Arabian Gulf could prevent the Group's shipping line customers from reaching most of the ports at which the Group operates in the Gulf, including through prohibitive increases in their insurance premiums. Any such occurrences could have a material adverse effect on the business, prospects, results of operation and financial condition of the Group.

The economies of Abu Dhabi and the UAE, like those of many emerging markets, have been characterised by significant government involvement through direct ownership of enterprises. Whilst Abu Dhabi and the UAE have enjoyed significant economic growth and relative political stability following the global financial crisis, there can be no assurance that such growth or stability will continue or that large contingent liabilities from Government owned entities, including both banks and corporates, will not materialise if there is a significant deterioration in the economic background as a result of COVID-19 or otherwise. Moreover, while the Government's policies generally have resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. A general downturn or instability in certain sectors of the UAE or the regional economy could have a material adverse effect on the business, prospects, results of operation and financial condition of the Group.

Noteholders should also note that the Group's business and financial performance could be materially and adversely affected by political, economic or related developments both within and outside the Middle East region because of inter-relationships within the global financial markets. The Group could be materially and adversely affected in the future by any deterioration of general economic conditions in the markets in which its customers operate, as well as by international trading market conditions and/or related factors.

## FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

### Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

### Risks applicable to all Notes

*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its 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.

*The Notes may be redeemed prior to their final maturity date for tax reasons*

If the Issuer becomes obliged to pay any additional amounts in respect of the Notes as provided or referred to in Condition 8 of the Notes as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer may redeem all but not some only of the outstanding Notes of such Tranche in accordance with Condition 7.2 of the Notes. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security with a similar rate of return, which may have an adverse effect on the position of such investor. 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 Early Redemption Amount. Potential investors should consider reinvestment risk in light of other investments available at that time.

*If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities. Such volatility could have a material adverse effect on the value of and return on any such Notes.

*The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"*

Interest rates and indices which are deemed to be "benchmarks", (including the London interbank offered rate (**LIBOR**) and the euro interbank offered rate (**EURIBOR**)) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in subsequent speeches by FCA officials, the FCA confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 31 December 2021. Such announcements indicate that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, any benchmark, including, LIBOR and EURIBOR will continue to be supported going forwards. This may cause such benchmark to perform differently than it has done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that an original Reference Rate (as defined in the Conditions) and/or any page on which an original Reference Rate may be published, (or any other successor service) becomes unavailable or a Benchmark Event (as defined in the Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest (or the relevant component part thereof) could be set by reference to a Successor Rate or an Alternative Reference Rate, with or without the application of an Adjustment Spread (as defined in the Conditions) and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser, acting in good faith and following consultation with the Issuer, or the Issuer (acting in good faith and in a commercially reasonable manner), as applicable, and without the requirement for the consent or sanction of Noteholders. An Adjustment Spread, if applied, is the spread (which may be positive, negative or zero) or formula or methodology for calculating a spread which (i) in the case of a Successor Rate, is formally recommended or formally provided as an option for parties to adopt, in relation to the replacement of the original Reference Rate with the Successor Rate by any Relevant Nominating Body (as defined in the Conditions) (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), or (ii) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Issuer) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate, as the case may be, in international debt capital markets transactions to produce an industry-accepted replacement rate for the original Reference Rate, or (iii) (if the Independent Adviser (following consultation with the Issuer) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Issuer) determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate, as the case may be, or (iv) (if the Independent Adviser (following consultation with the Issuer) determines that there is no such industry standard) the Independent Adviser (following consultation with the Issuer) or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate. Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest (or the relevant component part thereof). The use of a Successor Rate or Alternative Reference Rate (including with or without the application of an Adjustment Spread) may still result in any Notes linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Rate of Interest (or the relevant component part thereof) for the relevant immediately following Interest Period may result in the Rate of Interest (or the relevant component part thereof) for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes linked to or referencing a benchmark.

**Risks related to Notes generally**

Set out below is a description of material risks relating to the Notes generally:

*The Conditions contain provisions which may permit their modification without the consent of all investors.*

The Conditions contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

*The value of the Notes could be adversely affected by a change in English law or administrative practice.*

The Conditions are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

**Risks relating to enforcement**

The Notes, the Agency Agreement, the Deed of Covenant (each as defined in "*Terms and Conditions of the Notes*") and the Programme Agreement (as defined in "*Subscription and Sale*") are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the London Court of International Arbitration in London, England (the **LCIA Rules**) with its seat in London or, subject to the exercise of an option to litigate given to certain parties (other than the Issuer), to the courts of England and Wales.

The payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary for an investor to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming. Notwithstanding that an arbitral award may be obtained in a London-seated arbitration or that a judgment may be obtained in the English courts, 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.

*Enforcement of arbitral awards in Abu Dhabi*

The New York Convention entered into force in the UAE on 19 November 2006. Accordingly, it is expected that an arbitral award obtained in a London-seated arbitration should be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. In this regard, it should be noted that recognition and enforcement of an arbitral award may be refused by the Abu Dhabi courts on the grounds set out in Article V of the New York Convention. However, there is no established track record to demonstrate how the provisions of the New York Convention will be applied by the Abu Dhabi courts in practice and whether the Abu Dhabi courts will enforce a foreign arbitral award in accordance with the New York Convention (or any other applicable multilateral or bilateral enforcement treaties). 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 have been refused.

Federal Cabinet Resolution No. 57 of 2018 (the **Cabinet Resolution**) also governs the enforcement of foreign arbitral awards in the UAE. Article 86 of the Cabinet Resolution provides that arbitral awards issued in a foreign state may be enforced in the UAE subject to the conditions provided under Article 85 of the Cabinet Resolution. Article 88 of the Cabinet Resolution provides that the rules on enforcement of foreign arbitral awards shall not prejudice the provisions of treaties for the enforcement of foreign judgments, orders and instruments with foreign states, which should include the New York Convention. However, there is no established track record to demonstrate how the Abu Dhabi courts will apply the Cabinet Resolution, or how the overlapping provisions of the Cabinet Resolution and such treaties will be applied together, in practice.

In addition, Federal Law No. 6 of 2018 (the **UAE Arbitration Law**) provides certain conditions to the enforcement of domestic arbitral awards in the UAE. There is no established track record to demonstrate how the Abu Dhabi courts will apply the UAE Arbitration Law in practice and there is a risk that, notwithstanding the Cabinet Resolution or the terms of applicable enforcement treaties, the Abu Dhabi courts may also apply such conditions to the enforcement of foreign arbitral awards in the UAE.

Accordingly, there is a risk that an arbitral award obtained in a London-seated arbitration will be refused enforcement by the Abu Dhabi courts.

*Enforcement of foreign judgments in Abu Dhabi*

A judgment or order of a foreign court may be enforced in the UAE, subject to the conditions provided under Article 85 of the Cabinet Resolution. However, there is no established track record to demonstrate how the Abu Dhabi courts will apply the Cabinet Resolution in practice. The Abu Dhabi courts are unlikely to enforce an English court judgment without re-examining the merits of the claim.

The Abu Dhabi courts may not observe the choice by the parties 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. In practice, the UAE courts may seek to interpret English law governed documents as if they were governed by UAE law.

A UAE court may consider the lack of mutuality in the unilateral option to litigate in the Notes, the Agency Agreement, the Deed of Covenant and the Programme Agreement as being contrary to public policy in the UAE and, therefore, unenforceable. Moreover, claims may become time-barred or become subject to a counterclaim. This creates further uncertainty with respect to enforcement.

The UAE is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, there is no formal system of reporting decisions of the Abu Dhabi courts. These factors create greater judicial uncertainty.

*The Issuer's waiver of immunity may not be effective under the laws of the UAE*

UAE law provides that public or private assets owned by the UAE or any of the Emirates may not be confiscated. Since the Issuer is 100 per cent. owned by the Government through its parent, ADQ, 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.

The Issuer has provided a waiver of its rights in relation to sovereign immunity. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Agency Agreement, the Deed of Covenant or the Notes are valid and binding under the laws of the UAE and applicable in Abu Dhabi.

**Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.*

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

*If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.*

The Issuer will pay principal and interest on the Notes in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) 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 or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

*Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.*

One or more independent credit rating agencies may assign credit ratings to the Issuer, or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, 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 rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA 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 third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country 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 being 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.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

## FORM OF THE NOTES

*Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.*

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued outside the United States in reliance on the exemption from registration provided by Regulation S.

### Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, each a **Bearer Global Note**) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**).

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

The option for an issue of Bearer Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Notes should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency).

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that

(i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

**Registered Notes**

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common Depositary of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

**General**

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 27 April 2021 and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a new Offering Circular or a supplement to this Offering Circular, if applicable will be made available which will describe the effect of the agreement reached in relation to such Notes.

## APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme which are not Exempt Notes and which (1) have a denomination of €100,000 (or its equivalent in any other currency) or more, and/or (2) are to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors (as defined in the UK Prospectus Regulation) have access.*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market 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 manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore)** (as modified or amended from time to time, 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 the classification of the Notes to be capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and Specified Investment Products (as defined in the Singapore Monetary Authority (the **MAS**) Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

[*Date*]

**ABU DHABI PORTS COMPANY PJSC**

**Legal entity identifier (LEI): 213800F5LEV1NQJ68T87**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**
**under the Euro Medium Term Note Programme**

## PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 27 April 2021 [and the supplement[s] to it dated [*date*] [and [*date*]]] which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Offering Circular in order to obtain all the relevant information. The Offering Circular has been published on the website of the London Stock Exchange (http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*original date*] [and the supplement to it dated [*date*]] which are incorporated by reference in the Offering Circular dated [*current date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Offering Circular dated [*current date*] [and the supplement[s] to it dated [*date*]] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular, in order to obtain all the relevant information. The Offering Circular has been published on the website of the London Stock Exchange (http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

| | | |
|---|---|---|
| 1. | Issuer: | Abu Dhabi Ports Company PJSC |
| 2. | (a) Series Number: | [ ] |

| | | | |
|---|---|---|---|
| | (b) | Tranche Number: | [ ] |
| | (c) | Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [ ]]/[Not Applicable] |
| 3. | Specified Currency or Currencies: | | [ ] |
| 4. | Aggregate Nominal Amount: | | |
| | (a) | Series: | [ ] |
| | (b) | Tranche: | [ ] |
| 5. | Issue Price: | | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]] |
| 6. | (a) | Specified Denominations: | [ ] |
| | (b) | Calculation Amount (in relation to calculation of interest in global form see Conditions): | [ ] |
| 7. | (a) | Issue Date: | [ ] |
| | (b) | Interest Commencement Date: | [ /Issue Date/Not Applicable] |
| 8. | Maturity Date: | | [ ]/[ Interest Payment Date falling in or nearest to [ ]] |
| 9. | Interest Basis: | | [[ ] per cent. Fixed Rate]<br>[[[LIBOR/LIBID/LIMEAN/EURIBOR/SHIBOR/HIBOR/CNHHIBOR/TRLIBOR or TRYLIBOR/SIBOR/ EIBOR/TIBOR/SAIBOR/BBSW/JPYLIBOR/PRIBOR]] +/- [ ] per cent. Floating Rate]<br>[Zero coupon]<br>(see paragraph [14]/[15]/[16]below) |
| 10. | Redemption[/Payment] Basis: | | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount |
| 11. | Change of Interest Basis: | | [ ][Not Applicable] |
| 12. | Put/Call Options: | | [Investor Put]<br>[Change of Control Put]<br>[Issuer Call]<br>[(see paragraph [18]/[19]/[20] below)] |

| | | | |
|---|---|---|---|
| | | | [Not Applicable] |
| 13. | (a) | Status of the Notes: | Senior |
| | (b) | [Date [Board] approval for issuance of Notes obtained:] | [ ] |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | | |
|---|---|---|---|
| 14. | Fixed Rate Note Provisions | | [Applicable/Not Applicable] |
| | (a) | Rate(s) of Interest: | [ ] per cent. per annum payable in arrear on each Interest Payment Date |
| | (b) | Interest Payment Date(s): | [ ] in each year up to and including the Maturity Date |
| | (c) | Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): | [ ] per Calculation Amount |
| | (d) | Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): | [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable] |
| | (e) | Day Count Fraction: | [30/360] [Actual/Actual (ICMA)] |
| | (f) | Determination Date(s): | [[ ] in each year][Not Applicable] |
| 15. | Floating Rate Note Provisions | | [Applicable/Not Applicable] |
| | (a) | Specified Period(s)/Specified Interest Payment Dates: | [ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable] |
| | (b) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable] |
| | (c) | Additional Business Centre(s): | [ ] |
| | (d) | Manner in which the Rate of Interest and Interest Amount is to be determined: | [Screen Rate Determination/ISDA Determination] |
| | (e) | Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): | [ ] (the **Calculation Agent**) |

| | | | |
|---|---|---|---|
| (f) | Screen Rate Determination: | | |
| | • | Reference Rate: | [ ] month [LIBOR/LIBID/EURIBOR//SHIBOR /HIBOR/CNHHIBOR/TRLIBOR or TRYLIBOR /SIBOR/EIBOR/TIBOR/SAIBOR/BBSW/JPYLIBOR /PRIBOR] |
| | • | Interest Determination Date(s): | [ ] |
| | • | Relevant Screen Page: | [ ] |
| | • | Relevant Financial Centre: | [ ] |
| | • | Relevant Time | [ ] |
| (g) | ISDA Determination: | | |
| | • | Floating Rate Option: | [ ] |
| | • | Designated Maturity: | [ ] |
| | • | Reset Date: | [ ] |
| (h) | Linear Interpolation: | | [Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation] |
| (i) | Margin(s): | | [+/-] [ ] per cent. per annum |
| (j) | Minimum Rate of Interest: | | [ ] per cent. per annum |
| (k) | Maximum Rate of Interest: | | [ ] per cent. per annum |
| (l) | Day Count Fraction: | | [Actual/Actual (ISDA)][Actual/Actual]<br>Actual/365 (Fixed)<br>Actual/365 (Sterling)<br>Actual/360<br>[30/360][360/360][Bond Basis]<br>[30E/360][Eurobond Basis]<br>[30E/360 (ISDA)] |

| | | | |
|---|---|---|---|
| 16. | Zero Coupon Note Provisions | | [Applicable/Not Applicable] |
| | (a) | Accrual Yield: | [ ] per cent. per annum |
| | (b) | Reference Price: | [ ] |
| | (c) | Day Count Fraction in relation to Early Redemption Amounts: | [30/360]<br>[Actual/360]<br>[Actual/365] |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 17. | Notice periods for Condition 7.2: | Minimum period: [ ] days<br>Maximum period: [ ] days |
| 18. | Issuer Call: | [Applicable/Not Applicable] |
| | (a) Optional Redemption Date(s): | [ ] |
| | (b) Optional Redemption Amount: | [[ ] per Calculation Amount] |
| | (c) If redeemable in part: | |
| | (i) Minimum Redemption Amount: | [ ] |
| | (ii) Maximum Redemption Amount: | [ ] |
| | (d) Notice periods: | Minimum period: [ ] days<br>Maximum period: [ ] days |
| 19. | Investor Put: | [Applicable/Not Applicable] |
| | (a) Optional Redemption Date(s): | [ ] |
| | (b) Optional Redemption Amount: | [ ] per Calculation Amount<br><br>(*NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes*) |
| | (c) Notice periods: | Minimum period: [ ] days<br>Maximum period: [ ] days |
| 20. | Change of Control Put: | [Applicable/Not Applicable] |
| | (a) Change of Control Redemption Amount: | [ ] per Calculation Amount |
| | (b) Notice periods: | Minimum period: [ ] days<br>Maximum period: [ ] days |
| 21. | Final Redemption Amount: | [ ] per Calculation Amount |
| 22. | Early Redemption Amount payable on redemption for taxation reasons or on event of default: | [ ] per Calculation Amount |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 23. | Form of Notes: | [Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an |

| | | |
|---|---|---|
| | | Exchange Event]<br><br>[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]<br><br>[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]<br><br>[Registered Notes:<br><br>[Global Note (registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg)/] |
| 24. | Additional Financial Centre(s): | [Not Applicable/[ ]] |
| 25. | Talons for future Coupons to be attached to Definitive Notes: | [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No] |

**THIRD PARTY INFORMATION**

[[*Relevant third party information*] has been extracted from [*specify source*]. 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 [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **Abu Dhabi Ports Company PJSC**:

By:

*Duly authorised*

## PART B – OTHER INFORMATION

| | | |
|---|---|---|
| **1.** | **LISTING AND ADMISSION TO TRADING** | |
| | (i) Listing and Admission to trading | [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's main market and to be listed on the Official List of the Financial Conduct Authority with effect from [ ].]<br><br>[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's main market and to be listed on the Official List of the Financial Conduct Authority with effect from [ ].] |
| | (ii) Estimate of total expenses related to admission to trading: | [ ] |
| **2.** | **RATINGS** | |
| | Ratings: | [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:<br><br>[[ ] by [ ]] |

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

| | | |
|---|---|---|
| **4.** | **REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS** | |
| | (i) Reasons for the offer: | [See ["Use of Proceeds"] in the Offering Circular] |
| | (ii) Estimated net proceeds: | [ ] |
| **5.** | **YIELD** (*Fixed Rate Notes only*) | |
| | Indication of yield: | [ ]<br><br>The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. |

## 6. OPERATIONAL INFORMATION

| | | |
|---|---|---|
| (i) | ISIN: | [ ] |
| (ii) | Common Code: | [ ] |
| (iii) | CFI: | [See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available] |
| (iv) | FISN | [See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available] |
| (v) | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [Not Applicable/*give name(s) and number(s)*] |
| (vi) | Delivery: | Delivery [against/free of] payment |
| (vii) | Names and addresses of additional Paying Agent(s) (if any): | [ ] |

## 7. DISTRIBUTION

| | | |
|---|---|---|
| (i) | Method of distribution: | [Syndicated/Non-syndicated] |
| (ii) | If syndicated, names of Managers: | [Not Applicable/ ] |
| (iii) | Stabilisation Manager(s) (if any): | [Not Applicable/ ] |
| (iv) | If non-syndicated, name of relevant Dealer: | [Not Applicable/ ] |
| (v) | U.S. Selling Restrictions: | [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable] |
| (vi) | Prohibition of Sales to EEA Retail Investors: | [Applicable/Not Applicable] |
| (vii) | Prohibition of Sales to UK Retail Investors: | [Applicable/Not Applicable] |

## APPLICABLE PRICING SUPPLEMENT

## EXEMPT NOTES OF ANY DENOMINATION

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.*

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

**[MIFID II/UK MIFIR product governance / target market** – [*appropriate target market legend to be included*]]

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore)** (as modified or amended from time to time, 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 the classification of the Notes to be capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and Specified Investment Products (as defined in the Singapore Monetary Authority (the **MAS**) Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

**[THE FINANCIAL CONDUCT AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.]**

[*Date*]

**ABU DHABI PORTS COMPANY PJSC**

**Legal entity identifier (LEI): 213800F5LEV1NQJ68T87**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**
**under the Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 27 April 2021 [as supplemented by the supplement[s] dated [*date[s]*]] (the **Offering Circular**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. Copies of the Offering Circular may be obtained from the registered office of the Principal Paying Agent during normal business hours at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular [dated [*original date*] [and the supplement dated [*date*]] which are incorporated by reference in the Offering Circular].[1]

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.*]

| | | | |
|---|---|---|---|
| 1. | Issuer: | | Abu Dhabi Ports Company PJSC |
| 2. | (a) | Series Number: | [ ] |
| | (b) | Tranche Number: | [ ] |
| | (c) | Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [*date*]][Not Applicable] |
| 3. | Specified Currency or Currencies: | | [ ] |
| 4. | Aggregate Nominal Amount: | | |
| | (a) | Series: | [ ] |
| | (b) | Tranche: | [ ] |

[1] Only include this language where it is a fungible issue and the original Tranche was issued under an Offering Circular with a different date.

| | | | |
|---|---|---|---|
| 5. | Issue Price: | | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)] |
| 6. | (a) | Specified Denominations: | [ ] |
| | (b) | Calculation Amount (in relation to calculation of interest in global form see Conditions): | [ ]<br><br>(*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.) |
| 7. | (a) | Issue Date: | [ ] |
| | (b) | Interest Commencement Date: | [*specify*/Issue Date/Not Applicable]<br>(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*) |
| 8. | Maturity Date: | | [*Specify date or for*<br>*Floating Rate Notes* - Interest Payment Date falling in or nearest to [*specify month and year*]] |
| 9. | Interest Basis: | | [[ ] per cent. Fixed Rate]<br>[[LIBOR/LIBID/LIMEAN/EURIBOR/SHIBOR/HIBOR/CNH HIBOR/TRLIBOR or TRYLIBOR /SIBOR/EIBOR/TIBOR/SAIBOR/BBSW/JPYLIBOR /PRIBOR/*specify Reference Rate*] +/- [ ] per cent. Floating Rate]<br>[*specify other*]<br>(further particulars specified below) |
| 10. | Redemption/Payment Basis: | | [Redemption at par]<br>[*specify other*] |
| 11. | Change of Interest Basis or Redemption/Payment Basis: | | [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*][Not Applicable] |
| 12. | Put/Call Options: | | [Investor Put]<br>[Change of Control Put]<br>[Issuer Call]<br>[(further particulars specified below)] |
| 13. | (a) | Status of the Notes: | Senior |
| | (b) | [Date [Board] approval for issuance of Notes obtained:] | [ ]<br><br>*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*) |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | | |
|---|---|---|---|
| 14. | Fixed Rate Note Provisions | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) | Rate(s) of Interest: | [ ] per cent. per annum payable in arrear on each Interest Payment Date |
| | (b) | Interest Payment Date(s): | [ ] in each year up to and including the Maturity Date<br>(*Amend appropriately in the case of irregular coupons*) |
| | (c) | Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): | [ ] per Calculation Amount |
| | (d) | Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): | [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable] |
| | (e) | Day Count Fraction: | [30/360/Actual/Actual (ICMA)/*specify other*] |
| | (f) | Determination Date(s): | [[ ] in each year][Not Applicable]<br>(*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*) |
| | (g) | Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: | [None/*Give details*] |
| 15. | Floating Rate Note Provisions | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) | Specified Period(s)/Specified Interest Payment Dates: | [ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable] |
| | (b) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other*]] [Not Applicable] |

| | | |
|---|---|---|
| (c) | Additional Business Centre(s): | [ ] |
| (d) | Manner in which the Rate of Interest and Interest Amount is to be determined: | [Screen Rate Determination/ISDA Determination/*specify other*] |
| (e) | Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): | [ ] (the **Calculation Agent**) |
| (f) | Screen Rate Determination: | |
| | • Reference Rate: | [ ] month [LIBOR/LIBID/LIMEAN/EURIBOR /SHIBOR/HIBOR/CNH HIBOR/ TRLIBOR or TRYLIBOR/SIBOR/EIBOR/TIBOR/SAIBOR/BBSW/ JPYLIBOR/PRIBOR /*specify other Reference Rate*] |
| | • Interest Determination Date(s): | [ ]<br>*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)* |
| | • Relevant Screen Page: | [ ]<br>(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*) |
| | • Relevant Financial Centre | [ ] |
| | • Relevant Time | [ ] |
| (g) | ISDA Determination: | |
| | • Floating Rate Option: | [ ] |
| | • Designated Maturity: | [ ] |
| | • Reset Date: | [ ]<br>(*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*) |
| (h) | Linear Interpolation: | [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)] |
| (i) | Margin(s): | [+/-] [ ] per cent. per annum |
| (j) | Minimum Rate of Interest: | [ ] per cent. per annum |
| (k) | Maximum Rate of Interest: | [ ] per cent. per annum |

| | | | |
|---|---|---|---|
| | (l) | Day Count Fraction: | [Actual/Actual (ISDA)][Actual/Actual]<br>Actual/365 (Fixed)<br>Actual/365 (Sterling)<br>Actual/360<br>[30/360][360/360][Bond Basis]<br>[30E/360][Eurobond Basis]<br>30E/360 (ISDA)<br>[*Other*] |
| | (m) | Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: | [ ] |
| 16. | Zero Coupon Note Provisions | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) | Accrual Yield: | [ ] per cent. per annum |
| | (b) | Reference Price: | [ ] |
| | (c) | Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: | [ ] |
| | (d) | Day Count Fraction in relation to Early Redemption Amounts: | [30/360]<br>[Actual/360]<br>[Actual/365] |

**PROVISIONS RELATING TO REDEMPTION**

| | | | |
|---|---|---|---|
| 17. | Notice periods for Condition [*Redemption and Purchase – Redemption for taxation reasons*]: | | Minimum period: [ ] days<br>Maximum period: [ ] days |
| 18. | Issuer Call: | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) | Optional Redemption Date(s): | [ ] |
| | (b) | Optional Redemption Amount and method, if any, of calculation of such amount(s): | [ ] per Calculation Amount *specify other* |
| | (c) | If redeemable in part: | |
| | | (i) Minimum Redemption Amount: | [ ] |

| | | | |
|---|---|---|---|
| | (ii) | Maximum Redemption Amount: | [ ] |
| (d) | | Notice periods: | Minimum period: [ ] days<br>Maximum period: [ ] days<br>(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.*) |

| | | | |
|---|---|---|---|
| 19. | Investor Put: | | [Applicable/Not Applicable]<br><br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) | Optional Redemption Date(s): | [ ] |
| | (b) | Optional Redemption Amount and method, if any, of calculation of such amount(s): | [[ ] per Calculation Amount/*specify other*/see Appendix] |
| | (c) | Notice periods: | Minimum period: [ ] days<br>Maximum period: [ ] days<br>(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 15 clearing system business days' notice for a put*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.*) |
| 20. | Change of Control Put: | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining subparagraphs of this paragraph*) |
| | (a) | Change of Control Redemption Amount: | [ ] per Calculation Amount |
| | (b) | Notice periods: | Minimum period: [ ] days<br>Maximum period: [ ] days<br>(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 15 clearing system business days' notice for a put*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*). |

| | | |
|---|---|---|
| 21. | Final Redemption Amount: | [[ ] per Calculation Amount/*specify other*] |
| 22. | Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required): | [[ ] per Calculation Amount/*specify other*]<br>(*N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.*) |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 23. | Form of Notes: | [Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]<br><br>[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]<br><br>[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]<br><br>[Registered Notes:<br><br>[Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg] |
| 24. | Additional Financial Centre(s): | [Not Applicable/*give details*]<br>(*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(c) relates*) |
| 25. | Talons for future Coupons to be attached to Definitive Notes: | [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No] |
| 26. | Other terms or special conditions: | [Not Applicable/*give details*] |

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [*Relevant third party information*] has been extracted from [*specify source*]. 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 [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of **Abu Dhabi Ports Company PJSC:**

By:

*Duly authorised*

## PART B – OTHER INFORMATION

| | | |
|---|---|---|
| **1.** | **LISTING** | [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [*specify market – note this must not be an EEA regulated market or the London Stock Exchange's main market*] with effect from [ ].] [Not Applicable] |

**2. RATINGS**

| | |
|---|---|
| Ratings: | [The Notes to be issued [have been]/[are expected to be] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*]]. (*The above disclosure is only required if the ratings of the Notes are different to those stated in the Offering Circular*) |

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers named below/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

**4. OPERATIONAL INFORMATION**

| | | |
|---|---|---|
| (i) | ISIN: | [ ] |
| (ii) | Common Code: | [ ] |
| (iii) | CFI: | [See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available] |
| (iv) | FISN: | [See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available] |
| (v) | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [Not Applicable/*give name(s) and number(s)*] |
| (vi) | Delivery: | Delivery [against/free of] payment |

| | | |
|---|---|---|
| (vii) | Names and addresses of additional Paying Agent(s) (if any): | [ ] |

## 5. DISTRIBUTION

| | | |
|---|---|---|
| (i) | Method of distribution: | [Syndicated/Non-syndicated] |
| (ii) | If syndicated, names of Managers: | [Not Applicable/*give names*] |
| (iii) | Stabilisation Manager(s) (if any): | [Not Applicable/*give name*] |
| (iv) | If non-syndicated, name of relevant Dealer: | [Not Applicable/*give name*] |
| (v) | U.S. Selling Restrictions: | Reg. S Compliance Category 2; [TEFRA C/TEFRA D/TEFRA not applicable] |
| (vi) | Additional selling restrictions: | [Not Applicable/*give details*]<br>(*Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes*) |
| (vii) | Prohibition of Sales to EEA Retail Investors: | [Applicable/Not Applicable]<br><br>(*If Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*) |
| (viii) | Prohibition of Sales to UK Retail Investors: | [Applicable/Not Applicable]<br><br>(*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*) |

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Abu Dhabi Ports Company PJSC (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 27 April 2021 and made between the Issuer, Citibank N.A., London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and Citigroup Global Markets Europe AG as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Calculation Agent (if any is specified in the applicable Final Terms), the Registrar, the Paying Agents and other Transfer Agents are together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) or, if this Note is a Note which is neither admitted to trading on (i) a regulated market in the European Economic Area or (ii) a UK regulated market as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, nor offered in (i) the European Economic Area or (ii) the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Regulation or the Financial Services and Markets Act 2000, as the case may be (an **Exempt Note**), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to **applicable Final Terms** shall be deemed to include a reference to applicable Pricing Supplement where relevant.

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 27 April 2021 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant (i) are available for inspection or collection during normal business hours at the specified office of each of the Paying Agents or (ii) may be provided by email to a Noteholder following their prior written request to any Paying Agents and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). If the Notes are to be admitted to trading on the main market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## 1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## 2. TRANSFERS OF REGISTERED NOTES

### 2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, 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. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

### 2.2 Transfers of Registered Notes in definitive form

Subject as provided in paragraphs 2.3 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### 2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

### 2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

## 3. STATUS OF THE NOTES

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

## 4. NEGATIVE PLEDGE

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer will not and will ensure that none of its 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 to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, 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, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In the Conditions:

**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 (i) any Security Interest given by the Issuer is limited solely to assets of the project, (ii) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to the Issuer in respect of any default by any person under the financing;

**Permitted Security Interest** means:

(a) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Notes;

(b) any Security Interest securing Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with or becomes a Subsidiary of, the Issuer or the relevant Subsidiary, as the case may be, provided that such Security Interest was not created in contemplation of such merger or consolidation, or person becoming a Subsidiary of the Issuer or the relevant Subsidiary, as the case may be, and does not extend to any other assets or property of the Issuer or the relevant Subsidiary, as the case may be;

(c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer or the relevant Subsidiary, as the case may be, and not created in contemplation of such acquisition; or

(d) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (c) (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);

**Relevant Indebtedness** means any indebtedness (including any Sukuk Obligation), 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, notes, debentures, trust certificates, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market;

**Securitisation** means any securitisation of existing or future assets and/or revenues, provided that (i) any Security Interest given by the Issuer or the relevant Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) 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 (iii) there is no other recourse to the Issuer or the relevant Subsidiary, as the case may be, in respect of any default by any person under the securitisation;

**Subsidiary** in relation to the Issuer means at any particular time, any person (the first **person**):

(a) which is then directly or indirectly controlled by the Issuer; or

(b) more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the Issuer; or

(c) whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer.

For the first person 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 first person or otherwise controls, or has the power to control, the affairs and policies of that first person; and

**Sukuk Obligation** means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other instruments intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind.

## 5. INTEREST

### 5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Fixed Rate Notes represented by such Global Note or (B) such Registered Notes (or, in each case, if they are Partly Paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rates Notes which are Registered Notes in definitive form or the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate

Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

**5.2 Interest on Floating Rate Notes**

**(a) Interest Payment Dates**

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means:

(a) 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 London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(c) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Principal Paying Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

If the Rate of Interest cannot be determined because of the occurrence of a Benchmark Event, the Rate of Interest shall be calculated in accordance with the terms of Condition 6(b)(iii).

In the Conditions:

**Reference Rate** means one of the following benchmark rates (as specified in the applicable Final Terms) in respect of the currency and period specified in the applicable Final Terms:

(A) Euro-Zone interbank offered rate (**EURIBOR**);

(B) London interbank bid rate (**LIBID**);

(C) London interbank offered rate (**LIBOR**);

(D) London interbank mean rate (**LIMEAN**);

(E) Shanghai interbank offered rate (**SHIBOR**);

(F) Hong Kong interbank offered rate (**HIBOR**);

(G) Singapore interbank offered rate (**SIBOR**);

(H) Emirates interbank offered rate (**EIBOR**);

(I) Saudi Arabia interbank offered rate (**SAIBOR**);

(J) Australia Bank Bill Swap (**BBSW**);

(K) Japanese Yen LIBOR (**JPY LIBOR**);

(L) Prague interbank offered rate (**PRIBOR**);

(M) CNH Hong Kong interbank offered rate (**CNH HIBOR**);

(N) Turkish Lira interbank offered rate (**TRLIBOR** or **TRYLIBOR**); and

(O) Tokyo interbank offered rate (**TIBOR**);

**Relevant Financial centre** shall mean (i) London, in the case of a determination of LIBOR; (ii) Brussels, in the case of a determination of EURIBOR; (iii) Tokyo, in the case of a determination of TIBOR; or (iv) Hong Kong, in the case of a determination of HIBOR, as specified in the applicable Final Terms, or such other financial centre as specified in the applicable Final Terms; and

**Relevant Time** shall mean (i) in the case of LIBOR, 11.00 a.m.; (ii) in the case of EURIBOR, 11.00 a.m.; (iii) in the case of TIBOR, 11.00 a.m.; or (iv) in the case of HIBOR, 11.00 a.m., in each case in the Relevant Financial Centre, or such other time as specified in the applicable Final Terms.

(iii) Benchmark Replacement

Notwithstanding the other provisions of this Condition 5.2(b), if the Issuer, following consultation with the Principal Paying Agent or the Calculation Agent, as applicable, determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Final Terms when any Rate of Interest (or the relevant component part thereof) applicable to the Notes for any Interest Period remains to be determined by such Reference Rate, then the following provisions shall apply:

(A) the Issuer shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **IA Determination Cut-Off Date**), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case and if applicable, an Adjustment Spread for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(B) if (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by the Issuer fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 5.2(b)(iii) prior to the relevant IA Determination Cut-Off Date, then the Issuer (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and/or, in either case, an Adjustment Spread itself for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 5.2(b)(iii) applying *mutatis mutandis*) to allow such determinations to be made by the Issuer without consultation with the Independent Adviser;

(C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods in respect of such Notes (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(b)(iii));

(D) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be), provided however, that if the Independent Adviser (following consultation with the Issuer), or the Issuer (acting in good faith and in a commercially reasonable manner), fails to determine the Adjustment Spread in accordance with this Condition 5.2(b)(iii) prior to the relevant Interest Determination Date, then the Successor Rate or Alternative Reference Rate, as determined in accordance with this Condition 5.2(b)(iii), will apply without an Adjustment Spread;

(E) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 5.2(b)(iii) and the Independent Adviser (following consultation with the Issuer) or the Issuer (acting in good faith and in a commercially reasonable manner), as applicable, determines: (A) that amendments to the Conditions (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Interest Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the Benchmark Amendments); and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Issuer and subject to delivery of a notice in accordance with Condition 5.2(b)(iii)(F), (x) the Issuer shall vary the Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Agents shall (at the Issuer's expense), without any requirement for the consent or sanction of the Noteholders, be obliged to concur with the Issuer in effecting such Benchmark Amendments.

For the avoidance of doubt, no Agent shall be liable to the Noteholders or any other person for so acting or relying on such notice, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Noteholder or person;

(F) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Agents (or the Calculation Agent, if applicable) and, in accordance with Condition 14, the Noteholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5.2(b)(iii);

(G) if, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or the relevant component thereof) on the immediately following Interest Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Rate of Interest (or the relevant component part thereof) shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period). For the avoidance of doubt, this Condition 5.2(b)(iii)(G) shall apply to the relevant immediately following Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 5.2(b)(iii); and

(H) the Independent Adviser appointed pursuant to this Condition 5.2(b)(iii) shall act and make all determinations pursuant to this Condition 5.2(b)(iii) in good faith and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, neither the Independent Adviser nor the Issuer shall have any liability whatsoever to the Principal Paying Agent or the Calculation Agent, as applicable, the

Paying Agents or the Noteholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.2(b)(iii).

For the purposes of this Condition 5.2(b)(iii):

**Adjustment Spread** means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which

(A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Issuer) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the relevant Reference Rate; or

(C) (if the Independent Adviser (following consultation with the Issuer) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Issuer) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or

(D) (if the Independent Adviser (following consultation with the Issuer) determines that there is no such industry standard) the Independent Adviser (following consultation with the Issuer) or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate;

**Alternative Reference Rate** means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Issuer) determines, in accordance with this Condition 5.2(b)(iii), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes and of a comparable duration to the relevant Interest Period or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

**Benchmark Event** means: (i) the relevant Reference Rate ceasing to be published as a result of such benchmark ceasing to be calculated or administered or ceasing to exist for at least five Business Days; or (ii) a public statement by the administrator of the relevant Reference Rate that it has ceased, by a specified future date, or that it will cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will, by a specified future date, be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which, by a specified future date, the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or (v) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of an underlying market or (vi) it has become unlawful for the Issuer, the Principal Paying Agent or the Calculation Agent, as applicable, or any other Paying Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate, provided that, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv) and (v) above and the relevant specified future date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such specified future date;

**Financial Stability Board** means the organisation established by the Group of Twenty (G20) in April 2009;

**Independent Adviser** means an independent financial institution of international repute or an independent adviser with appropriate expertise appointed by the Issuer at the Issuer's expense;

**Relevant Nominating Body** means, in respect of a Reference Rate: (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the Reference Rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof; and

**Successor Rate** means the rate that the Independent Adviser (in consultation with the Issuer) or the Issuer, as applicable, determines is a successor to or replacement of the relevant Reference Rate which is formally recommended by any Relevant Nominating Body.

**(c) Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Notes represented by such Global Note or (B) such Registered Notes (or, in each case, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**$Y_1$** is the year, expressed as a number, in which the first day of the Interest Period falls;

**$Y_2$** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{M_2}$ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{D_1}$ is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

$\mathbf{D_2}$ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{M_2}$ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{D_1}$ is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

$\mathbf{D_2}$ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{M_2}$ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{D_1}$ is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

$\mathbf{D_2}$ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30

**(e) Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or the Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

**(f) Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(g) Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Principal Paying Agent or the Calculation Agent, as applicable, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent, as applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### 5.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## 6. PAYMENTS

### 6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment or other laws and regulations to which the Issuer or its Agents are subject, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

### 6.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

**6.3 Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented.

**6.4 Payments in respect of Registered Notes**

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

### 6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so 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 Note 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 Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

### 6.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

(a) 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):

(i) in the case of Notes in definitive form only, in the relevant place of presentation; and

(ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(c) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

**6.7 Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes; and

(e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

## 7. REDEMPTION AND PURCHASE

**7.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

**7.2 Redemption for tax reasons**

Subject to Condition 7.5, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) 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 were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

## 7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg,. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

## 7.4 Redemption at the option of the Noteholders (Investor Put)

(i) If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

(ii) If Change of Control Put is specified in the applicable Final Terms and if a Change of Control Event occurs, the Issuer will, upon the holder of any Note giving notice within the Change of Control Put Period to the Issuer in accordance with Condition 14 (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 7.2 or 7.3), redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Change of Control Put Date at the Change of Control Redemption Amount together (if applicable) with interest accrued to but excluding the Change of Control Put Date.

Promptly 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 14 to that effect.

If 75 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or, as the case may be, purchased, pursuant to this Condition 7.4(ii), the Issuer may, on giving not less than the minimum period nor more than the maximum period of notice as specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (such notice to be given within 30 days of the Change of Control Put Date), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes at their Change of Control Redemption Amount together (if applicable) with interest accrued to but excluding the date fixed for redemption or purchase, as the case may be.

(iii) To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

(iv) For the purpose of the Conditions:

a **Change of Control Event** shall occur each time the government of the Emirate of Abu Dhabi ceases to own (directly or indirectly) more than 50 per cent. of the issued share capital of the Issuer;

**Change of Control Put Date** shall be the tenth day after the expiry of the Change of Control Put Period provided that, if such day is not a day on which banks are open for general business in both London and the principal financial centre of the Specified Currency the Change of Control Put Date shall be the next following day on which banks are open for general business in both London and the principal financial centre of the Specified Currency;

**Change of Control Put Period** shall be period of 30 days commencing on the date that a Change of Control Notice is given; and

**Change of Control Redemption Amount** shall mean, in relation to each Note to be redeemed or purchased pursuant to the Change of Control Put Option, an amount equal to the nominal amount of such Note or such other amount as may be specified in the applicable Final Terms.

**7.5 Early Redemption Amounts**

For the purpose of Condition 7.2 above and Condition 10:

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(b) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^y$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the -actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

### 7.6 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

### 7.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

### 7.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## 8. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6).

Notwithstanding any other provision of the Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes and Coupons for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein:

(i) **Tax Jurisdiction** means United Arab Emirates or any Emirate therein or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer of principal and interest on the Notes become generally subject; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

## 9. PRESCRIPTION

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## 10. EVENTS OF DEFAULT

### 10.1 Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

(a) 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 and 14 Business Days in the case of interest; or

(b) the Issuer defaults in performance or observance of or compliance with any of its other obligations or undertakings in respect of the Notes and either such default is not capable of remedy or such default (if capable of remedy) is not remedied within 45 days after written notice of such default shall have been given to the Issuer by any Noteholder; or

(c) (i) the holders of any Indebtedness of the Issuer accelerate such Indebtedness or declare such Indebtedness to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment or pursuant to an option granted to the holders by the terms of such Indebtedness), prior to the stated maturity thereof as a result of an event of default (however described) or (ii) the Issuer fails to pay in full any principal of, or interest on, any of its Indebtedness when due (after expiration of any applicable grace period) or any guarantee of any Indebtedness of others given by the Issuer shall not be honoured when due and called upon; provided that the aggregate amount of the relevant Indebtedness or guarantee in respect of which one or more of the events mentioned above in this Condition

10.1(c) shall have occurred equals or exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) the Issuer is adjudicated or found bankrupt or insolvent or any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save in connection with a Permitted Reorganisation; or

(e) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer), or an administrative or other receiver, manager, administrator, liquidator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to all or substantially all of the undertaking or assets of the Issuer and in any such case (other than the appointment of an administrator) is not discharged within 60 days; or

(f) the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or enters into any composition or other similar arrangement with its creditors generally save, in all cases, in connection with a Permitted Reorganisation; or

(g) any event occurs which 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 (d) to (f) (inclusive) above; or

(h) any mortgage, charge, pledge, lien or other encumbrance (each a **Security Interest**), present or future, created or assumed by the Issuer and securing an amount which equals or exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies) becomes enforceable and any step is taken to enforce the Security Interest (including the taking of possession or the appointment of a receiver, manager or other similar person, but excluding the issue of any notification to the Issuer that such Security Interest has become enforceable) unless the full amount of the debt which is secured by the relevant Security Interest is discharged within 60 days of the first date on which a step is taken to enforce the relevant Security Interest; or

(i) (i) the validity of the Notes is contested by the Issuer; or (ii) the Issuer shall deny any of its obligations under the Notes; or (iii) as a result of any change in, or amendment to, the laws or regulations in United Arab Emirates or any Emirate therein, which change or amendment takes place after the date on which agreement is reached to issue the first Tranche of the Notes, (A) it becomes unlawful for the Issuer to perform or comply with any of its payment or other material obligations under or in respect of the Notes or the Agency Agreement or (B) any of such obligations becomes unenforceable or invalid,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

### 10.2 Definitions

For the purposes of the Conditions:

**Indebtedness** means all obligations (including any Sukuk Obligation), and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes, trust certificates or other similar instruments); and

**Permitted Reorganisation** means any amalgamation, consolidation, restructuring, demerger, merger, reorganisation, reconstruction, composition or other similar arrangement: (i) on a solvent basis; and/or (ii) on terms previously approved by an Extraordinary Resolution.

## 11. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## 12. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## 13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

## 14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## 15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

The Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## 16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## 17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 18. GOVERNING LAW AND DISPUTE RESOLUTION

### 18.1 Governing law

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

### 18.2 Agreement to arbitrate with option to litigate

(a) Subject to Condition 18.2(b), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes (including any dispute as to 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 Arbitration Rules of the London Court of International Arbitration (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition. For these purposes:

(i) the seat of arbitration shall be London;

(ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and

(iii) the language of the arbitration shall be English.

(b) Notwithstanding Condition 18.2(a) above, any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

(i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(ii) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18.2(c) and, subject as provided below, any arbitration commenced under Condition 18.2(a) 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 in respect of any Dispute, the relevant Noteholder must also promptly 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.

(c) In the event that a notice pursuant to Condition 18.2(b) is issued, the following provisions shall apply:

(i) subject to Condition 18.2(c)(iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;

(ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 18.2(c) is for the benefit of the Noteholders only. As a result, and notwithstanding paragraph (i) above, any Noteholder may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Noteholders may take concurrent Proceedings in any number of jurisdictions.

**18.3 Appointment of Process Agent**

The Issuer has appointed Law Debenture Corporate Services Limited at its registered office at 8th Floor, 100 Bishopsgate, London EC2N 4AG as its agent for service of process in England and agrees that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Dispute. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

**18.4 Waiver of immunity**

To the extent that the Issuer may in any jurisdiction claim sovereign or other immunity from jurisdiction or execution and any similar defence and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, the Issuer irrevocably and unconditionally waives with respect to the Notes any right to claim such immunity to the full extent permitted by the laws of such jurisdiction and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement made or given in connection with any Proceedings or Disputes.

**18.5 Other documents**

The Issuer has in the Agency Agreement and the Deed of Covenant made provision for arbitration and appointed an agent for service of process in terms substantially similar to those set out above.

# USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes or for any other purpose specified in the applicable Final Terms (or in the case of Exempt Notes, the applicable Pricing Supplement), as the case may be.

## OVERVIEW OF THE UAE AND 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 joined to form the United Arab Emirates. The relationship between the federal government of the UAE and the governments of each Emirate is laid down in the constitution of the UAE, which states that each Emirate shall exercise all powers not assigned to the federation. Each Emirate has a local government headed by the Ruler of the Emirate, and retains significant political and financial autonomy. The UAE has a federal government which is headed by the President. The highest governing body of the federation is 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). The Federal Council of Ministers, which is headed by the Prime Minister, is the principal executive body of the federation and is responsible for implementing policy decisions of the Supreme Council. 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 (October 2020)), the UAE is the third largest economy in the MENA region after Saudi Arabia and Iran based on nominal GDP and the second largest after Qatar based on nominal GDP per capita. It has a more diversified economy than most of the other countries in the Gulf Cooperation Council (the **GCC**).

According to OPEC data, at 31 December 2019, the UAE had crude oil reserves estimated to be 97,800 million barrels, equal to 6.3 per cent. of OPEC's estimate for the world's total crude oil reserves (giving it the sixth largest oil reserves in the world). As at the same date, OPEC estimated the UAE's natural gas reserves to be 6,091 billion standard cubic metres (or 215 trillion standard cubic feet (**SCF**)), equal to 3.0 per cent. of OPEC's estimate for the world's total natural gas reserves (giving it the seventh largest natural gas reserves in the world). The OPEC estimates do not take into account the discovery of an additional 7 billion barrels of conventional crude oil reserves and 58 trillion SCF of conventional gas reserves announced by Abu Dhabi's Supreme Petroleum Council (the **SPC**) in November 2019 or the further 2 billion barrels of conventional crude oil reserves announced by the SPC in November 2020, which would give the UAE reserves of approximately 107 billion barrels of oil and 7,700 standard cubic metres (or 273 trillion SCF) of gas.

The UAE enjoys generally good relations with the other states in the GCC, although it has a longstanding territorial dispute with Iran over three islands in the Gulf and, as such, is not immune to regional political risks.

### 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 conventional reserves of approximately 100 billion barrels. At the current Field Sustainable Oil Production Rate (FSOPR), 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 extraction costs are considered to be low.

## SUMMARY 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 |
|---|---|---|---|---|---|
| | | | *(AED million, except percentages)* | | |
| Abu Dhabi nominal GDP ..................................... | 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: SCAD

Abu Dhabi's GDP is generated principally by the hydrocarbon sector (mining and quarrying), which contributed 35.1 per cent. of Abu Dhabi's 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 (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 the production of certain related products.

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 and was 1.2 per cent. in 2018 and 1.5 per cent. in 2019.

The table below shows the growth rates in Abu Dhabi's real GDP by the hydrocarbon sector and the non-hydrocarbon sector for each of the years indicated.

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| | | | (*per cent.*) | | |
| 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, 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.

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| | | | (*AED million, except percentages*) | | |
| 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 GDP 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 FCSA estimated the population of the UAE as a whole to be approximately 9.5 million as at 31 December 2019. 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 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 2015.

| | 1985 | 1995 | 2005 | 2016 | 2019 |
|---|---|---|---|---|---|
| Abu Dhabi population ............ | 566,036 | 942,463 | 1,399,484 | 2,908,173[(1)] | — |
| Total UAE population ............ | 1,379,303 | 2,411,041 | 4,106,427 | — | 9,503,738[(2)] |

Notes:
(1) SCAD estimate as at 30 June 2016.
(2) FCSA estimate as at 31 December 2019.
Sources: SCAD (Abu Dhabi population figures) and FCSA (UAE population figures).

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 shows the consumer price index (CPI) and the percentage change, year on year, of consumer prices in Abu Dhabi for each of the years indicated.

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Consumer price index (2014 = 100) ......................... | 106.4 | 108.1 | 111.6 | 110.7 | 108.0 |
| Consumer prices (percentage change, year on year). | 2.0 | 1.6 | 3.3 | (0.8) | (2.4) |

Source: SCAD

In 2017, inflation remained low at 1.6 per cent. compared to 2.0 per cent. in 2016. This principally reflected a 1.6 per cent. increase in the housing, water, electricity, gas and other fuels component, coupled with increases in the third and fourth largest components that were also each lower than the overall 2 per cent. increase but which were offset to an extent by a 4.3 per cent. increase in transportation (driven by increased prices for fuel and oil, taxi meters and airline tickets), the second largest component of the basket.

In 2018, the transportation component (which increased by 8.4 per cent., reflecting increased oil prices), the clothing and footwear component (which increased by 20.8 per cent., reflecting increased raw material prices) and the recreation and culture component (which increased by 12.5 per cent., reflecting an increase in tourists and the indirect effect of rising food and soft drinks prices) were the principal drivers of the 3.3 per cent. increase in inflation, principally due to the impact of a 5 per cent. rate of VAT from the start of 2018. The impact of these components was partly offset by a fall of 3.6 per cent. in the housing, water, electricity, gas and other fuels component, driven by the continued decline in housing prices and rents. Although only a small component, the significant increase in tobacco prices in 2018 reflected the implementation of an excise tax in October 2017, which also impacted the prices of some beverages.

In 2019, Abu Dhabi experienced deflation at a rate of 0.8 per cent. The principal contributors to this were the housing, water, electricity, gas and other fuels component which recorded 3.7 per cent. deflation principally as a result of a continuing decline in house prices and rents in 2019, albeit at a lower rate than in 2018 and declines in utilities prices. In addition, there was 5.3 per cent. deflation in the transportation component principally as a result of lower oil prices resulting in lower domestic fuel prices and 2.1 per cent. deflation in the food and beverages component reflecting decreases in seven sub groups mainly meat, fish and seafood and vegetables, and increases in four sub groups, principally the sugar, jam, honey, chocolate and confectionary sub group.

The consumer price index fell by 2.4 per cent. in 2020 compared to 2019. This principally reflected falls:

- of 22.2 per cent. in recreation and culture, which contributed 53.5 per cent. to the overall decrease in the CPI in 2020 compared to 2019;

- 6.6 per cent. in transport, which contributed 38.9 per cent. to the overall decrease in the CPI in 2020 compared to 2019; and

- 2.9 per cent. in housing, water, electricity, gas and fuel, which contributed 37.4 per cent. to the overall decrease in the CPI in 2020 compared to 2019.

These decreases were principally offset by a 5.8 per cent. increase in food and beverages, which contributed 28.1 per cent. in reducing the overall decrease in the CPI in 2020 compared to 2019.

## ABU DHABI'S CREDIT RATINGS

Abu Dhabi has a long-term foreign currency debt rating of "AA" with a stable outlook from S&P, a government bond rating of "Aa2" with a stable outlook from Moody's and a long-term foreign currency issuer default rating of "AA" with a stable outlook from Fitch.

S&P noted in its 29 May 2020 ratings report that it could consider a negative rating action if (i) it expected a material deterioration in Abu Dhabi's currently strong fiscal balance sheet and net external asset position, (ii) fiscal deficits or the materialisation of contingent liabilities led liquid assets to drop below 100 per cent. of GDP or (iii) domestic or regional events compromised political and economic stability in Abu Dhabi.

Fitch noted in its 29 October 2020 report that negative ratings actions could result from (i) a substantial erosion of Abu Dhabi's fiscal and external positions, for example due to a sustained period of low oil prices or a materialisation of contingent liabilities or (ii) a geopolitical shock that impacts Abu Dhabi's economic, social or political stability.

Moody's noted in its 10 May 2020 ratings report that a rating downgrade could be prompted by (i) a prolonged period of oil prices well below Moody's current assumptions unless accompanied by effective measures to preserve the government's fiscal strength or (ii) a rising probability that large contingent liabilities posed by government-related entities might crystallise on the government's balance sheet.

## ABU DHABI GOVERNMENT STRUCTURE

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan, and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Executive Council, which is the principal executive authority below the Ruler and the Crown Prince. The Executive Council currently comprises members appointed by the Ruler of Abu Dhabi by Emiri Decree issued in January 2019.

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Executive Council. Departments manage administration within the Emirate and each department manages a specific portfolio. Departments include, for example, the Department of Finance, the Department of Energy, the Department of Transport, the Department of Urban Planning and Municipalities, the Department of Health, the Department of Economic Development, the Department of Education and Knowledge and the Department of Culture and Tourism. Authorities manage the Emirate's resources and strategies and include the Accountability Authority and the Abu Dhabi Media Zone Authority.

Councils act as controlling bodies for certain Government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards, and include the Council for Economic Development.

**MAJOR GOVERNMENT-OWNED COMPANIES**

The Government owns or has significant shareholdings in a number of Abu Dhabi companies. The most important companies owned by the Government are:

- Abu Dhabi National Oil Company (**ADNOC**), which manages all aspects of the Emirate's oil and gas industry;

- Abu Dhabi Investment Authority (**ADIA**), which is the principal vehicle through which the Government has historically invested its surplus hydrocarbon revenue;

- Mubadala Investment Company, which is mandated to create sustainable financial returns while furthering the Government's strategic objective of a globally integrated and diversified economy through the diversified portfolio of investments made by it and its subsidiaries;

- ADQ, which owns and oversees a portfolio of development-related enterprises, including AD Ports, in various sectors in Abu Dhabi; and

- Etihad Airways PJSC, the national airline of the UAE and a key facilitator of the government's tourism strategy.

## 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 other information" for a discussion of the sources of the numbers contained in this section.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below shows the Group's consolidated statement of financial position as at 31 December in each of 2020, 2019 (on both a restated and an original basis) and 2018.

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2020** | **2019** | **2019** | **2018** |
| | | **(restated)** | **(original)** | |
| | | *(AED thousand)* | | |
| **Assets** | | | | |
| Property, plant and equipment | 15,374,891 | 13,019,334 | 12,956,896 | 11,156,833 |
| Trade and other receivables | 1,332,580 | 1,022,704 | — | — |
| Right-of-use assets | 665,026 | 701,541 | 444,245 | 457,154 |
| Intangible assets and goodwill | 234,733 | 245,424 | 245,424 | 226,104 |
| Investment properties | 3,458,019 | 3,775,089 | 422,509 | 393,144 |
| Investment in joint ventures | 248,071 | 309,048 | 20,701 | 18,055 |
| **Non-current assets** | **21,349,320** | **19,073,140** | **14,089,775** | **12,251,290** |
| Trade and other receivables | 2,140,341 | 1,481,751 | 1,977,171 | 1,525,655 |
| Short-term loan to a related party | 700,000 | — | — | — |
| Prepayments and advances | 336,731 | 89,039 | 89,039 | 112,243 |
| Inventories | 16,420 | 11,809 | 11,809 | 10,416 |
| Cash and bank balances | 271,411 | 1,088,778 | 97,215 | 95,294 |
| **Current assets** | **3,464,903** | **2,671,377** | **2,175,234** | **1,743,608** |
| **Total assets** | **24,814,223** | **21,744,517** | **16,265,009** | **13,994,898** |
| **Equity and liabilities** | | | | |
| ***Equity*** | | | | |
| Share capital | 3,840,000 | 3,840,000 | 3,840,000 | 3,840,000 |
| Statutory reserve | 295,292 | 255,849 | 255,849 | 203,446 |
| Retained earnings | 2,387,520 | 2,032,531 | 2,059,594 | 1,587,963 |
| Assets distribution reserve | (22,063) | (22,063) | (22,063) | (22,063) |
| Cash flow hedge reserve | (134,175) | (103,781) | 984 | 890 |
| Merger reserve | 1,319,288 | 1,520,656 | — | — |
| Owner's contribution | 33,343 | — | — | — |
| **Equity attributable to owners of the company** | **7,719,205** | **7,523,192** | **6,134,364** | **5,610,236** |
| Non-controlling assets | 6,426 | 2,890 | 2,890 | 509 |
| **Total equity** | **7,725,631** | **7,526,082** | **6,137,254** | **5,610,745** |
| ***Liabilities*** | | | | |
| Provision for employees' end of service benefits | 97,323 | 84,582 | 69,215 | 57,611 |
| Deferred government grant | 6,119,865 | 5,897,414 | 5,460,060 | 5,566,049 |
| Amounts payable to project companies | 2,429,047 | 2,433,395 | — | — |
| Borrowings | — | 1,691,900 | 1,691,900 | 958,656 |

| | | | | |
|---|---|---|---|---|
| Lease liabilities | 774,094 | 774,754 | 515,086 | 490,235 |
| **Non-current liabilities** | **9,420,329** | **10,882,045** | **7,736,261** | **7,072,551** |
| Bank overdrafts | — | 22,120 | 22,120 | — |
| Borrowings | 4,050,000 | 28,086 | 28,086 | — |
| Trade and other payables | 3,454,923 | 3,073,076 | 2,207,763 | 1,179,772 |
| Lease liabilities | 56,355 | 46,230 | 27,771 | 26,311 |
| Deferred government grant | 106,985 | 166,878 | 105,754 | 105,519 |
| **Current liabilities** | **7,668,263** | **3,336,390** | **2,391,494** | **1,311,602** |
| **Total liabilities** | **17,088,592** | **14,218,435** | **10,127,755** | **8,384,153** |
| **Total equity and liabilities** | **24,814,223** | **21,744,517** | **16,265,009** | **13,994,898** |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below shows the Group's consolidated statement of profit or loss and other comprehensive income for each of 2020, 2019 (on both a restated and an original basis) and 2018.

| | 2020 | 2019 (restated) | 2019 (original) | 2018 |
|---|---|---|---|---|
| | | *(AED thousand)* | | |
| Revenue | 3,423,897 | 2,767,626 | 1,891,478 | 1,699,134 |
| Government grants | 106,985 | 105,754 | 105,754 | 105,354 |
| Direct costs | (1,749,884) | (1,274,176) | (910,146) | (747,592) |
| **Gross profit** | **1,780,998** | **1,599,204** | **1,087,086** | **1,056,896** |
| Share of profit/(loss) from joint ventures | 51,017 | 42,190 | 2,552 | (11,794) |
| Fair value gain on pre-existing interest in a joint venture | — | — | — | 200,000 |
| General and administrative expenses | (564,367) | (633,192) | (431,989) | (355,751) |
| Impairment of trade receivables | (92,394) | (183,617) | (54,524) | (87,058) |
| Selling and marketing expenses | (29,542) | (34,684) | (34,684) | (24,535) |
| Finance income | 4,645 | 13,365 | 1,065 | 1,569 |
| Impairment of investment properties | (458,900) | — | — | — |
| Finance costs | (326,786) | (308,947) | (45,768) | (29,840) |
| Other income | 32,337 | 5,033 | 2,677 | 8,539 |
| **Profit for the year** | **397,008** | **499,352** | **526,415** | **758,026** |
| Attributable to owners of the company | 394,432 | 496,971 | 524,034 | 757,591 |
| Non-controlling interests | 2,576 | 2,381 | 2,381 | 435 |
| **Profit for the year** | **397,008** | **499,352** | **526,415** | **758,026** |
| **Other comprehensive income for the year** | | | | |
| ***Other comprehensive income to be reclassified to profit or loss in subsequent periods*** | | | | |
| Changes in the fair value of cash flow hedges | (30,394) | (27,161) | 94 | 1,365 |
| **Total comprehensive income for the year** | **366,614** | **472,191** | **526,509** | **759,391** |
| Attributable to owners of the company | 364,038 | 469,810 | 524,128 | 758,956 |
| Non-controlling interests | 2,576 | 2,381 | 2,381 | 435 |
| | **366,614** | **472,191** | **526,509** | **759,391** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

The table below summarises the Group's consolidated statement of cash flows for each of 2020, 2019 (on both a restated and an original basis) and 2018.

| | 2020 | 2019 (restated) | 2019 (original) | 2018 |
|---|---|---|---|---|
| | | *(AED thousand)* | | |
| Cash flows from operating activities before changes in operating assets and liabilities | 1,613,165 | 1,293,991 | 865,554 | 879,257 |
| Net cash generated from operating activities | 463,928 | 1,768,948 | 1,062,018 | 244,400 |
| Net cash used in investing activities | (2,570,712) | (1,749,878) | (1,804,511) | (577,722) |
| Net cash from financing activities | 1,311,517 | 431,603 | 722,364 | 222,078 |
| Cash and cash equivalents at the beginning of the year | 1,056,945 | 606,272 | 85,511 | 196,755 |
| Cash and cash equivalents at the end of the year | 261,678 | 1,056,945 | 65,382 | 85,511 |

## SELECTED CONSOLIDATED RATIOS

The table below shows selected consolidated ratios for the Group as at, and for the years ended, 31 December in each of 2020, 2019 (on both a restated and an original basis) and 2018. The financial ratios set out below are all APMs.

| | As at/years ended 31 December | | | |
|---|---|---|---|---|
| | 2020 | 2019 (restated) | 2019 (original) | 2018 |
| | | *(per cent., except where otherwise stated)* | | |
| Gross profit margin(1) | 52.0 | 57.8 | 57.5 | 62.2 |
| Adjusted EBITDA(2) | 1,547,694 | 1,126,189 | 802,707 | 781,637 |
| Adjusted EBITDA margin(3) | 45.2 | 40.7 | 42.4 | 46.0 |
| Net profit margin(4) | 11.6 | 18.0 | 27.8 | 44.6 |
| Return on invested capital(5) | 5.5 | 4.3 | 4.1 | 4.6 |
| Net leverage ratio (times)(6) | 2.4 | 0.6 | 2.1 | 1.1 |

Notes:

(1) Gross profit divided by revenue.

(2) See "—*Adjusted EBITDA*" below.

(3) Adjusted EBITDA divided by revenue.

(4) Profit for the year divided by revenue.

(5) Calculated as Adjusted EBITDA for the year after deducting depreciation and amortisation and adding revenue from Government grants with the total divided by invested capital employed. Invested capital employed is the sum of total equity, borrowings, deferred government grant, lease liabilities and amounts payable to project companies.

(6) Calculated as borrowings (including bank overdrafts) less cash and bank balances divided by Adjusted EBITDA.

## ADJUSTED EBITDA

Adjusted EBITDA has been calculated as profit for the year adjusted to add back or subtract, as the case may be, finance costs, finance income, depreciation and amortisation, fair value gain on pre-existing interest in a joint venture, impairment of investment properties and government grants, 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 profit for each of 2020, 2019 (on both a restated and an original basis) and 2018.

| | 2020 | 2019 (restated) | 2019 (original) | 2018 |
|---|---|---|---|---|
| | | *(AED thousand)* | | |
| **Profit for the year** | 397,008 | 499,352 | 526,415 | 758,026 |
| Add/(subtract): | | | | |
| Depreciation and amortisation (direct costs)(1) | 409,365 | 381,332 | 291,108 | 264,084 |
| Depreciation and amortisation (operating expenses)(2) | 66,365 | 55,677 | 46,235 | 36,610 |
| Finance costs | 326,786 | 308,947 | 45,768 | 29,840 |
| Government grants | (106,985) | (105,754) | (105,754) | (105,354) |
| Finance income | (4,645) | (13,365) | (1,065) | (1,569) |
| Fair value gain on pre-existing interest in a joint venture | — | — | — | (200,000) |
| Impairment of investment properties | 459,800 | — | — | — |
| **Adjusted EBITDA** | **1,547,694** | **1,126,189** | **802,707** | **781,637** |

Notes:

(1) See note 24 to the 2020 Financial Statements and note 23 to the 2019 Financial Statements.

(2) See note 25 to the 2020 Financial Statements and note 24 to the 2019 Financial Statements.

The table below shows the Group's Adjusted EBITDA by cluster for each of 2020, 2019 (on both a restated and an original basis) and 2018.

| | 2020 | 2019 (restated) | 2019 (original) | 2018 |
|---|---|---|---|---|
| | | (*AED million*) | | |
| Ports | 688 | 516 | 516 | 628 |
| IFZ | 1,010 | 542 | 218 | 188 |
| Maritime | 165 | 227 | 227 | 139 |
| Logistics | 155 | 124 | 124 | 85 |
| Digital | 17 | 28 | 28 | (45) |
| Corporate/eliminations | (487) | (311) | (311) | (212) |
| **Adjusted EBITDA** | **1,548** | **1,126** | **803** | **703** |

Note:

(1) Corporate charges are the cost of the Group's corporate functions, including finance, human resources and legal, allocated to each cluster based on the services provided to it. The net elimination at EBITDA level is between zero and AED 2 million across the years.

## FINANCIAL REVIEW

*The following discussion and analysis should be read in conjunction with the information set out in "Presentation of financial and 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 Offering Circular, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk factors".*

*See "Presentation of financial and other information" for a discussion of the source of the numbers presented in this section and certain other relevant information.*

### OVERVIEW

Established in 2006, AD Ports is one of the UAE's leading integrated ports and industrial zone operators.

AD Ports operates through five clusters:

- **Ports**, which owns or operates 10 ports and terminals in the UAE. Outside the UAE, the Group operates Kamsar Terminal at Kamsar Port in Guinea on behalf of EGA;

- **Industrial and free zones**, which principally operates KIZAD and eight other industrial zones following the integration of ZonesCorp in 2020;

- **Logistics**, which provides a range of logistical services, such as transportation, warehouse and cargo handling services and valued added services;

- **Maritime**, which provides a range of maritime services, including feedering, to local and international customers principally through SAFEEN and transshipment and offshore support services through partnerships and, through Abu Dhabi Maritime, is the primary custodian of Abu Dhabi's waterways and regulator of the maritime sector in Abu Dhabi; and

- **Digital**, which provides digital services, including the port community system (**PCS**), to external customers through Maqta Gateway as well as services to the Group's other clusters. Maqta Gateway's PCS digitises the processing of trade, cargo and logistics across the Group's ports and industrial sectors. The evolution of the PCS into the advanced trade logistics platform (**ALTP**) is expected to drive the further digitisation of trade across the UAE and surrounding region.

The Group does not disclose any reportable segments in its Financial Statements and its revenue is categorised by type as discussed below under "*—Principal factors affecting results of operations—Sources of revenue*".

The Group has an ambitious growth strategy both at a corporate and an individual cluster level which, over the 2020 to 2025 period, is intended to build the Group into a regional champion by integrating related logistics and maritime entities in Abu Dhabi and then expanding on its regional base to become an integrated logistics and trade services company across multiple supply chains. Implementing the strategy is expected to involve significant capital and investment expenditure. The Group's capital expenditure in 2019 (on a restated basis) and in 2020 amounted to AED 1,985 million and AED 2,910 million, respectively.

In 2020, the Group generated AED 3,424 million in revenue (compared to AED 2,768 million in 2019 on a restated basis) and recorded profit for the year of AED 397 million (compared to AED 499 million in 2019 on a restated basis). As at 31 December 2020, the Group's total assets amounted to AED 24.8 billion.

## 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.

### Integration of ZonesCorp and other significant non-recurring items

#### *Integration of ZonesCorp*

On 1 June 2020, ZonesCorp, at the time a directly owned ADQ subsidiary, was transferred to the Group. The Group elected to apply the book value (carry-over basis) accounting to this transfer on the basis that the investment has been moved from ADQ to one of its subsidiaries. AD Ports applied the retrospective approach to account for the transfer which resulted in the comparative financial information for 2019 being restated in the 2020 Financial Statements to reflect the transfer as if it had happened on 1 January 2019.

The integration of ZonesCorp added AED 1.4 billion in net assets to the Group as well as significant additional revenue and expenses to the Group. As part of the integration, ZonesCorp recognised a provision of AED 30 million in respect of redundancy payments in 2019. As part of this transaction, the Group also paid AED 201 million to the Abu Dhabi Retirement Pensions & Benefits Fund in lieu of the transfer of employees from ZonesCorp to Abu Dhabi Ports. This was deemed to form part of the acquisition cost on the basis that it stems directly from the transaction and was accounted as an equity adjustment in 2020 and was subsequently paid out in 2021.

As a result, both the financial statements as at, and for the year ended, 31 December 2020 and the comparative financial statements as at, and for the year ended, 31 December 2019 appearing in the 2020 Financial Statements reflect the transfer and therefore can be meaningfully compared with each other. In addition, as neither the financial statements as at, and for the year ended, 31 December 2019 or the comparative financial statements as at, and for the year ended, 31 December 2018 appearing in the 2019 Financial Statements reflect the transfer of ZonesCorp to the Group, both can also meaningfully be compared with each other.

#### *Impairment of investment properties*

The Group's investment properties increased significantly following the integration of ZonesCorp, from AED 393 million as at 31 December 2018 to AED 3,775 million as at 31 December 2019 on a restated basis.

Investment properties of AED 3,775 million as at 31 December 2019 included a worker residential city in Razeen area which had been transferred to ZonesCorp in 2015 and which was operationalised in 2020 to serve as a COVID-19 quarantine facility.

In accordance with its usual practice, the Group conducted a valuation exercise in relation to its investment property through an external valuer as at 31 December 2020.

Based on this valuation, the Group recorded an impairment charge of AED 459 million in 2020 in relation to the worker residential city in the Razeen area. No similar impairment was recorded in 2019 or 2018.

#### *Finalisation of contract between ZonesCorp and a Government-related entity*

Prior to 2015, a Government-related entity had leased certain land from the Government with no agreed term or rental on the lease. In 2015, the land was transferred by the Government to ZonesCorp. Following the transfer, ZonesCorp sought to negotiate a formal lease with the Government-related entity. These negotiations were finalised in December 2020 and a lease term of 50 years from 1 January 2021 at a commercial rent was agreed. The Government-related entity also agreed to pay rent for the period from 1 January 2015 to 31 December 2020. Based on review of the contracts and historical discussions, the Group concluded that the rentals met the criteria of a contingent asset. In accordance with IFRS, contingent assets are recognised when they are virtually certain, in this case when the lease agreement with the Government-related entity was signed on 17 December 2020. Accordingly, the Group recorded revenue of AED 175 million in 2020 on recognition of the contingent asset.

***Ex gratia payment to a third party***

In 2020, AD the Group agreed to make an ex gratia payment of AED 108 million to an unrelated third party to compensate it for certain loss incurred. This payment was expensed in 2020 in the income statement on the basis that the payment does not meet the asset recognition criteria in IAS 38.

***Acquisition of MICCO***

AD Ports acquired MICCO effective January 2019 to enhance the Group's logistics business. MICCO contributed AED 181 million in 2019 and AED 262 million in 2020 to the Group's revenue (before inter-company eliminations) and AED 135 million in 2019 and AED 166 million in 2020 after inter-company eliminations. The acquisition also impacted other profit and loss items. The increase in performance between 2019 and 2020 was driven by additional operational synergies with the Group's other businesses including logistics support provided to the Government's food and pharmaceutical initiatives as a result of COVID-19.

***Transfer of warehouses to Abu Dhabi municipality***

The Group operated and earned revenue from various warehouses located within Mina Zayed Port. These warehouses were not owned by AD Ports but were properties that it managed without any payment considerations to the Abu Dhabi municipality. AD Ports' revenue in 2018 from these warehouses amounted to AED 117 million. Effective 1 January 2019, these warehouses were transferred to Abu Dhabi municipality at the direction of the Government and the Group ceased to record any revenue from the warehouses. No consideration was received for the transfer reflecting the fact that the Group did not own the warehouses.

***Fair value gain on pre-existing interest in a joint venture***

Prior to April 2018, the Group had a 50 per cent. equity interest in Abu Dhabi Terminals LLC (**ADT**), a joint venture involved in the operation and management of ports facilities. As a joint venture, the Group's interest in ADT was accounted for using the equity method.

On April 2018, the Group acquired the remaining 50 per cent. equity in ADT from its joint venture partner for a total consideration of AED 200 million, such that ADT became a wholly-owned subsidiary. At the time, ADT had both logistics operations and containers operations. The Group recognised a fair value gain of AED 200 million on the acquisition. No similar gains were recorded in either 2020 or 2019.

From May 2018, ADT's logistics operations were carved-out and transferred into a newly established entity, wholly-owned by AD Ports. Following the carve-out, the ADT joint venture was established when AD Ports transferred 49 per cent. of ADT to Terminal Investment Limited (**TIL**), a subsidiary of Mediterranean Shipping Company (**MSC**) in May 2018 at nil consideration in lieu of MSC contractually agreeing to route cargo through Khalifa Port. As a result of the sale, AD Ports lost the control over ADT and derecognised the related assets and liabilities from its consolidated statement of financial position. As a result, the Group's retained interest in the ADT joint venture was measured at fair value and accounted for as a joint venture. The ADT joint venture operates a container terminal at Khalifa Port.

**Impact of COVID-19**

The Group has been affected by COVID-19. The key items that impacted the Group are:

- although the Group's container and cargo volumes grew in 2020 compared to 2019, the pandemic is estimated to have impacted these volumes negatively by approximately 10 per cent. when compared to expectations at the start of the year due to the preventative measures implemented around the world which had a knock on impact on trade flows;

- the Group's cruise terminal at Mina Zayed Port was closed from March 2020 as part of the COVID-19 preventive measures undertaken by the Government. The cruise terminal remains closed and is expected to open later in 2021 subject to improvement in the COVID-19 situation both locally and internationally;

- the IFZ cluster's performance was impacted by various relief measures offered to support its customers, including a rent escalation freeze for 2020 and 2021, a waiver of minimum guaranteed gas volumes for several months in 2020, lower foreign labour service activity pursuant to an immigration freeze, Government required waivers of certain fee-generating procedures and a payment deferral offered to customers for one quarter's rental payment in 2020;

- the IFZ cluster's performance was also impacted by the impairment of AED 459 million on the Razeen worker residential cities, "*—Integration of ZonesCorp and other significant non-recurring items—Impairment of investment properties*" above*;* and

- there was a negative impact on the Logistics cluster pursuant to an unfavourable change in the mix of volumes handled in the Borouge contract.

**Sources of revenue**

Although the Group's presentation of its revenue breakdown was recast in 2020 and differs between the 2020 Financial Statements and the 2019 Financial Statements, its main sources of revenue in the three years under review were:

- rental income derived from leasing land, warehouses and other built assets in its industrial zones which, in the 2020 Financial Statements, was disclosed as industrial zone leasing revenue and, in the 2019 Financial Statements, was disclosed mainly within income from industrial zone;

- revenue derived from logistics services offered which, in the 2020 Financial Statements, was disclosed as logistics operations revenue and, in the 2019 Financial Statements, was disclosed within revenue from general cargo and ports operations;

- fee income derived from its container terminal and other concessions and asset leasing at Khalifa Port which, in the 2020 Financial Statements, was disclosed within port concessions and leasing revenue and, in the 2019 Financial Statements, was disclosed mainly within rental income from Khalifa Port, rental income from ports infrastructure and rental income from warehouses;

- revenue derived from its ports operations including revenue from general cargo, cruise operations at Mina Zayed Port and anchorage cargo handling at Mugharraq port, which, in the 2020 Financial Statements, was disclosed within revenue from port operations and, in the 2019 Financial Statements, was disclosed within general cargo and ports operations revenue;

- revenue derived from maritime services which in each of the Financial Statements was disclosed as marine services revenue; and

- revenue derived from supplying gas and other utilities and offering foreign labour services to IFZ cluster tenants which, in the 2020 Financial Statements, was disclosed within other industrial zone services and, in the 2019 Financial Statements, was not included as these were almost entirely ZonesCorp revenue streams.

Each of these revenue sources is described further below. In addition, the Group recognises revenue from government grants which represents the amortisation of government grants in line with the depreciation of the corresponding assets.

***Rental income from the lease of land, warehouses and other built assets in the Group's industrial zones***

The Group's industrial zone leasing revenue constituted 37.9 per cent. of its revenue in 2020 and 33.5 per cent. in 2019 (on a restated basis). In 2019 (on an original basis) and 2018, the Group's income from industrial zone constituted 18.3 per cent. and 19.8 per cent. of its revenue, respectively.

The Group's rental income from the lease of land, warehouses and other built assets in its industrial zones is driven by the volume of land and buildings that it available for lease, the occupancy rates achieved, the tenant mix achieved and the lease rental charged. Reflecting the long-term nature of many of its leases, this source of income, especially in relation to land leases, is both stable and contractually committed in nature.

*Volume and occupancy*

The IFZ cluster had a total land area of 550km$^2$ of which 71.5km$^2$ of leasable land was either leased or available for lease as at 31 December 2020. In addition, total warehousing space of 258,199 m$^2$ was either leased or available for lease as at the same date.

The table below shows the amount of land (in the form of land plots or buildings constructed by the Group, such as warehouses) that the Group had leased in its industrial zones as at 31 December in each of 2020, 2019 and 2018.

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Leaseable area - land** | | | |
| KIZAD (*km$^2$*) | 30.5 | 30.5 | 30.5 |
| ZonesCorp (*km$^2$*) | 41.0 | 41.0 | n/a |
| **Leased area - land** | | | |
| KIZAD (*km$^2$*) | 24.8 | 22.8 | 21.1 |
| ZonesCorp (*km$^2$*) | 30.3 | 26.4 | n/a |
| **Leaseable area - warehouses** | | | |
| KIZAD (*km$^2$*) | 184,988 | 167,533 | 167,533 |
| ZonesCorp (*km$^2$*) | 73,211 | 73,211 | n/a |
| **Leased area – warehouses** | | | |
| KIZAD (*m$^2$*) | 182,682 | 139,021 | 87,241 |
| ZonesCorp (*m$^2$*) | 59,176 | 50,112 | n/a |

The Group's leased areas of both land and warehousing have grown in each year since 2018.

In 2020 compared to 2019 (including ZonesCorp), the Group's land area leased grew by 5.9km$^2$, or 12.0 per cent., reflecting growth of 2km$^2$, or 8.8 per cent. at KIZAD and growth of 3.9km$^2$, or 14.8 per cent. at

ZonesCorp. Over the same period, its leased warehouse area grew by 52,725 $m^2$, or 27.9 per cent., reflecting growth of 43,661 $m^2$, or 31.4 per cent., at KIZAD and 9,064 $m^2$, or 18.1 per cent., at ZonesCorp. As at 31 December 2020, the overall land occupancy of the available leasable area was 77 per cent. while the overall warehouse occupancy was at 94 per cent.

In 2019 (excluding ZonesCorp) compared to 2018, the Group's land area leased grew by 1.7 $km^2$, or 8.1 per cent., and its leased warehouse area grew by 51,780 $m^2$, or 59.4 per cent.

*Lease rentals and tenant mix*

In respect of its leases at its industrial zones, the Group typically receives up front security deposits or guarantees in addition to the annual lease rental payable on a quarterly basis which it receives in respect of its leases of both land and buildings in its industrial zones. While the Group's industrial zone warehouse leases are typically medium-term in nature (up to five years), its land leases are generally long-term in nature (from 25 to 50 years) and typically include a rent free set up period of one to three years. All lease contracts include annual or other periodic rental review clauses with certain contracts providing for minimum escalation to be applied. In addition, the Group also leases land to various investors for developing worker residential cities on a build, operate and transfer model against which the Group earns fixed land lease rental and a share of revenue from the residential cities once they have been operational for a defined period.

The Group accounts for its lease contracts at its industrial zones which have minimum rental escalation clauses and meet certain other criteria on a straight-line basis over the lease term in accordance with IFRS. This results in a degree of unbilled non-cash revenue within its reported revenue. In 2020, this unbilled non-cash revenue from the IFZ cluster was about 6 per cent. of the Group's total revenue from lease contracts.

***Revenue derived from logistics operations***

The Group's revenue derived from logistics operations constituted 16.1 per cent. of its revenue in 2020 and 13.8 per cent. in 2019 on a restated basis.

The Group's logistics operations revenue represents revenue earned from various logistics services offered including freight forwarding, trucking, transportation and warehousing. 54.7 per cent. of the Logistics cluster's revenue in 2020 was earned pursuant to a logistics contract with Borouge, a major Abu Dhabi petrochemicals company, under which the Group provides logistical services, principally value added and warehousing services.

The principal drivers of the Group's logistics operations revenue in the years under review are the Borouge logistics business (which was carved out and transferred in May 2018 as part of the reorganisation of ADT), the acquisition of MICCO in 2019 and subsequent expansion of MICCO services to support the Government's food, pharmaceutical and vaccine security programmes in 2020.

***Revenue derived from port concessions and leasing***

The Group's revenue from its port concessions and leasing constituted 15.0 per cent. of its revenue in 2020 and 13.8 per cent. in 2019 (on a restated basis). In 2019 on an original basis and 2018, the Group's rental income from Khalifa Port, port infrastructure and warehouses constituted 22.6 per cent. and 32.1 per cent. of its revenue, respectively.

This revenue was principally derived from the concession fees it charges to the operators of its two container terminals in Khalifa Port (which represents a long-term and, to the extent the fees are fixed, stable source of revenue), revenue earned from leasing of a dedicated jetty, berth and other port facilities within the Khalifa Port to Emirates Aluminium PJSC (**EMAL**) and the leasing of land and built assets within the port areas. Under the concession agreements the Group derives both fixed and variable income, with the variable income being based on a percentage of revenue which starts at a low threshold and increases over a period of about 12 years. With respect to EMAL, the Group earns fixed revenue in relation to the various facilities along with variable revenue for volumes handled for specific services under a take or pay arrangement. The fixed/guaranteed portion of the concession fees, the EMAL leases and specific other leases with agreed future escalation provisions are accounted on a straight line basis in line with IFRS requirements.

The table below shows the breakdown of the Group's EMAL general cargo and container volumes in each of 2020, 2019 and 2018.

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| EMAL general cargo (*mt thousand*) | 7,402 | 6,838 | 5,551 |
| Containers (*TEU thousand*) | 3,233 | 2,791 | 1,742 |

The container volume handled by the Group's terminals increased by 442 thousand TEUs, or 15.8 per cent., in 2020 compared to 2019 and by 1,049 thousand TEUs, or 60.2 per cent., in 2019 compared to 2018, principally reflecting both increased capacity at the ADT joint venture's terminal and increased traffic driven by ADT's joint venture partner and the opening of CSP Terminals container terminal in 2019.

The Group's EMAL cargo volumes increased by 564 thousand mt, or 8.2 per cent., in 2020 compared to 2019 and by 1,287 thousand mt, or 23.2 per cent., in 2019 compared to 2018, principally reflecting the increasing volumes of EMAL.

The Group's revenue from its port concessions and leasing was impacted in 2019 and 2020 by the transfer of warehouses to Abu Dhabi Municipality, see "*—Integration of ZonesCorp and other significant non-recurring items—Transfer of warehouses to Abu Dhabi Municipality*" above.

***Revenue derived from port operations***

The Group's revenue from port operations constituted 12.0 per cent. of its revenue in 2020 and 13.1 per cent. in 2019 (on a restated basis).

The Group's revenue from port operations depends, to a significant extent, on the cargo volumes handled at its facilities. The cargo volume handled depends in turn on the strength of the UAE economy, the levels of global and regional trade, the continued globalisation of world trade (which has historically led to an increase in the volume of seaborne cargo), competition from new and existing ports in the UAE (particularly in Dubai), industry trends such as consolidation and changes in shipping alliances, and new agreements into which the Group enters. In order to mitigate construction, business and financial risks, the Group has entered into strategic partnerships with various stakeholders and intends to enter into more of these partnerships in the future.

The table below shows the breakdown of the Group's general cargo, roll on – roll off (**Ro-Ro**) and cruise passenger volumes in each of 2020, 2019 and 2018.

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| General cargo (*mt thousand*) | 22,562 | 15,622 | 14,181 |
| Ro-Ro (*units*) | 132,062 | 150,112 | 143,153 |
| Cruise (passengers) | 253,755 | 493,310 | 366,862 |

The general cargo volume handled by the Group increased by 6.9 million mt, or 44.4 per cent., in 2020 compared to 2019 and by 1.4 million mt, or 10.2 per cent., in 2019 compared to 2018, principally reflecting new anchorage cargo handling facilities at the Mugharraq Port to support an ADNOC project. These increases are reflected in increased revenue as the Group's charges are significantly volume dependent.

The cruise passenger volume handled by the Group fell by 240 thousand passengers, or 48.6 per cent., in 2020 compared to 2019 and increased by 126 thousand passengers in 2019 compared to 2018. The Ro-Ro volumes handled by the Group fell by 18,050 units, or 12.0 per cent., in 2020 compared to 2019 and increased by 6,959 units, or 4.9 per cent., in 2019 compared to 2018. In both cases, the increase in 2019 was principally driven by business growth and the fall in 2020 was principally driven by the measures put in place around the world to combat the COVID-19 pandemic. Changes in Ro-Ro and passenger volumes impact the Group's ports operations revenue as they are mainly volume dependent, although these volumes only contribute a small proportion of its ports operations revenue.

Generally, the prices that the Group charges for its general cargo and ports operations services depend on a number of factors, including (i) the volume handled, (ii) the type of goods handled, (iii) the types of customised services provided to customers and (iv) the specific incentives for individual customers including the size and nature of existing arrangements with the customers. The pricing for cargo handling at the Group's ports is commercially driven.

***Revenue derived from maritime services***

The Group's marine services revenue constituted 10.7 per cent. of its revenue in 2020 and 12.9 per cent. in 2019 (on a restated basis). In 2019 (on an original basis) and 2018, the Group's marine services revenue constituted 20.1 per cent. and 12.3 per cent., respectively, of its total revenue.

Marine services revenue is principally derived from the port dues charged, towage, pilotage and other port side services provided at certain of the Group's ports, from channel passage fees at Mussafah port and from the charter of tugs in accordance with Government requirements.

The principal drivers of the Group's marine services revenue are the number of vessels docking at the Group's ports and the mix of vessel sizes which in turn is driven by the cargo and container volumes handled. Further, tug chartering in the Red Sea also contributed 9.9 per cent. of marine services revenue in 2020. In 2019, the number vessels handled increased by 13.6 per cent. from 2,284 in 2018 to 2,594, driven by increased cargo and container activity at Khalifa Port and Mina Zayed Port along with a favourable change in the mix of vessels and upwards revision to tariff rates for various activities. The impact of the COVID-19 pandemic on cargo and container volumes in 2020 resulted in a decline of 5.3 per cent. in the number of vessels handled to 2,457. Further, only two tugs operated in the Red Sea in 2020 compared to six tugs chartered in 2019.

In 2020, the Maritime cluster diversified into feedering and offshore support services through partnerships with third parties to establish itself as an integrated maritime service provider and to improve connectivity at Khalifa Port. These new offerings contributed revenue of AED 35 million in 2020 and are expected to be a significant growth driver in future years. In addition, the Maritime cluster has secured a 10-year contract to tranship iron ore for Emirates Steel Industries at Musaffah anchorage area which is expected to start contributing to revenue in 2021.

**Capital expenditure**

The Group has undertaken numerous projects since it was founded. In 2020, 2019 (on a restated basis) and 2018 the Group's capital expenditure amounted to AED 2,910 million, AED 1,985 million and AED 528 million, respectively and its committed but not yet incurred capital expenditure as at 31 December 2020 amounted to AED 1,371 million. The Group's capital expenditure, to the extent that it results in new assets being capitalised, is likely to increase the Group's depreciation charges in future years and, to the extent that it is financed by borrowings, is likely to increase the Group's finance costs in future years.

## RECENT DEVELOPMENTS

The Group has recently secured contracts to manage vaccine distribution for the Hope Consortium and to manage the pharmaceutical logistics support network for Rafed, a healthcare supply chain entity established in the UAE. Both contracts are expected to contribute to the Group's logistics operations revenue from 2021.

## 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 3 to the 2020 Financial Statements.

## CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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 4 to the 2020 Financial Statements, which identifies the following factors:

- the useful lives and residual values of property, plant and equipment and investment properties;
- impairment assessment of property, plant and equipment, including capital work in progress, and investment properties;
- the determination of impairment losses on trade amounts including unbilled receivables and due from related parties;
- the determination of impairment in relation to non-financial assets; and
- the determination of impairment in relation to investments in joint ventures.

## RESULTS OF OPERATIONS FOR 2020 AND 2019 (RESTATED)

*All financial information in this section has been derived from the 2020 Financial Statements and all financial information in this section for 2019 is restated.*

### Revenue

The Group's sources of revenue in 2020 and 2019 (on a restated basis) comprised:

- industrial zone leasing, which represents revenue earned from the leasing of land, warehouses and other built assets within KIZAD and ZonesCorp's industrial zones;
- logistics operations, which represents revenue earned from various logistics services offered including freight forwarding, trucking, transportation and warehousing;

- port concessions and leasing, which represents income from concessions granted for the two container terminals at Khalifa Port, revenue from leasing port infrastructure and revenue from leasing land within the Group's port areas;

- revenue from port operations, which represents income from general cargo, cruise and other operations within the Group's ports;

- marine services, which represents income from maritime services provided at the Group's ports and feedering services offered to external customers;

- other industrial zone services, which represents revenue earned from the supply of gas to industrial zone customers, providing foreign labour services and other miscellaneous services; and

- digital services, which represents revenue from offering digital and technology support to external customers.

The table below shows the breakdown of the Group's revenue in each of 2020 and 2019.

| | **2020** | | **2019** | |
|---|---|---|---|---|
| | (*AED thousand*) | (*per cent.*) | (*AED thousand*) | (*per cent.*) |
| Industrial zone leasing | 1,299,236 | 37.9 | 926,257 | 33.5 |
| Logistics operations | 550,303 | 16.1 | 381,566 | 13.8 |
| Port concessions and leasing | 513,919 | 15.0 | 426,545 | 15.4 |
| Revenue from port operations | 412,233 | 12.0 | 361,342 | 13.1 |
| Marine services | 366,600 | 10.7 | 356,814 | 12.9 |
| Other industrial zone services | 247,874 | 7.2 | 300,097 | 10.8 |
| Digital services | 33,732 | 1.0 | 15,005 | 0.5 |
| **Total revenue** | **3,423,897** | **100.0** | **2,767,626** | **100.0** |

The Group's total revenue amounted to AED 3,424 million in 2020 compared to AED 2,768 million in 2019. The increase of AED 656 million, or 23.7 per cent., in total revenue in 2020 compared to 2019 principally reflected the following factors:

- an AED 373 million, or 40.3 per cent., increase in revenue from industrial zone leasing from AED 926 million in 2019 to AED 1,299 million in 2020, which principally reflected AED 175 million of revenue related to the lease described under "*—Principal factors affecting results of operations—Integration of ZonesCorp and other significant non-recurring items—Finalisation of contract between ZonesCorp and a Government-related entity*" above, AED 145 million of income earned from Razeen worker residential city and other new land lease signings and increased warehouse occupancy rates at KIZAD and ZonesCorp;

- an AED 168 million, or 44.0 per cent., increase in revenue from logistics operations from AED 382 million in 2019 to AED 550 million in 2020 which principally reflected increased logistics activity in part resulting from the provision by MICCO of logistics support services to the Government's food and pharmaceutical initiatives related to COVID-19 along with higher volumes handled for Borouge;

- an AED 87 million, or 20.5 per cent., increase in revenue from port concessions and leasing which was driven by an increase in revenue following additional quay space being handed over to the ADT joint venture and CSP Terminal as well as new lease signings at ports; and

- an AED 51 million, or 14.1 per cent., increase in revenue from port operations which was principally driven by higher cargo volumes handled (AED 61 million) offset by the impact of COVID-19 on Ro-Ro and cruise volumes (AED 15 million).

The above increases were offset by a decline of AED 52 million, or 17.4 per cent., in revenue from other industrial zone services from AED 300 million in 2019 to AED 248 million in 2020, which was driven by COVID-19 relief measures including the waiver of minimum guarantees for gas volumes for several months and lower foreign labour service revenues due to an immigration freeze along with certain fee waivers.

**Direct costs**

The Group's direct costs in each year principally comprised:

- its direct expenses (which include the cost of the natural gas it supplied to tenants in its industrial zones, logistics and facility operation costs, fuel costs, outsourcing and external manpower costs, insurance and other expenses);

- its depreciation charge in respect of property, plant and equipment used in revenue generating activities and its investment property; and

- its staff costs.

Individually, these items accounted for 43.4 per cent., 20.9 per cent. and 18.8 per cent., respectively, of the Group's total direct costs in 2020 and together they accounted for 83.1 per cent. of the Group's total direct costs in 2020.

The table below shows the breakdown of the Group's direct costs in each of 2020 and 2019.

| | **2020** | **2019** |
|---|---|---|
| | (*AED thousand*) | |
| Staff costs | 329,418 | 304,541 |
| Direct expenses | 759,323 | 472,404 |
| Depreciation of property, plant and equipment and investment property | 365,352 | 337,545 |
| Depreciation of right of use asset | 33,322 | 33,097 |
| Amortisation of intangible assets | 10,691 | 10,690 |
| Repair and maintenance | 88,416 | 71,481 |
| Fixed concession fee | 107,746 | — |
| Other expenses | 55,616 | 44,418 |
| **Total direct costs** | **1,749,884** | **1,274,176** |

The Group's total direct costs amounted to AED 1,750 million in 2020 compared to AED 1,274 million in 2019. The increase of AED 476 million, or 37.3 per cent., in the Group's total direct costs in 2020 compared to 2019 principally reflected:

- an increase of AED 287 million, or 60.7 per cent., in direct expenses from AED 472 million in 2019 to AED 759 million in 2020, principally as a result of the AED 132 million cost incurred in operating the COVID-19 quarantine facility at Razeen and AED 112 million of higher operational costs in relation to new businesses such as logistics services provided in relation to Government initiatives and SAFEEN Feeders;

- an AED 108 million non-recurring fee, recorded as fixed concession fee, incurred in relation to the ex gratia payment described under "*—Principal factors affecting results of operations—Integration of ZonesCorp and other significant non-recurring items—Ex gratia payment to a third party*" above;

- an increase of AED 28 million, or 8.2 per cent., in depreciation of property, plant and equipment and investment property from AED 338 million in 2019 to AED 365 million in 2020, which principally reflected depreciation on assets that were newly capitalised in 2019 and 2020; and

- an increase of AED 25 million, or 8.2 per cent., in staff costs from AED 305 million in 2019 to AED 329 million in 2020, which principally reflected increased headcount.

**Gross profit**

Reflecting the above factors, the Group's gross profit was AED 1,781 million in 2020 compared to AED 1,599 million in 2019, an increase of AED 182 million, or 11.4 per cent.

The Group's gross profit margins were 52.0 per cent. in 2020 and 57.8 per cent. in 2019.

**Share of profit from joint ventures**

The Group had six joint ventures in each of 2020 and 2019, although in both years four of the joint ventures were between the same parties. Accordingly, the Group's joint ventures in each year comprised:

- the ADT joint venture which manages a container terminal at Khalifa Port;

- LDPL, which comprises four 50:50 joint ventures with LDPL Ship Management & Operation DMCEST (**LDPL**) to construct, own and operate vessels to manage the transshipment of materials from near the port of Kamsar in Guinea to mother vessels in the ocean for onward shipment to Khalifa Port and elsewhere; and

- ZIF, a 50:50 joint venture between ZonesCorp and a third party to construct the Industrial City of Abu Dhabi extension phases 1 and 2, the Al Ain Industrial City and the Industrial City of Abu Dhabi industrial effluent treatment plant.

The Group's joint ventures are equity accounted, which means that only the Group's aggregate share of the profit or loss of its joint ventures is included in its income statement.

The Group's share of profit from joint ventures was AED 51 million in 2020 compared to AED 42 million in 2019, an increase of AED 9 million, or 20.9 per cent.

In 2020, the Group's share of the profit of ZIF was AED 49 million compared to AED 40 million in 2019, its share of the profit of LDPL was AED 6 million compared to a share of loss of AED 0.2 million in 2019 and its share of the loss of the ADT joint venture was AED 3 million compared to a share of profit of AED 3 million in 2019.

**General and administrative expenses**

The Group's general and administrative expenses in each year principally comprised the salaries and related expenses of employees directly engaged in general and administrative activities and its outsourcing and external manpower costs relating to those activities. Individually these items accounted for 64.6 per cent. and 10.0 per cent., respectively, of the Group's general and administrative expenses in 2020 and together they accounted for 74.7 per cent.

The table below shows the breakdown of the Group's general and administrative expenses in each of 2020, 2019 and 2018.

| | 2020 | 2019 |
|---|---|---|
| | (*AED thousand*) | |
| Staff costs | 364,729 | 415,346 |
| Professional fees | 31,079 | 41,175 |
| Depreciation of property, plant and equipment | 66,365 | 55,677 |
| Outsourcing and external manpower cost | 56,166 | 52,265 |
| Provision for slow moving inventories | 797 | 992 |
| Other expenses | 45,231 | 67,737 |
| **Total general and administrative expenses** | **564,367** | **633,192** |

The Group's total general and administrative expenses amounted to AED 564 million in 2020 compared to AED 633 million in 2019. The decrease of AED 69 million, or 10.9 per cent., in the Group's general and administrative expenses in 2020 compared to 2019 principally reflected:

- a decrease of AED 51 million, or 12.0 per cent., in staff costs from AED 415 million in 2019 to AED 365 million in 2020, principally as a result of manpower synergies from the ZonesCorp integration and ZonesCorp redundancy provisions in 2019, see "*—Principal factors affecting results of operations—Integration of ZonesCorp and other significant non-recurring items—Integration of ZonesCorp*" above;

- a decrease of AED 23 million, or 33.2 per cent., in other expenses from AED 68 million in 2019 to AED 45 million in 2020, principally as a result of lower travel, security and cleaning expenses; and

- a decrease of AED 10 million, or 24.5 per cent., in professional fees from AED 41 million in 2019 to AED 31 million in 2020, principally as a result of lower activity in 2020 in line with initiatives put in place to conserve cash during the COVID-19 pandemic.

The decreases were offset by an AED 11 million, or 19.2 per cent., increase in depreciation of property, plant and equipment from AED 56 million in 2019 to AED 66 million in 2020, principally as a result of an increase in depreciable assets.

### Impairment of trade receivables

The Group's charge for impairment of trade receivables amounted to AED 92 million in 2020 and AED 184 million in 2019, a reduction of AED 91 million, or 49.7 per cent. This reduction principally reflected higher provisions at ZonesCorp before it was integrated into the Group.

### *Selling and marketing expenses*

The Group's selling and marketing expenses principally comprise expenses incurred towards marketing and promotion activities including media, exhibitions and marketing consultancies.

The Group's selling and distribution expenses amounted to AED 30 million in 2020 compared to AED 35 million in 2019.  The decrease of AED 5 million, or 14.8 per cent., in 2020 compared to 2019 principally reflected initiatives put in place to conserve cash during the COVID-19 pandemic.

### Finance income and finance costs

The Group's finance income represents the interest it receives on its cash and bank balances. The Group's finance costs represent the interest it pays on its borrowings after finance cost capitalisation, its interest expense on a payable to ZIF and its interest expense on lease liabilities.

The table below shows the breakdown of the Group's net finance expense in each of 2020 and 2019.

| | 2020 | 2019 |
|---|---|---|
| | (*AED thousand*) | |
| Finance income | 4,645 | 13,365 |
| Finance costs | (326,786) | (308,947) |
| **Net finance expense** | **(322,141)** | **(295,582)** |

The Group's net finance expense (after capitalisation) increased by AED 27 million, or 9.0 per cent., in 2020 compared to 2019. This reflected both an AED 9 million, or 65.2 per cent., decrease in finance income and an AED 18 million, or 6.0 per cent., increase in finance cost, in each case in 2020 compared to 2019.

The increase in the Group's finance costs principally reflected an increase in outstanding debt which increased from AED 1.7 billion at 31 December 2019 to AED 4.1 billion at 31 December 2020 as a result of drawings made in 2020 under both an existing facility and a new facility obtained during the year and was partly offset by a decline in EIBOR rates. The decrease in the Group's finance income principally reflected lower cash balances following the making of an AED 700 million an interest free related party loan. As the proceeds from the borrowings have also been used to fund the development of fixed assets, the Group capitalised AED 28 million of interest cost as part of fixed assets in 2020.

### Impairment of investment properties

In 2020 the Group recorded an AED 459 million impairment charge in relation to its investment properties. See "*—Principal factors affecting results of operations—Integration of ZonesCorp and other significant non-recurring items*" above.

### Other income

The Group's other income amounted to AED 32 million in 2020 compared to AED 5 million in 2019, an increase of AED 27 million which was driven by claims in relation to maintenance work at Khalifa Port.

### Profit for the year

Reflecting the above factors and in particular the impairment of investment property, the Group's profit for the year was AED 397 million in 2020 compared to AED 499 million in 2019, a decrease of AED 102 million, or 20.5 per cent. Excluding the impairment of investment property in 2020, the Group's profit for the year in 2020 would have been AED 856 million.

The Group's net profit margins were 11.6 per cent. in 2020 and 18.0 per cent. in 2019. Excluding the impairment of investment property in 2020, the Group's net profit margin in 2020 would have been 25.0 per cent.

### Other comprehensive income

The Group's other comprehensive income comprises its share of the changes in the fair values of cash flow hedges within the ADT joint venture and ZIF. In 2020 and 2019, the Group recorded other comprehensive loss of AED 31 million and AED 27 million, respectively, in relation to this hedge.

**Total comprehensive income**

Reflecting the above factors and the Group's profit for the year, the Group's total comprehensive income for the year was AED 367 million in 2020 compared to AED 472 million in 2019, a decrease of AED 105 million, or 22.2 per cent.

## RESULTS OF OPERATIONS FOR 2019 (ORIGINAL) AND 2018

*All financial information in this section has been derived from the 2019 Financial Statements and all financial information in this section for 2019 is original.*

### Revenue

The Group's revenue sources in 2019 (on an original basis) and 2018 principally comprised:

- revenue from general cargo and ports operations, which was principally derived from the activities of the Group's ports and logistics operations;
- income from industrial zone, which was derived from KIZAD;
- revenue from marine services;
- rental income from warehouses, which was derived from charges for the lease of warehouses at Zayed and Khalifa ports and in KIZAD;
- rental income from Khalifa Port, which represented the concession income generated from the Group's container terminal concessions; and
- rental income from ports infrastructure, which was principally derived from a dedicated berth and trestle at Khalifa Port for one of the Group's major clients.

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

| | **2019** | | **2018** | |
|---|---|---|---|---|
| | (*AED thousand*) | (*per cent.*) | (*AED thousand*) | (*per cent.*) |
| General cargo and ports operations | 737,728 | 39.0 | 607,378 | 35.7 |
| Marine services | 379,822 | 20.1 | 209,291 | 12.3 |
| Income from industrial zone | 346,215 | 18.3 | 336,324 | 19.8 |
| Rental income from Khalifa Port | 157,360 | 8.3 | 166,749 | 9.8 |
| Rental income from ports infrastructure | 152,539 | 8.1 | 137,185 | 8.1 |
| Rental income from warehouses | 117,180 | 6.2 | 241,224 | 14.2 |
| Rental income from office space | 634 | 0.0 | 983 | 0.0 |
| **Total revenue** | **1,891,478** | **100.0** | **1,699,134** | **100.0** |

The Group's total revenue amounted to AED 1,891 million in 2019 compared to AED 1,699 million in 2018. The increase of AED 192 million, or 11.3 per cent., in total revenue in 2019 compared to 2018 principally reflected the following factors:

- an AED 171 million, or 81.5 per cent., increase in revenue from marine services from AED 209 million in 2018 to AED 380 million in 2019, which was driven by tariff revisions across SAFEEN's services, a more favourable mix of vessel sizes, higher tug chartering activity in the Red Sea and customer discounts of AED 51 million in 2018 compared to AED 70 million in 2019 which were grouped within general cargo and ports operations; and

- an AED 130 million, or 21.5 per cent., increase in revenue from general cargo and port operations from AED 607 million in 2018 to AED 738 million in 2019 which principally reflected the acquisition of MICCO in 2019, a full year of operations of the logistics operation carved out from ADT as against eight months of operations in 2018 and higher volumes across port operations which was partially offset by reclassification of customer discounts of AED 70 million to general cargo and port operations in 2019.

These increases were principally offset by an AED 124 million, or 51.4 per cent., fall in rental income from warehouses from AED 241 million in 2018 to AED 117 million in 2019, principally as a result of the transfer of warehouses located in the Mina Zayed Port area to Abu Dhabi municipality, see "*—Principal factors affecting results of operations—Integration of ZonesCorp and other significant non-recurring items*".

**Direct costs**

The Group's direct costs in each year principally comprised its depreciation and amortisation of property, plant and equipment used in revenue generating activities, the direct expenses associated with its revenue generating activities and the costs of its staff engaged in the revenue generating activities. Individually, these items accounted for 32.0 per cent., 29.2 per cent. and 24.3 per cent., respectively, of the Group's total direct costs in 2020 and together they accounted for 85.5 per cent.

The table below shows the breakdown of the Group's direct costs in each of 2019 and 2018.

| | **2019** | **2018** |
|---|---|---|
| | (*AED thousand*) | |
| Direct expenses | 265,554 | 182,589 |
| Staff costs | 221,452 | 183,066 |
| Depreciation and amortisation | 291,108 | 264,084 |
| Insurance expenses | 12,255 | 8,852 |
| Repair and maintenance expenses | 68,796 | 54,601 |
| Outsourcing and external manpower cost | 46,377 | 53,368 |
| Other expenses | 4,604 | 1,032 |
| **Total direct costs** | **910,146** | **747,592** |

The Group's total direct costs amounted to AED 910 million in 2019 compared to AED 748 million in 2018. The increase of AED 163 million, or 21.7 per cent., in the Group's total direct costs in 2019 compared to 2018 principally reflected:

- an increase of AED 83 million, or 45.4 per cent., in direct expenses from AED 183 million in 2018 to AED 266 million in 2019, principally as a result of the acquisition of MICCO in 2019 and a full year of operations at Borouge Logistics compared to eight months of operations in 2018;

- an increase of AED 38 million, or 21.0 per cent., in staff costs from AED 183 million in 2018 to AED 221 million in 2019, principally as a result of the acquisition of MICCO; and

- an increase of AED 27 million, or 10.2 per cent., in depreciation and amortisation from AED 264 million in 2018 to AED 291 million in 2019, which principally reflected depreciation related to MICCO and amortisation of intangible assets related to both Borouge and MICCO.

**Gross profit**

Reflecting the above factors, the Group's gross profit was AED 1,087 million in 2019 compared to AED 1,057 million in 2018, an increase of AED 30 million, or 2.8 per cent.

The Group's gross profit margins were 57.5 per cent. in 2019 and 62.2 per cent. in 2018.

**Share of profit from joint ventures and fair value gain on pre-existing interest in a joint venture**

The Group had five joint ventures in each of 2019 and 2018.

In 2019, the Group recorded an AED 3 million share of profit from joint ventures compared to an AED 12 million share of loss from joint ventures in 2018.

In 2019, the Group's share of the profit of the ADT joint venture was AED 3 million compared to a share of loss of AED 12 million in 2018 and its share of the loss of LDPL was AED 205 thousand in 2019.

In 2018, ADT recorded losses due to the carve out of its logistics operations while its container capacity build up and volumes were still in a ramp up phase. The LDPL joint ventures were formed in June 2018 and did not start trading until 2019.

**Fair value gain on pre-existing interest in a joint venture**

In 2018, the Group recognised a fair value gain of AED 200 million in respect of ADT. See "*—Principal factors affecting results of operations—Integration of ZonesCorp and other significant non-recurring items*" above.

**General and administrative expenses**

The Group's general and administrative expenses in each year principally comprised the salaries and related expenses of employees directly engaged in general and administrative activities and its outsourcing and external manpower costs relating to those activities. Individually these items accounted for 49.5 per cent. and 24.5 per cent., respectively, of the Group's general and administrative expenses in 2020 and together they accounted for 74.1 per cent.

The table below shows the breakdown of the Group's general and administrative expenses in each of 2019 and 2018.

| | **2019** | **2018** |
|---|---|---|
| | (*AED thousand*) | |
| Staff costs | 213,964 | 184,935 |
| Professional fees | 18,759 | 12,452 |
| Depreciation of property, plant and equipment | 46,235 | 36,610 |
| Outsourcing and external manpower cost | 106,006 | 85,230 |
| Provision for slow moving inventories | 992 | 273 |
| Other expenses | 46,033 | 36,251 |
| **Total general and administrative expenses** | **431,989** | **355,751** |

The Group's total general and administrative expenses amounted to AED 432 million in 2019 compared to AED 356 million in 2018. The increase of AED 76 million, or 21.4 per cent., in the Group's general and administrative expenses in 2019 compared to 2018 reflected increases in all categories of expenses including, in particular:

- an increase of AED 29 million, or 15.7 per cent., in staff costs from AED 185 million in 2018 to AED 214 million in 2019, principally as a result of the MICCO acquisition;

- an increase of AED 21 million, or 24.4 per cent., in outsourcing and external manpower cost from AED 85 million in 2018 to AED 106 million in 2019, principally as a result of an increase in external manpower headcount; and

- an increase of AED 10 million, or 26.3 per cent., in depreciation of property, plant and equipment from AED 37 million in 2018 to AED 46 million in 2019, principally as a result of growth in depreciable assets in 2019 and 2018.

**Impairment of trade receivables**

In each of 2019 and 2018, the Group recognised impairment of AED 55 million and AED 87 million in respect of its trade receivables. The reduction in impairment loss provided for trade receivables in 2019 compared to 2018 principally reflected improved collection.

**Selling and marketing expenses**

The Group's selling and marketing expenses amounted to AED 35 million in 2019 compared to AED 25 million in 2018. The increase of AED 10 million, or 41.4 per cent., in 2019 compared to 2018 principally reflected increased marketing activity in line with the Group's strategy.

**Finance income and finance costs**

The table below shows the breakdown of the Group's net finance expense in each of 2019 and 2018.

| | **2019** | **2018** |
|---|---|---|
| | (*AED thousand*) | |
| Finance income | 1,065 | 1,569 |
| Finance costs | (45,768) | (29,840) |
| **Net finance expense** | **(44,703)** | **(28,271)** |

The Group's net finance expense increased by AED 16 million, or 58.1 per cent., in 2019 compared to 2018.

In 2019, the Group's finance costs increased by AED 16 million, or 53.4 per cent., principally as a result of increased borrowings.

**Other income**

The Group's other income in each year principally comprised the gain recorded on the sale of property, plant and equipment. The Group's other income was AED 3 million in 2019 compared to AED 8 million in 2018.

**Profit for the year**

Reflecting the above factors, the Group's profit for the year was AED 526 million in 2019 compared to AED 758 million in 2018, a decrease of AED 232 million, or 30.6 per cent. Excluding the fair value gain in relation to ADT in 2018, the Group's profit for the year in 2018 would have been AED 558 million.

The Group's net profit margins were 27.8 per cent. in 2019 and 44.6 per cent. in 2018. Excluding the fair value gain in relation to ADT in 2018, the Group's net profit margin in 2018 would have been 32.8 per cent.

## Other comprehensive income

In 2019 and 2018, the Group recorded other comprehensive income of AED 0.1 million and AED 1.4 million, respectively, in relation to its cash flow hedge.

## Total comprehensive income

Reflecting the above factors and the Group's profit for the year, the Group's total comprehensive income for the year was AED 527 million in 2019 compared to AED 759 million in 2018, a decrease of AED 232 million, or 30.6 per cent.

# LIQUIDITY AND CAPITAL RESOURCES

## Overview

In each of the three years under review, the Group's principal uses of cash have been to fund its investments in new property, plant and equipment, investment property and acquisitions of subsidiaries and joint ventures and to service its debt and repay borrowings when they fall due. In the same period, the Group's principal sources of cash have been its cash flows from operating activities and the proceeds of new borrowings raised.

## Cash flow

The table below summarises the Group's cash flow from operating activities, investing activities and financing activities for each of 2020, 2019 (on both a restated and an original basis) and 2018.

| | 2020 | 2019 (restated) | 2019 (original) | 2018 |
|---|---|---|---|---|
| | | *(AED thousand)* | | |
| Cash flows from operations before working capital changes | 1,613,165 | 1,293,991 | 865,554 | 879,257 |
| Net cash generated from operating activities | 463,928 | 1,768,948 | 1,062,018 | 244,400 |
| Net cash used in investing activities | (2,570,712) | (1,749,878) | (1,804,511) | (577,722) |
| Net cash from financing activities | 1,311,517 | 431,603 | 722,364 | 222,078 |
| Cash and cash equivalents at the beginning of the year | 1,056,945 | 606,272 | 85,511 | 196,755 |
| Cash and cash equivalents at the end of the year | 261,768 | 1,056,945 | 65,382 | 85,511 |

### *Operating cash flows*

The Group's cash flows from operations before working capital changes in each year under review principally reflect its profit for the year adjusted for non-cash items, including to add back depreciation on property, plant and equipment, finance cost and, in 2020, impairment on investment properties and to deduct amortisation of government grant and, in 2018, fair value gain of pre-existing interest in a joint venture. The Group's cash flows from operations before working capital changes were AED 1,613 million in 2020 compared to AED 1,294 million in 2019 (on a restated basis). The Group's cash flows from operations before working capital changes were AED 866 million in 2019 (on an original basis) compared to AED 879 million in 2018.

The Group's principal working capital changes in 2020 were cash outflows of AED 1,061 million from trade and other receivables and AED 248 million from prepayments and advances and a cash inflow of AED 180 million from trade and other payables. The Group's principal working capital changes in 2019 on a restated basis were a cash inflow of AED 751 million from trade and other payables and a cash outflow of AED 299 million from trade and other receivables. The key driver for net working capital outflow in 2020 was the impact of COVID-19 on collection, including the payment deferrals offered to customers along with higher expenses including the ex-gratia payment described under "*—Principal factors affecting results of operations—Integration of ZonesCorp and other significant non-recurring items—Ex gratia payment to a third party*" above and certain COVID-19 related expenditures.

The Group's principal working capital changes in 2019 on an original basis were a cash inflow of AED 631 million from trade and other payables and a cash outflow of AED 458 million from trade and other receivables. The Group's principal working capital changes in 2018 were cash outflows of AED 536 million from trade and other receivables and AED 77 million from prepayments and advances.

Reflecting the above factors, the Group's net cash generated from operating activities was AED 464 million in 2020 compared to AED 1,769 million in 2019 (on a restated basis) and AED 1,062 million in 2019 (on an original basis) compared to AED 244 million in 2018.

***Investing cash flows***

The Group's net cash used in investing activities was AED 2,571 million in 2020 compared to AED 1,750 million in 2019 on a restated basis and AED 1,805 million in 2019 on an original basis compared to AED 578 million in 2018.

In 2020, the Group's principal investing cash flows were outflows of AED 2,670 million on additions to property, plant and equipment, principally capital work in progress, and AED 240 million on additions to investment properties. The capital work in progress spend on fixed assets primarily related to Khalifa Port expansion projects, including the container terminal and South Quay general cargo terminal projects (which accounted for AED 1,145 million), development across Fujairah Port and the community ports including Government funded projects (AED 370 million), Government reimbursable projects in relation to warehouses and quarantine facility works (AED 360 million) and in the procurement of vessels and equipment to facilitate a 10-year contract with ESI for the transshipment of iron ore at Mussafah anchorage area from larger capsize to smaller barges to navigate the Musaffah channel draft and dock at Mussafah port (AED 220 million). These cash outflows were offset by a number of cash inflows, principally AED 270 million from government grants.

In 2019 on a restated basis, the Group's principal investing cash flows were outflows of AED 1,948 million on additions to property, plant and equipment, principally capital work in progress, and AED 104 million on the acquisition of MICCO, net of cash acquired. The capital work in progress spend on fixed assets primarily related to Khalifa Port expansion projects (including the container terminal and South Quay general cargo terminal projects (which accounted for AED 960 million)), development across Fujairah Port and the community ports including Government funded projects (AED 275 million), Mina Zayed Port improvement, including the cruise terminal and port side works (AED 80 million) as well as ZonesCorp projects (AED 276 million). These cash outflows were offset by a number of cash inflows, principally AED 275 million from government grants.

In 2019 on an original basis, the Group's principal investing cash flows were outflows of AED 1,671 million on additions to property, plant and equipment, principally the same capital work in progress as described above excluding the ZonesCorp projects, and AED 104 million on the acquisition of MICCO, net of cash acquired.

In 2018, the Group's principal investing cash flows were outflows of AED 425 million on additions to property, plant and equipment, principally capital work in progress (which mainly related to Khalifa Port marine and infrastructure works in relation to expansion projects), AED 103 million on additions to investment property (which mainly related to the construction of additional free zone area and light industrial unit warehouses within KIZAD) and AED 60 million on the acquisition of a 50 per cent. shareholding in ADT, net of cash acquired, which was subsequently transferred as part of the joint venture with TIL.

### *Financing cash flows*

The Group's net cash from financing activities amounted to AED 1,312 million in 2020 compared to AED 432 million in 2019 on a restated basis and AED 722 million in 2019 on an original basis compared to AED 222 million in 2018.

In 2020, the Group had a financing cash inflow of AED 2,370 million from new borrowings and its principal financing cash outflows were AED 700 million used in making a loan to a related party and AED 265 million in finance cost paid to project companies, which related to payments against outstanding amounts due to ZIF. In 2020, the Group also had financing cash outflows of AED 40 million on the repayment of borrowings and AED 26 million in borrowing cost paid.

In 2019 on a restated basis, the Group had a financing cash inflow of AED 751 million from new borrowings and its principal financing cash outflow was AED 265 million in finance cost paid to project companies. In 2019 on a restated basis, the Group also had financing cash outflows of AED 21 million on the repayment of borrowings and AED 4 million in borrowing cost paid.

In 2019 on an original basis, the Group had a financing cash inflow of AED 751 million from new borrowings and financing cash outflows of AED 21 million and 8 million, respectively, on repayment of existing borrowings and finance cost paid.

In 2018, the Group had a financing cash inflow of AED 433 million from new borrowings and financing cash outflows of AED 207 million and AED 5 million, respectively, on repayment of existing borrowings and finance cost paid.

### Borrowings

The Group's borrowings and bank overdrafts amounted to AED 4,050 million as at 31 December 2020, AED 1,742 million as at 31 December 2019 (on both a restated and an original basis) and AED 959 million as at 31 December 2018.

The table below shows a breakdown of the Group's borrowings as at 31 December in each of 2020, 2019 and 2018.

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2020** | **2019** | **2019** | **2018** |
| | | **(restated)** | **(original)** | |
| | (*AED thousand*) | | | |
| Bank overdrafts | — | 22,120 | 22,120 | — |
| Bank credit facilities | 4,050,000 | 1,691,900 | 1,691,900 | 958,656 |
| Term loan | — | 28,086 | 20,086 | — |
| **Total** | **4,050,000** | **1,742,106** | **1,742,106** | **958,656** |

### *Bank credit facilities*

As at 31 December 2020, the Group had two credit facilities outstanding:

- a revolving credit facility of AED 3.3 billion from a related party bank which was obtained in 2011. The facility carries interest at a variable rate linked to EIBOR. In 2020, AED 1.6 billion was drawn under this facility which was fully utilised as at 31 December 2020. The facility is repayable in a single bullet payment on 1 July 2021 unless it is rolled over; and

- a revolving credit facility of AED 1.0 billion from the same related party bank which was obtained in 2020. The facility carries interest at a variable rate linked to EIBOR. As at 31 December 2020, the outstanding balance under this facility was AED 750 million. The facility is repayable in a single bullet payment on 6 December 2021, unless it is rolled over.

On 8 April 2021, the Issuer entered into a new U.S.$1 billion senior revolving credit facility with a syndicate of local and international banks. The facility terminates after three years, subject to the extension options contained in it. The facility contains a covenant by Issuer to maintain its minimum tangible net worth (as defined in the agreement) at or above AED 6 billion.

***Maturity profile of the Group's borrowings***

The entire amount of the Group's AED 4,050 million borrowings outstanding as at 31 December 2020 was scheduled to mature within 12 months. The Group intends to finance the repayment of this debt using the proceeds of Notes issued under the Programme and equity provided by ADQ.

**Capital expenditure and other commitments**

As at 31 December 2020, the Group's estimated capital expenditure contracted for but not yet incurred amounted to AED 1,371 million, compared to AED 1,011 million as at 31 December 2019 (on both a restated and an original basis) and AED 514 million as at 31 December 2018. The capital expenditure commitment as at 31 December 2020 principally comprises:

- AED 370 million towards ongoing Khalifa Port expansion projects including the container terminal and South Quay general cargo terminal expansions;

- AED 320 million towards industrial zone infrastructure and development projects;

- AED 165 million towards the design and construction of warehouses for logistics operations;

- AED 150 million towards marine and landside work at Fujairah Port and Mugharraq and other community ports; and

- AED 150 million towards improvement works at Mina Zayed Port and the cruise terminal at Mina Zayed Port.

The Group's capital expenditure between 2021 and 2025 is expected to be approximately AED 15.5 billion. Approximately AED 2.9 billion relates to Government reimbursable projects, and the balance is principally for growth-related projects. Around two-thirds of the anticipated spend is on already existing projects and the balance is for planned projects. The existing and planned projects include Khalifa Port expansions relating to the South Quay general cargo terminal, Khalifa Logistics Port, container and cruise terminal expansion (together budgeted at around AED 4.1 billion), industrial zone land development, including infrastructure and gas network development (budgeted at around AED 3.4 billion) and industrial zone built assets, including warehouses, staff accommodation, hotel and headquarters (budgeted at AED 2.4 billion).

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.

The Group's other commitments arise under guarantees given by it to banks for business purposes primarily related to logistics contracts. These guarantees amounted to AED 33 million as at 31 December 2020 compared to AED 9 million as at 31 December 2019 (on both a restated and original basis) and AED 4 million as at 31 December 2018.

In addition, the Group has also provided limited recourse guarantees on a several basis to two of its joint ventures, ADT and an LDPL joint venture, against outstanding amounts of AED 368 million and USD 33 million as at 31 December 2020, respectively.

## ANALYSIS OF CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

### Assets

The Group's principal asset classes are its property, plant and equipment, its trade and other receivables and its investment property which, together, amounted to AED 22,303 million as at 31 December 2020, equal to 89.9 per cent. of the Group's total assets at that date.

#### *Property, plant and equipment*

The Group's property, plant and equipment had a net carrying amount of AED 15,375 million as at 31 December 2020, AED 13,019 million as at 31 December 2019 (on a restated basis), AED 12,957 million as at 31 December 2019 (on an original basis) and AED 11,157 million as at 31 December 2018, equal to 62.0 per cent., 59.9 per cent., 79.7 per cent. and 79.7 per cent. of the Group's total assets at those dates, respectively.

The Group's property, plant and equipment principally comprises its port infrastructure which had a net carrying amount of AED 8,410 million as at 31 December 2020 and is depreciated over periods of between three and 50 years, its capital work in progress which had a net carrying amount of AED 4,692 million as at 31 December 2020 and its buildings and improvements which had a net carrying amount of AED 2,314 million as at 31 December 2020 and are depreciated over periods of between three and 50 years.

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies. No depreciation is provided on capital work in progress.

Except for the property, plant and equipment discussed in note 7 to the 2020 Financial Statements, all property, plant and equipment granted by the Government to the Group has been recognised at cost of AED 1, which represents the nominal value of the assets granted. The Group's capital work in progress mainly comprises the costs relating to developments at Khalifa Port and KIZAD, although both staff costs and borrowing costs are also capitalised within capital work in progress and these amounted to AED 156 million and AED 28 million, respectively, in 2020.

#### *Trade and other receivables*

The Group's trade and other receivables (grouped under current and non-current assets), net of allowance for impairment, amounted to AED 3,473 million as at 31 December 2020, AED 2,504 million in 2019 (on a restated basis), AED 1,977 million as at 31 December 2019 (on an original basis) and AED 1,526 million as at 31 December 2018, equal to 14.0 per cent., 11.5 per cent., 12.2 per cent. and 10.9 per cent. of the Group's total assets at those dates, respectively.

The table below shows the breakdown of the Group's trade and other receivables as at 31 December in each of 2020, 2019 and 2018.

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2020** | **2019** | **2019** | **2018** |
| | | **(restated)** | **(original)** | |
| | (*AED thousand*) | | | |
| Trade receivables | 1,587,783 | 912,186 | 343,369 | 458,702 |
| Unbilled lease receivables | 1,563,602 | 1,198,804 | 1,007,535 | 836,723 |
| Due from related parties | 711,186 | 692,604 | 685,188 | 426,324 |
| Staff receivables | 66,766 | 59,027 | 59,027 | 51,502 |
| Accrued income | 244,064 | 57,323 | 57,323 | 24,376 |
| Other receivables | 96,047 | 289,276 | 99,760 | 14,819 |
| | **4,269,448** | **3,217,036** | **2,252,202** | **1,812,446** |
| Less: allowance for impairment | (796,527) | (712,581) | (275,031) | (286,791) |
| | **3,472,921** | **2,504,455** | **1,977,171** | **1,525,655** |

The Group's trade and other receivable balance increased by AED 968 million, or 38.7 per cent., in 2020 from AED 2,504 million as at 31 December 2019 (on a restated basis) to AED 3,473 million. This increase reflected:

- an AED 676 million, or 74.1 per cent., increase in trade receivables which was principally due to AED 175 million in revenue from the finalisation of a contract between ZonesCorp and a Government-related entity which was subsequently collected in 2021, AED 150 million from amounts billed to various Government companies towards COVID-19 related services provided, including provision of a quarantine facility and logistics services, which was largely partly collected in the first quarter of 2021 and a general increase in receivables pursuant to slower collection and payment deferrals provided as a result of the COVID-19 pandemic; and

- an AED 365 million, or 30.4 per cent., increase in unbilled lease receivables.

The Group's unbilled lease receivables reflect the fact that the Group accounts for concession and lease contracts with minimum rental escalation clauses on a straight-line basis over the lease term which results in a degree of unbilled non-cash revenue within its reported revenue. These balances, net of any related impairment provision, are disclosed as non-current assets within the Financial Statements.

The Group's due from related parties principally relate to other entities owned by the Government and the Group's joint ventures. These are discussed in Note 28 to the 2020 Financial Statements and Note 26 to the 2019 Financial Statements.

The Group's allowance for impairment relates only to its trade receivables, unbilled lease receivables and amounts due from related parties. This allowance amounted to 20.6 per cent. of the Group's trade receivables, unbilled lease receivables and amounts due from related parties as at 31 December 2020 compared to 25.4 per cent. as at 31 December 2019 (on a restated basis) and to 13.5 per cent. as at 31 December 2019 (on an original basis) compared to 16.7 per cent. as at 31 December 2018.

During 2020, the Group made a provision for impairment of AED 92 million in respect of its trade receivables, unbilled lease receivables and amounts due from related parties and wrote off AED 8 million of such receivables.

During 2019 on a restated basis, the Group made a provision for impairment of AED 184 million in respect of its trade receivables, unbilled lease receivables and due from related parties and wrote off AED 66 million of such receivables.

During 2019 on an original basis, the Group made a provision for impairment of AED 55 million in respect of its trade receivables and amounts due from related parties and wrote off AED 66 million of such receivables.

During 2018, the Group made a provision for impairment of AED 87 million in respect of its trade receivables and amounts due from related parties and wrote off AED 28 million of such receivables.

The table below shows the ageing of the Group's trade receivables and amounts due from related parties as at 31 December in each of 2020, 2019 (restated), 2019 (original) and 2018. The Group's other receivable categories are all current, except for unbilled receivables.

| | **Total** | **Current** | **0-30 days** | **31-60 days** | **61-90 days** | **91-180 days** | **180-365 days** | **>365 days** |
|---|---|---|---|---|---|---|---|---|
| | | | | | (*AED thousand*) | | | |
| ***31 December 2020*** | | | | | | | | |
| Trade receivables...... | 1,587,783 | 336,858 | 88,399 | 77,675 | 79,213 | 120,844 | 159,037 | 725,757 |
| Due from related parties....................... | 711,186 | 103,719 | 231,558 | 12,428 | 85,580 | 1,044 | 276,857 | — |
| ***31 December 2019 (restated)*** | | | | | | | | |
| Trade receivables...... | 912,186 | 139,851 | 88,983 | 43,714 | 63,116 | 41,426 | 30,267 | 504,839 |
| Due from related parties....................... | 692,604 | 346,972 | 107,842 | 7,458 | 2,111 | 35,616 | 192,605 | — |
| ***31 December 2019 (original)*** | | | | | | | | |
| Trade receivables...... | 1,350,904 | 1,098,454 | 63,192 | 29,724 | 20,562 | 41,416 | 30,267 | 67,290 |
| Due from related parties....................... | 685,188 | 339,555 | 107,842 | 7,458 | 2,111 | 35,616 | 57,144 | 135,461 |
| ***31 December 2018*** | | | | | | | | |
| Trade receivables...... | 1,295,425 | 1,154,627 | 31,901 | 20,419 | (16,895) | 20,425 | 31,686 | 53,262 |
| Due from related parties....................... | 426,324 | 233,761 | 70,165 | 29,738 | 51,911 | 2,387 | 17,327 | 21,035 |

As at 31 December 2020 and 31 December 2019 (on a restated basis), the Group's impairment provision for receivables amounted to 42.9 per cent. and 70.0 per cent., respectively, of its non-current receivables.

Of the Group's trade receivables of AED 1,588 million and due from related parties balance of AED 711 million as at 31 December 2020, AED 341 million was due from two counterparties. The Group's trade and other receivables are not secured by any collateral.

As at 31 December 2020, the Group had trade receivables of AED 1,005 million, or 63.3 per cent. of its total trade receivables, which were past due for more than 90 days and receivables from related parties of AED of 278 million, or 39.1 per cent. of its total receivables due from related parties, which were more than 90 days due. The related party receivables related to receivables from ADT and other companies and the Group expects that they will mostly be recovered in future periods.

The Group's loss allowances for its trade receivables are measured at an amount equal to its lifetime expected credit loss (**ECL**). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a trade receivable or other financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and also includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as releasing security (if any is held); or

- the financial asset is more than 90 days past due.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

***Investment property***

The Group's investment property had a net carrying amount of AED 3,458 million as at 31 December 2020, AED 3,775 million as at 31 December 2019 (on a restated basis), AED 423 million as at 31 December 2019 (on an original basis) and AED 393 million as at 31 December 2018, equal to 13.9 per cent., 17.4 per cent., 2.6 per cent. and 2.8 per cent. of the Group's total assets at those dates, respectively.

Investment properties, which are properties held to earn rental income and/or for capital appreciation (including property under construction for such purposes) are measured at their cost, including transaction costs.

Depreciation is charged so as to write-off the cost of properties over their estimated useful lives (which are between 20 and 50 years), using the straight-line method. No depreciation is provided on land.

The estimated useful lives, residual values and depreciation method for investment properties are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The gain or loss arising on the disposal or retirement of investment properties are determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss and other comprehensive income.

The Group's investment property increased significantly with the integration of ZonesCorp from AED 393 million as at 31 December 2018 to AED 3,775 million as at 31 December 2019 on a restated basis. As at 31 December 2020, AED 607 million of the Group's investment property balance of AED 3,458 million constituted investment property under development. During 2020, AED 990 million was transferred from properties under development to completed properties following the completion of works at Razeen workers residential city and the Group recognised an impairment loss of AED 459 million in respect of its impairment property, see "*—Principal factors affecting results of operations—Integration of ZonesCorp and other significant non-recurring items—Impairment of investment properties*" above.

**Liabilities**

The Group's principal liability classes are its deferred government grant (which is described under "*—Results of operations for 2020 and 2019 (restated)—Deferred government grant*" above), its borrowings (which are described under "*—Liquidity and capital resources—Borrowings*" above), its trade and other payables and its amounts payable to project companies which, together, amounted to AED 16,160 million as at 31 December 2020, equal to 94.6 per cent. of the Group's total liabilities at that date.

***Trade and other payables***

The Group's trade and other payables had a net carrying amount of AED 3,455 million as at 31 December 2020, AED 3,073 million as at 31 December 2019 (on a restated basis), AED 2,208 million as at 31 December 2019 (on an original basis) and AED 1,180 million as at 31 December 2018, equal to 20.2 per cent., 21.6 per cent., 21.8 per cent. and 14.1 per cent. of the Group's total liabilities at those dates, respectively.

The Group's trade and other payables principally comprise accrued expenses and construction related costs, advances against projects, customer advances and due to related parties. Together, these four categories accounted for 85.7 per cent. of the Group's total trade and other payables as at 31 December 2020.

***Amounts payable to project companies***

The Group's amounts payable to project companies had a net carrying amount of AED 2,429 million as at 31 December 2020 and AED 2,433 million as at 31 December 2019 (on a restated basis), equal to 14.2 per cent. and 17.1 per cent. of the Group's total liabilities at those dates, respectively.

The Group's amounts payable to project companies are all attributable to ZonesCorp and represent amounts payable to ZIF in respect of the cost of construction of infrastructure at ICAD II and ICAD III and Al Ain Industrial City and an industrial effluent treatment plant, which were subsequently transferred to ZonesCorp against quarterly/semi-annual finance payments to be made.

The amounts payable to project companies are recognised on the basis of the present value of the future unitary payments, plus the accrued interest charge at the end of each year, net of repayments made during the year as this is considered the most reliable estimate available.

The table below shows the movements of amounts payable to project companies in each of 2020 and 2019 on a restated basis.

| | As at 31 December | |
|---|---|---|
| | 2020 | 2019 |
| | | (restated) |
| | (AED thousand) | |
| At 1 January | 2,433,395 | 2,439,365 |
| Interest charge | 261,132 | 250,878 |
| Payments made during the year | (265,480) | (256,848) |
| **At 31 December** | **2,429,047** | **2,433,395** |

## RELATED PARTY TRANSACTIONS

The Group's principal related party transactions are with its shareholders, its subsidiaries, its joint ventures and its directors and executive management and entities controlled or significantly influenced by any of them. Further information on the Group's related party transactions in each year under review is set out in note 28 to the 2020 Financial Statements and note 26 to the 2019 Financial Statements.

## DISCLOSURES ABOUT FINANCIAL RISKS

The Group is exposed to a number of credit, liquidity and interest rate financial risks and takes steps to mitigate certain of these risks as described in note 29 to the 2020 Financial Statements.

### Credit risk

The Group's credit risk principally arises from the Group's trade and other receivables and bank balances. The Group's policy is to only deal with counterparties that it considers to be credit worthy. The Group aims to mitigate its credit risk by monitoring its credit exposures, limiting transactions with specific non-related counterparties and continually assessing the creditworthiness of those non-related counterparties.

### Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The Group's borrowings are its major source of funding and liquidity risk. As at 31 December 2020, the carrying amount of the Group's current liabilities exceeded that of its current assets by AED 4,203 million.

The Group expects to meet its contractual funding obligations through a combination of short-term borrowings, long-term facilities and financing through the capital markets, in addition to government support.

### Market risk

The Group is exposed to interest rate risk on its bank borrowings, all of which as at 31 December 2020 were on a variable interest rate basis. Based on a sensitivity analysis in note 29 to the 2020 Financial Statements, a 1 per cent. change in interest rates, with all other variables held constant, would have (through its impact on the Group's variable rate bank borrowings) impacted its profit by AED 12 million.

AD Ports does not believe that the Group is materially exposed to currency risk as most of its assets are denominated in dirham or dollars and the dirham has been pegged to the dollar at a fixed rate since 1980.

The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative or risk management purposes. As at 31 December 2020, the Group was not party to any derivative instruments except for interest rate swaps entered by ADT, an LDPL joint venture and ZIF to convert variable interest rates into fixed rates.

## DESCRIPTION OF THE GROUP

### INTRODUCTION

AD Ports is one of the UAE's leading integrated ports and industrial zone operators. Established in 2006 by Emiri decree with commercial license number 1004600, AD Ports is 100 per cent. owned by the Government through its parent, ADQ. The business actively supports the Government's economic strategy and directives which have been put in place to grow the Emirate's economic productivity and GDP.

The Group owns or operates 10 ports in the UAE and a terminal in Guinea, owns and operates over 550km$^2$ of industrial zones, owns and operates an end-to-end logistics business, offers a range of maritime services and has developed a digital platform which is improving the regional supply chains in Abu Dhabi and the UAE. As part of its mandate, AD Ports is the Emirate's exclusive developer, operator and regulator of non-military and oil and oil and gas ports and related infrastructure. Since its establishment, AD Ports has been completely aligned with the economic plans and directives of Abu Dhabi's 2030 Economic Vision, playing a pivotal role in the economy both through its contributions to Abu Dhabi and UAE non-oil GDP (which was estimated by Oxford Economics to be 13.6 per cent. in Abu Dhabi and 7.4 per cent. in the UAE in 2020) and through approximately 212,000 jobs supported by AD Ports in the UAE.

AD Ports operates across five business clusters:

- **Ports**, which owns or operates 10 ports and terminals in the UAE. Outside the UAE, the Group operates Kamsar Terminal at Kamsar Port in Guinea on behalf of EGA;

- **Industrial and free zones**, which principally operates KIZAD and eight other industrial zones following the integration of ZonesCorp into the Group at the start of 2020;

- **Logistics**, which provides a range of logistical services, such as transportation, warehouse and cargo handling services and valued added services, principally through MICCO;

- **Maritime**, which provides a range of maritime services, including feedering, to local and international customers principally through SAFEEN and transshipment and offshore support services through partnerships and, through Abu Dhabi Maritime, is the primary custodian of Abu Dhabi's waterways and regulator of the maritime sector in Abu Dhabi; and

- **Digital**, which provides digital services, including the PCS, to external customers through Maqta Gateway as well as services to the Group's other clusters. Maqta Gateway's PCS digitised the processing of trade, cargo and logistics across the Group's ports and industrial sectors. The evolution of the PCS into the ALTP is expected to drive the further digitisation of trade across the UAE and the surrounding region.

Over the 2020 to 2025 period, AD Ports' strategy is to build the Group into a regional champion by consolidating and integrating related logistics, transportation and maritime entities in Abu Dhabi and then expanding beyond its regional base to become an integrated logistics and trade enabling company.

As at 31 December 2020, the Group had total assets of AED 24,814 million. In 2020, the Group generated revenue and Adjusted EBITDA of AED 3,424 million and AED 1,548 million, respectively.

### HISTORY

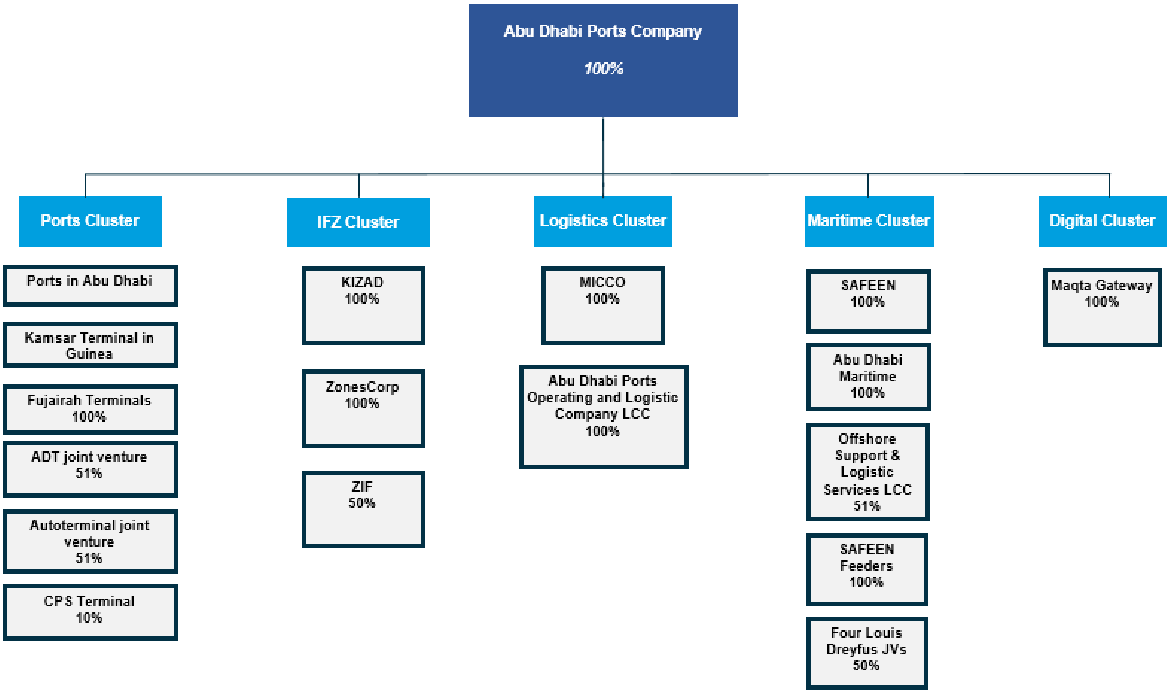
AD Ports was established by an Emiri decree in 2006 as the developer, operator and regulator of maritime transportation infrastructure and began the development of both Khalifa Port and KIZAD.

In 2006, AD Ports was a port authority. Through investment, development, local and international joint ventures and mergers, the Group has grown and diversified into a vertically integrated business with operations across ports, industrial and free zones, logistics, and maritime and digital services.

The table below summarises its development since it was established in 2006.

| | |
|---|---|
| 2008 | AD Ports acquired a 50 per cent. shareholding in Abu Dhabi Terminals (**ADT**). |
| 2010 | KIZAD launched.<br><br>Mussafah Channel completed and handed over to AD Ports. |
| 2012 | Khalifa Port inaugurated. |
| 2013 | Abu Dhabi Ports Marine Services, now SAFEEN, established.<br><br>Free Port and Zayed Port upgraded. |
| 2014 | Zayed Port operations taken over. Maqta Gateway PCS project initiated. |
| 2015 | Al Mirfa Port inaugurated. Abu Dhabi Cruise Terminal inaugurated. |
| 2016 | Agreement with COSCO in relation to CSP terminal at Khalifa Port signed and five-year Khalifa Port expansion programme initiated. Khalifa Port Free Trade Zone launched. Master Services Agreement in Guinea (Port Operations) signed. |
| 2017 | Delma Port completed. Concession agreement with the Port of Fujairah signed and Fujairah Terminals launched. Maqta Gateway inaugurated and a shipping and freight forwarding platform, named MARGO, launched. |
| 2018 | 100 per cent. of ADT acquired, ADT logistics business transferred to AD Ports Logistics and 49 per cent. of ADT transferred to TIL, the container terminal arm of MSC. Joint ventures entered into in relation to transshipment operations in Guinea (joint venture with Louis Dreyfus Armateurs) and the Ro-Ro operations in Khalifa Port. CSP terminal inaugurated. |
| 2019 | Further significant Khalifa Port expansion projects announced. MICCO acquired. AD Ports transferred to ADQ. Mugharraq Port expansion completed and operations commenced. |
| 2020 | Arabian Chemical Terminals commenced building bulk liquid and gas terminal at Khalifa Port. SAFEEN Feeders launched. ZonesCorp integrated. SAFEEN signed agreement with Allianz Marine & Logistics Services to launch a new international provider of integrated maritime logistics services (joint venture with Offshore Support & Logistic Services LCC). Maritime mandate of Department of Transport transferred to AD Ports. |
| 2021 | Agreement with Transportr Ltd to accelerate the development of the inland container depot in Mussafah signed. Land lease agreement with Anchorage Investment (National Feed subsidiary company) in relation to the development of grain storage and processing plans at Khalifa Port signed. Khalifa Port coral reef relocation launched. Transshipment agreement signed between SAFEEN and Emirates Steel for transshipment services. |

## GROUP STRUCTURE




The chart below summarises the Group's cluster structure and shows the principal assets and companies (including the Group's shareholding in the companies) within each cluster.

## STRATEGY

AD Ports' strategy focuses on developing a fully integrated business across ports, industrial zones, logistics, and maritime and digital services, which will meet the demand from the anticipated future growth in global trade and demand for value-added logistics services.

AD Ports' vision is for the Group to be the preferred provider of world class, integrated ports, logistics and industrial zone services and its mission is to enable trade businesses by effectively managing integrated assets and services, promoting Abu Dhabi as a premier trade hub, creating long-lasting relationships with customers, and maximising shareholder value.

Over the 2020 to 2025 period, AD Ports' strategy is to build the Group into a regional champion by consolidating and integrating related logistics, transportation and maritime entities in Abu Dhabi. The long-term aim is to expand beyond its regional base to become a more global integrated logistics and trade enabling company.

The strategy envisages:

- capacity expansion at its existing ports and digital growth to support assets and expedite clearance times, with a view to increasing its share of the UAE's trade flows and continuing to grow as a trans-shipment hub for its region;
- improving the efficiency of its logistics operations to support customers across all business clusters, such as its industrial zones, and improve the attractiveness of the Emirate to foreign direct investment; and

- expanding its regional footprint through acquisitions to facilitate trade that has direct benefit to the Emirate and growing its international presence to hedge any potential regional economic volatility.

AD Ports' strategy has been developed around three key drivers:

- **Organic growth**: with a focus on maintaining and expanding market share within the UAE and the surrounding region. The strategy aims to achieve high industrial zone occupancy along with high utilisation of ports services through maintaining long-term contracts and maximising returns from existing customers across all segments of the business. Marketing the business to a global customer base is expected to play a key role in attracting new business;

- **Developing new markets**: to protect its long-term growth and in response to the changing growth dynamics in the global trade and logistics sector, AD Ports is developing key partnerships and clients along both coasts of the Arabian Peninsula, and in China, the Indian subcontinent and Africa, including for example its partnership with COSCO in relation to the second container terminal at Khalifa Port and SAFEEN Feeders which serves a number of Indian ports; and

- **Diversification new product and service development**: AD Ports expects to continue to diversify its core business to meet market demand and generate additional revenue and profit. Recently, for example, it has developed feeder shipping services and offshore services and it continues to invest in new digital services such as the ATLP, which is expected to become the single window digital trade platform for Abu Dhabi. AD Ports works closely with its clients and partners to adapt its ports and facilities, for example its new bulk liquids terminal, which is under construction. Within the logistics and industrial zone segments of the portfolio, the business is responding to specific client needs and demands, including cold chain services for the pharmaceutical and food supply chains and the provision of new technology as part of industrial warehousing and real estate development.

When making acquisitions, AD Ports intends to focus on companies that (i) are located in attractive geographies (measured by volume of exports to/imports from the UAE, their current and potential foreign direct investment in the UAE and the commodities traded), (ii) have appropriate scale, (iii) are financially attractive and (iv) have a strong management track record.

For a discussion of AD Ports' strategy at an individual cluster level, see "—*Business*" below.

**STRENGTHS**

AD Ports believes that the Group benefits from a number of significant strengths.

**The Group is strategically important to Abu Dhabi**

AD Ports has strong links to the Government. Through ADQ, it is indirectly wholly-owned by the Government, which accordingly controls the composition of its Board of Directors (the **Board**). The Board includes the Chairman of the Abu Dhabi Department of Municipalities and Transport (the **DMT**), who is also a member of the Abu Dhabi Executive Council, and three senior ADQ executives.

The Group has benefitted from strong Government support since AD Ports was founded. As at 31 December 2020, the Government had committed AED 3.8 billion in share capital to AD Ports and had granted the Group a number of non-monetary assets, including the land on which KIZAD is located, AD Ports head office building, furniture and fixtures, warehouses, commercial ports and other ports' assets. In addition, in 2013, the Government reimbursed AD Ports for the cost of constructing certain assets (principally relating to Khalifa Port) on behalf of the Government, which has been recognised as a Government grant in the Group's statement of financial position. Further, the Government granted AD Ports the perpetual possession and enjoyment of the assets constructed by AD Ports, along with the right to develop and treat the assets as it deems fit.

AD Ports is also the Emirate's exclusive master developer and regulator of ports and related infrastructure (excluding military and oil and gas), and it possesses control and regulatory rights over all commercial ports assets previously owned by the Abu Dhabi Seaports Authority.

**The Group benefits from advanced facilities and significant synergies between its business clusters, principally through its ports and its industrial zones**

The Group's advanced facilities include Khalifa Port, which is a world-class deep sea port with 18.5m draft and berths and facilities capable of accommodating latest generation cargo vessels, including the largest ships currently at sea. Khalifa Port was the first semi-automated deep water container port in the GCC region.

For shipping lines, Khalifa Port offers access to strong and increasing gateway volumes from Abu Dhabi and strong hinterland connections, additional demand from the adjacent KIZAD, large capacity and quick vessel turnarounds. For shippers, Khalifa Port offers direct connections to Asia, Europe and the Middle East, fast connections to consumers or producers in Abu Dhabi and, especially, KIZAD, frequent and reliable connections to other parts of the UAE, Saudi Arabia and other neighbouring countries by road, congestion free movement and fast cargo delivery.

KIZAD's transport infrastructure provides market accessibility for its tenants through the provision of future rail freight facilities, as well as four-lane highways and three-lane arterial roads. All interchanges are constructed with bridges and each plot has road access.

The Group is undertaking an ongoing expansion of Khalifa Port and is targeting an expansion in container terminal capacity to 15 million TEUs by 2030 which is expected to drive an increase in business at both Khalifa Port and KIZAD.

**The Group benefits from its strong hinterland and logistics connections**

Abu Dhabi is located at the crossroad of trade routes, with direct access to an expanding population of consumers within Europe, Africa and most of Asia. Abu Dhabi benefits economically from modern and extensive sea, air, road and, in the future, rail transport. Its key logistical and transportation links include:

- Khalifa Port serves more than 25 major shipping lines and is connected to more than 70 destination ports around the globe while its partnerships with MSC and COSCO Shipping ensure access to a global network of port connections. KIZAD's location adjacent to Khalifa Port ensures easy import and export of containers and bulk cargo.

- Excellent connectivity by air is provided through five nearby international airports: Abu Dhabi International Airport; Dubai World Central Airport; Dubai International Airport; Sharjah International Airport; and Al Ain International Airport. Abu Dhabi-based Etihad and Dubai-based Emirates Airline fly to 79 and 161 passenger and cargo destinations worldwide, respectively.

- Khalifa Port and KIZAD are connected to Abu Dhabi and Dubai, two major markets with existing business and industrial infrastructure, as well as the rest of the UAE, Oman, Qatar and Saudi Arabia by four lane highways and three lane arterial roads.

- Etihad Rail is intended to connect the UAE's major hubs of trade and industry and to form a vital part of the planned GCC railway network. The project is scheduled to commence before the end of 2023.

**The Group is a key driver of Abu Dhabi's non-hydrocarbon economy**

Abu Dhabi has a long-term strategy of diversifying Abu Dhabi's economy away from its reliance on hydrocarbons as the single major revenue source with a view to creating conditions that allow Emiratis to participate fully in the wealth of Abu Dhabi. The Group is integral to this process of economic diversification through its development of strong industrial capabilities across attractive fundamental industries, including transportation, trade and logistics which is identified as one of the key focus sectors in Abu Dhabi's 2030 Economic Vision.

In 2020, the Group's estimated contributions to Abu Dhabi's and the UAE's non-hydrocarbon GDP were 13.6 per cent. and 7.4 per cent., respectively, according to Oxford Economics.

Abu Dhabi's 2030 Economic Vision identifies seven areas of ongoing economic policy focus, including (i) developing a sufficient and resilient infrastructure capable of supporting anticipated economic growth (to which the Group's 11 ports and its extensive portfolio of industrial zones make or support a significant contribution); (ii) building an open, efficient, effective and globally-integrated business environment; and (iii) developing a highly skilled and highly productive workforce (as at 31 December 2020, the Group employed approximately 3,000 staff across the UAE and it also trains students in short-term advanced maritime skills through its Maritime Training Academy). The 2030 Economic Vision also identifies 12 growth sectors which include transportation, trade and logistics and tourism. The Group's operations facilitate trade and include transportation and logistics and it also makes a significant contribution towards Abu Dhabi's tourism sector through its cruise business.

**Investment in digitalisation and automation to drive cost efficiency and improved customer experience**

Since 2016, the Group has invested in developing Maqta Gateway which, through its ports community system and other technologies, supports the planning, implementation and more efficient movement of goods and cargo through its ports, across businesses in its industrial zones and the market in general. Through these systems, the Group is helping to reduce costs for its customers and partners and making itself more attractive to new customers.

**The Group continues to demonstrate robust operational performance**

Between 2014 and 2020, the Group has grown its operations in all relevant metrics. For example:

- its general cargo volumes grew from 12.8 million tons in 2014 to 30.0 million tons in 2020, with growth being recorded in each year;
- its container volumes grew from 1.1 million TEUs in 2014 to 3.2 million TEUs in 2020, with growth being recorded in each year except 2017;
- its unitised vehicle Ro-Ro volumes grew from 106 thousand units in 2014 to 150 thousand units in 2019, with growth being recorded in each year except 2016 and, as a result of COVID-19, in 2020; and
- its cruise passenger numbers grew from 147 thousand passengers in 2014 to 493 thousand passengers in 2019, with growth being recorded in each year except 2020, where passenger volumes were adversely impacted by COVID-19 restrictions.

The Group has added significant new port operations including its concession at Fujairah Port and a new container terminal at Khalifa Port in 2018, and has a number of expansion projects ongoing at Khalifa Port.

The Group's logistics business was strengthened in 2019 by the acquisition of MICCO and a new maritime logistics joint venture for offshore services which was entered into in 2020.

Its maritime business launched SAFEEN Feeders in 2020 and its digital business introduced the first PCS in the UAE in 2016 and is currently evolving that system into the broader ATLP.

**The Group demonstrates solid financial performance and reliable revenue and cash flow generation**

The Group's financial performance is characterised by steadily growing revenue, the majority of which is contractually committed in nature, strengthening Adjusted EBITDA and a relatively low debt profile.

The Group's revenue grew from AED 1,699 million in 2018 to AED 1,891 million (on an original basis) or AED 2,768 million (on a restated basis) in 2019 and to AED 3,424 million in 2020, representing growth of 23.7 per cent. in 2020 compared to 2019 (restated) and growth of 11.3 per cent. in 2019 (original) compared to 2018. The Group's revenue is underpinned by partnerships with major container terminal operators, such as COSCO and MSC. In addition, a significant portion of its revenues are also fixed in nature and long-term leases and strong relationships with major industrial tenants, such as EGA, also lock in future volumes. For example, the average lease term at KIZAD and Khalifa Port is between 40 and 50 years.

The Group's Adjusted EBITDA grew from AED 782 million in 2018 to AED 802 million in 2019 (on an original basis) or AED 1,126 million (on a restated basis) and to AED 1,548 million in 2020, representing growth of 37.3 per cent. in 2020 compared to 2019 (on a restated basis) and growth of 2.6 per cent. in 2019 (on an original basis) compared to 2018, and its Adjusted EBITDA margins were 46.0 per cent. in 2018, 42.4 per cent. in 2019 (on an original basis) or 40.7 per cent. (on a restated basis) and 45.2 per cent. in 2020.

The Group's borrowings (including overdrafts) amounted to AED 959 million as at 31 December 2018, AED 1,741 million as at 31 December 2019 (on an original basis) or AED 1,719 million (on a restated basis) and AED 4,050 million as at 31 December 2020. As at the same dates, the Group had cash and bank balances of AED 95 million, AED 97 million (on an original basis) or AED 1,089 million (on a restated basis) and AED 271 million. The Group's net leverage ratio, calculated as borrowings less cash and bank balances divided by Adjusted EBITDA was 1.1 times as at 31 December 2018, 2.1 times as at 31 December 2019 (on an original basis) or 0.6 times (on a restated basis) and 2.4 times as at 31 December 2020.

In 2020, 2019 (on a restated basis), 2019 (on an original basis) and 2018, the Group's net cash generated from operating activities was AED 464 million, AED 1,769 million, AED 1,062 million and AED 244 million, respectively.

**Stable and experienced management team**

AD Ports has a stable and long-tenured international management team with significant experience in ports, maritime, logistics and global trade. This experience has been key to the development and expansion of the Group over the last five years. AD Ports management remains committed to the on-going growth of the Group.

## BUSINESS

### Overview

The Group operates through five clusters:

- Ports, which accounted for 27.1 per cent. of the Group's consolidated revenue before eliminations and 44.4 per cent. of its Adjusted EBITDA;

- Industrial and Free Zones (IFZ) accounted for 45.2 per cent. of the Group's consolidated revenue before eliminations and 65.2 per cent. of its Adjusted EBITDA;

- Logistics, which accounted for 16.0 per cent. of the Group's consolidated revenue before eliminations and 10.0 per cent. of its Adjusted EBITDA;

- Maritime, which accounted for 10.7 per cent. of the Group's consolidated revenue before eliminations and 10.7 per cent. of its Adjusted EBITDA; and

- Digital, which accounted for 1.0 per cent. of the Group's consolidated revenue before eliminations and 1.1 per cent. of its Adjusted EBITDA.

**Ports cluster**

***Overview***

The Ports cluster owns and/or operates 10 ports in the UAE. The UAE ports include major commercial ports in Abu Dhabi and a port in Fujairah that is operated under a 35-year concession as well as community and free ports. Outside the UAE, the Group also operates Kamsar Terminal at Kamsar Port in Guinea on behalf of EGA. The Ports cluster offers a range of services to its customers developed around the integration of advanced technology, automation, world-class infrastructure, exemplary port services and storage. These services include container shipping and handling, efficient general cargo transportation, bulk cargo shipping and management, Ro-Ro, cruise terminals and hosting, warehousing and storage (including cold storage), container freight station, inland container depot and dry port facilities.

Up to 2010, AD Ports principally operated as the Port Authority for Abu Dhabi and as developer of Khalifa Port and KIZAD. In 2012, it started operations at Khalifa Port through a joint venture, ADT, and in 2014 it took over operations at Mina Zayed Port where it also inaugurated a new cruise terminal. In 2018, it was awarded a 35-year port concession in Fujairah.

In 2020, Lloyds List recognised Khalifa Port as the fastest growing port in its world's top 100 ports list. Moving from 95 to its new position of 71, the port was noted for achieving the largest percentage jump in container throughput.

***Strategy***

The Ports cluster's vision is to drive Abu Dhabi trade through an integrated portfolio of world-class, multi-capable advanced cargo handling ports. Its mission is to position Abu Dhabi as an enabler of global trade, by managing world-class ports infrastructure, driving operational excellence by leveraging digital technologies, meeting stakeholder's dynamic needs, forging relationships with its customers and maximising shareholder value.

The Ports cluster's strategic objectives are to:

- pursue growth at Khalifa Port by developing new all-purpose capabilities, facilities and infrastructure and expanding current capabilities and scale. In particular, the cluster plans to significantly expand quay capacity, develop a new multi-purpose terminal, including dry bulk cargo, agri-food facilities, a liquid bulk terminal and a rail terminal.

- capture and grow its current market share from regional competition by investing in technology and equipment across the container, general cargo and bulk segments to improve service levels and performance, whilst also improving operational efficiency and profitability and lowering costs to customers.

- build and develop capabilities and facilities for its existing and any new ports in the UAE. In particular, the cluster plans investments at Fujairah to develop a multi-purpose port focused on container and bulk cargo, with possible diversification into Ro-Ro and cruise. At Mugharraq and Sila it plans to cater for ADNOC developments in relation to its numerous oil and gas fields as well as its ongoing petrochemical expansion and to manage and develop all quay walls at Mussafah.

- improve the connectivity to Khalifa Port by investing in the feedering business.

Other possible growth opportunities may arise through domestic strategic partnerships and possible joint ventures with or acquisitions of regional and international operators.

***Description***

The Group's ports and terminals are connected by sea, air and road channels (with rail connectivity planned in 2023) to the surrounding hinterland, making it easy for customers to trade onwards across the GCC or into international markets. The services offered to the Group's clients include container shipping and handling, efficient general cargo transportation, bulk cargo shipping and management, Ro-Ro, cruise terminals, hosting, warehousing and storage, including cold storage, container freight station, inland container depot and dry port facilities.

The key ports in the Ports cluster's portfolio are Khalifa Port which, in 2020, was the largest offshore multi-cargo port in the Gulf, Mussafah Port and Fujairah Port.

*Khalifa Port*

Khalifa Port is the first semi-automated deep-water container port in the GCC and one of the most technologically advanced ports in the world. It is designed to handle the next generation of ultra-large container ships and is equipped with 12 Super Post-Panamax ship-to-shore quay cranes, 40 straddle carriers, and 52 automatic stacking cranes. The port is strategically positioned as a major distribution hub served by over 25 major shipping lines and directly linked to more than 70 destination ports.

Khalifa Port covers an area of 9km$^2$ including the port island where the container terminal, Ro-Ro hub and warehouses are located. The 2.3km$^2$ port island has a quay length of 4.2km with an 18.5m draft.

Khalifa Port benefits from three significant partnerships with major companies in order to facilitate growth:

- a 30-year terminal services agreement with the ADT joint venture. The joint venture in which AD Ports owns 51 per cent. and TIL (the container terminal arm of MSC) owns 49 per cent., began in 2018 and operates Khalifa Ports Container Terminal 1 with a design capacity of 5.3 million TEUs per year;

- a 35-year terminal concession agreement with the CSP Terminal. The partnership, in which AD Ports owns 10 per cent. and CSP owns 90 per cent., began in 2019 and operates Khalifa Ports Container Terminal 2 with a design capacity of 2.5 million TEUs per year and an extension option of an additonal 1 million TEUs; and

- a 15-year concession agreement with Autoterminal Khalifa, a 51 per cent. owned subsidiary (in which the minority shareholder is Autoterminal SA) which manages the Ro-Ro/car terminal in Khalifa Port.

Other expansion work currently ongoing at Khalifa Port, which would increase the total quay wall length to 14.0km, includes:

- development of a multi-purpose general cargo terminal, South Quay, with a total quay length of 3.0km and a depth of 18.5m. On completion of the terminal, which is expected in 2022, all future general cargo and Ro-Ro operations are expected to be shifted to the new island; and

- Khalifa Logistics Port, which is currently under construction. Khalifa Logistics Port is designed with a dual purpose quay, 8m depth for 2km of quay length and 16m depth for 1.07 km of quay length. The 8m depth section is designed for small craft and vessels such as the ones used for livestock imports and in the oil and gas industry. The 16m depth section is designed for Panamax class vessels that generally transport general cargo, liquid handling facilities and chemicals import terminals.

*Musaffah Port*

The deep water Musaffah Port is the second oldest port in the Emirate after Mina Zayed Port. Located in the Musaffah Industrial Area, the port is home to the 53 km Musaffah Channel, the second longest channel in the region after the Suez Canal.

Musaffah Port has a general cargo terminal with break bulk and Ro-Ro operations. The port facilitates cargo operations and provides warehousing for multiple industrial and commercial sectors including steel, dredging, shipbuilding and offshore construction.

With a maximum width of 200m and a maximum depth of 9m, the channel provides two-way vessel traffic.

*Fujairah Port*

In June 2017, AD Ports signed a 35-year concession with the Fujairah Port Authority and established Fujairah Terminals. The agreement grants AD Ports the exclusive right to enhance existing infrastructure and superstructure at the port, in addition to managing all the container business, general cargo, Ro-Ro and cruise ships. As part of the development of Fujairah terminal, the Fujairah government contributed funds of AED 500 million to the project.

Since the concession was signed, AD ports has invested significantly in Fujairah Port by deepening the berths to 16.5m to accommodate the largest container vessels, building around 300,000 $m^2$ of storage space and an additional 1km of quay wall (which was completed in early 2021), installing STX post-Panamax quay cranes and electrified rubber tiered gantry cranes and, through Maqta Gateway, implementing PCS.

The table below provides summary information on each of the remaining ports in the Ports cluster.

| | |
|---|---|
| Mina Zayed Port | Inaugurated in 1972, Mina Zayed Port served as Abu Dhabi's gateway port for 40 years, until its container business was transferred to Khalifa Port in 2012. Located on the northeast tip of Abu Dhabi and spread over a 5.3$km^2$ area, the port has 21 berths and a total berth length of 4,375m and accommodates warehousing and cold storage facilities covering 143,000 $m^2$. It handles general cargo, break bulk and project cargo. Mina Zayed Port consists of two deep basins for general cargo vessels and cruise liners and a smaller basin for vessels such as tugs, barges and service craft. In December 2015 and reflecting increased demand for cruise tourism, Mina Zayed Port launched the Abu Dhabi Cruise Terminal. The terminal currently allows three cruise ships to berth at any one time and is being expanded to accommodate up to five ships. The prime location gives visitors easy access to a wide range of attractions. The terminal currently welcomes cruise ships from Asia, Europe and America, and plays a strategic role in Abu Dhabi's long-term development of its tourism sector. |
| Mugharraq Port | Located 240km from Abu Dhabi city on the mainland facing Sir Bani Yas Island. Community port with limited general cargo handling facilities, including six Ro-Ro berths, with a port extension and other works designed to meet increased demand being completed in early 2021. The port supports ferry and logistics connections to Delma Island and Sir Bani Yas Island and also caters to the anchorage cargo for ADNOC and other customers, which has been the main driver of the port's volumes and revenue. |

| | |
|---|---|
| Delma Port | Located on the east side of Delma Island. Serves as a general, multipurpose community port to handle general break bulk cargo vessels, passenger ferries and fishing vessels. In addition, a marina with 280 boat slips, 160 wet berths and 104 dry berths for fishing and recreational crafts supports the local boat industry. |
| Al Mirfa Port | Located 125km from Abu Dhabi city. The first port dedicated to supporting the local fishing industry and community in the Emirate. It has berths for fishing and leisure vessels, as well as dedicated space for retail and small local businesses. |
| Al Sila Port | Located 350km from Abu Dhabi city. Provides cargo services, supports the local fishing industry and, as the largest public marina in the Emirate, it offers recreational activities. |
| Shahama Port | Shahama Port is being transformed into a prime mixed use port, and, by 2024, is set to become a commercial, leisure and tourist city hub. Upon completion, the Shahama Port will have dedicated slipways for boats and jet skis; wet and dry berthing facilities for more than 500 boats (up to 100ft); a marina clubhouse with picnic areas, restaurants, free car parking, security and lifeguard facilities. |
| Free Port | Located in Mina Zayed Port and established in 1978, Free Port caters to smaller vessels, tugs, barges and service craft and handles general and bulk cargo (such as fruit, grain, fertiliser, coal, spare parts, steel and cleaning materials) and bulk commodities, including petroleum and chemicals. It also supports a range of operations and activities for bunkering, maintenance, hot work, painting, crew-boat exchange, diving and other maritime services. |
| Kamsar Terminal | AD Ports has a management service agreement for this terminal. The terminal enabled the import of materials for the construction of the GAC bauxite mine in Guinea, which became operational in 2019. The onshore terminal has two berths and is capable of handling vessels up to 140m length overall. |

***Competition***

The Ports cluster operates in a highly competitive landscape with regional ports in Saudi Arabia, Bahrain, Oman and other UAE emirates, such as Dubai, all focused on the transshipment market.

**Industrial and free zones cluster**

***Overview***

The IFZ cluster principally operates KIZAD, the largest integrated trade, logistics and industrial hub in the UAE, and, following the integration of ZonesCorp in 2020, eight additional industrial zones in strategic locations in Abu Dhabi city, Al Ain and elsewhere. In addition, multiple worker residential cities are also regulated throughout Abu Dhabi by ZonesCorp. The IFZ cluster covers a land area of over 550km$^2$, including over 550,000m$^2$ of logistics and warehouse space including assets under development, that hosts more than 1,500 global, regional and local businesses.

As at 31 December, 2020, the IFZ cluster had a market share of around 55 per cent. of the total area of industrial and free zones in the UAE and nearly 12 per cent. of the total area of industrial and free zones in the GCC, based on the Group's own analysis.

***Strategy***

KIZAD and ZonesCorp share a vision to become a vibrant industrial and trade ecosystem delivering long-term solutions for businesses to achieve Abu Dhabi's 2030 Economic Vision of continued growth and diversification. Due to the differing location, plot sizes and occupancy levels of the two industrial zones, AD

Ports follows a two-pronged strategy to target specific user industries thereby providing a multi-pronged value proposition. The overall objective of the two industrial zones is to deliver the most competitive cost, speed, scale and community advantages to its customers in a clear and predictable manner and to foster long-term partnerships with global companies across clusters to diversify Abu Dhabi's economy.

The IFZ cluster's strategic objectives are:

- ***Customer first***: to be delivered across five differentiating factors being speed (in particular, faster and simplified set up, quicker "go live" operations and speed to market through multi-modal infrastructure and connectivity); cost (ensuring that the cost to set up and produce, the cost of resources and operations and the cost to market are all competitive); community (by ensuring that KIZAD is a desirable place for people and businesses); scale (by ensuring phased growth and appropriate infrastructure); and predictability (through fixed or predictable prices and readily available shared services within each zone).

- ***Strategic industrial and product focus***: KIZAD currently offers land plots, warehouses and light industrial units and a range of ancillary services, including registration and licensing, storage and landfill. The IFZ cluster believes that there is considerable scope to offer additional services including social amenities, commercial and operational facilities and additional ancillary services. Within each zone, the IFZ cluster seeks to attract one or more anchor tenants which then help drive the acquisition of synergistic tenants (such as suppliers to the anchor tenants or entities from upstream or downstream industries within an anchor tenant's value chain). Other focus tenants include strategic cluster co-developers (being companies that develop and commercialise industrial and mixed use land, attracting companies from similar or multiple sectors and/or targeting specific countries of origin) and local small- and medium-sized companies that operate within the product focus of the zone.

***Description of KIZAD***

KIZAD, which is one of the largest industrial zones globally at 410km$^2$, first opened in 2010 with Emirates Aluminium Company PJSC, now part of EGA, as its first tenant. In 2016, the 100km$^2$ Khalifa Port Free Trade Zone, which is Khalifa Port's trade, logistics and manufacturing hub spread across two separate areas within KIZAD, was inaugurated.

KIZAD has a wide portfolio of investment sectors including aluminium, automotive, engineered metals, port logistics, food processing, and other industries that rely on Khalifa Port. Area A within KIZAD is a 51km$^2$ area that offers free zone offices and warehouses as well as industrial and logistics plots for heavy and general industries. Key long-term clients within Area A include EGA, Senaat (another ADQ company), ADNOC, Borouge, Al Futtaim Motors, National Foods Products, Elite Agro, JOCIC and Agility Logistics. Area B covers 359km$^2$, of which 49km$^2$ is currently in development and will host heavy, light and logistics industries, commercial complexes, big box retail stores, town centre and mixed use developments, as well as residential developments.

Dedicated areas within KIZAD include:

- KIZAD Construction City, an area of 1.2km2 dedicated for the manufacture, import, storage and distribution of construction materials;

- Automotive Cluster, an area of 2.6km2 developed for automotive manufacturers, parts makers, distributors and aftermarket product and service providers;

- Logistics Park, a phased development over an area of 2.2km2 dedicated for storage, distribution and third party logistics services with more than 229,000m2 of built space developed and a further 256,000m2 under construction;

- Polymers Park, with 2.2km2 allocated for the global plastics and polymers industry, in partnerships with ADNOC and Borouge;

- Food Cluster, a dedicated area of 2.5km2 which integrates the food industry-related services of food processing, food distribution, equipment, packaging and labelling, as well as agriculture technology, with a dedicated 'clean' area and centralised laboratories for testing and inspection; and

- Metals Cluster, an area of 11.7km$^2$ dedicated for the upstream, midstream and downstream metals industry, with dedicated infrastructure for the industry, based around EGA.

In the UAE, foreign corporate entities can freely operate in free zones and free zone entities can be 100 per cent. foreign-owned. Free zone entities are exempt from paying corporate tax for 15 years, renewable for an additional 15 years, and individuals are exempt from paying income tax. There are no currency restrictions levied on the capital or the profits of free zones entities and 100 per cent. of their capital and/or profit can be repatriated.

The table below illustrates the growth of KIZAD in terms of land area leased and warehouse space leased in each of 2020, 2019 and 2018.

| | **2020** | **2019** | **2018** |
|---|---|---|---|
| Land area leased (*km*$^2$) | 24.8 | 22.8 | 21.1 |
| Warehouse area leased (*m*$^2$) | 182,682 | 139,021 | 87,241 |

***Description of ZonesCorp***

ZonesCorp owns and manages eight industrial zones spread across Abu Dhabi. These comprise the four Industrial Cities of Abu Dhabi (ICAD), ICAD I, II, III and IV; Al Faya, Haffar, Rahayel and Al Ain Industrial City.

The four ICADs are located in Mussafah, 30 km from the city of Abu Dhabi and 25 km from Abu Dhabi International Airport. The four ICADs have been built on 40 million m$^2$ of land and have leasable land of 30km$^2$, of which 81 per cent. was leased at 31 December 2020. Across the cities, there were a total of 514 projects (430 manufacturing and 84 non-manufacturing), of which 390 were fully developed as at 31 December 2020. Over 500 additional companies operate from within built commercial facilities at ICAD. The industries present in the three ICADs include construction materials; engineering and metals; oil and gas services; chemicals and plastics; food and beverages; medical and life sciences; and high technology and general industries.

Al Faya and Haffar are two industrial zones, located towards the Eastern region of Abu Dhabi. Al Faya has an area of about 30km$^2$ and Haffar has an area of roughly 1km$^2$. These zones do not have any infrastructure connectivity are used as open-yard storage facilities by transportation companies.

Al Ain Industrial City (**AAIC**) is located about 25km from the centre of Al Ain and is built on 9km$^2$. The developed phase of AAIC offers leasable land of 3.4 million m$^2$, of which 47 per cent. was leased at 31 December 2020. In AAIC, there were a total of 129 projects (125 manufacturing and four non-manufacturing), of which 78 were operational as at 31 December 2020. The industries present in AAIC include construction materials; engineering and metals; chemicals and plastics; food and beverages; and general industries.

All of the industrial cities are investment zones which offer a complete ecosystem for businesses to operate and thrive through benefits availed to tenants, including advanced infrastructure, an easily available and relatively inexpensive workforce, no restrictions on the issuance of work permits and residence visas, availability of plots of land and, in some cases, pre-built warehouses and offices on an annual lease basis, affordable workers' accommodation and minimal legal and administrative procedures to commence operations. At each of the industrial cities, ZonesCorp principally provides serviced land to tenants on long term lease basis, which they develop themselves, and provides, whether directly or indirectly, utilities such as natural gas, power, water and telecommunications.

Rahayel is a fully integrated automotive hub supporting used car dealers and the re-export market. Rahayel does not benefit from free zone status. Rahayel contains car service centres, car showrooms of various sizes, an auction house, a car testing track, a government complex, and retail, entertainment and food and beverage facilities. As with the industrial cities, ZonesCorp operates Rahayel as a landlord and provides utilities to its tenants.

In addition to its role as an industrial zone developer, ZonesCorp leases land for, regulates and manages 29 operational workers residential cities across Abu Dhabi with an aggregate capacity of 393 thousand beds and an occupancy rate of 58 per cent. as at 31 December 2020. The majority of these cities have been developed in cooperation with private sector investors on different public private partnership and build operate transfer models. ZonesCorp also regulates an additional 13 workers residential cities (for which it does not lease the land and which it does not manage), raising the total capacity of the workers residential cities regulated by it to 470 thousand beds as at 31 December 2020.

The table below illustrates the growth of ZonesCorp in terms of land area leased.

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Land area leased (*$km^2$*)...................................................... | 30.3 | 26.4 | n/a |
| Warehouse area leased (*$m^2$*)............................................ | 59,176 | 50,112 | n/a |

***Competition***

The IFZ cluster operates in a highly competitive landscape with Saudi Arabia, Bahrain, Oman and other UAE emirates, such as Dubai and Ras Al Khaimah, all having industrial and free zones that compete with those managed by the cluster. These zones may offer lower rents, cheaper utilities and/or different benefits than those managed by the cluster.

However, in relation to KIZAD, the IFZ Cluster believes that it offers strategic location benefits, multi-modal connectivity and world class infrastructure, integrated clustering which facilitates synergies and operational efficiencies and competitive rates. Particular examples of the clustering and infrastructure benefits at KIZAD are the Hot Metal Road, a unique roadway that enables the delivery of molten aluminium from the EGA smelter directly to manufacturers within KIZAD, saving the considerable financial and environmental cost of re-melting ingots, and the Modular Path, which allows for the unrestricted movement of ultra-large structures and project cargo within KIZAD and to and from Khalifa Port.

In relation to ZonesCorp's industrial cities, its transformation strategy described above is designed to enable ZonesCorp to compete more effectively.

**Logistics**

***Overview***

The Group's logistics business began in 2014 when AD Ports signed a contract with Borouge, a major Abu Dhabi petrochemicals company, to provide logistical services, value added and warehousing services. The Logistics cluster was established in 2018 following the acquisition of the ADT logistics business to handle the Group's expanded scope of logistics beyond what it was already undertaking for Borouge. The Group subsequently acquired MICCO, one of the first local road transporting and freight forwarders established in Abu Dhabi and a pioneer in offering consolidated freight services to the Emirate's oil and gas industry, to serve as a fulcrum for the Logistics cluster. During 2020, the Logistics cluster accelerated its expansion into cold chain for the pharmaceutical and food sectors in response to COVID-19 and the Group became a lead partner in the Hope Consortium, which was established by Abu Dhabi's Department of Health as a public private partnership tasked with co-ordinating the safe and efficient international distribution of billions of doses of COVID-19 vaccines. In addition, in 2021, the Logistics cluster was contracted to manage the pharmaceutical logistics support network for Rafed, a healthcare supply chain in the UAE.

***Strategy***

The Logistics cluster believes there is significant scope to expand its services based on its analysis of trade flows into and out of Abu Dhabi in 2018, which it estimated to be worth in excess of AED 2 billion. Based on the analysis, the cluster identified key target industries, including upstream and downstream oil and gas, metals, industrial and consumer goods, cold chain (packaged food, chilled and frozen goods and pharmaceuticals) and vehicles, as well e-commerce.

In 2020, the Logistics cluster focused on building its business, principally improving the operations and profitability of MICCO and growing its business with its current clients as well as cross-selling MICCO to the cluster's other clients, providing stevedoring and manpower services, offering logistics services to other clusters and offering heavy lift and trucking services to the oil and gas industry. In 2021, the focus is on scaling the logistics business, including through new offers such as a digital pallet network, institutional logistics (education and health), warehouse and logistics services to government and end-to-end logistics services through alliances, growing MICCO's freight forwarding services and building third party logistics and fourth party logistics services. In the longer term, the strategy envisages diversifying by both sector and geography.

***Description***

The Group's core logistics services for clients principally cover:

- transportation, including sea import and export services and sector specific and local distribution by truck and courier and with a sector-specific focus on the upstream and downstream oil and gas industry, metals and mining, industrial and consumer goods, the automotive industry and cold chain logistics for the pharmaceutical and food sectors;

- contract logistics, including warehousing of goods at ports and in the Group's industrial zones with multi-temperature storage solutions (including ultra-low pharmaceutical storage capability of -80C), inventory management using information technology, order picking at pallet case and unit level and bonded and free circulation facilities, as well as value added logistics and planning services, such as packing and removal, repair and VAT services; and

- freight forwarding, including customs clearance services and connection to and processing of goods by air and sea.

The Logistics cluster owns and operates more than 350 transport vehicles, has 11 storage facilities across the GCC and over 350,000 $m^2$ of logistics storage and operating area serving all major industry sectors including food, logistics, automotive, polymers, metals and chemicals, construction materials, oil and gas, life sciences and pharmaceuticals, agricultural technology and advanced technology.

The cluster's state-of-the-art automated logistics facilities ensure fast and high-quality services for the oil and gas, polymers, retail, maritime, fast moving consumer goods, e-fulfilment, automotive, healthcare, power and alternative energy, manufacturing, industrial, aerospace, and technology sectors. The cluster's 19,000$m^2$ cold store facilities have the capacity to store over 70 million COVID-19 vaccines at temperatures between -

80C and 8C. These cold store facilities are being expanded by additional facilities of approximately 72,000m$^2$ which are expected to be delivered by 2022.

The acquisition of MICCO brought an established regional logistics business with a large client base and an operational asset base which complemented the Group's established Abu Dhabi customer base and contacts across its businesses and it large capacity expansion with multi-cargo capability.

The Logistics cluster has 1,500 employees and has achieved the ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 certifications.

***Competition***

The Logistics cluster operates in a highly competitive landscape. Its principal competitors include both regional and global logistics service providers.

## Maritime

***Overview***

The Maritime cluster principally comprises two entities: SAFEEN and Abu Dhabi Maritime. It also handles bulk transshipment for EGA through the Kamsar terminal in Guinea and for Emirates Steel Industries through the Mussafah Channel. In 2020, SAFEEN Feeders was launched to provide improved connectivity to Khalifa Port and in the same year a joint venture was established to provide offshore support services.

***Strategy***

The Maritime cluster's strategy is focused on local, regional and international growth. Within Abu Dhabi, the strategy envisages expanding and aligning services that will benefit AD Ports' existing and future business and increasing cooperation with government owned businesses in Abu Dhabi. In regional terms, the strategy is to promote turn-key integrated maritime services across the UAE and the rest of the GCC, particularly in relation to government, oil and gas, and ports and terminals. The cluster will also consider potential acquisitions or joint ventures to gain market share and enter new markets. The strategy then envisages leveraging any acquisitions or joint ventures, including any made by the Ports cluster as part of its international growth strategy, to expand globally.

***Description***

Established in 2013, SAFEEN provides a range of maritime services to local and international customers, including:

- ***port services***: SAFEEN provides all the services required at all UAE ports owned by the Group to ensure safe passage for calling vessels, including pilotage, tug and towing services, vessel traffic services and mooring services. In 2019, SAFEEN completed over 10,800 towage operations and 36,000 vessel calls and oversaw more than 6,500 piloted vessels;

- ***maritime services***: SAFEEN's maritime services include diving, maritime emergency handling, oil spill response, ferry management, bunkering, bollard pull testing, fender leasing and ancillary services; and

- ***navigation services***: SAFEEN's navigation services ensure safe and efficient movement of vessels in and out of the waters of Abu Dhabi, providing approximately 2,000 buoys and beacons, as well as bathymetric services, all in accordance with the maritime buoyage standards of the International Association of Marine Aids to Navigation and Lighthouse Authorities.

In addition, in June 2020, SAFEEN established SAFEEN Feeders, which transports containers between central container terminals and other ports. SAFEEN Feeders serves main line shipping clients and provides increased connectivity between ports serving the UAE, the broader Gulf region, the Indian sub-continent and along the UAE coast and Oman.

The feeder service is delivered through two pendulum services:

- the UAE Indian sub-continent Gulf service (**UIG**), which operates three 1,700 TEU vessels on a 21-day rotation and calls at Khalifa Port; Sharjah; Bahrain; Dammam; Umm Qasr; Karachi; Mundra; Kandla; and Nhava Sheva; and

- the UAE coast and Oman service (**UCO**), which operates a single 1,000 TEU vessel on a weekly service and calls at Khalifa Port; Sharjah; Ajman; Umm Al Quwain; Ras Al Khaimah; and Sohar.

The Maritime cluster's assets include a total of 197 vessels, including small container vessels, harbour tug boats, pilot boats, speed boats and buoy and survey vessels, as well as a vessel traffic service centralised centre and two training simulators at the Abu Dhabi Maritime Academy which delivers a range of short training courses aimed at professional mariners and undertakes research and development activities.

Established in 2020 in agreement with the Abu Dhabi Department of Transport, Abu Dhabi Maritime is the primary custodian of Abu Dhabi's waterways and was created to help achieve the Government's vision for Abu Dhabi to become a major global maritime hub. Abu Dhabi Maritime's responsibilities include developing maritime sector strategy; implementing and monitoring regulations, codes and health, safety, environment and quality standards; developing and maintaining all maritime infrastructure; acting as the registrar for maritime assets and licensing maritime activities; investigating accidents and incidents; and sharing data and knowledge on the sector.

In line with the strategy to diversify the maritime service offerings, the Group has also entered into agreements to provide transshipment services to EGA in Guinea as part of a joint venture and to Emirates Steel Industries in the UAE. The Group has also entered into a new partnership with a local company to provide offshore support services, including vessel chartering to the oil and gas sector.

#### *Competition*

SAFEEN has no competition in relation to its maritime services within the Group's ports. For services outside the Group, SAFEEN competes with regional and international service providers such as P&O Maritime Logistics, Svitzer, Smit Lamnalco and KOTUG.

### Digital

#### *Overview*

The Digital cluster comprises Maqta Gateway, which provides digital services to the Group's other clusters as well as to external customers. The cluster supports the process planning, implementation and movement of goods and cargo, with a focus on increasing the efficiency of cargo and freight logistics across the supply chains supported by the Group.

A significant proportion of the Digital cluster's activity is undertaken for other clusters as it contributes to effective service delivery through digital means and enhances overall productivity across clusters.

#### *Strategy*

The Digital cluster's strategy is to evolve the PCS into the single window regional ATLP, linking with Government agencies, all transportation modes (sea, air, land and eventually rail) and private trade-related companies across Abu Dhabi. The strategy also envisages medium-term international expansion by commoditising and exporting its digital solutions and services to international markets and leveraging its technical knowledge to expand the product and service offering.

***Description***

Maqta Gateway was established in 2016. The PCS was the first solution of its kind in the UAE and is used across the Group's ports. PCS is an online community-based system that standardises and secures all the information exchange among port stakeholders, customers and governmental authorities, providing a single window to the port ecosystem with total integration. The PCS utilises advanced technologies to facilitate the online clearance, delivery, warehousing and truck booking for cargo and goods. PCS offers more than 140 services, including vessel management, cruise ship, ease of registration and payment, container, general cargo and Ro-Ro services, as well as vessel tracking through its Al Manara mobile app. Since it was launched PCS has recorded in excess of 30 million transactions across all users, with more than 102,000 vessel calls having been overseen and more than 4.2 million TEUs of container cargo having been processed.

In 2018, Maqta Gateway unveiled its Masaha mobile app, a platform designed to assist KIZAD customers in submitting service requests and tracking orders. In 2019, Maqta Gateway unveiled MARGO, the UAE's first online cargo clearance, delivery and warehouse booking marketplace. In 2020, Maqta Gateway, through an agreement with digital freight provider TruKKer, expanded MARGO's marketplace capabilities to include digital truck booking services.

Maqta Gateway is currently evolving the PCS to become the ALTP by extending the technology platform of the PCS to create a single window trade platform for the whole of Abu Dhabi. Over 40 Government partners are involved with the platform's development, along with existing users of the PCS as well as air operators, logistics companies and economic zones. ATLP is designed to bring together a fragmented ecosystem and act as a trade catalyst by allowing all trade stakeholders to be able to transact on a single platform.

***Competition***

Maqta Gateway has no competition in relation to its intra-Group services. For services provided outside the Group, Maqta Gateway competes with regional and international service providers such as IBM, Crimson Logic, SAP and Cognizant.

**HEALTH, SAFETY AND THE ENVIRONMENT, BUSINESS CONTINUITY AND QUALITY ASSURANCE**

AD Ports has adopted an integrated management system covering health, safety and the environment (HSE), business continuity and quality assurance across the Group's businesses and management processes. This system:

- includes training, awareness and competence development of employees and external parties;
- defines operational controls to minimise risk to personnel safety;
- involves the identification of hazards, assessing the associated risks and evaluating existing controls;
- includes assessing opportunities for improvement and the need for changes to policies, procedures and targets; and
- involves ongoing monitoring, HSE inspections, investigating incidents and internal/external audit of management system.

The table below shows selected HSE key performance indications for the Group (excluding MICCO and joint ventures) in each of 2020, 2019 and 2018.

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Land incidents[(1)] ............................................ | 42 | 47 | 57 |
| Lost time injuries[(2)] ........................................ | 2 | 3 | 5 |
| LTI Frequency Rate[(3)] | 0.23 | 0.55 | 1.16 |
| Total recordable injury rate[(4)] .......................... | 0.51 | 1.14 | 2.00 |
| Serious injuries[(5)] ............................................ | 3 | 4 | 6 |
| Number of maritime incidents[(6)] ..................... | 7 | 26 | 31 |
| Minor environmental incidents[(7)] .................... | 4 | 2 | 6 |

Notes:

(1) Defined as an event or chain of events within the land limits of AD Ports which has caused or could have caused fatality, injury, illness and/or damage (loss) to assets, and/or impacting the reputation of AD Ports.

(2) Defined as an event causing any absence from work, and resulting from work-related fatalities, permanent total disabilities, permanent partial disabilities and lost workday cases.

(3) Defined as the number of lost time injuries occurring in a workplace per 1 million hours worked.

(4) Defined as the total recordable injury rate is the number of fatalities, lost time injuries, restricted work and other injuries requiring treatment by a medical professional per million hours worked.

(5) Defined as the total number of fatalities, lost time injuries, restricted work injuries and medical treatment cases that require hospital admission.

(6) Defined as an event or chain of events within the water limits of AD Ports which has caused or could have caused fatality, injury, illness and/or damage (loss) to assets/ marine units, and/or impacting the reputation of AD Ports.

(7) Defined as an event or chain of events within the land or water limits of AD Ports which has caused environmental impact such as a small fire or Hazmat release (5 to 1,000 litres) and minor environment pollution (5 to 1,000 litres).

AD Ports is committed to adopting globally acknowledged best practices to protect the environment. The Group seeks to minimise potential negative impacts by reducing air emissions, pollution and waste, and by improving water quality and conserving natural resources across its ports and facilities. The Group continuously enhances and modernises its projects and cultivates the development of innovative technologies to minimise negative environmental impacts. The Group's efforts are fully aligned with Abu Dhabi regulatory authorities, and national and international rules and regulations. The Group has undertaken a coral reef relocation programme and is currently monitoring progress in association with New York University. The Group has invested in on-site sewerage treatment projects, the recycled water from which is used for irrigation and is also currently working on implementing sustainable reed bed technology to treat waste water within the western region ports. In addition, AD ports is currently developing its ESG framework and intends to obtain an ESG-related rating.

AD Ports is certified by Abu Dhabi Occupational Safety and Health Centre and the Abu Dhabi Department of Transport. It is also ISO 14001:2015 and OHSAS 18001:2007 compliant demonstrating its commitment to ensuring the health and safety of the Group's employees and port users, as well as to being environmentally responsible.

AD Ports has a business continuity management system and crisis management plan that comply with both local regulations and best international standards and practices. The objective is to ensure that the Group is consistently ready to take effective steps to minimise the negative consequences to its business and reputation in the event of a crisis. To strengthen co-ordination, resources, response time and resilience, the Group collaborates with external emergency response authorities to carry out major crisis and emergency management drills, and encourage the participation of associated government entities. In 2017, AD Ports achieved ISO 22301:2012 certification for business continuity management.

## RESEARCH AND DEVELOPMENT

AD Ports believes that continuous research and development (**R&D**) is critical to the Group's business, reflecting the highly competitive, dynamic and fluid nature of the global supply chain environment. In response, AD Ports has developed initiatives to foster the generation of ideas and their testing and implementation in real-time business processes.

In 2017, AD Ports established an R&D committee to be the pivot for advancement in the Group's maritime, trade and tourism business. The R&D committee acts as a focal point for all research and development activities at the Group and supports the development of publications and research papers that can benefit the Group. It also raises awareness about the importance of scientific research and conducts workshops to explain research publications and advises senior management on significant emerging trends and future issues in maritime, supply and block chain technology, which are relevant to the Group's and its clients' future progress.

The key objectives of the R&D committee include facilitating a research-friendly environment. It aims to attract researchers and identify the needs and areas of scientific research that are critical to the Group's mission and vision. The R&D committee sets targets to improve Group processes, technologies and human capital.

The Group has a significant budget for R&D. After a proposal is submitted for sponsorship or funding, the R&D committee evaluates it based on the added value provided and the overall role it plays in the wider Abu Dhabi economic plan. On average, a proposal takes between one and two weeks to be approved, followed by funding and supervision of research activities in the implementation stage.

## INFORMATION TECHNOLOGY

AD Ports believes that the Group's IT systems are critical to the smooth running of its business.

The Group has implemented an 'active-active' IT technology architecture that aims to provide near-seamless continuity in the event of a number of failure scenarios. To maintain continuity for both the physical infrastructure and software architecture, the Group has built and maintains data centres at its head office location and Khalifa Port. If an event occurs that threatens business continuity and services, either of the data centres can take over all critical and necessary functions with little or no intervention, as they are always available and highly fault-tolerant.

The Group's IT disaster recovery plan is designed to help the Group to recover as quickly and effectively as possible from an unforeseen disaster or emergency which interrupts information systems and business operations. The plan covers the Group's network and infrastructure, telephony system, data storage and backup systems, end-user computers, enterprise software systems, database systems and IT documentation. It is periodically tested in a simulated environment and disseminated to all IT staff The Group also has emergency response, crisis management and business continuity management plans to cover non-IT events.

The Group's information security policy and handbook seek to ensure that suitable information security controls are implemented for the protection of information assets such as hardware, software and data/information from unauthorised access, accidental and malicious theft, damage and corruption. These documents cover the physical and environmental security of IT assets, the access to those assets, data security, internet usage, email security and remote access, among other matters.

The Group also has an IT risk management framework to identify, assess and evaluate its IT risks and to implement, monitor and control the mitigation of those risks.

## INSURANCE

The Group's operations are subject to normal hazards of operational and geographic risks, including accidents, fire and weather-related perils. The Group maintains various types of insurance policies to protect against the financial impact arising from unexpected events when the amount of the potential loss would be significant enough to prevent normal business operations. The Group also purchases insurance for its assets and its operations. The purchase of these policies is coordinated by an internal insurance department, with applicable limits, coverage, scope and deductibles that the Group, with the advice of its insurance advisers, believes are reasonable and prudent after all means of controlling or preventing the risk have been considered.

# MANAGEMENT AND EMPLOYEES

## MANAGEMENT

### Board of Directors

The Board is responsible for overseeing the conduct of AD Ports' business and supervising management. The Board appoints the Chief Executive Officer (the **CEO**) and works with the CEO to appoint the other members of senior management who are charged with managing the business.

Among other matters, the CEO is required to implement AD Ports' strategy and to exercise control over its operations and risk management.

As at the date of this Offering Circular, the Board comprises the five members (each, a Director) listed below. Each of the Directors was most recently appointed on 1 June 2020 for a three-year term which will automatically be extended for a further three years, unless terminated.

| Name | Position |
|---|---|
| H.E. Falah Mohammad Al Ahbabi....................................... | Chairman |
| Khalifa Sultan Al Suwaidi.................................................... | Vice Chairman |
| Jasim Husain Thabet............................................................ | Director |
| Mansour Mohamed Abdulqader Al Mulla ........................... | Director |
| Murtaza Hussain................................................................... | Director |

Brief biographies of each of the Directors are set out below.

***H.E. Falah Mohammad Al Ahbabi, Chairman***

H.E. Al Ahbabi was appointed as Chairman of the Board in July 2019.

H.E. Al Ahbabi is Chairman of the Abu Dhabi Department of Municipalities and Transport (the **DMT**) and a member of the Abu Dhabi Executive Council, where he chairs the Committee for Public Projects and Operational Affairs. He is also the Chairman of Tadweer, Abu Dhabi's Waste Management Centre, and was the Chairman of ZonesCorp before it was transferred to the Group.

H.E. Al Ahbabi serves as Chairman of the Emirates Heritage Club and the Committee responsible for Al Reem Island's critical infrastructure. He also sits on the boards of Etihad Rail, the Environment Agency - Abu Dhabi and the Mussafah Future Vision Committee.

H.E. Al Ahbabi holds a degree in Management from California State University, USA.

***Khalifa Sultan Al Suwaidi, Director***

Khalifa Sultan Al Suwaidi was appointed as a Director in June 2020.

Khalifa Al Suwaidi is Chief Investment Officer at ADQ, where he manages portfolio companies in the utilities, industries, logistics and food and agriculture sectors. He is a director of numerous ADQ subsidiaries, including SENAAT, NPCC, Agthia and Al Foah (in each of which he chairs the Board). He also serves as a Board member of Abu Dhabi National Energy Company (**TAQA**) and the Emirates Water and Electricity Company (**EWEC**).

Prior to his current roles, he held various senior management positions including, most recently, Executive Director of Refining & Petrochemicals at Mubadala Investment Company (**MIC**). He was also Acting Chief Executive Officer of Abu Dhabi National Chemical Company (Chemaweyaat).

Khalifa Al Suwaidi holds a bachelor's degree in Business, majoring in Marketing, from California State University, USA and an EMBA with distinction from Zayed University.

***Jasim Husain Thabet, Director***

Jasim Thabet was appointed as a Director in June 2020.

Jasim Thabet serves as TAQA's Group Chief Executive Officer and Managing Director, a role he has held since July 2020. Prior to his role at TAQA, he served as CEO and Managing Director of Abu Dhabi Power Corporation (AD Power). He also served as CEO of National Central Cooling Company PJSC (Tabreed) and is a Board member of EWEC.

Jasim Thabet holds a bachelor's degree in Mechanical Engineering from Saint Martin's University, Washington State, USA.

***Mansour Mohamed Abdulqader Al Mulla, Director***

Mansour Al Mulla was appointed as a Director in June 2020.

Mansour Al Mulla is the Chief Investment Officer of M&A and Alternative Investments at ADQ in MIC and has worked at MIC in numerous roles since 2004 and before that with the UAE Offsets Group.

Mansour Al Mulla is a Board member of Aldar Properties PJSC, Mubadala Petroleum LLC, Gulf Energy Maritime PJSC and OMV Aktiengesellschaft. Over the last 10 years, Mansour has also served on the Boards of Waha Capital PJSC, Dunia Finance LLC, Abu Dhabi Finance PJSC and ADT.

Mansour Al Mulla holds a bachelor of science degree in Business Administration (Information Systems) from Portland State University, USA.

***Murtaza Hussain, Director***

Murtaza Hussain was appointed as a Director in June 2020.

Murtaza Hussain is a senior investment professional with over 15 years of private equity, corporate finance and restructuring experience, and has held multiple senior management and board positions in organisations both locally and internationally. He is Acting Chief Investment Officer of M&A and Alternative Investments at ADQ. Additionally, he is leading ADQ's direct investment arm that invests across various sectors and asset classes. He is also a Board member of both Abu Dhabi Ports and Aramex.

Prior to joining ADQ, Murtaza Hussain was a senior member of a global emerging markets private equity firm, focusing on investing in high growth companies in various sectors but with a specific focus on infrastructure assets. Mr. Hussain started his career in the investment banking division of BMO Capital Markets in Toronto.

Murtaza Hussain holds a bachelor's degree in Commerce, with a major in Finance and concentration in Accounting from McGill University, Canada.

***Address and absence of conflicts***

The business address for each of the Directors is Abu Dhabi Ports Headquarters, Gate1, next to Zayed Port, Al Mina Street, Abu Dhabi. Except as stated above, there are no actual or potential conflicts of interest as at the date of this Offering Circular between the duties owed by the Directors to AD Ports and their private interests or other duties.

***Board committees***

The Board has established two committees: the Audit & Risk Committee (the **ARC**) and the Remuneration and Human Resources Committee (the **RHRC**).

The ARC assists the Board in overseeing the effectiveness of AD Ports' internal control and risk management systems, the independence and performance of the internal audit function and the consideration of matters raised by the external auditors and Government auditors. The ARC typically meets at least four times a year. The members of the ARC are Mansour Mohamed Abdulqader Al Mulla (Chairman), Murtaza Hussain and Majid Al Mail (non-Board representative).

The RHRC is responsible for reviewing and endorsing the annual bonus scheme and payment criteria, AD Ports' long-term incentive plans, the remuneration and benefit strategies for senior executives, the implementation of the Emiritisation plan, the methodology used to assess staff performance and corporate salary and grading structures. The RHRC typically meets when required. The members of the RHRC are Khalifa Sultan Al Suwaidi (Chairman), Jasim Husain Thabet and Murtaza Hussain.

**Senior management**

The table below identifies the members of AD Ports' senior management team and their position within AD Ports.

| Name | Position |
|---|---|
| Captain Mohamed Al Shamisi...................................... | Group Chief Executive Officer |
| Martin Aarup ................................................................ | Chief Financial Officer |
| Ross Thompson ............................................................ | Chief Strategy and Growth Officer |
| Emil Pellicer................................................................. | General Counsel, Legal |
| Capt. Maktoum Al Houqani .......................................... | Chief Corporate Authority Officer and Acting Head of the Maritime Cluster |
| Abdullah Al Hameli ..................................................... | Head of the IFZ Cluster |
| | Executive Vice President Corporate Support |
| Saif Al Mazrouei .......................................................... | Head of the Ports Cluster |
| Robert Sutton................................................................ | Head of the Logistics Cluster |
| Dr. Noura Al Dhaheri ................................................... | Head of the Digital Cluster |
| | Chief Executive Officer of Maqta Gateway LLC |
| Samir Chaturvedi.......................................................... | Chief Executive Officer of KIZAD |
| Noura Rashid Al Dhaheri ............................................. | Director of Cruise Business |
| Captain Adil Banihammad ........................................... | Chief Executive Officer of SAFEEN |

Brief biographies of each of member of AD Ports' senior management team are set out below.

***Captain Mohamed Al Shamisi, Group Chief Executive Officer***

Captain Mohamed Al Shamisi is the Group Chief Executive Officer of AD Ports. Captain Al Shamisi is an experienced maritime executive with almost 20 years of industry experience. He joined AD Ports in 2008 and has held a number of management roles, including Executive Vice President for the Ports business.

Mohamed Al Shamisi is Chairman of the Boards of Aramex and Abu Dhabi National Exhibition Company (**ADNEC**). He is Vice Chairman of Arab Sea Port Federation and a Board member of Etihad Rail DB, the Federal Transport Authority - Land & Maritime, and MAKE A WISH Foundation UAE. He also serves as a member of the Board of Trustees of the Emirates Maritime Arbitration Centre. He has also served as a Board member of Etihad Airways.

Mohamed Al Shamisi holds an MBA, an advanced Diploma of Applied Science (shipmaster) and a Graduate Certificate of Management from the University of Tasmania, Australia.

***Martin Aarup, Chief Financial Officer***

Martin Aarup is the Group Chief Financial Officer of AD Ports. He has more than 20 years of international experience in senior management positions in various countries, industries and segment across B2B, B2C, as well as services and manufacturing companies.

Before joining AD Ports, Martin Aarup spent three years as Head of Global Finance Operations for the Marquard & Bahls Group based in Hamburg. Prior to this, from 2011 to 2016, he was the Group CFO of Oiltanking Group. In his early career, Martin Aarup started as a management trainee in Nordea, before joining A.P. Moller – Maersk, where he worked in various finance management and leadership roles, primarily in Asia Pacific over a 10 year period.

Martin Aarup graduated from Copenhagen Business School in Denmark with a double major in Economics and Business Administration Degree as well as Finance and Credit. Additionally, he has completed several leadership programmes from institutions such as IMD in Switzerland.

***Ross Thompson, Chief Strategy and Growth Officer***

Ross Thompson is Chief Strategy and Growth Officer at AD Ports. He joined AD Ports in 2016 as Vice President of Commercial and Business Development in the Ports Cluster and was appointed to his current role in January 2017.

During his career, Ross Thompson has worked for leading international companies in the maritime industry, such as the Peel Ports Group and American President Lines.

Ross Thompson has a Bachelor of Arts degree in International Business and Languages from Plymouth University, UK. He also has an Executive Management Diploma from Singapore Management University and an Executive Diploma in Maritime Economics and Supply Chain from Erasmus University in Rotterdam, The Netherlands.

***Emil Pellicer, General Counsel, Legal***

Emil Pellicer has more than 23 years of experience in the legal profession. Emil Pellicer sits on the boards of several of AD Ports' subsidiaries and joint ventures, including KIZAD, MICCO and Abu Dhabi Ports Operating and Logistic Company, LLC.

Prior to joining AD Ports, Emil Pellicer spent seven years (2003 – 2010) as a full time counsel for Allen & Overy LLP with a focus on infrastructure projects in the MENA region across a wide variety of sectors, including ports, oil and gas and utilities. From 1998 – 2003, Emil Pellicer was based in Toronto Canada, working as an associate for Torys LLP.

Emil Pellicer holds Joint Honours Bachelor's and Master's degrees in Political Science and a Bachelor of Law and Bachelor of Civil Law degree from McGill University, Canada. He is a member of the Law Society of Ontario.

***Captain Maktoum Al Houqani, Chief Corporate Authority Officer and Acting Head of the Maritime Cluster***

Captain Maktoum Al Houqani is the Chief Corporate Authority Officer and Acting Head of the Maritime Cluster at AD Ports.

Captain Al Houqani has held a number of positions aboard vessels, including oil tankers and LNG carriers. He has worked in petroleum ports, first as tug master then later as a pilot and gained experience in the offshore industry as supervisor on a major reclamation project for the construction of artificial islands.

In 2015, Captain Al Houqani joined AD Ports as Chief Marine Services Officer and took charge of the then newly-formed SAFEEN. He temporarily assumed charge of the Abu Dhabi Maritime sector at the DMT in 2018, before returning to AD Ports as the Executive Vice President for the Corporate Authority. Prior to joining AD Ports, he held the position of Senior Vice President for Operations at one of ADNOC's subsidiaries, IRSHAD.

In 2009, Captain Al Houqani obtained his master's degree in Maritime Studies from the Australian National Centre for Ocean Resources and Security (ANCORS) at the University of Wollongong, Australia.

***Abdullah Al Hameli, Head of the IFZ Cluster***

Abdullah Al Hameli is the Head of the IFZ Cluster. He has more than 15 years of experience in different industries, including Human Resources and Administration, Maritime Trade, Finance and Corporate Operations and Services.

Prior to his current role, Abdullah Al Hameli served as Acting Executive Director of the Finance and Administration Affairs Sector, and as Advisor to the Chairman of the DMT. Prior to joining the DMT, he was the Acting CEO of ADT.

In his previous roles within Abu Dhabi Ports, Abdullah Al Hameli also served as Vice President - Human Resources & Emiratisation. He has also worked in the Human Resources and General Services sector at IRSHAD.

Abdullah Al Hameli holds a Bachelor's degree in Economics from Portland State University, USA, and a Master's degree in Strategic and Security Studies from the UAE National Defense College.

**Saif Al Mazrouei, Head of Ports Cluster**

Saif Al Mazrouei is Head of the Ports Cluster at AD Ports. He has over 20 years of experience in ports and across the shipping and retail industries.

Prior to his current role, Saif Al Mazrouei was Chief Operating Officer at Khalifa Port Container Terminal. Before that he worked at ADT as Execution Manager. Before joining ADT, he also served as a Board member and Community Relations and Communications Director at Al Habtoor Group and before that he worked in various roles at Union Cooperative Society and DP World.

Saif Al Mazrouei holds a Bachelor of Science degree and a Bachelor of Arts degree, majoring in Geography from Beirut Arab University, Lebanon.

***Robert Sutton, Head of the Logistics Cluster***

Robert Sutton is head of the Logistics Cluster at AD Ports. He has more than 20 years of experience across traditional, multi-modal, and digital supply chains spanning the MENA region, Asia and Europe.

Robert Sutton has previously served as Vice President & Global Sector Head at DHL. His primary area of focus is end-to-end supply chain strategies, change management and marketing/business development.

From 1981 to 1982 Robert Sutton attended Manchester College, where he was awarded a National & International Transport Management Certification.

***Dr. Noura Al Dhaheri, Head of the Digital Cluster and Chief Executive Officer of Maqta Gateway LLC***

Dr. Noura Al Dhaheri is head of the Digital Cluster at AD Ports and CEO of Maqta Gateway LLC. Dr. Al Dhaheri has lead Maqta Gateway from its establishment in 2014.

Dr Al Dhaheri is committed to social, environmental, technological and educational programmes. She serves as Vice President of the Emirates Digital Women Association. Dr. Noura also served as Chairwoman of AD Ports' first Women Committee from 2016 through 2018.

Dr Al Dhaheri holds a Bachelor of Science degree in Software Engineering from the UAE University and a Master of Science degree in Engineering Systems and Management as well as a PhD in Interdisciplinary Engineering from Masdar Institute and Massachusetts Institute of Technology, USA.

***Samir Chaturvedi, Chief Executive Officer of KIZAD***

Samir Chaturvedi is the CEO of KIZAD. He has over 35 years of experience working with global organisations in the fields of logistics, shipping, supply chain management, automotive, infrastructure and real estate development.

Prior to joining AD Ports, Samir Chaturvedi was Senior Vice President with Economic Zones World and Jebel Ali Free Zone.

Samir Chaturvedi is an alumnus of Harvard University's Graduate School of Design, the Chartered Institute of Logistics and Transport, UK and Annamalai University, India.

***Noura Rashid Al Dhaheri, Director of Cruise Business***

Noura Rashid Al Dhaheri is the Director of Cruise Business at AD Ports. She joined AD Ports in 2014.

Prior to joining AD Ports, Noura Rashid Al Dhaheri worked at the Abu Dhabi Department of Culture & Tourism as Director of Leisure Products Development in the Tourism sector.

Noura Rashid Al Dhaheri holds a Master of Science degree in Leadership & Organizational Development from Abu Dhabi School of Management in the UAE.

***Captain Adil Banihammad, Chief Executive Officer of SAFEEN***

Captain Adil Banihammad is CEO of SAFEEN at AD Ports.

Captain Banihammad has over 25 years of experience in the maritime and ports industry with more than 10 years in strategic senior level positions. He started his career as a mariner and became a Port Officer in Abu Dhabi's Supreme Petroleum Council (**SPC**). He was subsequently appointed as Harbour Master in the SPC with responsibility for all petroleum ports in Abu Dhabi.

Captain Banihammad joined AD Ports as Chief Harbour Master in 2009, soon after the company's inception.

Captain Banihammad is certified as an Unlimited Master Mariner from the United Kingdom. He is holder of a Higher National Diploma in Nautical Science and has attended numerous technical courses at South Tyneside College, UK.

***Address and absence of conflicts***

The business address for each member of AD Ports' senior management team is Abu Dhabi Ports Headquarters, Gate1, next to Zayed Port, Al Mina Street, Abu Dhabi. Except as stated above, there are no actual or potential conflicts of interest as at the date of this Offering Circular between the duties owed by the members of senior management to AD Ports and their private interests or other duties.

***Executive committee***

The Executive committee is AD Ports' principal management committee. Its purpose is to assist the CEO in the execution of his responsibilities and decision making. It also supports the development and implementation of strategy, monitoring the operating and financial performance on a day to day basis and the assessment and control of risk. The Executive Committee meets on a monthly basis. The members of the Executive Committee are Captain Mohamed Al Shamisi (Chairman), Abdullah Al Hameli, Martin Aarup, Emil Pellicer, Ross Thompson and Captain Maktoum Al Houqani. In addition, Captain Adil Banihammad Abdullah Al Hameli, Saif Al Mazrouei, Robert Sutton and Dr. Noura Al Dhaheri are observers to the Executive Committee.

## EMPLOYEES

As at 31 December 2020, the Group had 2,944 employees compared to 2,217 as at 31 December 2019 and 1,202 as at 31 December 2018. These employees represent 71 different nationalities.

As at 31 December 2020, AD Ports' Emiratisation ratio was 61.3 per cent.

AD Ports is committed to becoming an employer of choice and promotes diversity, gender equality, and employee well-being within and outside its work culture. AD Ports is the first organisation from the Middle East region to receive Investors in People (**IIP**) Platinum accreditation. IIP is an international standard for people management and platinum accreditation is the highest accolade that an organisation can achieve. Only 1 per cent. of IIP-accredited organisations globally hold the platinum accreditation.

AD Ports considers that training and developing employees is critical to the success of the Group. It is also a vital factor in employee retention, succession planning, and enhancing efficiency. On average, AD Ports provided 24 hours a year of training to each of its employees in 2020.

# TAXATION

## GENERAL

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

## 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** (as defined by FATCA) 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. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Arab Emirates) 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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as 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 Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or 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 (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 Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the 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 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 (a) by transacting with a person established in a participating Member

State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

**UNITED ARAB EMIRATES**

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Notes is based on the taxation law in force at the date of this Offering Circular, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.

There is currently in force in the Emirate of Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (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 or Abu Dhabi taxation in respect of payments made by Issuer under the Notes. In the event of the imposition of any such withholding, the Issuer has undertaken to gross-up any payments 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 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.

# SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 27 April 2021, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

## SELLING RESTRICTIONS

### United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**);

  (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**); and

(b) the expression an **offer** includes 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.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(B) at any time 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 relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(C) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Dealer 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 Member 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; and

- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

**United Kingdom**

***Prohibition of sales to UK Retail Investors***

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final

Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**);

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an **offer** includes 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.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(A) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(C) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes 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; and

- the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre) other than in compliance with any laws applicable in the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre) governing the issue, offering and sale of securities.

**Abu Dhabi Global Market**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Abu Dhabi Global Market unless such offer is:

(a) an "Exempt Offer" in accordance with the Market Rules Module of the Financial Services Regulatory Authority (the **FSRA**) Rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the Conduct of Business Module of the FSRA rulebook.

**Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA**) Rulebook; and

(b) 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 the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of 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 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, the **KSA Regulations**), made through an authorised person licensed by the CMA, in each case, in accordance with the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of 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, or as otherwise required or permitted by, the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes made by it to a Saudi Investor will be made in compliance with 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 the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made in compliance with the restrictions on secondary market activity under the KSA Regulations.

**Kingdom of Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 excluding that person's principal place of residence;

(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).

**Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 Offering Circular 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 (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to 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) pursuant to, and in accordance with the conditions of, any other applicable provisions 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:

(i) 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;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) pursuant to Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – Unless otherwise stated in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) 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 (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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 any 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 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 **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of 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 neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that 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 such sale.

# GENERAL INFORMATION

## Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 25 April 2021.

## Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's main market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's main market. The listing of the Programme in respect of Notes is expected to be granted on or before 30 April 2021.

## Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from https://www.adports.ae/:

(a) the Articles of Association (with an English translation thereof) of the Issuer;

(b) the Agency Agreement (which includes the forms of the Notes) and the Deed of Covenant;

(c) a copy of this Offering Circular; and

(d) any future offering circulars, prospectuses, information memoranda, supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

## Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

## Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

## Significant or Material Change

Save as disclosed in this Offering Circular under "*Risk Factors—Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme—Risks related to the Group—A significant proportion of the Group's revenue generated by its Ports cluster is concentrated among a limited number of customers and the remaining revenue can be adversely impacted by external factors, including lower trading volumes*" and "Financial Review—*Principal factors affecting results of operations—Impact of COVID-19*", there has been no significant change in the financial performance or financial position of the Issuer or the Group and there has been no material adverse change in the prospects of the Issuer or the Group, in each case since 31 December 2020.

## Litigation

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

## Auditors

The auditors of the Issuer are KPMG Lower Gulf Limited, independent auditors, who have audited the Financial Statements in accordance International Standards on Auditing, as stated in their respective reports included in this Offering Circular. The auditors of the Issuer have no material interest in the Issuer.

## Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business for which they may receive fees. They have received, or may in the future receive, customary fees and commission for these transactions. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer and its affiliates routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## INDEX TO FINANCIAL STATEMENTS

# Abu Dhabi Ports Company PJSC

Consolidated financial statements

**31 December 2020**

**Principal business address:**
Abu Dhabi Ports HQ
Zayed Port Gate 1
P.O. Box: 54477
Abu Dhabi
United Arab Emirates

# Abu Dhabi Ports Company PJSC

Consolidated financial statements

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# Abu Dhabi Ports Company PJSC

Directors' report
*for the year ended 31 December 2020*

The Directors have the pleasure of submitting their report, together with the audited consolidated financial statements of Abu Dhabi Ports Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2020.

**Results**
The Group has earned revenue of AED 3,423,897 thousand *(2019: AED 2,767,626 thousand - Restated)* and earned a net profit of AED 397,008 thousand for the year ended 31 December 2020 *(2019: AED 499,352 thousand - Restated)*.

**Accounts**
The Directors have reviewed and approved the consolidated financial statements of the Group for the year ended 31 December 2020.

**Directors**
The following directors served the Group effective from 1 June 2020:

| | |
|---|---|
| H.E. Falah Al Ahbabi | Chairman (since 22 July 2019) |
| Mr. Khalifa Sultan Hazim Al Suwaidi | Vice-Chairman |
| Mr. Jasim Husain Thabit | Member |
| Mr. Mansour Mohamed Abdulqader Al Mulla | Member |
| Mr. Murtaza Hussain | Member |

**Release**
The Directors release the external auditor and management from any liability in connection with their duties for the year ended 31 December 2020.

**On behalf of the Board**

Chairman
22 APR 2021

KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Corniche Road, P.O. Box 7613
Abu Dhabi, United Arab Emirates
Tel. +971 (2) 401 4800, www.kpmg.com/ae

## Independent Auditors' Report

To the Shareholders of Abu Dhabi Ports Company PJSC

### Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Abu Dhabi Ports Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*Basis for Opinion*

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

*Other information*

Management is responsible for the other information. The other information comprises the Directors' report set out on page 1.

*Other information (continued)*

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

_Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)_

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**Report on Other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No (2) of 2015;

iii) the Group has maintained proper books of account;

**Report on Other Legal and Regulatory Requirements (continued)**

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 17 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2020;

vi) note 28 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, it's Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2020; and

viii) Note 25 to the consolidated financial statements discloses the social contributions made during the year

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No.(1) of 2017 pertaining to Auditing the Financial statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Group has not complied, in all material aspects, with any of the provisions of the following laws, regulations and circulars applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2020:

- Law No. (1) of 2017 concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities;
- Law of establishment; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Company's operation

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Abu Dhabi, United Arab Emirates

Date:

22 APR 2021

# Consolidated statement of financial position
*as at 31 December*

| | Note | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | *8* | **15,374,891** | 13,019,334 |
| Trade and other receivables | *13* | **1,332,580** | 1,022,704 |
| Right-of-use assets | *6* | **665,026** | 701,541 |
| Intangible assets and goodwill | *9* | **234,733** | 245,424 |
| Investment properties | *10* | **3,458,019** | 3,775,089 |
| Investment in joint ventures | *11* | **284,071** | 309,048 |
| **Non-current assets** | | **21,349,320** | 19,073,140 |
| Inventories | *15* | **16,420** | 11,809 |
| Trade and other receivables | *13* | **2,140,341** | 1,481,751 |
| Short-term loan to a related party | *28* | **700,000** | - |
| Prepayments and advances | *14* | **336,731** | 89,039 |
| Cash and bank balances | *16* | **271,411** | 1,088,778 |
| **Current assets** | | **3,464,903** | 2,671,377 |
| **Total assets** | | **24,814,223** | 21,744,517 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | *17* | **3,840,000** | 3,840,000 |
| Statutory reserve | *18* | **295,292** | 255,849 |
| Retained earnings | | **2,387,520** | 2,032,531 |
| Assets distribution reserve | | **(22,063)** | (22,063) |
| Cash flow hedge reserve | | **(134,175)** | (103,781) |
| Merger reserve | *12* | **1,319,288** | 1,520,656 |
| Owner's contribution | | **33,343** | - |
| **Equity attributable to owners of the Company** | | **7,719,205** | 7,523,192 |
| Non-controlling interests | | **6,426** | 2,890 |
| **Total equity** | | **7,725,631** | 7,526,082 |

* The balances for the year ended 31 December 2019 have been restated, refer to note 12.

*Continued.....*

# Consolidated statement of financial position *(continued)*
*as at 31 December*

| | *Note* | **2020 AED'000** | 2019 AED'000 *Restated** |
|---|---|---|---|
| **Liabilities** | | | |
| Provision for employees' end of service benefits | *19* | **97,323** | 84,582 |
| Deferred government grant | *7* | **6,119,865** | 5,897,414 |
| Payable to the project companies | *21* | **2,429,047** | 2,433,395 |
| Borrowings | *20* | **-** | 1,691,900 |
| Lease liabilities | *6* | **774,094** | 774,754 |
| **Non-current liabilities** | | **9,420,329** | 10,882,045 |
| Bank overdrafts | *16* | **-** | 22,120 |
| Borrowings | *20* | **4,050,000** | 28,086 |
| Trade and other payables | *22* | **3,454,923** | 3,073,076 |
| Lease liabilities | *6* | **56,355** | 46,230 |
| Deferred government grant | *7* | **106,985** | 166,878 |
| **Current liabilities** | | **7,668,263** | 3,336,390 |
| **Total liabilities** | | **17,088,592** | 14,218,435 |
| **Total equity and liabilities** | | **24,814,223** | 21,744,517 |

To the best of our knowledge, the consolidated financial statements of the Group fairly presents, in all material respects, the consolidated financial position, results of operations and cash flows of the Group as of and for the year ended 31st December 2020.

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 APR 2021 and were signed on their behalf by:

H.E. Falah Al Ahbabi
*Chairman*

Mohamed Al Shamisi
*Chief Executive Officer*

Martin Aarup
*Chief Financial Officer*

The notes set out on pages 12 to 70 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

*The balances for the year ended 31 December 2019 have been restated, refer to note 12.

# Consolidated statement of profit or loss and other comprehensive income

*for the year ended 31 December*

| | Note | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|---|
| Revenue | *23* | **3,423,897** | 2,767,626 |
| Government grants | *7* | **106,985** | 105,754 |
| Direct costs | *24* | **(1,749,884)** | (1,274,176) |
| **Gross profit** | | **1,780,998** | 1,599,204 |
| Share of profit from joint ventures | *11* | **51,017** | 42,190 |
| General and administrative expenses | *25* | **(564,367)** | (633,192) |
| Impairment of trade receivables | *13* | **(92,394)** | (183,617) |
| Selling and marketing expenses | | **(29,542)** | (34,684) |
| Finance income | | **4,645** | 13,365 |
| Impairment of investment properties | *10* | **(458,900)** | - |
| Finance costs | 26 | **(326,786)** | (308,947) |
| Other income | *27* | **32,337** | 5,033 |
| **Profit for the year** | | **397,008** | 499,352 |
| Attributable to the owners of the Company | | **394,432** | 496,971 |
| Non-controlling interests | | **2,576** | 2,381 |
| **Profit for the year** | | **397,008** | 499,352 |
| **Other comprehensive income for the year** | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | |
| Equity accounted investees – Share of OCI | *11* | **(30,394)** | (27,161) |
| **Total comprehensive income for the year** | | **366,614** | 472,191 |
| Attributable to the owners of the Company | | **364,038** | 469,810 |
| Non-controlling interests | | **2,576** | 2,381 |
| | | **366,614** | 472,191 |

The notes set out on pages 12 to 70 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

*The balances for the year ended 31 December 2019 have been restated, refer to note 12

# Consolidated statement of changes in equity

*for the year ended 31 December*

| | Share capital AED'000 | Statutory reserve AED'000 | Retained earnings AED'000 | Assets distribution reserve AED'000 | Cash flow hedge reserve AED'000 | Merger reserve AED'000 | Owners contribution AED'000 | Equity attributable to owners of the Company AED'000 | Non-controlling interests AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** *(As previously reported)* | 3,840,000 | 203,446 | 1,587,963 | (22,063) | 890 | - | - | 5,610,236 | 509 | 5,610,745 |
| Acquisition of ZonesCorp *(note 12)* | - | - | - | - | (77,510) | 1,520,656 | - | 1,443,146 | - | 1,443,146 |
| **Balance at 1 January 2019 *(Restated*)*** | **3,840,000** | **203,446** | **1,587,963** | **(22,063)** | **(76,620)** | **1,520,656** | **-** | **7,053,382** | **509** | **7,053,891** |
| Profit for the year | - | - | 496,971 | - | - | - | - | 496,971 | 2,381 | 499,352 |
| Other comprehensive income for the year | - | - | - | - | (27,161) | - | - | (27,161) | - | (27,161) |
| **Total comprehensive income for the year** *(Restated*)* | **-** | **-** | **496,971** | **-** | **(27,161)** | **-** | **-** | **469,810** | **2,381** | **472,191** |
| Transferred to statutory reserve | - | 52,403 | (52,403) | - | - | - | - | - | - | - |
| **Balance at 31 December 2019** *(Restated*)* | 3,840,000 | 255,849 | 2,032,531 | (22,063) | (103,781) | 1,520,656 | - | 7,523,192 | 2,890 | 7,526,082 |
| **Balance at 1 January 2020** *(Restated*)* | 3,840,000 | 255,849 | 2,032,531 | (22,063) | (103,781) | 1,520,656 | - | 7,523,192 | 2,890 | 7,526,082 |
| Profit for the year | - | - | 394,432 | - | - | - | - | 394,432 | 2,576 | 397,008 |
| Other comprehensive income for the year | - | - | - | - | (30,394) | - | - | (30,394) | | (30,394) |
| **Total comprehensive income for the year** | **-** | **-** | **394,432** | **-** | **(30,394)** | **-** | **-** | **364,038** | **2,576** | **366,614** |
| Establishment of a subsidiary | - | - | - | - | - | - | - | - | 960 | 960 |
| Transferred to statutory reserve | - | 39,443 | (39,443) | - | - | - | - | - | - | - |
| Owners contribution | - | - | - | - | - | - | 33,343 | 33,343 | - | 33,343 |
| Acquisition consideration of ZonesCorp *(note 12)* | - | - | - | - | - | (201,368) | - | (201,368) | - | (201,368) |
| **Balance at 31 December 2020** | **3,840,000** | **295,292** | **2,387,520** | **(22,063)** | **(134,175)** | **1,319,288** | **33,343** | **7,719,205** | **6,426** | **7,725,631** |

The notes set out on pages 12 to 70 form an integral part of these consolidated financial statements.

* The balances for the year ended 31 December 2019 have been restated, refer to note 12.

# Consolidated statement of cash flows

*for the year ended 31 December*

| | Note | 2020<br>AED'000 | 2019<br>AED'000<br>*Restated** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | **397,008** | 499,352 |
| *Adjustments for:* | | | |
| Depreciation on property, plant and equipment and investment properties | *8* | **431,717** | 393,222 |
| Amortisation of right-of-use assets | *6* | **33,322** | 33,097 |
| Amortisation of intangible assets | *9* | **10,691** | 10,690 |
| Share of profit from joint ventures | *11* | **(51,017)** | (42,190) |
| Impairment of trade receivables | *13* | **92,394** | 183,617 |
| Provision for slow moving inventories | *15* | **797** | 992 |
| Amortisation of government grant | *7* | **(106,985)** | (105,754) |
| Gain on disposal of property, plant and equipment | | **497** | (2,664) |
| Provision for employees' end of service benefits | *19* | **28,497** | 15,518 |
| Finance income | | **(4,645)** | (13,365) |
| Impairment loss on investment properties | | **458,900** | - |
| Other income | | **(4,797)** | 12,300 |
| Interest expense on lease liability | | **39,712** | 38,611 |
| Bank borrowing cost | | **25,942** | 19,458 |
| Other finance cost | | **261,132** | 250,878 |
| Capital work-in-progress written-off | | **-** | 229 |
| | | **1,613,165** | 1,293,991 |
| *Changes in:* | | | |
| Trade and other receivables | | **(1,060,860)** | (299,125) |
| Prepayments and advances | | **(247,692)** | 33,752 |
| Inventories | | **(5,408)** | (2,384) |
| Trade and other payables | | **180,479** | 751,017 |
| **Cash from operating activities** | | **479,684** | 1,777,251 |
| Employees' end of service benefits paid | *19* | **(15,756)** | (8,303) |
| **Net cash generated from operating activities** | | **463,928** | 1,768,948 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **13,879** | 18,907 |
| Additions to property, plant and equipment | *8* | **(2,669,823)** | (1,948,344) |
| Additions to investment properties | *10* | **(240,313)** | (37,741) |
| Government grant | | **269,543** | 274,640 |
| Dividend received from equity accounted investees | | **45,600** | 45,650 |
| Acquisition of a subsidiary, net of cash acquired | | **-** | (104,055) |
| Net movement in non-controlling interests | | **960** | - |
| Other income received | | **4,797** | - |
| Finance income received | | **4,645** | 1,065 |
| **Net cash used in investing activities** | | **(2,570,712)** | (1,749,878) |

*Continued.....*

# Consolidated statement of cash flows (continued)

*For the year ended 31 December*

| | Note | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **2,369,552** | 751,399 |
| Repayment of borrowings | | **(39,538)** | (20,810) |
| Payment of lease liability | *6* | **(27,075)** | (30,448) |
| Short-term loan to a related party | | **(700,000)** | - |
| Borrowing cost paid | | **(25,942)** | (3,465) |
| Finance cost paid to project companies | | **(265,480)** | (265,073) |
| **Net cash from financing activities** | | **1,311,517** | 431,603 |
| **Net (decrease) / increase in cash and cash equivalents** | | **(795,267)** | 450,673 |
| Cash and cash equivalents at the beginning of the year | *16* | **1,056,945** | 606,272 |
| **Cash and cash equivalents at the end of the year** | *16* | **261,678** | 1,056,945 |

During the year, the group was involved in following non-cash transactions:

- Owners contribution from the Parent Company amounting to AED 33 million *(31 December 2019: Nil)*.

The notes set out on pages 12 to 70 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

*The balances for the year ended 31 December 2019 have been restated, refer to note 12.

## 1 Legal status and principal activities

Abu Dhabi Ports Company PJSC ("the Company" or "AD Ports") is a public joint stock company established in accordance with the provisions of Emiri Decree No. 6 of 2006 dated 4 March 2006 ("the Decree") as part of the restructuring of the commercial ports sector in the Emirate of Abu Dhabi ("the Emirates").

The Company was registered with the Department of Planning and Economy and obtained its commercial license on 29 March 2006. The registered head office of the Company is at P.O. Box 54477, Mina Zayed, Abu Dhabi, United Arab Emirates.

The Company is ultimately owned by the Government of Abu Dhabi ("the Government").

The principal activities of the Company and its subsidiaries ("the Group") are as follows:

- To own, operate, maintain, manage and develop all ports, docks, harbours, quays, waterways, bridges, breakwaters, infrastructure and related installations in the Emirate of Abu Dhabi.
- To construct, manage and develop the industrial, commercial and non-financial service free zones on plots of land granted or allocated by the Government of Abu Dhabi to the Company in accordance with a plan approved by the Executive Council.

The Company was given control and regulatory enforcement power over all commercial ports assets previously owned by Abu Dhabi Seaports Authority.

Khalifa Port and Industrial Zone ("KPIZ") includes a large scale off-shore container, industrial port and maritime facility ("Khalifa Port" together with Mina Zayed referred to as "the Ports") as well as an industrial zone, which comprises industrial, transport, logistics, commercial and residential clusters ("the Industrial Zone"). Phase one of the KPIZ commenced operations during the last quarter of 2012.

KPIZ established a network of basic infrastructure and utilities to service the high, medium and low impact industry zones, alongside proposed residential, commercial and educational zones. It is divided into distinct clusters, each providing appropriate infrastructures and services needed to support the specific activities in the zones.

Pursuant to Abu Dhabi Law No. 2 of 2018 and Executive Council Resolution No. 143/2019, the ownership of the Company was transferred to Abu Dhabi Developmental Holding Company PJSC ("ADQ") from the Government of Abu Dhabi effective from 20 June 2019. Therefore, at the reporting date, ADQ is the parent undertaking of the Company, and the Government of Abu Dhabi (the "Government") is the ultimate controlling undertaking of the Company.

## 2.1 Basis of preparation

### *(a) Going concern basis of accounting*

These consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that the Group's net current liabilities exceeded its current assets as of 31 December 2020 by AED 4.2 billion *(2019: AED 665 million).* The Group has prepared cash flow forecasts for the foreseeable future, which assumes the Group being able to honor its financial obligations. Management of the Group expects to continue to receive financial support from the immediate parent "Abu Dhabi Developmental Holding Company PJSC". Further, the Group has secured additional facilities, including bank revolving credit facilities subsequent to year-end.

## 2.1 Basis of preparation *(continued)*

***(a) Going concern basis of accounting***

Whilst the Group's current bank borrowings, which the Group has availed for a number of years on a short term, revolving basis, are due for repayment in 2021, the Group could also seek to roll over these current bank borrowings for repayment in future periods if the circumstances require. Based on past practice, the Group's forecast financial performance and its strong relationship with its banks, the Directors are confident that the Group will be able to successfully secure additional funding and/or roll over loans maturing in 2021 to future periods as required. On the basis of the foregoing the Directors have prepared the consolidated financial statements on the basis that the Group will be able to meet its financial and other obligations as they fall due for the foreseeable future, and for a period of at least 12 months from the date of approval of these consolidated financial statements.

***(b) Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the applicable provisions of UAE Federal Law No 2 of 2015.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

***(c) Basis of measurement***

These consolidated financial statements have been prepared using the historical cost basis.

***(c) Functional and presentation currency***

The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED") which is the functional currency of the Group. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

***(d) Use of estimates and judgements***

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements are described in note 4.

## 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and those of its following subsidiaries:

| Name of subsidiary | Ownership interest 2020 | Ownership interest 2019 | Country of incorporation | Principal activity |
|---|---|---|---|---|
| Specialized Economic Zones Company (Zonescorp) Sole Properitership LLC | 99% | 99% | UAE | Leasing of residential and industrial plots and provision of foreign labour services |
| MICCO Logistics- Sole Proprietorship LLC | 99% | 99% | UAE | Freight forwarding and logistics manegement |
| Abu Dhabi Marine Services Safeen LLC | 99% | 99% | UAE | Consolidated marine services to Abu Dhabi ports users |
| Khalifa Industrial Zone Company LLC | 99.8% | 99.8% | UAE | Managing the Khalifa Industrial Zone in Abu Dhabi |
| Abu Dhabi Free Zone LLC | 99% | 99% | UAE | Invest, establish and manage commercial, Industrial, Service and real estate projects |
| Al Awaid Project Management & Property LLC (Al Awaid) | 99% | 99% | UAE | Management and leasing of real estate |
| Al Howaitha General Contracting & Logistics LLC ( Al Howaitha) | 99% | 99% | UAE | Provision services for Development, Management and Marketing of free zones |
| Al Yaher General Trading Ltd (Al Yaher) | 100% | 100% | UAE | General trading products |
| Maqta Gateway LLC | 99% | 99% | UAE | Marine Transportation and Ports Engineering Consultancy |
| Fujairah Terminals Operating Co – Fujairah Terminals LLC | 99% | 99% | UAE | Marine Transportation and Ports Engineering Consultancy |
| Abu Dhabi Ports Operating and Logistic Company LLC | 99% | 99% | UAE | Logistics business operations in KPCT |
| Auto terminal Khalifa Port LLC | 51% | 51% | UAE | Operate the RoRo terminal in KP, handle automobile imports and transhipments |
| Abu Dhabi Maritime Academy – Sole Proprietorship LLC | 100% | 100% | UAE | Provide education and maritime training in the UAE and the region |
| OFCO Offshore support – & Logistics services LLC | 51% | - | UAE | Provide maritime logistics services to offshore and onshore customers |

Al Awaid Project Management & Property LLC, Al Howaitha General Contracting & Logistics LLC, are dormant and did not have any activities during the years ended 31 December 2020 and 2019.

One of the key objectives of ATK is to replicate the outstanding services that the leading multimodal car terminal in the Mediterranean has been offering its customers for the past 25 years. The principal activity of ATK is to maintain and operate the Ro-Ro terminal at Khalifa port. The subsidiary will transform the port into the regional automotive shipping hub for the Lower and Upper Gulf, Western India and East Africa. The share capital of ATK and the ownership percentages are as follows:

## 2.2 Basis of consolidation *(continued)*

| ***Shareholders of ATK:*** | ***Ownership %*** | ***AED'000*** |
|---|---|---|
| Abu Dhabi Ports | **51%** | **76** |
| Auto-terminal S.A. | **49%** | **74** |
| | **100%** | **150** |

On 2 April 2020, Abu Dhabi Marine Services Co-Safeen LLC and Allianz Marine and Logistics Services Holding LTD, a private company incorporated in Abu Dhabi, signed a shareholding agreement to establish a new entity namely OFCO Offshore Support & Logistic Services L.L.C, a company incorporated in UAE, with an intention to create a dynamic maritime services offering to the market combining the expertise of both the parties. The principal activities of OFCO are to provide integrated maritime logistic services to offshore and onshore customers. The share capital of OFCO and the ownership percentages are as follows:

| ***Shareholders of OFCO:*** | ***Ownership %*** | ***AED'000*** |
|---|---|---|
| 1 Abu Dhabi Marine Services Co-Safeen LLC | **51%** | **76** |
| 2 Allianz Marine and Logistics Services Holding LTD | **49%** | **74** |
| | **100%** | **150** |

***Subsidiaries***

Subsidiaries are all entities over which the Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

## 2.2 Basis of consolidation *(continued)*

***Business combination and goodwill***

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes at a minimum an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Any gain on a bargain purchase is recognised in profit or loss immediately.
Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

***Goodwill***

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

## 2.2 Basis of consolidation *(continued)*

***Goodwill*** *(continued)*

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group ·controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

***Non-controlling interests***

Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

***Loss of control***

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

***Common control transactions***

The acquisition of entities/businesses under the common control of shareholders are recognised at book value of such entities/businesses at the date of acquisition. An adjustment is made in equity for any difference between the consideration paid for the acquisition and the capital of the acquiree.

The Group accounts for the common control transactions retrospectively by re-presenting its comparatives and adjust its current reporting period before the date of the transaction as if the combination had occurred before the start of the earliest period presented. However, this restatement does not, extend to periods during which the entities were not under common control.

## 3.1 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

**Financial instruments**

***Initial recognition and measurement***

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

***Classification and subsequent measurement***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## 3.1 Significant accounting policies *(continued)*

**Financial instruments** *(continued)*

***Classification and subsequent measurement*** *(continued)*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Financial assets – Subsequent measurement and gains and losses:**

| | |
|---|---|
| **Financial assets at amortised cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| **Financial assets at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |

## 3.1 Significant accounting policies *(continued)*

**Financial instruments** *(continued)*

**Derivative financial instruments and hedge accounting**

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

**Derecognition of financial assets and liabilities**

*Financial assets:*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities:*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**Financial liabilities – classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## 3.1 Significant accounting policies *(continued)*

**Financial instruments** *(continued)*

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**Impairment**

The Group recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost; and
- Contract assets.

The Group also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables.

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt instrument that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as releasing security (if any is held); or
- The financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

## 3.1 Significant accounting policies *(continued)*

**Financial instruments** *(continued)*

**Impairment** *(continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable date;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 360 days past due;
- The restructuring of a loan or advance by the group on terms that the group would not consider other wise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial amortised cost are deducted from the gross carrying amount of the assets. For debt securities FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group’s procedures for recovery of amounts due.

**Investments in joint ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

## 3.1 Significant accounting policies *(continued)*

**Investments in joint ventures** *(continued)*

The Group's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss and other comprehensive income.
The financial statements of the joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group recognise share of loss of a joint venture to the extent of the Group's interest in the investee, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 3.1 Significant accounting policies *(continued)*

**Intangible assets**

***Recognition and measurement***

| | |
|---|---|
| **Goodwill** | Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. |
| **Other intangible assets** | Other intangible assets, including customer relationships and rights, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. |

***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

***Amortisation***

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

| | Years |
|---|---|
| Rights | **30** |
| Customer contracts | **28** |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Government grants**

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirements to operate in accordance with its main mandate of operating, managing, maintaining and developing all ports in the Emirate of Abu Dhabi.

Non-monetary government grants are recognised when there is reasonable assurance that the asset will be received and the Group will comply with any attached conditions, where applicable. Non-monetary government grants are recorded at a nominal value on recognition.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

## 3.1 Significant accounting policies *(continued)*

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of assets, as follows:

| | |
|---|---|
| Port infrastructure | **3 – 50 years** |
| Road infrastructure | **3 – 50 years** |
| Substations | **25 years** |
| Building and building improvements | **2 – 50 years** |
| Office equipment and furniture | **3 – 25 years** |
| Gas network | **4 years** |
| Motor vehicles | **4 – 10 years** |
| Channel infrastructure improvement | **3 – 5 years** |

No depreciation is provided on land development.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair values less costs to sell and their values in use.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off.

Other subsequent expenditures are capitalised only when they increase the future economic benefits of the related item of property, plant and equipment. All other expenditures are recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in OCI and reduces the revaluation surplus within equity.

### Capital work-in-progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies. No depreciation is provided on capital work-in-progress.

## 3.1 Significant accounting policies *(continued)*

### Inventories

Inventories are valued at the lower of cost, calculated using the weighted average method, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### Investment properties

Investment properties, which comprise of properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes) are measured at their cost, including transaction costs.

Depreciation is charged so as to write-off the cost of properties over their estimated useful lives, using straight-line method. No depreciation is provided on land. Investment properties are depreciated over their useful lives of 20 to 50 years.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of investment properties are determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss and other comprehensive income.

Rental income from investment property is recognised as other revenue on a straight-line basis over
the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

### Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent appropriate market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount.

## 3.1 Significant accounting policies *(continued)*

**Impairment of non-financial assets** *(continued)*

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, bank balances and fixed deposits with original maturity of three months or less, less overdrafts, (if any).

**Revenue recognition**

Revenue is measured based on the consideration specified in a contract with customer. The Company recognizes revenue when it transfers controls over a goods or services to a customer.

The following table provides information about the nature and time of the satisfaction of performance obligation in contracts with the customers, including significant payment terms and the related revenue recognition policy.

***Performance obligations and revenue recognition policies:***

| **Type of service** | **Nature and timing of satisfaction of performance obligations, including significant payment terms** |
|---|---|
| **Marine, logistics and container handling services** | Marine and container handling services are completed as and when the vessel operation was completed. This includes movement of container from the vessel to yard or yard to vessel and other services provided to the vessels, Customer obtain the control of services when vessel operation is completed. Invoices are generated at that point in time. Similarly services related to shifting, loading, unloading and other ancillary port services are performed when the event is completed.<br><br>Revenue and associated costs are recognised at a point in time as and when the performance obligation or service delivery is completed. The stand-alone selling prices will be determined based on service performed with reference to the contract or public Tariff if no contract with the customer and gross tonnage of the vessel. |

## 3.1 Significant accounting policies *(continued)*

**Revenue recognition** *(continued)*

| | |
|---|---|
| **Revenue from storage services** | The Group also provides storage services at the request of the customer based on the usage period in the storage yard which constitute a separate distinct performance obligation. Revenue from storage services is recognised over a period of storage days and are usually payable within 30 to 45 days. . |
| **Revenue from port operations** | Revenue from port operations is recognised at a point in time when the service is provided. The selling price will be determined based on weight and volume of the cargo and the rates set as per tariff. |

**Un-billed lease receivables**

Unbilled lease revenues are recognised as a result of straight lining of lease receivables on the basis that the underlying contractual arrangements provide certain escalations in rental income, this accounting reflects management's estimate that the amounts are recoverable with references to customers intention and the level of investments they have made which would create a commercial incentive for the tenant to continue their lease commitments. Moreover, consideration of contractual entitlement of liquidated damages to the extent of these un-billed balances, would impact the recognition of unbilled lease receivables.

**Interest income**

Interest income is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**Other income**

Other income includes those income which the Group establishes right to receive benefit (penalties, land reservation and tender fees etc.) through contractual and other arrangements and it is recognised when the right is established in favour of the Group.

## 3.1 Significant accounting policies *(continued)*

**Finance cost**

The Group recognises the interest on lease liabilities, payable to project companies and other bank borrowing costs as a component of finance costs which are presented separately in the statement of profit and loss and other comprehensive income.

**Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

**Accounts payable and accruals**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Borrowings**

The Group's borrowings are carried on the consolidated statement of financial position at their amortised cost. Instalments due within one year are shown as a current liability.

**Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

**Leases**

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which is located, less any lease incentive received

The right-of-use asset amortisation is calculated on a straight-line basis over the estimated useful life of the leased assets, as follows:

| | |
|---|---|
| Land | **50 years** |
| Ports | **35 years** |
| warehouses | **10-30 years** |

## 3.1 Significant accounting policies *(continued)*

**Leases** *(continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprises the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Short-term leases and leases of low-value assets

The Group elects not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

The Group leases out its investment properties, including own property and right of use assets. At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

## 3.1 Significant accounting policies *(continued)*

**Leases** *(continued)*

As a lessor *(continued)*

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

**Employees' benefits**

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The Group contributes to the pension scheme for UAE nationals under the Abu Dhabi Retirement Pension and Benefits Fund law. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of profit or loss and other comprehensive income in the period to which they relate. In respect of this scheme, the Group has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated statement of profit or loss and other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into UAE Dirhams at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into UAE Dirhams at the exchange rates at the dates of the transactions. Foreign currency differences from non-monetary assets and liabilities are recognised in the consolidated statement of profit or loss and other comprehensive income.

## 3.2 Application of new and revised international financial reporting standards "IFRS"

*(i) New and revised IFRSs effective for accounting periods beginning on or after 1 January 2020:*

The following amendments to existing standards and framework have been applied by the Group in preparation of these consolidated financial statements. The adoption of the below did not result in changes to previously reported consolidated net profit or equity of the Group:

| *Description* | *Effective from* |
|---|---|
| Definition of Material – Amendment to IAS 1 and IAS 8 | 1 January 2020 |
| Definition of a Business – Amendment to IFRS 3 | 1 January 2020 |
| Amendment to References to Conceptual Framework in IFRS Standards | 1 January 2020 |
| Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 | 1 January 2020 |
| Amendment to IFRS 16 regarding COVID -19 related concession | 1 January 2020 |

*(ii) Standards issued but not yet effective:*

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

The following amended standards are not expected to have a significant impact on the consolidated financial statements of the Group:

- Onerous Contracts- Cost of fulfilling a Contract (Amendments to IAS 37).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) .
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

## 4 Use of estimates and judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

*Useful lives and residual values of property, plant and equipment and investment properties*

Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and has determined that, no other adjustment is necessary.

*Impairment assessment of property, plant and equipment, including capital work-in-progress, and investment properties*

Property, plant and equipment including properties classified under capital work-in-progress, and investment properties are assessed for impairment based on assessment of cash flows on individual cash generating units when there is an indication of impairment. Refer *Note 8* and *10* for further details.

In assessing whether there is any indication that the completed assets, investment properties and capital-work-in progress at the end of the reporting period may be impaired, the Group considered the following:

- Changes in the technological, market, economic or legal environment in which the Group operates that had or would have an adverse effect on the Group;
- Physical damage of the assets under construction;
- Plans to discontinue or restructure the operation to which the assets under construction belong; and
- Evidence from internal reporting that indicates a significant decline in budgeted net cash flows flowing from the asset.

Budgeted net cash flows are determined based on estimations over the useful life of the assets and discounted using a range of discount rates on such cash generating units. Management is satisfied that there are no impairment indications with respect to completed assets, investment properties and capital work in progress.

*Impairment losses on trade amounts including unbilled lease receivables (refer to note 13) and due from related parties*

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses ("ECL") requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

## 4 Use of estimates and judgements *(continued)*

A number of factors are also considered in applying the accounting requirements for measuring ECL, such as:

- determining the criteria for significant increase in credit risk;
- determining the criteria and definition of default;
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

*Impairment of investment in a joint venture*

Management regularly reviews its investment in joint ventures for indicators of impairment. This determination of whether investment in a joint venture impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability is to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of the investment is recognised as an expense in consolidated statement of profit or loss and other comprehensive income.

Management is satisfied that no impairment provision is required for its investment in a joint venture with reference to cash flow projections provided by the joint ventures and discount rate of 8%. Which would then arrive to a net present value in excess of the carrying value of the joint venture.

## 5 Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes in the notes specific to that asset or liability.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

## 5 Determination of fair value

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes: (unobservable inputs).

- Goodwill – *note 9*.
- Investment property – *note 10*.

## 6 Leases

The Group leases land, warehouse and port infrastructure. The leases typically run for a period of 10 to 50 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The Group leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

## 6 Leases *(continued)*

***Right-of-use assets***

Information about leases for which the Group is a lessee is presented below:

| | Lands AED'000 | Ports infrastructure AED'000 | Office buildings AED'000 | Plant and equipment AED'000 | Total AED'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2019 *(As previously reported)* | 82,470 | 374,684 | - | - | 457,154 |
| Impact of IFRS 16 implementation | - | - | 255,264 | - | 255,264 |
| Transfer from property, plant and equipment | - | - | - | 74,646 | 74,646 |
| Amortisation charge for the Year | (1,724) | (11,185) | (16,795) | (3,393) | (33,097) |
| Transfer to property, plant and equipment | - | - | - | (52,426) | (52,426) |
| Balance at 31 December 2019 *(Restated*)* | 80,746 | 363,499 | 238,469 | 18,827 | 701,541 |
| Balance at 1 January 2020 *(Restated*)* | 80,746 | 363,499 | 238,469 | 18,827 | 701,541 |
| Amortisation charge for the year | (1,724) | (11,184) | (17,020) | (3,394) | (33,322) |
| Discount received during the year | - | - | (3,193) | - | (3,193) |
| **Balance at 31 December 2020** | **79,022** | **352,315** | **218,256** | **15,433** | **665,026** |

***Lease liabilities***

| | **2020 AED'000** | 2019 AED'000 *Restated** |
|---|---|---|
| ***Maturity analysis – contractual undiscounted cash flows:*** | | |
| Less than five years | **382,427** | 351,429 |
| More than five years | **1,124,867** | 1,182,314 |
| **Total undiscounted lease liabilities at 31 December** | **1,507,294** | 1,533,743 |

***Lease liabilities included in the consolidated statement of financial position at 31 December:***

| | **2020 AED'000** | 2019 AED'000 *Restated** |
|---|---|---|
| Current | **56,355** | 46,230 |
| Non-current | **774,094** | 774,754 |
| | **830,449** | 820,984 |

*For restatement, refer to note 12

## 6 Leases *(continued)*

***Lease liabilities*** *(continued)*

***Amount recognised in the consolidated statement of profit or loss and other comprehensive income:***

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| | | *Restated** |
| Interest on lease liabilities | **39,712** | 38,611 |
| | ======= | ======= |
| Amortisation of right-of-use asset | **33,322** | 33,097 |
| | ======= | ======= |

***Amount recognised in the consolidated statement of cash flows:***

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| | | *Restated** |
| Total cash outflow for leases | **27,075** | 30,448 |
| | ======= | ======= |

## 7 Deferred government grants

During the prior years, the Government of Abu Dhabi granted the Group non-monetary assets comprising land in Taweelah, the Head Office building, furniture and fixtures, warehouses, commercial ports and other ports' assets in Abu Dhabi. These non-monetary government grants are recognised at a nominal value of AED 1.

Granted warehouses and portions of office buildings that are held to earn rentals are classified as investment properties. The remainders of the granted assets are either held for owner-occupation or under development for future owner-occupation and accordingly are classified as property, plant and equipment.

On 13 December 2011 the Executive Council approved additional funding to the Company as compensation for certain assets constructed by the Company and in December 2013 the Company signed an agreement with the Government of Abu Dhabi, through the Department of Finance – Abu Dhabi ("DOF") in relation to those assets. The significant terms of the agreement are as follows:

- DOF reimbursed the Group for the cost of constructing the assets for an amount of AED 6.04 billion. AED 5 billion of this was provided as loan which was subsequently waived off by DOF, along with all due interest;
- As part of the settlement agreement, the Group further received an amount of AED 1.04 billion during 2013;
- DOF granted the Group the perpetual possession and perpetual enjoyment of the assets under the agreement; and
- AD Ports has the perpetual right to:
  - Develop, alter, modify, construct or otherwise treat the assets as it deems fit; and
  - Manage, use and benefit from the assets in accordance with its articles of association and the Decree.

## 7 Deferred government grants *(continued)*

Management has assessed the agreement with DOF and concluded that it represents a monetary government grant. As such, a government grant of AED 6.04 billion has been recognised in the consolidated statement of financial position.

During 2020 the Group received grants of AED 322.9 million related to construction of Covid-19 related assets which mainly includes a cold store and Razeen Infrastructure.

Along with the transfer of the assets and liabilities of ZonesCorp to the Group, the Group has recognised government grant amounting to AED 223.8 million, there were further additions of AED 362.6 million during the year 2019. The closing balance of AED 498.5 million mainly included a grant amounting to AED 221.3 million received from Musanada, AED 90.3 million from the Executive Council and AED 186.8 million received from the DOF for specific projects.

The table below illustrate the grants that has been awarded to the Group:

| **Project name** | **2020 AED'000** | 2019 AED'000 *Restated** | **Status of projects** |
|---|---|---|---|
| Khalifa Port asset construction | **5,239,901** | 5,337,093 | Completed |
| Marfa and Delma Ports asset construction | **220,380** | 228,720 | Completed |
| Reefer containers and KIZAD cold store | **102,512** | - | Completed |
| Warehouses and cold Store facility | **111,456** | - | In progress |
| Reimbursement received for Glove manufacturing unit Capex. | **382** | - | In progress |
| Construction of Silos for Food storage | **21,000** | - | In progress |
| Razeen Camp | **85,000** | - | In progress |
| Reimbursement received for Cruise Terminal Screening Center Capex | **1,011** | - | In progress |
| Construction of Silos for Food storage | **77** | - | In progress |
| Razeen labour city infrastructures | **221,293** | 221,293 | In progress |
| Auto city Phase 1 | **83,875** | 83,875 | In progress |
| Shared revenue for Temporary WRC | **-** | 53,348 | Completed |
| Al faya Phase 1 & 2 | **69,121** | 69,121 | In progress |
| Splitting plots and Khalifa fund | **27,650** | 27,650 | In progress |
| Hameem Project | **14,089** | 14,089 | In progress |
| HSE manpower cost and operation expenses | **8,132** | 8,132 | In progress |
| Al adlah project | **7,080** | 7,080 | In progress |
| Western Region Industrial Zones - Master planning, temporary site and red zone | **3,820** | 3,820 | In progress |
| Fencing & Signage for ZC | **4,000** | 4,000 | In progress |
| Re-zoning - Land uses of ICAD's (1,2,3 & AAIC) | **4,883** | 4,883 | In progress |
| TSE Network & Landscaping | **1,000** | 1,000 | In progress |
| Traffic Impact study | **188** | 188 | In progress |
| | **6,226,850** | 6,064,292 | |

*For restatement, refer to note 12.

## 7 Deferred government grants *(continued)*

Movement on the deferred government grant during the year was as follows:

| | **2020** **AED'000** | 2019 AED'000 *Restated** |
|---|---|---|
| Balance at 1 January 2019 *(As previously reported)* | **6,064,292** | 5,671,568 |
| Transfer from ZonesCorp *(note 12)* | - | 223,838 |
| Balance at 1 January 2019 *(Restated*)* | **6,064,292** | 5,895,406 |
| Additions during the year | **269,543** | 274,640 |
| Amount recognised as revenue during the year | **(106,985)** | (105,754) |
| **Balance at 31 December** | **6,226,850** | 6,064,292 |

Deferred government grants are presented in the consolidated statement of financial position as follows:

| | **2020** **AED'000** | 2019 AED'000 *Restated** |
|---|---|---|
| Within current liabilities | **106,985** | 166,878 |
| Within non-current liabilities | **6,119,865** | 5,897,414 |
| | **6,226,850** | 6,064,292 |

*For restatement, refer to note 12.

# 8 Property, plant and equipment

| | Port Infrastructure AED '000 | Road Infrastructure AED '000 | Substations AED '000 | Land development AED '000 | Building and improvements AED '000 | Office equipment and furniture AED '000 | Gas network AED '000 | Motor vehicles AED '000 | Channel infrastructure improvement AED '000 | Capital work-in-progress AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | | | | | |
| At 1 January 2019 *(as previously reported)* | 8,142,451 | 488,475 | 358,407 | 93,051 | 1,374,944 | 591,720 | - | 3,360 | 7,804 | 1,543,655 | 12,603,867 |
| Transfer from ZonesCorp *(note 12)* | - | - | - | - | 118,670 | 410,168 | 12,080 | - | - | - | 540,918 |
| At 1 January 2019 *(Restated*)* | **8,142,451** | **488,475** | **358,407** | **93,051** | **1,493,614** | **1,001,888** | **12,080** | **3,360** | **7,804** | **1,543,655** | **13,144,785** |
| Additions | - | - | - | - | 664 | 12,702 | - | 22,923 | - | 1,981,397 | 2,017,686 |
| Transfer to right-of-use asset | - | - | - | - | - | (74,646) | - | - | - | - | (74,646) |
| Transfers from work-in-progress | 45,626 | 10,147 | 609 | - | 644,000 | 164,050 | - | - | - | (864,432) | - |
| Transfers from investment property | - | - | - | - | - | - | - | - | - | 14,223 | 14,223 |
| Acquired through business combination | - | - | - | - | 46,247 | 9,270 | - | 36,566 | - | - | 92,083 |
| Disposals | (252) | - | - | - | - | (10,573) | - | (8,510) | - | - | (19,335) |
| At 31 December 2019 *(Restated*)* | 8,187,825 | 498,622 | 359,016 | 93,051 | 2,184,525 | 1,102,691 | 12,080 | 54,339 | 7,804 | 2,674,843 | 15,174,796 |
| At 1 January 2020 *(restated*)* | 8,187,825 | 498,622 | 359,016 | 93,051 | 2,184,525 | 1,102,691 | 12,080 | 54,339 | 7,804 | 2,674,843 | 15,174,796 |
| Additions during the year | - | - | - | - | 2,089 | 65,496 | - | 16,288 | - | 2,619,293 | 2,703,166 |
| Transfers from capital work-in-progress | 224,781 | 2,178 | - | - | 127,384 | 247,343 | - | - | - | (601,686) | - |
| Disposals | (2,557) | - | - | - | (32) | (16,206) | - | (1,946) | - | - | (20,741) |
| **At 31 December 2020** | **8,410,049** | **500,800** | **359,016** | **93,051** | **2,313,966** | **1,399,324** | **12,080** | **68,681** | **7,804** | **4,692,450** | **17,857,221** |
| ***Accumulated depreciation*** | | | | | | | | | | | |
| As at 1 January 2019 *(as previously reported)* | 851,544 | 101,166 | 85,759 | - | 174,867 | 223,020 | - | 2,874 | 7,804 | - | 1,447,034 |
| Transfer from ZonesCorp *(note 12)* | - | - | - | - | 77,287 | 382,476 | 504 | - | - | - | 460,267 |
| At 1 January 2019 *(Restated*)* | **851,544** | **101,166** | **85,759** | **-** | **252,154** | **605,496** | **504** | **2,874** | **7,804** | **-** | **1,907,301** |
| Charge for the year | 149,290 | 19,956 | 14,405 | - | 41,306 | 82,786 | 403 | 7,066 | - | - | 315,212 |
| Transfer to right-of-use asset | - | - | - | - | - | (52,426) | - | - | - | - | (52,426) |
| Disposals | (35) | - | - | - | - | (7,636) | - | (6,954) | - | - | (14,625) |
| At 31 December 2019 (*Restated**) | 1,000,799 | 121,122 | 100,164 | - | 293,460 | 628,220 | 907 | 2,986 | 7,804 | - | 2,155,462 |
| At 1 January 2020 *(Restated*)* | 1,000,799 | 121,122 | 100,164 | - | 293,460 | 628,220 | 907 | 2,986 | 7,804 | - | 2,155,462 |
| Charge for the year | 153,151 | 20,144 | 14,415 | - | 39,932 | 96,414 | 401 | 8,777 | - | - | 333,234 |
| Disposals | (1,143) | - | - | - | - | (3,756) | - | (1,467) | - | - | (6,366) |
| **As at 31 December 2020** | **1,152,807** | **141,266** | **114,579** | **-** | **333,392** | **720,878** | **1,308** | **10,296** | **7,804** | **-** | **2,482,330** |
| ***Net book value*** | | | | | | | | | | | |
| At 31 December 2019 *(Restated*)* | 7,187,026 | 377,500 | 258,852 | 93,051 | 1,891,065 | 474,471 | 11,173 | 51,353 | - | 2,674,843 | 13,019,334 |
| **At 31 December 2020** | **7,257,242** | **359,534** | **244,437** | **93,051** | **1,980,574** | **678,446** | **10,772** | **58,385** | **-** | **4,692,450** | **15,374,891** |

* For restatement, refer to note 12.

## 8 Property, plant and equipment *(continued)*

Depreciation expense on property, plant and equipment and investment properties have been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Direct costs | **365,352** | 337,545 |
| General and administrative expenses *(note 25)* | **66,365** | 55,677 |
| | **431,717** | 393,222 |

Except for property, plant and equipment described in note 7 all property, plant and equipment granted by the Government of Abu Dhabi to the Group are recognised at nominal value of AED 1. Capital work-in-progress mainly comprises the costs relating to Khalifa Port and Industrial Zones (KPIZ) developments.

Staff costs of AED 155.7 million have been capitalised within capital work-in-progress during the year ended 31 December 2020 *(2019: AED* 158.2 *million).*

Borrowing costs of AED 28.4 million have been capitalised during the year ended 31 December 2020 *(2019: AED 28.4 million).*

## 9 Intangible assets and goodwill

| | Goodwill AED'000 | Customer contracts and relationships AED'000 | Rights AED'000 | Total AED'000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| Balance at 1 January 2019 | 32,824 | 172,900 | 27,170 | 232,894 |
| Acquired during the year on business combination | 21,710 | 8,300 | - | 30,010 |
| Balance at 31 December 2019 | 54,534 | 181,200 | 27,170 | 262,904 |
| Balance at 1 January 2020 | 54,534 | 181,200 | 27,170 | 262,904 |
| **Balance at 31 December 2020** | **54,534** | **181,200** | **27,170** | **262,904** |
| ***Accumulated amortisation*** | | | | |
| Balance at 1 January 2019 | - | 6,337 | 453 | 6,790 |
| Charge for the year | - | 9,785 | 905 | 10,690 |
| Balance at 31 December 2019 | - | 16,122 | 1,358 | 17,480 |
| Balance at 1 January 2020 | - | 16,122 | 1,358 | 17,480 |
| Charge for the year | - | 9,785 | 906 | 10,691 |
| **Balance at 31 December 2020** | **-** | **25,907** | **2,264** | **28,171** |
| ***Net carrying amount*** | | | | |
| 31 December 2019 | 54,534 | 165,078 | 25,812 | 245,424 |
| **31 December 2020** | **54,534** | **155,293** | **24,906** | **234,733** |

## 9 Intangible assets and goodwill *(continued)*

***Goodwill***

Goodwill of AED 32,824 thousand arose from the acquisition of 50% stake in Abu Dhabi Terminals LLC ('ADT') during 2018 and AED 21,710 thousand related to the acquisition of MICCO Logistics- Sole Propriatorship LLC ("MICCO") during 2019.

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows:

| | **2020**<br>**AED'000** | 2019<br>AED'000 |
|---|---|---|
| Logistics segment | **32,824** | 32,824 |
| Cargo segment | **21,710** | - |
| | **54,534** | 32,824 |

**Impairment testing for CGUs containing goodwill**

*A) Logistics business*

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of AED 785,120 thousand, accordingly, no impairment loss has been recognised during 2020 *(2019: AED nil)*.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

| | **2020**<br>**AED'000** | 2019<br>AED'000 |
|---|---|---|
| Discount rate | **8%** | 8% |
| Estimated useful live | **30 years** | 30 years |

## 9 Intangible assets and goodwill *(continued)*

***Goodwill*** *(continued)*

**Impairment testing for CGUs containing goodwill** *(continued)*

*B) Cargo business*

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of AED 1,328,265 thousand, accordingly, no impairment loss has been recognised during 2020 *(2019: AED nil)*.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

| | **2020 AED'000** | 2019 AED'000 |
|---|---|---|
| Discount rate | **8%** | 8% |
| Estimated useful live | **30 years** | 30 years |

***Customer contracts & relationships***

Intangible assets with a fair value of AED 172,900 thousand were acquired during 2018 from a business combination as a result of evaluating a long-term contract between ADT and a local entity on which ADT is providing gateway operation services since 2013 (the "Logistics Contract").

During 2019 Customer contracts and relationships increased by AED 8,300 thousand as a result of the acquisition of Mazroui International Cargo Company LLC on 24 January 2019.

***Rights***

Rights with a fair value of AED 27,170 thousand were acquired during 2018 as a result of signing a long-term agreement with an international shipping Company as consideration for selling 49% equity stake in ADT.

## 10 Investment properties

| | Completed properties AED'000 | Properties under development AED'000 | Total AED'000 |
|---|---|---|---|
| ***Cost*** | | | |
| Balance at 1 January 2019 *(as previously reported)* | 288,937 | 121,857 | 410,794 |
| Transfer from ZonesCorp *(note 12)* | 2,648,895 | 1,217,450 | 3,866,345 |
| Balance at 1 January 2019 *(Restated*)* | 2,937,832 | 1,339,307 | 4,277,139 |
| Additions | - | 313,560 | 313,560 |
| Transferred to property, plant and equipment | - | (14,223) | (14,223) |
| Write-off during the year | (6,247) | (229) | (6,476) |
| Transfers | 148,918 | (148,918) | - |
| Balance at 31 December 2019 *(Restated*)* | 3,080,503 | 1,489,497 | 4,570,000 |
| Balance at 1 January 2020 *(Restated*)* | 3,080,503 | 1,489,497 | 4,570,000 |
| Additions | 132,972 | 107,341 | 240,313 |
| Transfers from properties under development | 989,600 | (989,600) | - |
| **Balance at 31 December 2020** | **4,203,075** | **607,238** | **4,810,313** |
| ***Accumulated depreciation and impairment losses*** | | | |
| Balance at 1 January 2019 *(as previously reported)* | 17,650 | - | 17,650 |
| Transfer from ZonesCorp *(note 12)* | 699,252 | - | 699,252 |
| Balance at 1 January 2019 *(Restated*)* | 716,902 | - | 716,902 |
| Charge for the year | 78,009 | - | 78,009 |
| Balance at 31 December 2019 *(Restated*)* | 794,911 | - | 794,911 |
| Balance at 1 January 2020 *(Restated*)* | 794,911 | - | 794,911 |
| Charge for the year | 98,483 | - | 98,483 |
| Impairment loss | 458,900 | - | 458,900 |
| **Balance at 31 December 2020** | **1,352,294** | **-** | **1,352,294** |
| ***Net carrying amount*** | | | |
| 31 December 2019 *(Restated)* | 2,285,592 | 1,489,497 | 3,775,089 |
| **31 December 2020** | **2,850,781** | **607,238** | **3,458,019** |

* For restatement, refer to note 12.

## 10 Investment properties *(continued)*

Rental income from investment properties of AED 786.4 million *(2019: AED 372.2 million - Restated)* was earned and maintenance expense of AED 207.6 million *(2019: AED 83 million - Restated)* were incurred during the year ended 31 December 2020.

A portion of the Group's investment properties is recognised at cost of AED 1, which represents the nominal value of granted assets. These investment properties include warehouses and assets relating to Khalifa Industrial Zone Abu Dhabi, Zayed Port, ICAD and Razeen . The fair value of the warehouses as estimated by management was AED 8,967 million as at 31 December 2020 *(2019: AED 5,617 million - Restated).*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The valuation was determined by reference to discounted cash flows projections based on reliable estimates of future cash flows, supported by the expected terms of existing lease arrangements and using a discount rate of 8%, reflecting management's current market assessment of uncertainty in the amount and timing of the cash flows. The effective date of the valuation is 31 December 2020.

All assets for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, as level 3 as at 31 December, 2020 and *(December 31, 2019)* based on the income approach involving yield and discount rates that are unobservable inputs.

There has been no transfers in the current year between the levels of the fair value hierarchy *(2019: Nil)*
Fair value and carrying amount of investment properties are as follows:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Carrying value AED'000** | **Fair value AED'000** | Carrying value AED'000 *Restated** | Fair value AED'000 |
| **Completed projects** | | | | |
| KIZAD warehouses | **534,323** | **786,257** | 412,326 | 735,900 |
| WRC, Eskan El Jamae | **125,353** | **222,522** | 128,975 | 222,522 |
| Razeen city | **940,042** | **954,900** | - | - |
| Industrial City of Abu Dhabi (ICAD II) | **354,502** | **1,984,459** | 375,458 | 1,732,940 |
| Industrial City of Abu Dhabi (ICAD III) | **744,845** | **4,169,552** | 784,079 | 1,181,060 |
| Al Ain Industrial City (AAIC) | **151,716** | **849,287** | 160,057 | 297,880 |
| **Properties under development** | | | | |
| Capital work in progress | **607,238** | **-** | 500,394 | - |
| Razeen City | **-** | **-** | 1,413,800 | 1,446,900 |
| | **3,458,019** | **8,966,977** | 3,775,089 | 5,617,202 |

* For restatement, refer to note 12.

## 11 Investment in a joint venture

*i) Investment in ADT*

The Group had a 50% equity interest in Abu Dhabi Terminals LLC ("ADT"), a joint venture involved in the operation and management of ports facilities registered in the UAE. The Group's interest in ADT was accounted for using the equity method in the consolidated financial statements. In April 2018 the Group acquired the remaining 50% equity in ADT from the other shareholders for a total consideration of AED 200 million, such that ADT became a wholly owned subsidiary of AD Ports. ADT has two main operating segments ("Logistics operation" and "Containers operation").

In 2018 the Logistics operation business of ADT was carved-out and transferred into a newly established entity (Abu Dhabi Ports Operating and Logistic Company LLC), which is wholly owned by AD Ports, whilst the Containers operation was retained in ADT.

Subsequent to the above transaction, AD Ports sold 49% of ADT to Terminal Investment Limited SARL ("TIL") in accordance with a sale and purchase agreement dated 7 May 2018 ('the SPA'). Based on the SPA, the operations of ADT will be jointly managed and controlled by AD Ports and TIL. Consequently, AD Ports lost the control over ADT and derecognised the related assets and liabilities from its consolidated statement of financial position. The retained interest in ADT was measured at fair value and accounted for as a joint venture amounting to AED 20,700 thousand *(Note 11)*, including goodwill of AED 17,850 thousand.

*ii) Investment in other joint ventures*

On 15 June 2018, AD Ports and LDPL Ship Management & Operation DMCEST ("LDPL") signed undertakings agreeing to form the below joint ventures which will be jointly managed and operated by AD Ports and LDPL:

1- K Shipping Investment Ltd ("K-Shipping")
2- ALM Shipping Management Ltd ("ALM Shipping")
3- Compagnie Des Chargeurs De Guinee SA ("CCG")
4- Compagnie Maritime De Guinee SA ("CMG")

The main objective of these entities is to construct, own and operate a number of vessels to manage the transhipments of certain materials from the port of Guinea to the mother vessels in the ocean for onward shipment to the UAE.

*iii) Investment in ZonesCorp Infrastructure fund*

The Group has a 50% equity interest in ZonesCorp Infrastructure fund ("ZIF") formed. ZIF comprises 100% equity interests in four subsidiaries, 'the Project Companies', refer to note 21. ZIF is a closed investment fund domiciled in the United Arab Emirates ("UAE") and is governed under the authority of the Central Bank Board of Directors' Resolution No. 164/8/94.

The Project Companies have signed agreements with the Group to construct the Industrial City of Abu Dhabi Extension Phases 1 and 2 in Abu Dhabi, the Al Ain Industrial City, and the Industrial City of Abu Dhabi Industrial Effluent Treatment Plant.

## 11 Investment in a joint venture *(continued)*

Details of the Group's joint ventures at the end of the reporting period are as follows:

| **Joint ventures** | **Percentage of ownership** | | **Place of registration** |
|---|---|---|---|
| | **2020** | 2019 | |
| Abu Dhabi Terminals LLC (ADT) | 51% | 51% | UAE |
| K-Shipping Investment Ltd | 50% | 50% | UAE |
| ALM Shipping Management Ltd | 50% | 50% | UAE |
| Compagnie Des Chargeurs De Guinee SA | 50% | 50% | Guinea |
| Compagnie Maritime De Guinee SA | 50% | 50% | Guinea |
| ZonesCorp Infrastructure Fund (ZIF) | 50% | 50% * | UAE |

Despite the Group has a 51% ownership in ADT, the Group concluded based on control considerations that they have equal voting rights with the other investor and same representation in the investee's board of directors that the Group has a joint control over the investee.

Movement in the investment in joint ventures during the year is as follows:

| | **2020 AED'000** | 2019 AED'000 *Restated** |
|---|---|---|
| Balance at 1 January 2019 *(as previously reported)* | **309,048** | 18,055 |
| Transfer from ZonesCorp *(note 12)* | **-** | 321,614 |
| Balance at 1 January 2019 *(Restated*)* | **309,048** | 339,669 |
| Share of profit for the year | **51,017** | 42,190 |
| Share of other comprehensive income for the year | **(30,394)** | (27,161) |
| Dividend received | **(45,600)** | (45,650) |
| **Balance at 31 December** | **284,071** | 309,048 |

Summary of the statements of financial position of the joint ventures is set out below:

| | **ADT** | | **Other Joint Ventures** | | **ZIF** | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 *Restated** |
| | **AED'000** | AED'000 | **AED'000** | AED'000 | **AED'000** | AED'000 |
| Current assets | **301,053** | 237,261 | **512,511** | 86,169 | **356,563** | 360,609 |
| Non-current assets | **1,895,272** | 1,115,178 | **189,015** | 426,951 | **2,164,316** | 2,177,440 |
| Current liabilities | **(313,468)** | (218,119) | **(251,648)** | (258,291) | **(78,098)** | (75,581) |
| Non-current liabilities | **(2,047,079)** | (1,299,806) | **(438,145)** | (273,891) | **(1,705,225)** | (1,702,752) |
| (Net liabilities) / net Assets | **(164,222)** | (165,486) | **11,733** | (19,062) | **737,556** | 759,716 |
| Group share of net Assets | **-** | 2,851 | **205** | **-** | **368,778** | 379,858 |
| Goodwill | **17,850** | 17,850 | - | **-** | - | **-** |
| Other equity movements | **(15,535)** | - | **5,662** | **-** | **(92,889)** | **(91,511)** |
| Group's carrying amount in the joint ventures | **2,315** | 20,701 | **5,867** | - | **275,889** | 288,347 |

* For restatement, refer to note 12.

## 11 Investment in a joint venture *(continued)*

The above amounts of assets and liabilities include the following:

| | ADT | | Other Joint Ventures | | ZIF | |
|---|---|---|---|---|---|---|
| | **2020 AED'000** | 2019 AED'000 | **2020 AED'000** | 2019 AED'000 | **2020 AED'000** | 2019 AED'000 *Restated* |
| Cash and bank balances | **91,936** | 65,415 | - | 24,574 | 91,721 | 101,766 |
| Financial liabilities (excluding trade payables and provisions) | **(2,028,216)** | (472,114) | (435,420) | - | (1,763,402) | (1,755,322) |

Summarised statement of profit or loss and other comprehensive income is as follows:

| | ADT | | Other Joint Ventures | | ZIF | |
|---|---|---|---|---|---|---|
| | **2020 AED'000** | 2019 AED'000 | **2020 AED'000** | 2019 AED'000 | **2020 AED'000** | 2019 AED'000 *Restated* |
| Revenue | **348,978** | 368,237 | **224,559** | 95,796 | **250,619** | 250,722 |
| Direct costs | **(201,121)** | (147,722) | **(175,866)** | (98,301) | - | - |
| Administrative expenses | **(96,539)** | (151,562) | **(7,924)** | (12,597) | **(13,371)** | (12,667) |
| Finance costs | **(72,641)** | (62,377) | **(12,142)** | (2,563) | **(138,906)** | (168,041) |
| Other income | **3,798** | 1,245 | - | 254 | **416** | 127 |
| **(Loss) / profit for the year** | **(17,525)** | 7,821 | **28,627** | (17,411) | **98,758** | 70,141 |
| Group's share of (loss) / profit | **(2,851)** | 2,757 | **5,867** | (205) | **49,379** | 39,638 |
| Other adjustments | **-** | - | - | - | **(1,378)** | - |
| ***Other comprehensive income*** | | | | | | |
| Share of other comprehensive (loss) / income for the year | **(15,535)** | 94 | - | - | **(14,859)** | (27,254) |
| **Total comprehensive (loss) / income for the year** | **(18,386)** | 2,851 | **5,867** | (205) | **33,142** | 12,384 |

## 12 Restatement and transfer of ZonesCorp

On 1 June 2020 the President His Highness Sheikh Khalifa bin Zayed Al Nahyan issued Law No. (16) for 2020. As per the law, The Higher Corporation for Specialized Economic Zones in the Emirate of Abu Dhabi ("ZonesCorp") was dissolved and all its assets, rights and obligations were transferred to Abu Dhabi Ports from its immediate parent company, Abu Dhabi Development Holding Company PJSC ("ADQ").

ZonesCorp was primarily involved in the leasing of residential buildings and industrial plots in the Industrial City of Abu Dhabi and Al Ain Industrial City and provision of foreign labour services. ZonesCorp commenced its commercial activities effective from 1 October 2004.

Pursuant to applicable law, the Group will establish, own, plan, manage and operate economic zones, as well as develop its infrastructure, and provide services required by facilities or companies to practice their activities in the economic zones, in cooperation with relevant authorities. It must also provide economic zones with technical, administrative, logistic and technological support.

In accordance with the policy, The Group has accounted for the acquisition of ZonesCorp at book value, electing for retrospective acquisition accounting, which resulted in the restatement of the balances for the year ended 31 December 2019, as presented below. During the year, an adjustment has been made to the Merger reserve to reflect any difference between the consideration paid for the acquisition of ZonesCorp and its net capital. The consideration adjustment has been reflected in the period in which the transaction occurred, year ended 31 December 2020. The impact of the transfer of ZonsCorp on the Group's consolidated statement of financial position as at 1 January 2019 and 31 December 2019 and consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 is as follows:

*Consolidated statement of financial position as at 1 January 2019:*

| | *Note* | **1 Jan 2019 (As previously reported) AED'000** | **Reclassified balances** AED'000** | **1 Jan,2019 Transfer from ZonesCorp AED'000** | **1 Jan 2019 AED'000** *Restated* |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant & equipment | *8* | 11,156,833 | - | 80,651 | 11,237,484 |
| Trade and other receivables | | - | 858,239 | - | 858,239 |
| Right-of-use asset | | 457,154 | - | - | 457,154 |
| Intangible assets and goodwill | | 226,104 | - | - | 226,104 |
| Investment properties | *10* | 393,144 | - | 3,167,093 | 3,560,237 |
| Investment in joint ventures | *11* | 18,055 | - | 321,614 | 339,669 |
| Non-current assets | | 12,251,290 | 858,239 | 3,569,358 | 16,678,887 |
| Finance lease receivables | | - | - | 4,171 | 4171 |
| Trade and other receivables | | 1,525,655 | (858,239) | 806,065 | 1,473,481 |
| Due from related parties | *16* | - | - | 5,437 | 5,437 |
| Prepayments and advances | | 112,243 | - | - | 112,243 |
| Inventories | | 10,416 | - | - | 10,416 |
| Other finance receivables | | - | - | 1,260 | 1,260 |
| Cash and bank balances | | 95,294 | - | 520,761 | 616,055 |
| **Total assets** | | **13,994,898** | **-** | **4,907,052** | **18,901,950** |
| **Liabilities** | | | | | |
| Provision for employees' end of service benefits | *19* | (57,611) | - | (14,181) | (71,792) |
| Due to related parties | | - | - | (300,474) | (300,474) |
| Deferred government grant | *7* | (5,671,568) | - | (223,838) | (5,895,406) |
| Lease liabilities | | (516,546) | - | (41,011) | (557,557) |
| Payable to project companies | | - | - | (2,439,365) | (2,439,365) |
| Borrowings | | (958,656) | - | - | (958,656) |
| Trade and other payables | | (1,179,772) | - | (445,037) | (1,624,809) |
| **Total liabilities** | | **(8,384,153)** | **-** | **(3,463,906)** | **(11,848,059)** |
| **Net assets acquired as at 1 January 2019** | | **5,610,745** | **-** | **1,443,146** | **7,053,891** |

## 12 Restatement and transfer of ZonesCorp *(continued)*

*Consolidated statement of financial position as at 31 December 2019:*

| | *Note* | 31 Dec 2019 (As previously reported) AED'000 | Reclassified balances** AED'000 | 31 Dec 2019 Transfer from ZonesCorp AED'000 | 31 Dec 2019 AED'000 *Restated* |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant & equipment | *8* | 12,956,896 | - | 62,438 | 13,019,334 |
| Trade and other receivables | | - | 1,022,704 | - | 1,022,704 |
| Right-of-use asset | *6* | 444,245 | - | 257,296 | 701,541 |
| Intangible assets and goodwill | *9* | 245,424 | - | - | 245,424 |
| Investment properties | *10* | 422,509 | - | 3,352,580 | 3,775,089 |
| Investment in joint ventures | *11* | 20,701 | - | 288,347 | 309,048 |
| Total non-current assets | | 14,089,775 | 1,022,704 | 3,960,661 | 19,073,140 |
| Inventories | | 11,809 | - | - | 11,809 |
| Trade and other receivables | | 1,977,171 | (1,022,704) | 527,284 | 1,481,751 |
| Prepayments and advances | *14* | 89,039 | - | - | 89,039 |
| Cash and bank balances | *16* | 97,215 | - | 991,563 | 1,088,778 |
| Total current assets | | 2,175,234 | (1,022,704) | 1,518,847 | 2,671,377 |
| **Total assets** | | **16,265,009** | **-** | **5,479,508** | **21,744,517** |
| **Liabilities** | | | | | |
| Provision for employees' end of service benefits | *19* | (69,215) | - | (15,367) | (84,582) |
| Deferred government grant | *7* | (5,565,814) | - | (498,478) | (6,064,292) |
| Lease liabilities | *6* | (542,857) | - | (278,127) | (820,984) |
| Payable to project companies | | - | - | (2,433,395) | (2,433,395) |
| Bank overdrafts | *16* | (22,120) | - | - | (22,120) |
| Borrowings | *20* | (1,719,986) | - | - | (1,719,986) |
| Trade and other payables | *22* | (2,207,763) | - | (865,313) | (3,073,076) |
| **Total liabilities** | | **(10,127,755)** | **-** | **(4,090,680)** | **(14,218,435)** |
| Net assets acquired as at 31 December 2019 | | **6,137,254** | **-** | **1,388,828** | **7,526,082** |

** The Group had in prior years classified all unbilled lease receivable balances within current assets in the consolidated statement of financial position on the basis that they had not been billed to customers. During 2020 the Group recognised that this classification should reflect their expected billing and due dates and, therefore, also reclassified them in the comparative consolidated statement of financial position.

## 12 Restatement and transfer of ZonesCorp *(continued)*

*Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019*

| | Note | 31 Dec 2019 As previously reported AED'000 | Total 31 Dec 2019 Transfer from ZonesCorp AED'000 | Total 31 Dec 2019 AED'000 *Restated* |
|---|---|---|---|---|
| Revenue | *23* | 1,891,478 | 876,148 | 2,767,626 |
| Government grants | *7* | 105,754 | - | 105,754 |
| Direct costs | *24* | (910,146) | (364,030) | (1,274,176) |
| Gross profit | | 1,087,086 | 512,118 | 1,599,204 |
| Share of profit from joint ventures | *11* | 2,552 | 39,638 | 42,190 |
| General and administrative expenses | *25* | (431,989) | (201,203) | (633,192) |
| Impairment of trade receivables | *13* | (54,524) | (129,093) | (183,617) |
| Selling and marketing expenses | | (34,684) | - | (34,684) |
| Finance income | | 1,065 | 12,300 | 13,365 |
| Finance costs | *26* | (45,768) | (263,179) | (308,947) |
| Other income | *27* | 2,677 | 2,356 | 5,033 |
| Profit for the year | | 526,415 | (27,063) | 499,352 |
| **Other comprehensive income for the year** | | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | | |
| Changes in fair values of cash flow hedge | | 94 | (27,255) | (27,161) |
| **Total comprehensive income for the year** | | 526,509 | (54,318) | 472,191 |

## 12 Owner's contribution – Transfer of ZonesCorp (*continued)*

*Consolidated statement of cashflows for the year ended 31 December 2019:*

| | 31 Dec 2019 As previously reported AED'000 | Total 31 Dec 2019 Transfer from ZonesCorp AED'000 | Total 31 Dec 2019 AED'000 *Restated* |
|---|---|---|---|
| Operating activities | **1,062,018** | **706,930** | 1,768,948 |
| Investing activities | **(1,804,511)** | **(220,007)** | (2,024,518) |
| Financing activities | **722,364** | **(16,121)** | 706,243 |

## 13 Trade and other receivables

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Trade receivables | **1,587,783** | 912,186 |
| Unbilled lease receivables | **1,563,602** | 1,198,804 |
| Due from related parties *(note 28)* | **711,186** | 692,604 |
| Staff receivables | **66,766** | 66,843 |
| Accrued income | **244,064** | 57,323 |
| Other receivables | **96,047** | 289,276 |
| | **4,269,448** | 3,217,036 |
| *Less: allowance for impairment* | **(796,527)** | (712,581) |
| | **3,472,921** | 2,504,455 |

Movements in the allowance for impairment of trade receivables were as follows:

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Balance at 1 January *(as previously reported)* | **712,581** | 286,791 |
| Transfer from ZonesCorp | **-** | 308,457 |
| Balance at 1 January *(Restated*)* | **712,581** | 595,248 |
| Provided during the year | **92,394** | 183,617 |
| Written-off during the year | **(8,448)** | (66,284) |
| **Balance at 31 December** | **796,527** | 712,581 |

* For restatement, refer to note 12.

## 13 Trade and other receivables *(continued)*

**Trade receivables included in the consolidated statement of financial position at 31 December:**

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| | | *Restated** |
| Current | **2,140,341** | 1,481,751 |
| Non-current | **1,332,580** | 1,022,704 |
| | **3,472,921** | 2,504,455 |

* For restatement, refer to note 12

## 13 Trade and other receivables *(continued)*

As at 31 December, the ageing of gross trade and other receivables is as follows:

| | Total AED '000 | Current AED '000 | 0 - 30 days AED '000 | 30 - 60 days AED '000 | 61 – 90 days AED '000 | 91 – 180 days AED '000 | 181- 365 days AED '000 | >365 days AED '000 |
|---|---|---|---|---|---|---|---|---|
| ***31 December 2020*** | | | | | | | | |
| Trade receivables | 1,587,783 | 336,858 | 88,399 | 77,675 | 79,213 | 120,844 | 159,037 | 725,757 |
| Due from related parties | 711,186 | 103,719 | 231,558 | 12,428 | 85,580 | 1,044 | 276,857 | - |
| Staff receivables | 66,766 | 66,766 | - | - | - | - | - | - |
| Other receivables | 96,047 | 96,047 | - | - | - | - | - | - |
| | **2,461,782** | **603,390** | **319,957** | **90,103** | **164,793** | **121,888** | **435,894** | **725,757** |
| *31 December 2019 (Restated*)* | | | | | | | | |
| Trade receivables | 912,186 | 139,851 | 88,983 | 43,714 | 63,116 | 41,416 | 30,267 | 504,839 |
| Due from related parties | 692,604 | 346,972 | 107,842 | 7,458 | 2,111 | 35,616 | 192,605 | - |
| Staff receivables | 66,843 | 66,843 | - | - | - | - | - | - |
| Other receivables | 289,276 | 289,276 | - | - | - | - | - | - |
| | 1,960,909 | 842,942 | 196,825 | 51,172 | 65,227 | 77,032 | 222,872 | 504,839 |

*For restatement, refer to note 12.

## 14 Prepayments and advances

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Advance payments to contractors | **311,107** | 68,765 |
| Prepaid expenses | **25,624** | 20,274 |
| | **336,731** | 89,039 |

## 15 Inventories

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Spare parts | **11,809** | 17,717 |
| Purchase | **11,316** | - |
| *Less: provision for obsolete and slow moving inventories* | **(6,705)** | (5,908) |
| | **16,420** | 11,809 |

Movements in the provision for obsolete and slow moving inventories are as follows:

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Balance at 1 January | **5,908** | 4,916 |
| Provided during the year *(note 25)* | **797** | 992 |
| **Balance at 31 December** | **6,705** | 5,908 |

## 16 Cash and bank balances

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Cash on hand | **7,985** | 2,119 |
| Fixed deposits and current accounts with banks | **263,426** | 1,086,659 |
| | **271,411** | 1,088,778 |
| *Less: deposits with original maturities greater than 3 months* | **(9,733)** | (9,713) |
| Cash and cash equivalents | **261,678** | 1,079,065 |
| *Less:* Bank overdrafts | - | (22,120) |
| **Cash and cash equivalents in the consolidated statement of cash flows** | **261,678** | 1,056,945 |

Fixed deposits with banks carried an average interest rate of 0.60% per annum *(2019: 2.25% per annum)*.

*For restatement, refer to note 12.

## 17 Share capital

| | 2020 | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| ***Authorised, issued and fully paid*** | | |
| As at 1 January | **3,840,000** | 3,840,000 |
| | ----------- | ----------- |
| 384,000,000 *(2019: 384,000,000)* Ordinary shares of AED 10 each | **3,840,000** | 3,840,000 |
| | ======= | ======= |

On 13 December 2011 the Executive Council of Abu Dhabi issued a resolution instructing the Department of Finance to increase the Company's authorised share capital from AED 500 million to AED 5 billion. During 2014 the Company received the approval from the Ministry of Economy to increase its authorised share capital to AED 5 billion.

During 2011 the Department of Finance injected AED 2,000,000 thousand as additional capital contribution. During 2013 the Department of Finance injected AED 1,340,000 thousand as an additional capital contribution.

The legal formalities to convert the additional paid in capital of AED 3,340,000 thousand to share capital were completed on 16 February 2015.

On 15 July 2015 the Executive Council of Abu Dhabi issued a resolution to reduce the Company's authorised share capital from AED 5 billion to AED 3,840,000 thousand. Legal formalities were completed on 2 October 2018.

The Group has not purchased any shares during the year ended 31 December 2020 *(2019: AED nil)*.

## 18 Statutory reserve

In accordance with its Articles of Association and the UAE Federal Law No (2) of 2015, 10% of the net profit attributable to the owners of the Company to be transferred to a statutory reserve that is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid-up share capital of the Company.

## 19 Provision for employees' end of service benefits

The movement in the provision for employees' end of service benefits is as follows:

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| | | *Restated** |
| Balance at 1 January 2019 *(as previously reported)* | **84,582** | 57,611 |
| Transfer from ZonesCorp *(note 12)* | **-** | 14,181 |
| Balance at 1 January 2019 *(Restated*)* | **84,582** | 71,792 |
| Charged during the year | **28,497** | 15,518 |
| Acquisition of MICCO | **-** | 5,575 |
| Paid during the year | **(15,756)** | (8,303) |
| **Balance at 31 December** | **97,323** | 84,582 |

## 20 Borrowings

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| Bank credit facilities *(a)* | **4,050,000** | 1,691,900 |
| Term loan *(b)* | **-** | 28,086 |
| | **4,050,000** | 1,719,986 |
| Non-current | **-** | 1,691,900 |

The Group has a credit facility of AED 3,300 million from a related party Bank *(note 28)*. The facility carries interest at a variable rate of EIBOR+0.8%. As at 31 December 2020, the Group has fully utilised this facility amounted (*2019: AED 1,691 million*).

Further, the Group has also obtained an additional credit facility of AED 1,000 million which carries interest at a variable rate of EIBOR+1.15%. Company has utilised AED 750 million during the year. Both of these facilities are repayable in 2021. The Bank credit facilities is repayable as follows:

| *Current:* | ***AED'000*** |
|---|---|
| *01 July 2021:* | **3,300,000** |
| *06 Dec 2021:* | **750,000** |
| | **4,050,000** |

During the year, the term loan of 2019 amounting to AED 28 million was paid-off.

*For restatement, refer to note 12.

## 21 Payables to project companies

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Industrial City of Abu Dhabi (ICAD III) | **1,110,884** | 1,123,108 |
| Industrial City of Abu Dhabi (ICAD II) | **745,145** | 738,181 |
| Al Ain Industrial City (AAIC) | **319,066** | 313,177 |
| Industrial Effluent Treatment Plant | **253,952** | 258,929 |
| | **2,429,047** | 2,433,395 |

Movement of payables to project companies is as follows:

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| At 1 January *(as previously reported)* | **2,433,395** | - |
| Transfer from ZonesCorp *(note 12)* | **-** | 2,439,365 |
| At 1 January *(Restated*)* | **2,433,395** | 2,439,365 |
| Interest charge | **261,132** | 250,878 |
| Payments made during the year | **(265,480)** | (256,848) |
| At 31 December | **2,429,047** | 2,433,395 |

Amounts payable to project companies represent amounts payable towards costs of construction of Industrial City of Abu Dhabi Extension Phase I ('ICAD II'), Industrial City of Abu Dhabi Extension Phase II ('ICAD III'), Al Ain Industrial City ('AAIC') and Industrial Effluent Treatment Plant ('IETP') in accordance with agreements with ICAD II Limited LLC, ICAD III Limited LLC, AAIC Project LLC and ICAD Industrial Waste Treatment Services LLC, respectively (the "Project Companies"). The agreements oblige the project companies to:

- Design, develop and build ICAD II, ICAD III, AAIC and IETP;
- Operate and maintain IETP; and
- Finance the projects by obtaining bank borrowings or other funds.

In accordance with the restated agreements for ICAD II and ICAD III, and a variation order for AAIC, ZonesCorp has released the Project Companies from the obligation to operate and maintain the industrial cities.

Finance cost of AED 261,132 thousand *(2019: AED 250,878 thousand)* reflects the effective interest of 9.01% to 12.38% on the amounts payable to Project Companies. The project Companies have obtained borrowings from a bank to fund the construction of the above projects.

*For restatement, refer to note 12.

## 21 Payables to the project companies *(continued)*

As per terms of the agreements, the Group shall make payments to the Project Companies for each contract month, which shall continue to occur during the tenure of the agreements as follows:

| | Commencement date | Maturity date |
|---|---|---|
| Industrial City of Abu Dhabi (ICAD II) | 26 October 2007 | 25 October 2037 |
| Al Ain Industrial City | 14 February 2008 | 13 February 2038 |
| Industrial City of Abu Dhabi (ICAD III) | 26 October 2009 | 25 October 2039 |
| Industrial Effluent Treatment Plant | 26 February 2009 | 25 February 2039 |

Payables to the Project Companies are measured under the amortised cost method, where the fair value approximates its present value.

## 22 Trade and other payables

| | **2020**<br>**AED'000** | 2019<br>AED'000<br>*Restated** |
|---|---|---|
| Contractors and suppliers payables | **155,117** | 116,643 |
| Accrued expenses and construction related costs | **1,288,030** | 1,012,823 |
| Due to related parties *(note 28)* | **462,555** | 504,835 |
| Retentions payable | **129,052** | 63,222 |
| Customer advances | **476,687** | 315,751 |
| Customers deposits | **71,344** | 63,012 |
| Advances against projects | **733,338** | 609,618 |
| Other payables | **138,800** | 387,172 |
| | **3,454,923** | 3,073,076 |

The average credit period is 60 days. The Group has financial risk management policies in place to ensure that payables are paid within credit time frame.

## 23 Revenue

| | **2020**<br>**AED'000** | 2019<br>AED'000<br>*Restated** |
|---|---|---|
| Revenue from ports operations [a] | **412,233** | 361,342 |
| Industrial Zone leasing[b] | **1,299,236** | 926,257 |
| Other Industrial Zone services[c] | **247,874** | 300,097 |
| Marine services[d] | **366,600** | 356,814 |
| Logistics operations[e] | **550,303** | 381,566 |
| Port concessions and leasing[f] | **513,919** | 426,545 |
| Digital services[f] | **33,732** | 15,005 |
| | **3,423,897** | 2,767,626 |

*For restatement, refer to note 12.

## 23 Revenue *(continued)*

a) Revenue from port operations represent revenue from general cargo, cruise and other operations within the different ports owned by the Group.

b) Industrial Zone leasing represents revenue earned from land leasing, warehousing and other built assets within KIZAD and ZonesCorp.

c) Other Industrial Zone services represents revenue earned from supply of gas to Industrial Zone customers, providing foreign labour services and other miscellaneous services.

d) Marine services represent revenue from maritime services provided at various ports services offered to external customers.

e) Logistics Operations represent revenue earned from various logistics operations including freight forwarding, trucking, transportation and warehousing.

f) Port Concessions and leasing represents revenue from concessions granted for the container terminals at Khalifa Port, port infrastructure lease revenue and leasing revenue from land lease within the Port areas.

g) Digital services represent revenue from digital and technology support to external customers

***a) Disaggregation of revenue from contracts with customers:***

In the following table, revenue from contracts with customers is disaggregated by primary major products and service lines and timing of revenue recognition.

| | Products transferred at a point in time | |
|---|---|---|
| | **2020** | 2019 |
| | **AED'000** | AED'000 |
| Revenue from ports operations (a) | **412,233** | 361,342 |
| Other Industrial Zone services(c) | **60,962** | 87,161 |
| Marine services(d) | **366,600** | 356,814 |
| Logistics operations(e) | **550,303** | 381,566 |
| Digital services(g) | **33,732** | 15,005 |
| | **1,423,830** | 1,201,888 |

***b) Disaggregation of revenue from rental income:***

| | Products / services transferred over-time | |
|---|---|---|
| | **2020** | 2019 |
| | **AED'000** | AED'000 |
| Industrial Zone leasing(b) | **1,299,236** | 926,257 |
| Other Industrial Zone services(c) | **186,912** | 212,936 |
| Port concessions and leasing(f) | **513,919** | 426,545 |
| | **2,000,067** | 1,565,738 |

*For restatement, refer to note 12.

## 24 Direct costs

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Staff costs | **329,418** | 304,541 |
| Direct expenses | **759,323** | 472,404 |
| Depreciation of property, plant and equipment and Investment property *(note 8)* | **365,352** | 337,545 |
| Amortization of right-of-use assets | **33,322** | 33,097 |
| Amortisation of intangible assets | **10,691** | 10,690 |
| Repair and maintenance | **88,416** | 71,481 |
| Other terminal operation cost | **107,746** | - |
| Other expenses | **55,616** | 44,418 |
| | **1,749,884** | 1,274,176 |

## 25 General and administrative expenses

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Staff costs | **364,729** | 415,346 |
| Professional fees | **31,079** | 41,175 |
| Depreciation of property, plant and equipment and Investment property *(note 8)* | **66,365** | 55,677 |
| Outsourcing and external manpower cost | **56,166** | 52,265 |
| Provision for slow moving inventories *(note 15)* | **797** | 992 |
| Other expenses | **45,231** | 67,737 |
| | **564,367** | 633,192 |

The Group has made pension contributions amounting to AED 37 million *(2019: AED 35 million - Restated)* in respect of UAE national employees to the Abu Dhabi Retirement Pensions and Benefits Fund. in accordance with Law No. (2), 2000 of the Emirate of Abu Dhabi. The Group made social contributions amounting to AED 2 million during the year ended 31 December 2020 *(2019: AED 2 million - Restated)*.

Staff costs has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Direct costs | **329,419** | 304,541 |
| General and administrative expenses | **364,729** | 415,346 |
| | **694,148** | 719,887 |

*For restatement, refer to note 12.

## 26 Finance cost

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| Unitary interest cost ZonesCorp infrastructure fund *(note 21)* | **261,132** | 250,878 |
| Finance cost of lease accounting *(note 6)* | **39,712** | 38,611 |
| Other bank borrowing cost | **25,942** | 19,458 |
| | **326,786** | 308,947 |

## 27 Other income

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| (Loss) / gain on disposal of property, plant and equipment | **(497)** | 2,664 |
| (Loss) on disposal of inventory | **(628)** | - |
| Other income | **33,462** | 2,369 |
| | **32,337** | 5,033 |

## 28 Related party transactions

Related parties represent shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Balances with related parties included in the consolidated statement of financial position are as follows:

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| ***Trade and other receivables (note 13)*** | | |
| Abu Dhabi Terminals Company LLC | **114,153** | 274,178 |
| K-Shipping Investment Ltd | **88,401** | 89,139 |
| ALM Shipping Management Ltd | **55,432** | - |
| Compagnie Des Chargeurs De Guinee SA | **459** | - |
| Compagnie Maritime De Guinee SA | **407** | - |
| Department of Finance – Abu Dhabi | **87,578** | 15,634 |
| Other entities controlled by the Government of Abu Dhabi | **298,083** | 313,653 |
| Silal Food and Technology LLC | **66,673** | - |
| | **711,186** | 692,604 |
| *Less: allowance for impairment* | **(73,744)** | (77,808) |
| | **637,442** | 614,796 |

*for restatement, refer to note 12.

## 28 Related party transactions *(continued)*

Balances with related parties included in the consolidated statement of financial position are as follows:

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| ***Accrued income*** | | |
| Abu Dhabi Development Holding ("ADQ") | **101,096** | - |
| Abu Dhabi Terminals Company LLC | **20,365** | 31,418 |
| Other entities controlled by the Group | **7,579** | - |
| ***Trade and other payables (note 22)*** | | |
| Abu Dhabi Terminals Company LLC | **205,897** | 108,895 |
| Department of Finance – Abu Dhabi | **113,046** | 384,806 |
| Other entities controlled by the Group | **143,612** | 11,134 |
| | **462,555** | 504,835 |

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| ***Advances against projects (note 22)*** | | |
| Department of Finance | **1,476** | 1,476 |
| Department of Municipalities and Transport | **232,362** | 133,662 |
| Ministry of Presidential Affairs | **499,500** | 474,480 |
| | **733,338** | 609,618 |
| ***Payable from the Project Companies (note 21)*** | | |
| ZonesCorp Infrastructure fund | **2,429,047** | 2,433,395 |
| ***Short term loan to a related party*** | | |
| Abu Dhabi Developmental Holding (ADQ) | **700,000** | - |
| | **700,000** | - |

| | 2020 AED'000 | 2019 AED'000 *Restated** |
|---|---|---|
| ***Borrowings (note 20)*** | | |
| Loans from banks controlled by the Government of Abu Dhabi | **4,050,000** | 1,719,986 |
| ***Included within cash and bank balances*** | | |
| Current accounts with banks controlled by the Government of Abu Dhabi | **28,935** | 19,418 |

*For restatement, refer to note 12.

## 28 Related party transactions *(continued)*

Transactions with related parties during the year are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| | | *Restated** |
| Digital Services | **4,300** | - |
| Industrial Zone leasing | **259,640** | 106,646 |
| Logistics Operations | **470,923** | 621,611 |
| Marine services | **132,419** | - |
| Other Industrial Zone services | **18,950** | 18,958 |
| Port Concessions and leasing | **311,956** | 137,858 |
| Revenue from ports operations | **126,631** | 126,520 |
| Dividend income from ZonesCorp Infrastructure Fund | **45,600** | 45,650 |
| Finance cost on amounts payable to project companies | **261,132** | 250,878 |
| Finance income | **10** | 14 |
| Finance costs incurred on borrowings obtained from banks controlled by the Government of Abu Dhabi | **41,946** | 39,108 |

*Key management compensation*

| | | |
|---|---|---|
| Short term benefits | **36,939** | 32,703 |
| Long term benefits | **2,379** | 9,024 |
| | **39,318** | 41,727 |

## 29 Contingency and commitments

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| | | *Restated** |
| Bank guarantees | **33,000** | 8,705 |

Estimated capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 1,371,088 thousand *(2019: AED 1,010,936 thousand)*.

*For restatement, refer to note 12.

## 30 Financial risk management

The Group has exposure to the following risks from financial instruments:

• *Credit risk*
• *Liquidity risk*
• *Market risk*

**Credit risk**
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Group has exposure to the following financial assets:

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| | | *Restated** |
| Cash at banks *(note 16)* | **263,426** | 1,086,659 |
| Trade and other receivables | **1,022,278** | 375,705 |
| Short term loan to related party | **700,000** | - |
| Due from related parties | **711,186** | 692,604 |
| Other receivables | **406,877** | 413,442 |
| | **3,103,767** | 2,568,410 |

Balances with banks are assessed to have low credit risk of default since these banks the Group deals with are of a sound financial position.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business

activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

The Group does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative purposes.

**Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The Government and bank borrowings are the major source of funding for the Group and liquidity risk for the Group is assessed to be low.

*for restatement, refer to note 12.

## 30 Financial risk management *(continued)*

**Liquidity risk** *(continued)*

The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the financial liabilities at the end of the reporting period based on contractual repayment arrangements was as follows:

| | **Carrying Amount AED'000** | **Total AED'000** | **1 to 6 Months AED'000** | **6 to 12 Months AED'000** | **1 to 5 Years AED'000** | **After 5 years AED'000** |
|---|---|---|---|---|---|---|
| **31 December 2020** | | | | | | |
| **Non-interest bearing financial liabilities** | | | | | | |
| Trade and other payables | 3,454,923 | 3,454,923 | 155,117 | 3,170,754 | 129,052 | - |
| | **3,454,923** | 3,454,923 | **155,117** | **3,170,754** | **129,052** | **-** |
| **Interest bearing financial Liabilities** | | | | | | |
| Payable to the project companies | 2,429,047 | 4,090,166 | 106,884 | 106,884 | 1,217,010 | 2,659,387 |
| Borrowings and bank overdrafts | 4,050,000 | 4,050,000 | - | 4,050,000 | - | - |
| Lease liabilities | 830,449 | 1,507,294 | 46,001 | 10,355 | 326,072 | 1,124,866 |
| | **7,309,496** | **9,647,460** | **152,885** | **4,167,239** | **1,543,082** | **3,784,253** |
| | **10,764,419** | **13,102,383** | **308,002** | **7,337,993** | **1,672,134** | **3,784,253** |

## 30 Financial risk management *(continued)*

**Liquidity risk** *(continued)*

| | Carrying Amount AED'000 | Total AED'000 | 1 to 6 Months AED'000 | 6 to 12 Months AED'000 | 1 to 5 Years AED'000 | After 5 Years AED'000 |
|---|---|---|---|---|---|---|
| 31 December 2019 *(Restated*)* | | | | | | |
| Non-interest bearing financial liabilities | | | | | | |
| Trade and other payables | 3,073,076 | 3,073,076 | 116,643 | 2,893,211 | 63,222 | - |
| | 3,073,076 | 3,073,076 | 116,643 | 2,893,211 | 63,222 | - |
| Interest bearing financial Liabilities | | | | | | |
| Payable to the project companies | 2,433,395 | 4,355,646 | 130,566 | 130,566 | 1,194,584 | 2,899,930 |
| Borrowings and bank overdrafts | 1,742,106 | 1,742,106 | | 50,206 | 1,691,900 | - |
| Lease liabilities | 820,984 | 1,533,743 | 15,756 | 30,474 | 305,199 | 1,182,314 |
| | 4,996,485 | 7,631,495 | 146,322 | 211,246 | 3,191,683 | 4,082,244 |
| | 8,069,561 | 10,704,571 | 262,965 | 3,104,457 | 3,254,905 | 4,082,244 |

The Group expects to meet its contractual funding obligations through a combination of short-term borrowings, long term facilities and financing through the capital markets and considerable government support.

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2020. Equity attributable to owners of the Company comprised share capital, statutory reserve, retained earnings (excluding cash flow hedge reserve, assets distribution reserve, merger reserve and owner's contribution) is measured at AED 6,522,812 thousand as at 31 December 2020 *(2019: AED 6,128,380 thousand)*.

*for restatement, refer to note 12.

## 30 Financial risk management (continued)

**Liquidity risk** *(continued)*

**Capital management** *(continued)*

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| | | *Restated** |
| Total debt | **6,479,047** | 4,175,501 |
| *Less:* cash and bank balances | **(271,411)** | (1,088,778) |
| Net debt | **6,207,636** | *3,086,723* |
| Total equity attributable to the owners of the Company (excluding cash flow hedge reserve, assets distribution reserve, merger reserve and owner's contribution) | **6,522,812** | 6,128,380 |
| Net debt to adjusted equity ratio | **0.95** | 0.50 |

**Interest rate risk**

The Group is exposed to interest rate risk on its bank borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year (through the impact on floating rate bank borrowings). There is no effect on the Group's equity.

| | **Effect on profit AED'000** |
|---|---|
| **31 December 2020** | |
| +100 increase in basis point | (12,476) |
| -100 decrease in basis point | 12,476 |
| 31 December 2019 *(*Restated)* | |
| +100 increase in basis point | (19,890) |
| -100 decrease in basis point | 19,890 |

*For restatement, refer to note 12.

## 30 Financial risk management *(continued)*

### Foreign currency risk

The Group does not have significant exposure to currency risk as most of its assets are denominated in UAE Dirham or in US Dollars with UAE Dirham being pegged to the US Dollars.

### Fair value of financial instruments

The Group financial assets comprise cash and bank balances, trade receivables, amounts due from related parties and certain other current assets. The Group financial liabilities comprise borrowings, trade payables and certain other current liabilities. Management considers that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair value.

## 31 Guarantees

The Group's policy is to provide financial guarantees for subsidiaries' and joint ventures' liabilities. Group has following guarantees in effect as at the closing date;

The Group has issued guarantee in 2019 to Abu Dhabi Commercial Bank PJSc in respect of credit facility granted to its joint ventures ADT and , equal to 50% of the principal amount of the facility then outstanding, such aggregate amount shall not exceed AED 367,500 thousand, which is the maximum amount the Group is exposed to.

The Group has issued guarantee in 2019 to Societe Generale in respect of credit facility granted to its joint venture K Shipping Investments Ltd, equal to 50% of the principal amount of the facility then outstanding, such aggregate amount shall not exceed USD 38,447 thousand, which is the maximum amount the Group is exposed to.

## 32 Impact of Covid-19

The spread of the Covid-19 virus since early 2020 had a significant impact on humanity and businesses around the world during the course of 2020 with, amongst other things, restrictions to the movement of people and goods, with the extent varying from country to country. The pandemic and these restrictions have continued till the date of approval of these consolidated financial statements. The Group has responded to the impact of these restrictions on its business by continuously updating its strategic response, from a commercial and humanitarian perspective, so as to be able to continue to conduct its business and where needed, help the UAE government to address the impact of the pandemic on people and businesses. This has enabled the Group to limit the impact of these restrictions on its business during 2020 and to date. The Group continues to maintain a close watch on the impact of the pandemic on its business and is confident that its response will continue to limit that impact, however, there continues to some uncertainty around this till the pandemic is under control around the world.

Refer note 3.2 for Amendment to IFRS 16 regarding COVID -19 related concession and note 7 for the impact of COVID -19 on deferred government grant.

***Credit risk***

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of counterparties.

In the context of COVID-19 crisis, the Loss given Default, Probability of Default and Exposure at Default estimates have been updated as of 31 December 2020. This assessment has considered several aspects including the cash situation and credit rating of the counterparties.

***Liquidity risk management***

The Group continues to monitor and respond to all liquidity requirements that are presented, refer also to note 2.1 (a). The Group continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Group in the current extreme stress.

# Abu Dhabi Ports Company PJSC

Consolidated financial statements

**31 December 2019**

**Principal business address:**
P.O. Box: 54477
Abu Dhabi
United Arab Emirates

# Abu Dhabi Ports Company PJSC

## Consolidated financial statements

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# Abu Dhabi Ports Company PJSC

Directors' report
*for the year ended 31 December 2019*

The Directors have the pleasure of submitting their report, together with the audited consolidated financial statements of Abu Dhabi Ports Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2019.

**Results**
The Group has earned revenue of AED 1,891,478 thousand *(2018: AED 1,699,134 thousand)* and earned a net profit of AED 526,415 thousand for the year ended 31 December 2019 *(2018: AED 758,026 thousand)*.

**Accounts**
The Directors have reviewed and approved the consolidated financial statements of the Group for the year ended 31 December 2019.

**Directors**
The following directors served the Company for the year ended 31 December 2019:

| | |
|---|---|
| H.E Falah Al Ahbabi | Chairman |
| H.E General Pilot Faris Khalaf Khalfan Al Mazrouei | Director |
| Mr. Khalifa Mohamed Hamad Fares Al Mazrouei | Director |
| Mr. Abubakr Seddiq Al Khoori | Director |
| Eng. Mohamed Mubarak Ali Al Mazrouei | Director |

**Release**
The Directors release the external auditor and management from any liability in connection with their duties for the year ended 31 December 2019.

**On behalf of the Board**

Chairman
30 April 2020

KPMG

KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Abu Dhabi Corniche, UAE
Tel. +971 (2) 401 4800, Fax +971 (2) 632 7612

## Independent auditors' report

To the Shareholders of Abu Dhabi Ports Company PJSC

### Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Abu Dhabi Ports Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information.

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

*Basis for Opinion*

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

*Other matter*

Note 29 of the consolidated financial statements describes the risks and uncertainties that may impact the Group's business and its operations resulting from the CoVid-19 pandemic. The CoVid-19 pandemic is an unprecedented challenge for humanity and the global economy and, at the date of this report, the related future financial impact and duration cannot be reasonably estimated. We have evaluated the disclosure on uncertainties as described in the aforementioned note and we consider it to be adequate. However, an audit cannot predict the unknowable factors or all possible future implications for a business, and this is particularly the case in relation to CoVid 19.

### *Other information*

Management is responsible for the other information. The other information comprises the Directors' report set out on page 1.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

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

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

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## Report on other legal and regulatory requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 17 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2019;

vi) note 25 to the consolidated financial statements discloses material related party transactions and transactions with conflict of interest, and the terms under which they were conducted;

## Report on other legal and regulatory requirements *(continued)*

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, it's Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2019; and

viii) Note 23 reflects the social contributions made during the year.

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No.(1) of 2017 pertaining to Auditing the Financial statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Group has not complied, in all material aspects, with any of the provisions of the following laws, regulations and circulars applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2019:

- Law No. (1) of 2017 concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities;

- Law of establishment; and

- Relevant provisions of the applicable laws, resolutions and circulars organising the Company's operation.

KPMG Lower Gulf Limited

Saif Fayez Shawer
Registration No.: 1131
Abu Dhabi, United Arab Emirates
Date: 28 June 2020

# Consolidated statement of financial position
*as at 31 December*

| | Note | 2019 AED'000 | 2018 AED'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | *8* | **12,956,896** | 11,156,833 |
| Right-of-use assets | *6* | **444,245** | 457,154 |
| Intangible assets and goodwill | *9* | **245,424** | 226,104 |
| Investment properties | *10* | **422,509** | 393,144 |
| Investment in joint ventures | *11* | **20,701** | 18,055 |
| **Non-current assets** | | **14,089,775** | 12,251,290 |
| Trade and other receivables | *13* | **1,977,171** | 1,525,655 |
| Prepayments and advances | *14* | **89,039** | 112,243 |
| Inventories | *15* | **11,809** | 10,416 |
| Cash and bank balances | *16* | **97,215** | 95,294 |
| **Current assets** | | **2,175,234** | 1,743,608 |
| **Total assets** | | **16,265,009** | 13,994,898 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | *17* | **3,840,000** | 3,840,000 |
| Statutory reserve | *18* | **255,849** | 203,446 |
| Retained earnings | | **2,059,594** | 1,587,963 |
| Assets distribution reserve | | **(22,063)** | (22,063) |
| Cash flow hedge reserve | | **984** | 890 |
| **Equity attributable to owners of the Company** | | **6,134,364** | 5,610,236 |
| Non-controlling interests | | **2,890** | 509 |
| **Total equity** | | **6,137,254** | 5,610,745 |
| **Liabilities** | | | |
| Provision for employees' end of service benefits | *19* | **69,215** | 57,611 |
| Deferred government grant | *7* | **5,460,060** | 5,566,049 |
| Borrowings | *20* | **1,691,900** | 958,656 |
| Lease liabilities | 6 | **515,086** | 490,235 |
| **Non-current liabilities** | | **7,736,261** | 7,072,551 |

*Continued.....*

# Abu Dhabi Ports Company PJSC

## Consolidated statement of financial position *(continued)*
*as at 31 December*

| | *Note* | **2019 AED'000** | 2018 AED'000 |
|---|---|---|---|
| **Liabilities** *(continued)* | | | |
| Bank overdrafts | 16 | **22,120** | - |
| Trade and other payables | *21* | **2,207,763** | 1,179,772 |
| Lease liabilities | *6* | **27,771** | 26,311 |
| Deferred government grant | *7* | **105,754** | 105,519 |
| Borrowings | 20 | **28,086** | - |
| **Current liabilities** | | **2,391,494** | 1,311,602 |
| **Total liabilities** | | **10,127,755** | 8,384,153 |
| **Total equity and liabilities** | | **16,265,009** | 13,994,898 |

These consolidated financial statements were approved and authorised for issue by the Board of Directors on _____________ and were signed on their behalf by:

H.E. Falah Al Ahbabi
*Chairman*

Mohamed Al Shamisi
*Chief Executive Officer*

Martin Aarup
*Chief Financial Officer*

The notes set out on pages 12 to 52 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

## Consolidated statement of profit or loss and other comprehensive income
*for the year ended 31 December*

| | *Note* | **2019 AED'000** | 2018 AED'000 |
|---|---|---|---|
| Revenue | *22* | **1,891,478** | 1,699,134 |
| Government grants | *7* | **105,754** | 105,354 |
| Direct costs | *23* | **(910,146)** | (747,592) |
| **Gross profit** | | **1,087,086** | 1,056,896 |
| Share of profit / (loss) from joint ventures | *11* | **2,552** | (11,794) |
| Fair value gain on pre-existing interest in a joint venture | | - | 200,000 |
| General and administrative expenses | *24* | **(431,989)** | (355,751) |
| Impairment of trade receivables | *13* | **(54,524)** | (87,058) |
| Selling and marketing expenses | | **(34,684)** | (24,535) |
| Finance income | | **1,065** | 1,569 |
| Finance costs | | **(45,768)** | (29,840) |
| Other income | *25* | **2,677** | 8,539 |
| **Profit for the year** | | **526,415** | 758,026 |
| Attributable to the owners of the Company | | **524,034** | 757,591 |
| Non-controlling interests | | **2,381** | 435 |
| **Profit for the year** | | **526,415** | 758,026 |
| **Other comprehensive income for the year** | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | |
| Changes in fair values of cash flow hedge | *11* | **94** | 1,365 |
| **Total comprehensive income for the year** | | **526,509** | 759,391 |
| Attributable to the owners of the Company | | **524,128** | 758,956 |
| Non-controlling interests | | **2,381** | 435 |
| | | **526,509** | 759,391 |

The notes set out on pages 12 to 52 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

## Consolidated statement of changes in equity

*for the year ended 31 December*

| | Share capital AED'000 | Statutory reserve AED'000 | Retained earnings AED'000 | Assets distribution reserve AED'000 | Cash flow hedge reserve AED'000 | Equity attributable to owners of the Company AED'000 | Non controlling interests AED'000 | Total equity AED'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2018, as previously reported | 3,840,000 | 127,687 | 908,691 | - | (475) | 4,875,903 | - | 4,875,903 |
| Impact of early adoption of IFRS 16 | - | - | (2,560) | - | - | (2,560) | - | (2,560) |
| Adjusted balance at 1 January 2018 | 3,840,000 | 127,687 | 906,131 | - | (475) | 4,873,343 | - | 4,873,343 |
| Profit for the year | - | - | 757,591 | - | - | 757,591 | 435 | 758,026 |
| Other comprehensive income for the year | - | - | - | - | 1,365 | 1,365 | - | 1,365 |
| *Total comprehensive income for the year* | - | - | 757,591 | - | 1,365 | 758,956 | 435 | 759,391 |
| Non-controlling interest arising on a business combination | - | - | - | - | - | - | 74 | 74 |
| Transferred to statutory reserve | - | 75,759 | (75,759) | - | - | - | - | - |
| Assets transferred to GREs | - | - | - | (22,063) | - | (22,063) | - | (22,063) |
| Balance at 31 December 2018 | 3,840,000 | 203,446 | 1,587,963 | (22,063) | 890 | 5,610,236 | 509 | 5,610,745 |
| Balance at 1 January 2019 | 3,840,000 | 203,446 | 1,587,963 | (22,063) | 890 | 5,610,236 | 509 | 5,610,745 |
| Profit for the year | - | - | 524,034 | - | - | 524,034 | 2,381 | 526,415 |
| Other comprehensive income for the year | - | - | - | - | 94 | 94 | - | 94 |
| *Total comprehensive income for the year* | - | - | 524,034 | - | 94 | 524,128 | 2,381 | 526,509 |
| Transferred to statutory reserve | - | 52,403 | (52,403) | - | - | - | - | - |
| **Balance at 31 December 2019** | **3,840,000** | **255,849** | **2,059,594** | **(22,063)** | **984** | **6,134,364** | **2,890** | **6,137,254** |

The notes set out on pages 12 to 52 form an integral part of these consolidated financial statements.

# Consolidated statement of cash flows
*for the year ended 31 December*

| | Note | 2019 AED'000 | 2018 AED'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | **526,415** | 758,026 |
| *Adjustments for:* | | | |
| Depreciation on property, plant and equipment and investment properties | *8&10* | **312,569** | 275,253 |
| Amortisation of right-of-use assets | *6* | **12,909** | 12,909 |
| Amortisation of intangible assets | *9* | **10,690** | 6,790 |
| Share of (profit) / loss from a joint venture | *11* | **(2,552)** | 11,794 |
| Provision for impairment of trade receivables | *13* | **54,524** | 87,058 |
| Provision for slow moving inventories | *15* | **992** | 273 |
| Amortisation of government grant | *7* | **(105,754)** | (105,354) |
| Gain on disposal of property, plant and equipment | *25* | **(2,664)** | (8,346) |
| Provision for employees' end of service benefits | *19* | **13,722** | 12,583 |
| Finance income | | **(1,065)** | (1,569) |
| Fair value gain of pre-existing interest in a joint venture | | **-** | (200,000) |
| Finance costs | | **45,768** | 29,840 |
| | | **865,554** | 879,257 |
| *Changes in:* | | | |
| Trade and other receivables | | **(458,426)** | (536,385) |
| Prepayments and advances | | **33,752** | (76,508) |
| Inventories | | **(2,384)** | (801) |
| Trade and other payables | | **631,215** | (17,057) |
| **Cash from operating activities** | | **1,069,711** | 248,506 |
| Employees' end of service benefits paid | *19* | **(7,693)** | (4,106) |
| **Net cash generated from operating activities** | | **1,062,018** | 244,400 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **7,375** | 11,892 |
| Additions to property, plant and equipment | | **(1,671,225)** | (425,284) |
| Additions to investment properties | *10* | **(37,741)** | (102,869) |
| Additions to investments in joint venture | *11* | **-** | (205) |
| Acquisition of a subsidiary, net of cash acquired | *12* | **(104,055)** | (60,155) |
| Movement in deposits | | **70** | 1,080 |
| Disposal of a subsidiary, net of cash disposed | | **-** | (3,750) |
| Finance income received | | **1,065** | 1,569 |
| **Net cash used in investing activities** | | **(1,804,511)** | (577,722) |

*Continued…..*

## Consolidated statement of cash flows *(continued)*
*For the year ended 31 December*

| | *Note* | **2019 AED'000** | 2018 AED'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **751,399** | 433,408 |
| Repayment of borrowings | | **(20,810)** | (206,560) |
| Net movement in non-controlling interests | | **-** | 74 |
| Finance cost paid | | **(8,225)** | (4,844) |
| **Net cash from financing activities** | | **722,364** | 222,078 |
| **Net decrease in cash and cash equivalents** | | **(20,129)** | (111,244) |
| Cash and cash equivalents at the beginning of the year | *16* | **85,511** | 196,755 |
| **Cash and cash equivalents at the end of the year** | *16* | **65,382** | 85,511 |

The notes set out on pages 12 to 52 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

## 1 Legal status and principal activities

Abu Dhabi Ports Company PJSC ("the Company" or "AD Ports") is a public joint stock company established in accordance with the provisions of Emiri Decree No. 6 of 2006 dated 4 March 2006 (“the Decree”) as part of the restructuring of the commercial ports sector in the Emirate of Abu Dhabi ("the Emirates").

The Company was registered with the Department of Planning and Economy and obtained its commercial license on 29 March 2006. The registered head office of the Company is at P.O. Box 54477, Mina Zayed, Abu Dhabi, United Arab Emirates.

The Company is wholly owned by the Abu Dhabi Developmental Holding Company PJSC (“ADDH”).

The principal activities of the Company and its subsidiaries (“the Group”) are as follows:

- To own, operate, maintain, manage and develop all ports, docks, harbors, quays, waterways, bridges, breakwaters, infrastructure and related installations in the Emirate of Abu Dhabi.

- To construct, manage and develop the industrial, commercial and non-financial service free zones on plots of land granted or allocated by the Government of Abu Dhabi to the Company in accordance with a plan approved by the Executive Council.

The Company was given control and regulatory enforcement power over all commercial ports assets previously owned by Abu Dhabi Seaports Authority through Emiri Decree No.6 of 2006 dated 6 March 2006. In addition, AD Ports also assumed ownership and control of a number of warehouses near Mina Zayed.

Khalifa Port and Industrial Zone (“KPIZ”) includes a large scale off-shore container, industrial port and maritime facility ("Khalifa Port" together with Mina Zayed referred to as "the Ports") as well as an industrial zone, which comprises industrial, transport, logistics, commercial and residential clusters ("the Industrial Zone"). Phase one of the KPIZ commenced operations during the last quarter of 2012.

KPIZ established a network of basic infrastructure and utilities to service the high, medium and low impact industry zones, alongside proposed residential, commercial and educational zones. It is divided into distinct clusters, each providing appropriate infrastructures and services needed to support the specific activities in the zones.

Pursuant to Abu Dhabi Law No. 2 of 2018 and Executive Council Resolution No. 143/2019, the ownership of the Company was transferred to Abu Dhabi Developmental Holding Company PJSC (“ADDH”) from the Government of Abu Dhabi. Therefore, at the reporting date, ADDH is the parent company of the Company, and the Government of Abu Dhabi (the “Government”) is the ultimate controlling party of the Company.

## 2.1 Basis of preparation

### *(a) Statement of compliance*

The consolidated financial statements comprise the Company and its subsidiaries listed in note 2.2 (collectively referred to as "the Group") and have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the applicable provisions of UAE Federal Law No 2 of 2015.

### *(b) Basis of measurement*

These consolidated financial statements have been prepared using the historical cost basis.

### *(c) Functional and presentation currency*

The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED") which is the functional currency of the Group. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

### *(d) Use of estimates and judgements*

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements are described in note 4.

## 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and those of its following subsidiaries:

| Name of subsidiary | Ownership interest | Country of incorporation | Principal activity |
|---|---|---|---|
| MICCO (Mazroui International Cargo Company LLC) | 99% | UAE | Freight forwarding and logistics management |
| Abu Dhabi Marine Services Safeen LLC (ADPMS) | 99% | UAE | Consolidated marine services to Abu Dhabi ports users |
| Khalifa Industrial Zone Company LLC | 99.8% | UAE | Managing the Khalifa Industrial Zone in Abu Dhabi |
| Abu Dhabi Free Zone LLC | 99% | UAE | Invest, establish and manage commercial, Industrial, service and real estate projects |
| Al Awaid Project Management & Property LLC (Al Awaid) | 99% | UAE | Management and leasing of real estate |
| Al Howaitha General Contracting & Logistics LLC (Al Howaitha) | 99% | UAE | Provision services for Development, Management and Marketing of free zones |
| Al Yaher General Trading Ltd (Al Yaher) | 100% | UAE | General trading products |
| Maqta Gateway LLC | 99% | UAE | Marine Transportation and Ports Engineering Consultancy |
| Fujairah Terminals Operating Co - Fujairah Terminals LLC | 99% | UAE | Marine Transportation and Ports Engineering Consultancy |
| Abu Dhabi Ports Operating and Logistic Company LLC | 99% | UAE | Logistics business operations in KPCT |

## 2.2 Basis of consolidation *(continued)*

| | | | |
|---|---|---|---|
| Auto terminal Khalifa Port LLC | 51% | UAE | Operate the RoRo terminal in KP, handle automobile imports and transhipment |
| Abu Dhabi Maritime Academy – Sole Proprietorship LLC | 100% | UAE | Provide education and maritime training in the UAE and the region |

Al Awaid, Al Howaitha, and Al Yaher are dormant and did not have any activities during the years ended 31 December 2019 and 2018.

On 10 May 2018, AD Ports and Auto-terminal S.A, a limited company established in Spain, signed a shareholding agreement to establish a new entity namely Auto-terminal Khalifa Port LLC (ATK), a company incorporated in UAE, the principal activities of ATK are shipment container loading and off-loading services, ports management, warehouses management and operations.

The share capital of ATK and the ownership percentages are as follows:

| ***Shareholders:*** | ***Ownership %*** | ***AED'000*** |
|---|---|---|
| Abu Dhabi Ports | **51%** | **76** |
| Auto-terminal S.A. | **49%** | **74** |
| | **100%** | **150** |

***Subsidiaries***

Subsidiaries are all entities over which the Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

## 2.2 Basis of consolidation *(continued)*

***Business combination and goodwill***

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

***Goodwill***

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

***Non-controlling interest ("NCI")***

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

***Loss of control***

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

**Financial instruments**

***i) Initial recognition and measurement***

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

***ii) Classification and subsequent measurement***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## 3 Significant accounting policies *(continued)*

**Financial instruments** *(continued)*

**Financial assets – Business model assessment:**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Financial assets – Subsequent measurement and gains and losses:**

| | |
|---|---|
| **Financial asset at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| **Financial assets at amortised cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| **Equity investments at FVOCI** | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |
| **Debt investments at FVOCI** | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

## 3 Significant accounting policies *(continued)*

**Financial instruments** *(continued)*

**Derecognition of financial assets and liabilities**

*Financial assets:*
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities:*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**Offsetting**
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**iii. Impairment**

Financial assets not classified as at FVTPL are assessed for impairment at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of an amount due to the Group on terms that the Group would not otherwise consider, indications that a debtor or issuer will enter bankruptcy or adverse changes in the payment status of a borrower.

Financial instruments and contract assets

The group recognizes loss allowances for ECLs on:
- Margin and trade receivables and prepayment;
- Deposits for markets guarantee;
- Due from securities markets and bank balance

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- Debt instrument that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

# 3 Significant accounting policies *(continued)*

**Financial instruments** *(continued)*

**iii. Impairment** *(continued)*

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as releasing security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable date;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the group on terms that the group would not consider other wise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial amortised cost are deducted from the gross carrying amount of the asses. For debt securities FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

## 3 Significant accounting policies *(continued)*

**Financial instruments** *(continued)*

**iii. Impairment** *(continued)*

*Write-off*
The gross carrying amount of a financial asset is written off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

**Investments in joint ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit. The financial statements of the joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group recognises share of loss of a joint venture to the extent of the Group's interest in the investee, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

## 3 Significant accounting policies *(continued)*

**Investments in joint ventures** *(continued)*

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

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

**Intangible assets**

***Recognition and measurement***

| | |
|---|---|
| **Goodwill** | Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. |
| **Other intangible assets** | Other intangible assets, including customer relationships and rights, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. |

***Subsequent expenditure***
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

***Amortisation***
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

| | **Years** |
|---|---|
| Rights | **28** |
| Customer contracts | **28** |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 3 Significant accounting policies *(continued)*

### Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirements to operate in accordance with its main mandate of operating, managing, maintaining and developing all ports in the Emirate of Abu Dhabi.

Non-monetary government grants are recognised when there is reasonable assurance that the asset will be received and the Group will comply with any attached conditions, where applicable. Non-monetary government grants are recorded at their fair values on recognition. Where cost information is not available, non-monetary government grants are recorded at a nominal value.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in consolidated statement of profit or loss and other comprehensive income in the period in which they become receivable.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of assets, as follows:

| | |
|---|---|
| Port infrastructure | **3 – 50 years** |
| Road infrastructure | **3 – 50 years** |
| Substations | **25 years** |
| Building and building improvements | **2 – 50 years** |
| Office equipment and furniture | **3 – 25 years** |
| Motor vehicles | **4 – 10 years** |
| Channel infrastructure improvement | **3 – 5 years** |

No depreciation is provided on land.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair values less costs to sell and their values in use.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditures are capitalised only when they increase the future economic benefits of the related item of property, plant and equipment. All other expenditures are recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

## 3 Significant accounting policies *(continued)*

**Capital work-in-progress**

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies. No depreciation is provided on capital work-in-progress.

**Inventories**

Inventories are valued at the lower of cost, calculated using the weighted average method, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**Investment properties**

Investment properties, which comprise of properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes) are measured at their cost, including transaction costs.

Depreciation is charged so as to write-off the cost of properties over their estimated useful lives, using straight-line method. No depreciation is provided on land. Investment properties are depreciated over their useful lives of 20 to 50 years.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of investment properties are determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss and other comprehensive income.

**Leases**

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjustment for any lease payment at or before the commencement, plus any initial indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying the asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discount using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method.

## 3 Significant accounting policies *(continued)*

**Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent appropriate market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, bank balances and fixed deposits with original maturity of three months or less, less overdrafts.

**Revenue recognition**

Revenue is recognised in the consolidated statement of profit or loss and other comprehensive income at the fair value of the consideration received or receivable as follows:

*Management fees*
Revenue from property management is recognised when the services are provided.

*Rental income*
Rental income from operating leases is recognised on a straight line basis over the term of the lease.

*Marine services*
The total consideration in the service contract will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the service in separate transactions.

## 3 Significant accounting policies *(continued)*

**Revenue recognition** *(continued)*

*Logistics services*
Revenue from logistics services is recognised over time that is when performance obligation is satisfied.

*Interest income*
Interest income is accrued on a time basis, by reference to the principal outstanding and effective interest rate applicable.

**Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

**Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Borrowings**

The Group's borrowings are carried on the consolidated statement of financial position at their principal amount. Instalments due within one year are shown as a current liability.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

**Employees' benefits**

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2) of 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service. Monthly pension contributions are made in respect of other GCC National employees, who are covered by the Circular no. 3 of 2007 issued by the General Authority of Pension and Social Security. The contribution made by the Group is charged to profit or loss. The pension contribution is made according to the laws of the respective GCC nation.

## 3 Significant accounting policies *(continued)*

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated statement of profit or loss and other comprehensive income.

## 4 Use of estimates and judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

*Useful lives and residual values of property, plant and equipment and investment properties*

Management reviews the residual values and estimated useful lives of property, plant and equipment and investment properties at the end of each annual reporting period in accordance with IAS 16 and IAS 40. Based on its review, management believes that the useful lives of property, plant and equipment and investment properties have been reasonably estimated.

*Impairment assessment of property, plant and equipment, including capital work-in-progress, and investment properties*

Property, plant and equipment including properties classified under capital work-in-progress, and investment properties are assessed for impairment based on assessment of cash flows on individual cash generating units when there is an indication of impairment.

In assessing whether there is any indication that the completed assets, investment properties and capital-work-in progress at the end of the reporting period may be impaired, the Group considered the following:

- Changes in the technological, market, economic or legal environment in which the Group operates that had or would have an adverse effect on the Group;
- Physical damage of the assets under construction;
- Plans to discontinue or restructure the operation to which the assets under construction belong; and
- Evidence from internal reporting that indicates a significant decline in budgeted net cash flows flowing from the asset.

Budgeted net cash flows are determined based on estimations over the useful life of the assets and discounted using a range of discount rates on such cash generating units. Management is satisfied that there are no impairment indications with respect to completed assets, investment properties and capital work in progress.

*Impairment losses on trade amounts including unbilled receivables (refer to note 13) and due from related parties*

Management reviews trade receivables to assess impairment on a regular basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether an impairment loss should be recorded in the profit and loss, management makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

## 4 Use of estimates and judgements *(continued)*

*Impairment losses on trade amounts including unbilled receivables (refer to note 13) and due from related parties (continued)*

Un-billed receivables comprise revenue recognised in advance of billings on the basis that the underlying contractual arrangements provide certain escalations in rental or other income and this accounting reflects management’s estimate that the amounts are recoverable so that even in the event that the contracts are terminated prior to their stipulated term that the Group can secure liquidated damages to the extent of these un-billed balances.

*Impairment of non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property, plant & equipment, investment property and inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

*Impairment of investment in a joint venture*

Management regularly reviews its investment in Joint venture for indicators of impairment. This determination of whether investment in a joint venture is impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of the investment is recognised as an expense in consolidated statement of profit or loss and other comprehensive income.

Management is satisfied that no impairment provision is required for its investment in a joint venture.

## 5 Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes in the notes specific to that asset or liability.

## 6 Leases

The Group leases many assets including land and port infrastructure. Information about leases for which the Group is a lessee is presented below:

***Right-of-use assets***

| | Land AED'000 | Ports infrastructure AED'000 | Total AED'000 |
|---|---|---|---|
| Balance at 1 January 2018 | 84,194 | 385,869 | 470,063 |
| Depreciation charge for the year | (1,724) | (11,185) | (12,909) |
| Balance at 31 December 2018 | 82,470 | 374,684 | 457,154 |
| Balance at 1 January 2019 | 82,470 | 374,684 | 457,154 |
| Depreciation charge for the year | (1,724) | (11,185) | (12,909) |
| **Balance at 31 December 2019** | **80,746** | **363,499** | **444,245** |

***Lease liabilities***

| | **2019 AED'000** | 2018 AED'000 |
|---|---|---|
| ***Maturity analysis – contractual undiscounted cash flows:*** | | |
| Less than five years | **166,187** | 132,259 |
| More than five years | **988,487** | 1,022,415 |
| **Total undiscounted lease liabilities at 31 December** | **1,154,674** | 1,154,674 |

***Lease liabilities included in the consolidated statement of financial position at 31 December:***

| | **2019 AED'000** | 2018 AED'000 |
|---|---|---|
| Current | **27,771** | 26,311 |
| Non-current | **515,086** | 490,235 |
| - | **542,857** | 516,546 |

| ***Amount recognised in the consolidated statement of profit or loss and other comprehensive income:*** | **2019 AED'000** | 2018 AED'000 |
|---|---|---|
| Interest on lease liabilities | **26,311** | 24,997 |
| Amortisation of right-of-use asset | **12,909** | 12,909 |

## 7 Deferred government grants

During prior years, the Government of Abu Dhabi granted the Group non-monetary assets comprising a plot of land in Taweelah in the Emirate of Abu Dhabi, the Head Office building, furniture and fixtures, warehouses, commercial ports and other ports' assets. These non-monetary government grants are recognised at a nominal value of AED 1.

Granted warehouses and portions of office buildings that are held to earn rentals are classified as investment properties. The remainders of the granted assets are either held for owner-occupation or under development for future owner-occupation and accordingly are classified as property, plant and equipment.

On 13 December 2011, the Executive Council approved additional funding to the Company as compensation for certain assets constructed by the Company. On 12 December 2013, the Company signed an agreement with the Government of Abu Dhabi, through the Department of Finance – Abu Dhabi ("DOF") in relation to those assets.

The significant terms of the agreement are as follows:

- DOF reimbursed the Company for the cost of constructing the assets for an amount of AED 6.04 billion;
- DOF waived repayment of loan of AED 5 billion provided by DOF, along with all due interest of AED 622 million;
- DOF granted the Company the perpetual possession and perpetual enjoyment of the assets under the agreement; and
- AD Ports has the perpetual right to:
  - Develop, alter, modify, construct or otherwise treat the assets as it deems fit; and
  - Manage, use and benefit from the assets in accordance with its articles of association and the Decree.

Management has assessed the agreement with DOF and concluded that it represents a monetary government grant. As such, a government grant of AED 6.04 billion has been recognised in the consolidated statement of financial position. As part of the settlement agreement, the Group received an amount of AED 1.04 billion during 2013. Government grant has been amortised in line with the useful life of the granted assets.

Movement on the deferred government grant during the year was as follows:

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Balance at 1 January | **5,671,568** | 5,766,362 |
| Additions during the year | **-** | 10,560 |
| Amount recognised as revenue during the year | **(105,754)** | (105,354) |
| **Balance at 31 December** | **5,565,814** | 5,671,568 |

Deferred government grant is presented in the consolidated statement of financial position as follows:

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Within current liabilities | **105,754** | 105,519 |
| Within non-current liabilities | **5,460,060** | 5,566,049 |
| | **5,565,814** | 5,671,568 |

## 8 Property, plant and equipment

| | Port infrastructure AED'000 | Road infrastructure AED'000 | Substations AED'000 | Land development AED'000 | Building and improvements AED'000 | Equipment and furniture AED'000 | Motor vehicles AED'000 | Channel infrastructure improvement AED'000 | Capital work-in-progress AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | | | | |
| At 1 January 2018 | 8,126,112 | 428,720 | 358,407 | 87,485 | 1,247,911 | 507,978 | 3,227 | 7,804 | 1,331,395 | 12,099,039 |
| Additions during the year | - | - | - | - | - | - | - | - | 432,223 | 432,223 |
| Transfers from capital work-in-progress | 16,339 | 59,755 | - | 5,566 | 85,699 | 63,973 | - | - | (231,332) | - |
| Acquired through business combination | - | - | - | - | 44,014 | 138,992 | 6,593 | - | 21,777 | 211,376 |
| Disposals of a subsidiary | - | - | - | - | (2,680) | (102,762) | (6,460) | - | (10,408) | (122,310) |
| Disposals | - | - | - | - | - | (16,461) | - | - | - | (16,461) |
| At 31 December 2018 | 8,142,451 | 488,475 | 358,407 | 93,051 | 1,374,944 | 591,720 | 3,360 | 7,804 | 1,543,655 | 12,603,867 |
| At 1 January 2019 | 8,142,451 | 488,475 | 358,407 | 93,051 | 1,374,944 | 591,720 | 3,360 | 7,804 | 1,543,655 | 12,603,867 |
| Additions during the year | - | - | - | - | 24 | 12,539 | 22,923 | - | 1,981,397 | 2,016,883 |
| Transfers from capital work-in-progress | 45,626 | 10,147 | 609 | - | 644,000 | 149,827 | - | - | (850,209) | - |
| Acquired through business combination *(note 12)* | - | - | - | - | 46,247 | 9,270 | 36,566 | - | - | 92,083 |
| Disposals | (252) | - | - | - | - | (10,573) | (8,510) | - | - | (19,335) |
| **At 31 December 2019** | **8,187,825** | **498,622** | **359,016** | **93,051** | **2,065,215** | **752,783** | **54,339** | **7,804** | **2,674,843** | **14,693,498** |
| ***Accumulated depreciation*** | | | | | | | | | | |
| At 1 January 2018 | 704,308 | 81,773 | 71,369 | - | 131,267 | 191,595 | 2,591 | 7,804 | - | 1,190,707 |
| Charge for the year | 147,236 | 19,393 | 14,390 | - | 43,600 | 44,340 | 283 | - | - | 269,242 |
| Disposals | - | - | - | - | - | (12,915) | - | - | - | (12,915) |
| At 31 December 2018 | 851,544 | 101,166 | 85,759 | - | 174,867 | 223,020 | 2,874 | 7,804 | - | 1,447,034 |
| At 1 January 2019 | 851,544 | 101,166 | 85,759 | - | 174,867 | 223,020 | 2,874 | 7,804 | - | 1,447,034 |
| Charge for the year | 149,290 | 19,956 | 14,405 | - | 37,579 | 75,897 | 7,066 | - | - | 304,193 |
| Disposals | (35) | - | - | - | - | (7,636) | (6,954) | - | - | (14,625) |
| **At 31 December 2019** | **1,000,799** | **121,122** | **100,164** | **-** | **212,446** | **291,281** | **2,986** | **7,804** | **-** | **1,736,602** |
| ***Net carrying amount*** | | | | | | | | | | |
| At 31 December 2018 | 7,290,907 | 387,309 | 272,648 | 93,051 | 1,200,077 | 368,700 | 486 | - | 1,543,655 | 11,156,833 |
| **At 31 December 2019** | **7,187,026** | **377,500** | **258,852** | **93,051** | **1,852,769** | **461,502** | **51,353** | **-** | **2,674,843** | **12,956,896** |

## 8 Property, plant and equipment *(continued)*

Depreciation expense has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Direct costs | **257,958** | 232,632 |
| General and administrative expenses *(note 23)* | **46,235** | 36,610 |
| | **304,193** | 269,242 |

Except for property, plant and equipment discussed in *note 7* to the consolidated financial statements, all property, plant and equipment granted by the Government of Abu Dhabi to the Group are recognised at cost of AED 1, which represents the nominal value of granted assets *(note 7)*. Capital work-in-progress mainly comprises the costs relating to Khalifa Port and Industrial Zones (KPIZ) developments.

Staff costs of AED 107.06 million *(2018: AED 85.21 million)* have been capitalised within capital work-in-progress during the year ended 31 December 2019.

Borrowing costs of AED 26.28 million *(2018: AED 19.13 million)* have been capitalised during the year ended 31 December 2019.

## 9 Intangible assets and goodwill

| | Software | Goodwill | Customer contracts and relationship | Rights | Total |
|---|---|---|---|---|---|
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| *Cost* | | | | | |
| Balance at 1 January 2018 | - | - | - | - | - |
| Acquired during the year on business combination | 32,100 | 67,824 | 172,900 | - | 272,824 |
| Rights acquired during the year from a disposal of a subsidiary | - | - | - | 27,170 | 27,170 |
| Disposal of a subsidiary | (32,100) | (35,000) | - | - | (67,100) |
| Balance at 31 December 2018 | - | 32,824 | 172,900 | 27,170 | 232,894 |
| Balance at 1 January 2019 | - | 32,824 | 172,900 | 27,170 | 232,894 |
| Acquired during the year on business Combination *(note 12)* | - | 21,710 | 8,300 | - | 30,010 |
| **Balance at 31 December 2019** | - | **54,534** | **181,200** | **27,170** | **262,904** |
| ***Accumulated amortisation*** | | | | | |
| Balance at 1 January 2018 | - | - | - | - | - |
| Charge for the year | - | - | 6,337 | 453 | 6,790 |
| Balance at 31 December 2018 | - | - | 6,337 | 453 | 6,790 |
| Balance at 1 January 2019 | - | - | 6,337 | 453 | 6,790 |
| Charge for the year | - | - | 9,785 | 905 | 10,690 |
| **Balance at 31 December 2019** | **-** | **-** | **16,122** | **1,358** | **17,480** |
| ***Net carrying amount*** | | | | | |
| 31 December 2018 | **-** | 32,824 | 166,563 | 26,717 | 226,104 |
| **31 December 2019** | **-** | **54,534** | **165,078** | **25,812** | **245,424** |

### *Goodwill*

Net goodwill of AED 21,710 thousand acquired during the year resulted from the acquisition of Mazroui International Cargo Company LLC during the year*, refer to note 12.*

### *Impairment assessment*

Management performed an impairment assessment for the Goodwill at year-end. The assumptions used in forming the basis of the value in use for the cash generating unit are based on the actual results of the subsidiary companys for the year together with the approved budgets.

Based on the assessment performed, management believes that no impairment on goodwill existed at year-end.

## 9 Intangible assets and goodwill (continued)

***Customer contracts & Relationships***

Intangible assets with a fair value of AED 172,900 was acquired during 2018 from business combination as a result of evaluating a long term contract between ADT and a local entity on which ADT is providing gateway operations services to the local entity since 2013 (the "Logistics Contract"). The Logistics Contract was secured for four years which was renewed in January 2018 for 3 years with two additional one year options for renewal.

Management of the Group signed a Memorandum of Understanding (MOU) with the local entity to extend the terms of the Logistics Contracts for a period of 25 years. However, the amended agreement is under signature by both parties.

During 2019, Customer contracts and relationship increased by AED 8,300 thousand as a result of the acquisition of Mazroui International Cargo Company LLC on 24 January 2019.

***Rights***

Rights with a fair value of AED 27,170 were acquired during 2018 as a result of signing a long term agreement with an international shipping Company as consideration for selling 49% of a wholly owned subsidiary (ADT).

## 10 Investment properties

| | Completed properties AED'000 | Properties under development AED'000 | Total AED'000 |
|---|---|---|---|
| ***Cost*** | | | |
| Balance at 1 January 2018 | 288,937 | 18,988 | 307,925 |
| Additions | - | 102,869 | 102,869 |
| Balance at 31 December 2018 | 288,937 | 121,857 | 410,794 |
| Balance at 1 January 2019 | 288,937 | 121,857 | 410,794 |
| Additions | - | 37,741 | 37,741 |
| Transfers | 148,918 | (148,918) | - |
| **Balance at 31 December 2019** | **437,855** | **10,680** | **448,535** |
| ***Accumulated depreciation*** | | | |
| Balance at 1 January 2018 | 11,639 | - | 11,639 |
| Charge for the year | 6,011 | - | 6,011 |
| Balance at 31 December 2018 | 17,650 | - | 17,650 |
| Balance at 1 January 2019 | 17,650 | - | 17,650 |
| Charge for the year | 8,376 | - | 8,376 |
| **Balance at 31 December 2019** | **26,026** | **-** | **26,026** |
| ***Net carrying amount*** | | | |
| 31 December 2018 | 271,287 | 121,857 | 393,144 |
| **31 December 2019** | **411,829** | **10,680** | **422,509** |

Investment properties are composed of warehouses. Rental income from investment properties of AED 29.24 million *(2018: AED 21.21 million)* was earned and maintenance expense of AED 7.71 million *(2018: AED 3.27 million)* was incurred during the year ended 31 December 2019.

A portion of the Group's investment properties is recognised at cost of AED 1, which represents the nominal value of the granted assets as described in *note 7*. These investment properties include warehouses and assets relating to Khalifa Industrial Zone Abu Dhabi and Zayed Port.

The fair value of the warehouses as estimated by management was AED 736 million as at 31 December 2019 *(2018: AED 431 million)*.

## 10 Investment properties *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The valuation was determined by reference to discounted cash flows projections based on reliable estimates of future cash flows, supported by the expected terms of existing lease arrangements and using a discount rate of 8%, reflecting management's current market assessment of uncertainty in the amount and timing of the cash flows. The effective date of the valuation is 31 December 2019.

All assets for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

*Level 1:* Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

*Level 2:* Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

*Level 3:* Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value measurement hierarchy as at 31 December 2019 and 2018:

| | Date of valuation | Total<br>AED'000 | Level 1<br>AED'000 | Level 2<br>AED'000 | Level 3<br>AED'000 |
|---|---|---|---|---|---|
| ***Assets for which fair value is disclosed*** | | | | | |
| **2019** | | | | | |
| Investment properties | **31 December 2019** | **735,900** | **-** | **-** | **735,900** |
| 2018 | | | | | |
| Investment properties | 31 December 2018 | 430,891 | - | - | 430,891 |

## 11 Investment in a joint venture

*i) Investment in ADT*

The Group had a 50% equity interest in Abu Dhabi Terminals LLC ("ADT"), a joint venture involved in the operation and management of ports facilities registered in the UAE. The Group's interest in ADT is accounted for using the equity method in the consolidated financial statements.

On April 2018, the Group acquired the remaining 50% equity in ADT from the other shareholders for a total consideration of AED 200 million, such that ADT became a wholly-owned subsidiary of AD Ports. ADT has two main operating segments ("Logistics operation" and "Containers operation"). As a result, intangible assets of AED 272 million were acquired (refer note 9).

During 2018, the Logistics operation business of ADT was carved-out and transferred into a newly established entity (Abu Dhabi Ports Operating and Logistic Company LLC) (or "ADPL"), which is wholly owned by AD Ports, whilst the Containers operation was retained in ADT.

Subsequent to the above transaction, AD Ports sold 49% of ADT to Terminal Investment Limited SARL ("TIL") in accordance with a sale and purchase agreement dated 7 May 2018 ('the SPA'). Based on the SPA, the operations of ADT will be jointly managed and controlled by AD Ports and TIL. Consequently, AD Ports lost the control over ADT and derecognised the related assets and liabilities from its consolidated statement of financial position. The retained interest in ADT was measured at fair value and accounted for as a joint venture, solely composed of goodwill of AED 17,850 thousand. As a result of the disposal, intangible assets of AED 67 million were derecognised from the books of the Group (refer note 9).

*ii) Investment with LDPL*

On 15 June 2018, AD Ports and LDPL Ship Management & Operation DMCEST ("LDPL") signed undertakings agreeing to form the below joint ventures which will be jointly managed and operated by AD Ports and LDPL:

1- K Shipping Investment Ltd ("K-Shipping")
2- ALM Shipping Management Ltd ("ALM Shipping")
3- Compagnie Des Chargeurs De Guinee SA ("CCG")
4- Compagnie Maritime De Guinee SA ("CMG")

The main objective of these entities is to construct, own and operate a number of vessels to manage the transhipments of certain materials from the port of Guinea to the mother vessels in the ocean for onward shipment to the UAE.

## 11 Investment in a joint venture *(continued)*

Details of the Group's joint ventures at the end of the reporting period are as follows:

| Joint ventures | Percentage of ownership | | Place of registration |
|---|---|---|---|
| | **2019** | 2018 | |
| Abu Dhabi Terminals LLC (ADT) | **51%** | 51% | UAE |
| K-Shipping Investment Ltd | **50%** | 50% | UAE |
| ALM Shipping Management Ltd | **50%** | 50% | UAE |
| Compagnie Des Chargeurs De Guinee SA | **50%** | 50% | Guinea |
| Compagnie Maritime De Guinee SA | **50%** | 50% | Guinea |

Movement in the investments in ADT and LDPL during the year is as follows:

| | **2019 AED'000** | 2018 AED'000 |
|---|---|---|
| Balance at 1 January | **18,055** | - |
| Gain on re-measurement of pre-existing interest in ADT | - | 200,000 |
| Transferred to investments in subsidiaries | - | (200,000) |
| Share of profit / (loss) for the year | **2,552** | (11,794) |
| Share of other comprehensive income for the year | **94** | 1,365 |
| Fair value of the remaining interest in ADT (including goodwill) | - | 28,279 |
| Additional investments with LDPL | - | 205 |
| **Balance at 31 December** | **20,701** | 18,055 |

Summary of the statements of financial position of the joint ventures is set out below:

| | ADT | | LDPL | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| Current assets | **237,261** | 181,813 | 86,169 | - |
| Non-current assets | **1,115,178** | 973,032 | 426,951 | - |
| Current liabilities | **(218,119)** | (308,330) | (258,291) | - |
| Non-current liabilities | **(1,299,806)** | (1,003,244) | (273,891) | - |
| Net liabilities | **(165,486)** | (156,729) | (19,062) | - |
| Group share of net assets | **2,851** | - | - | - |
| Goodwill | **17,850** | 17,850 | - | - |
| Group's carrying amount of the investments in joint ventures | **20,701** | 17,850 | - | 205 |

## 11 Investment in a joint venture *(continued)*

The above amounts of assets and liabilities include the following:

| | ADT | | LDPL | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| Cash and bank balances | **65,415** | 80,630 | **24,574** | - |
| Financial liabilities (excluding trade payables and provisions) | **(472,114)** | (312,405) | - | - |

Summarised statement of profit or loss and other comprehensive income is as follows:

| | ADT | | LDPL | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| Revenue | **368,237** | 299,064 | **95,796** | - |
| Direct costs | **(147,722)** | (138,641) | **(98,301)** | - |
| Administrative expenses | **(151,562)** | (155,625) | **(12,597)** | - |
| Finance costs | **(62,377)** | (53,913) | **(2,563)** | - |
| Other income | **1,245** | 13,225 | **254** | - |
| **Profit / (loss) for the year** | **7,821** | (35,890) | **(17,411)** | - |
| | | | | |
| Group's share of profit / (loss) | **2,757** | (11,794) | **(205)** | - |
| ***Other comprehensive loss for the year*** | | | | |
| Share of other comprehensive loss for the year | **94** | 1,365 | - | - |
| **Total comprehensive loss for the year** | **2,851** | (10,429) | **(205)** | - |

The Group didn't recognise losses from Joint Ventures of AED 8,501 thousand due to the excess of these losses over the investments carrying values as at 31 December 2019.

## 12 Acquisition of a subsidiary

During 2019, the Group acquired the entire share capital of Mazroui International Cargo Company LLC ("MICCO") governed by a Share Purchase Agreement. The transaction became effective from 1 January 2019. The total purchase consideration agreed for the acquisition of MICCO was AED 110 million.

MICCO is primarily involved in logistics, providing air freight, shipping, land transportation, supply chain management ("SCM") and other value-added services in the UAE and hence the industry outlook is focused on logistics and transportation services in the UAE.

The Group intended to provide value added services to its customers by providing integrated logistics products to stimulate and access markets.

And so, acquisition of MICCO will provide the Group with a platform for market entry with "in-House warehouse management and transport capabilities combined with industry know-how and complete control over operations.

## 12 Acquisition of a subsidiary *(continued)*

The Group believed that acquisition of a leading market player in logistics industry would enable AD Ports have complete access and control on end to end logistics operations along with local operations.

MICCO being a leading market player in the industry, would boost AD Ports ability to provide integrated logistics solutions to a wide range customer locally and internationally.

The acquisition resulted in the increase of 180 million to the revenue of AD Ports this year.
The Group exercises control as it is a 100% owned subsidiary.

**Assets acquired and liabilities assumed**
The fair values of the identifiable assets and liabilities of MICCO as at the date of acquisition were:

| | **Total AED'000** |
|---|---|
| **Assets** | |
| Property, plant and equipment *(note 8)* | **92,083** |
| Intangible assets arising on the acquisition *(note 9)* | **8,300** |
| Other current assets | **10,548** |
| Trade and other receivables | **48,263** |
| Cash and bank balances | **5,169** |
| | **164,363** |
| **Liabilities** | |
| Bank loan | **(19,807)** |
| Trade and other payables | **(50,691)** |
| Provision for employees' end of service benefits *(note 19)* | **(5,575)** |
| | **(76,073)** |
| Net identifiable assets acquired | **88,290** |

***Fair value***

Fair valuation of tangible and intangible acquired assets was completed at the time of the acquisition in conjunction with an independent valuer. The valuation techniques used for measuring the fair value of material assets acquired were as follows:

| *Assets acquired* | *Valuation technique* |
|---|---|
| **Property, plant and equipment** | *Market comparison technique and depreciated replacement cost technique:* The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The depreciated replacement / reproduction cost (DRC) approach is an acceptable method of valuation used to estimate a value for specialised assets, where lack of suitable market evidence exits. |

## 12 Acquisition of subsidiary *(continued)*

***Fair value (continued)***

| | |
|---|---|
| **Intangible assets** | *Valuation approach:* For the purpose of valuing the contract, the multi period excess earning method ("MEEM") under the income approach has been adopted. The MEEM approach involves the valuation of net residual income stream derived from the customer relationship and contracts after deduction of an appropriate contributary asset charge to reflect returns attributable to all other assets, both tangible and intangible, employed in supporting customers relationship and contract related intangible assets. |

The fair values of the remaining assets and liabilities approximated to their carrying values. No contingent assets or liabilities existed at the time of the acquisition.

***Goodwill***
Goodwill arising from the acquisition has been recognised as follows:

| | **Total** |
|---|---|
| | **AED'000** |
| Consideration | **110,000** |
| Less: Fair value of identifiable net assets | **(88,290)** |
| **Total goodwill** *(note 9)* | **21,710** |

***Customer relationship and contracts***
Customer relationship and contracts with an estimated value of AED 8,300 thousand were recognized as a result of the acquisition of (MICCO).

| *Analysis of cash out-flows on acquisition:* | **AED'000** |
|---|---|
| Cash consideration paid to acquire MICCO | **90,000** |
| Cash and cash equivalent acquired with the subsidiary | **14,055** |
| **Net cash flow on acquisition** | **104,055** |

## 13 Trade and other receivables

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Trade receivables | **1,350,904** | 1,295,425 |
| Due from related parties *(note 25)* | **685,188** | 426,324 |
| Staff receivables | **59,027** | 51,502 |
| Accrued income | **57,323** | 24,376 |
| Other receivables | **99,760** | 14,819 |
| | **2,252,202** | 1,812,446 |
| *Less: allowance for impairment* | **(275,031)** | (286,791) |
| | **1,977,171** | 1,525,655 |

Trade receivables balance includes un-billed rent receivables of AED 1,007,535 thousand *(2018: AED 836,723 thousand)*.

Movements in the allowance for impairment of trade and other receivables were as follows:

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Balance at 1 January | **286,791** | 227,372 |
| Provided during the year | **54,524** | 87,058 |
| Written-off during the year | **(66,284)** | (27,639) |
| **Balance at 31 December** | **275,031** | 286,791 |

## 13 Trade and other receivables *(continued)*

As at 31 December, the ageing of gross trade and other receivables is as follows:

| | | | Past due but not impaired | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total AED '000 | Neither past due nor impaired AED '000 | 0 - 30 days AED '000 | 30 - 60 days AED '000 | 60 – 90 days AED '000 | 90 – 180 days AED '000 | >180 days AED '000 | Past due and impaired AED '000 |
| ***31 December 2019*** | | | | | | | | |
| Trade receivables | 1,350,904 | 1,098,454 | 63,192 | 29,724 | 20,562 | 41,416 | 30,267 | 67,290 |
| Due from related parties | 685,188 | 339,555 | 107,842 | 7,458 | 2,111 | 35,616 | 57,144 | 135,461 |
| Staff receivables | 59,027 | 59,027 | - | - | - | - | - | - |
| Other receivables | 99,760 | 99,760 | - | - | - | - | - | - |
| | 2,194,879 | 1,596,796 | 171,034 | 37,182 | 22,673 | 77,032 | 87,411 | 202,751 |
| *31 December 2018* | | | | | | | | |
| Trade receivables | 1,295,425 | 1,154,627 | 31,901 | 20,419 | (16,895) | 20,425 | 31,686 | 53,262 |
| Due from related parties | 426,324 | 233,761 | 70,165 | 29,738 | 51,911 | 2,387 | 17,327 | 21,035 |
| Staff receivables | 51,502 | 51,502 | - | - | - | - | - | - |
| Other receivables | 14,819 | 14,819 | - | - | - | - | - | - |
| | 1,788,070 | 1,454,709 | 102,066 | 50,157 | 35,016 | 22,812 | 49,013 | 74,297 |

## 14 Prepayments and advances

| | 2019 AED'000 | 2018 AED'000 |
|---|---|---|
| Advance payments to contractors | **68,765** | 90,568 |
| Prepaid expenses | **20,274** | 21,675 |
| | **89,039** | 112,243 |

## 15 Inventories

| | 2019 AED'000 | 2018 AED'000 |
|---|---|---|
| Spare parts | **17,717** | 15,332 |
| *Less: provision for obsolete and slow moving inventories* | **(5,908)** | (4,916) |
| | **11,809** | 10,416 |

Movements in the provision for obsolete and slow moving inventories are as follows:

| | 2019 AED'000 | 2018 AED'000 |
|---|---|---|
| Balance at 1 January | **4,916** | 4,643 |
| Provided during the year *(note 23)* | **992** | 273 |
| **Balance at 31 December** | **5,908** | 4,916 |

## 16 Cash and bank balances

| | 2019 AED'000 | 2018 AED'000 |
|---|---|---|
| Cash on hand | **2,119** | 1,557 |
| Fixed deposits and current accounts with banks | **95,096** | 93,737 |
| **Cash and cash equivalent in the statement of financial position** | **97,215** | 95,294 |
| *Less: deposits with original maturities greater than 3 months* | **(9,713)** | (9,783) |
| **Cash and cash equivalents** | **87,502** | 85,511 |
| *Less:* Bank overdrafts | **(22,120)** | - |
| **Cash and cash equivalents in the consolidated statement of cash flows** | **65,382** | 85,511 |

Fixed deposits with banks carried an average interest rate of 1.81% per annum *(2018: 1.46% per annum)*.

## 17 Share capital

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| ***Authorised, issued and fully paid*** | | |
| As at 1 January | **3,840,000** | 3,840,000 |
| 384,000,000 *(2018: 384,000,000)* Ordinary shares of AED 10 each | **3,840,000** | 3,840,000 |

On 13 December 2011, the Executive Council of Abu Dhabi issued a resolution instructing the Department of Finance to increase the Company's authorised share capital from AED 500 million to AED 5 billion. During 2014, the Company received the approval from the Ministry of Economy to increase its authorised share capital to AED 5 billion.

During 2011, the Department of Finance injected an amount of AED 2,000,000 thousand as additional capital contribution. During 2013, the Department of Finance injected another amount of AED 1,340,000 thousand as an additional capital contribution.

The legal formalities to convert the additional paid in capital of AED 3,340,000 thousand to share capital were completed on 16 February 2015.

On 15 July 2015, the Executive Council of Abu Dhabi issued a resolution to reduce the Company's authorised share capital from AED 5 billion to AED 3,840,000 thousand. Legal formalities were completed on 2 October 2018.

The Group has not purchased any shares during the year ended 31 December 2019.

## 18 Statutory reserve

In accordance with its Articles of Association and the UAE Federal Law No (2) of 2015, 10% of the net profit attributable to the owners of the Company to be transferred to a statutory reserve that is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid-up share capital of the Company.

## 19 Provision for employees' end of service benefits

The movement in the provision for employees' end of service benefits is as follows:

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Balance at 1 January | **57,611** | 49,096 |
| Charged during the year | **13,722** | 12,583 |
| Acquired from business combination *(note 12)* | **5,575** | 16,342 |
| Disposal of a subsidiary | **-** | (16,304) |
| Paid during the year | **(7,693)** | (4,106) |
| **Balance at 31 December** | **69,215** | 57,611 |

## 20 Borrowings

| | 2019<br>AED'000 | 2018<br>AED'000 |
|---|---|---|
| Bank credit facilities *(a)* | **1,691,900** | 958,656 |
| Term loan *(b)* | **28,086** | - |
| | **1,719,986** | 958,656 |

*(a)* The Bank credit facilities are repayable as follows:

| | | |
|---|---|---|
| Non-current | **1,691,900** | 958,656 |

The Group has a credit facility of AED 3.3 billion. The facility carries interest at a variable rate. As at 31 December 2019, the amounts utilised from this facility amounted to AED 1,691,900 thousand (*2018: AED 958,656 thousand*). The facility is repayable in one bullet payment on 1 July 2021.

*(b)* The term loan is repayable as follows:

| | | |
|---|---|---|
| *Current:* | **28,086** | - |

As a result of the acquisition of Mazroui International Cargo Company LLC (MICCO) during the year, the Group has a term loan from a local bank at an interest rate of EIBOR plus 3.5%. The term loan is repayable in quarterly instalments with final repayment at 2023. As at 31 December 2019, there is a breach of certain financial covenants of loan agreement pertaining to debt service coverage ratio (DSCR) and interest coverage ratio. As a result, the non-current portion of term loan amounting to AED 16,853 thousand has been reclassified to current.

## 21 Trade and other payables

| | 2019<br>AED'000 | 2018<br>AED'000 |
|---|---|---|
| Contractors and suppliers payables | **48,448** | 28,279 |
| Accrued expenses and construction related costs | **954,693** | 542,597 |
| Due to related parties *(note 25)* | **120,029** | 61,771 |
| Retentions payable | **63,222** | 20,027 |
| Customer advances | **268,391** | 247,181 |
| Customers deposits | **34,116** | 20,741 |
| Advances against projects *(note 25)* | **609,618** | 190,646 |
| Other payables | **109,246** | 68,530 |
| | **2,207,763** | 1,179,772 |

The average credit period is 60 days. The Group has financial risk management policies in place to ensure that payables are paid within credit time frame.

## 22 Revenue

| | 2019 AED'000 | 2018 AED'000 |
|---|---|---|
| Rental income from ports infrastructure | **152,539** | 137,185 |
| Marine services | **379,822** | 209,291 |
| General cargo and ports operations | **737,728** | 607,378 |
| Rental income from Khalifa Port | **157,360** | 166,749 |
| Income from industrial zone | **346,215** | 336,324 |
| Rental income from warehouses | **117,180** | 241,224 |
| Rental income from office space | **634** | 983 |
| | **1,891,478** | 1,699,134 |

Rental income from ports infrastructure represents the rental of berth, trestle and causeway at the Khalifa Port and other charges based on the weight dues and rental of berths in other ports.

Marine services revenue represents revenue from marine services provided to all users of the Ports.

Income from Industrial zone represents lease of industrial and logistic land and prebuilt warehouse at the Khalifa Industrial Zone Abu Dhabi (KIZAD) located adjacent to Khalifa Port.

Rental income from warehouses represents the lease income from warehouses in Mina Zayed and Musaffah.

Rental income from office space represents the lease income from buildings in Mina Zayed and Khalifa Port.

### *a) Disaggregation of revenue from contracts with customers:*

In the following table, revenue from contracts with customers is disaggregated by primary major products and service lines and timing of revenue recognition.

| | *Cargo and ports operation* | | *Marine services* | | *Rental Income* | |
|---|---|---|---|---|---|---|
| | **2019 AED** | 2018 AED | **2019 AED** | 2018 AED | 2019 AED | 2018 AED |
| ***Timing of revenue recognition:*** | | | | | | |
| Products transferred at a point in time | **737,728** | 607,378 | **379,822** | 209,291 | - | - |
| Products and services transferred over time | - | - | - | - | **773,928** | 882,465 |
| **Revenue from contracts with Customers** | **737,728** | 607,378 | **379,822** | 209,291 | **773,928** | 882,465 |

## 23 Direct cost

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Direct expenses | **265,554** | 182,589 |
| Staff costs | **221,452** | 183,066 |
| Depreciation and amortisation | **291,108** | 264,084 |
| Insurance expenses | **12,255** | 8,852 |
| Repair and maintenance expenses | **68,796** | 54,601 |
| Outsourcing and external manpower cost | **46,377** | 53,368 |
| Other expenses | **4,604** | 1,032 |
| | **910,146** | 747,592 |

## 24 General and administrative expenses

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Staff costs | **213,964** | 184,935 |
| Professional fees | **18,759** | 12,452 |
| Depreciation of property, plant and equipment *(note 8)* | **46,235** | 36,610 |
| Outsourcing and external manpower cost | **106,006** | 85,230 |
| Provision for slow moving inventories *(note 15)* | **992** | 273 |
| Other expenses | **46,033** | 36,251 |
| | **431,989** | 355,751 |

The Group has made pension contributions amounting to AED 25 million (*2018: AED 24 million*) in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. The Group made social contributions amounting to AED 2 million (*2018: AED 2 million*) during the year ended 31 December 2019.

Staff costs has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Direct costs | 221,428 | 183,066 |
| General and administrative expenses | 213,964 | 184,935 |
| | 435,392 | 368,001 |

## 25 Other income

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Gain on disposal of property, plant and equipment | **2,664** | 8,346 |
| Others | **13** | 193 |
| | **2,677** | 8,539 |

## 26 Related party transactions

Related parties represent shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Balances with related parties included in the consolidated statement of financial position are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| ***Trade and other receivables (note 13)*** | | |
| Abu Dhabi Terminals Company LLC | **274,178** | 128,307 |
| K-Shipping Investment Ltd | **89,139** | 108,672 |
| Department of Finance – Abu Dhabi | **15,634** | 15,256 |
| Other entities controlled by the Group Government of Abu Dhabi | **306,237** | 174,089 |
| | **685,188** | 426,324 |
| *Less: allowance for impairment* | **(77,808)** | (80,887) |
| | **607,380** | 345,437 |

Balances with related parties included in the consolidated statement of financial position are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| ***Accrued income*** | | |
| Abu Dhabi Terminals Company LLC | **31,418** | 22,091 |
| ***Trade and other payables (note 21)*** | | |
| Abu Dhabi Terminals Company LLC | **108,895** | 55,118 |
| Department of Finance – Abu Dhabi | **609,618** | 190,646 |
| Other entities controlled by the Group | **11,134** | 6,653 |
| | **729,647** | 252,417 |
| *Borrowings (note 20)* | | |
| Loans from banks controlled by the Government of Abu Dhabi | **1,691,900** | 958,656 |
| *Included within cash and bank balances* | | |
| Current accounts with banks controlled by the Government of Abu Dhabi | **19,418** | 8,241 |

## 26 Related party transactions *(continued)*

Transactions with related parties during the year are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Rental income received from KIZAD and warehouses | **60,996** | 28,791 |
| Rental income from port infrastructure | **137,858** | 132,133 |
| Rental income from Khalifa Port | **126,520** | 166,749 |
| Revenue from regular port operations | **621,611** | 182,410 |
| Finance income | **14** | 121 |
| Finance costs incurred on borrowings obtained from banks controlled by the Government of Abu Dhabi | **39,108** | 23,087 |
| *Key management compensation* | | |
| Short term benefits | **29,645** | 31,956 |
| Long term benefits | **3,290** | 2,513 |
| | **32,935** | 34,469 |

## 27 Contingency and commitments

| | **2019** | 2018 |
|---|---|---|
| | **AED'000** | AED'000 |
| Bank guarantees | **8,705** | 3,605 |

Estimated capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 1,010,936 thousand *(2018: AED 513,674 thousand)*.

## 28 Financial risk management

### Financial risk management

The Group is exposed to the following risks related to financial instruments- credit risk, liquidity risk and interest rate risk. The Directors monitor and manage the financial risks relating to the Group. The Group does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

The Group does not have significant exposure to currency risk as most of its assets are denominated in UAE Dirham or in US Dollars with UAE Dirham being pegged to the US Dollars.

## 28 Financial risk management *(continued)*

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2019 or 2018. Equity attributable to owners of the Company comprised share capital, statutory reserve, retained earnings (excluding cash flow hedge reserve and assets distribution reserve) and is measured at AED 6,155,443 thousand as at 31 December 2019 *(2018: AED 5,631,409 thousand).*

| | **2019**<br>**AED'000** | 2018<br>AED'000 |
|---|---|---|
| Total liabilities | **10,127,755** | 8,384,153 |
| *Less:* cash and bank balances | **(97,215)** | (95,294) |
| Net debt | **10,030,540** | 8,288,859 |
| Total equity attributable to the owners of the Company (excluding cash flow hedge reserve and assets distribution reserve) | **6,155,443** | 5,631,409 |
| Net debt to adjusted equity ratio | **1.63** | 1.47 |

### Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counterparties. The Group has exposure to the following financial assets:

| | **2019**<br>**AED'000** | 2018<br>AED'000 |
|---|---|---|
| Cash at banks *(note 16)* | **95,096** | 93,737 |
| Trade and other receivables | **895,780** | 667,416 |
| | **990,876** | 761,153 |

Balances with banks are assessed to have low credit risk of default since these banks the Group deals with are of a sound financial position.

## 28 Financial risk management *(continued)*

**Credit risk** *(continued)*

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

Of the trade receivables balance at the end of the year, excluding the unbilled Musataha rent receivable, AED 171,567 thousand *(2018: AED 158,039 thousand)* is due from the two largest customers.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

**Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The Government and bank borrowings are the major source of funding for the Group and liquidity risk for the Group is assessed to be low.

The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the financial liabilities at the end of the reporting period based on contractual repayment arrangements was as follows:

| | **Carrying Amount AED'000** | **Total AED'000** | **1 to 6 months AED'000** | **6 to 12 Months AED'000** | **1 to 5 Years AED'000** | **After 5 years AED'000** |
|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | |
| **Non-interest bearing financial liabilities** | **1,295,638** | **1,295,638** | **1,295,638** | **-** | **-** | **-** |
| **Interest bearing financial liabilities** | **2,284,963** | **2,383,653** | **34,919** | **65,145** | **1,779,490** | **504,099** |
| | **3,580,601** | **3,679,291** | **1,330,557** | **65,145** | **1,779,490** | **504,099** |
| 31 December 2018 | | | | | | |
| Non-interest bearing financial liabilities | 721,204 | 721,204 | 721,204 | - | - | - |
| Interest bearing financial liabilities | 1,475,202 | 1,553,572 | 2,795 | 2,242 | 1,036,467 | 512,068 |
| | 2,196,406 | 2,274,776 | 723,999 | 2,242 | 1,036,467 | 512,068 |

## 28 Financial risk management *(continued)*

**Liquidity risk** *(continued)*

The Group expects to meet its contractual funding obligations through a combination of short term borrowings, long term facilities and financing through the capital markets and considerable government support.

**Interest rate risk**

The Group is exposed to interest rate risk on its bank borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year (through the impact on floating rate bank borrowings). There is no effect on the Group's equity.

| | **Effect on profit AED'000** |
|---|---|
| **31 December 2019** | |
| +100 increase in basis point | **(22,850)** |
| -100 decrease in basis point | **22,850** |
| | |
| 31 December 2018 | |
| +100 increase in basis point | (14,752) |
| -100 decrease in basis point | 14,752 |

**Fair value of financial instruments**

The Group financial assets comprise cash and bank balances, trade receivables, amounts due from related parties and certain other current assets. The Group financial liabilities comprise borrowings, trade payables and certain other current liabilities. Management considers that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair value.

## 29 Subsequent events

The Group made an announcement on 22 January 2020 to acquire the specialized economic zones company ("ZonesCorp") - sole proprietorship L.L.C, one of the UAE's largest operator of purpose built industrial zones. On 12 February 2020 the Group signed a memorandum of association.

KIZAD and ZonesCorp will provide global customers industrial and free zone offerings, including deep water ports, connectivity by road and rail, tax-free and low-cost manufacturing, with speed and scale.

Integration of Abu Dhabi Ports Company PJSC and Zones Corp is effective from 1 January 2020. The Group is estimating that the integration will increase the revenue by 882 million and net profit by 162 million in the subsequent year. Moreover, the integration of ZonesCorp's industrial assets into the Group's portfolio will enable the Group to enhance the service and product offering to the customers and stakeholders.

The Coronavirus outbreak officially became a global health emergency subsequent to the year end. This may significantly impact the Group's financial performance for 2020. The impact of Covid-19 was considered as part of the 2019 audit including, where relevant, future financial projections and potential disclosure as a post balance sheet event in the 2019 financial statements.

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