IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached preliminary prospectus (the **document**) and you are therefore advised to read this carefully before accessing, reading or making any other use of the attached document. In accessing the document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Al Yah Satellite Communications Company PJSC (the **Company**) and Mamoura Diversified Global Holding PJSC (the **Selling Shareholder**) or the Joint Bookrunners as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended only for you and **you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached document (electronically or otherwise) to any other person.**

This draft document is in draft and preliminary form and does not purport to be comprehensive or to contain all the information that a recipient may need in order to evaluate the Company or the transaction contemplated herein. This draft document is being made available for the sole purpose of facilitating preliminary discussions in connection with the potential transaction contemplated herein and must not be relied upon for any other purpose. No decision has been made by the Company as to whether to proceed with any such transaction or the terms or timing thereof. Any decision to purchase shares in any offering should be made solely on the basis of information contained in any preliminary offering circular taken together with any relevant pricing notification and/or any final offering circular (as applicable) that may be published by the Company in final form in relation to any proposed offering and which would supersede this draft document in its entirety. If published, any such preliminary offering circular, taken together with the relevant pricing notification and any final offering circular, would include a description of risk factors in relation to an investment in the Company. You should conduct your own independent analysis of all relevant data provided in any preliminary offering circular taken together with the pricing notification and/or any final offering circular (as applicable) and you are advised to obtain independent expert advice as to the legal, tax, accounting, financial, credit and other related aspects before making any investment decision.

THE SECURITIES REFERENCED IN THIS DOCUMENT MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR WITHIN THE UNITED STATES (THE **US**) TO QUALIFIED INSTITUTIONAL BUYERS (**QIBs**) AS DEFINED IN AND IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE U.S. OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE U.S. OR IN ANY OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE U.S. EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE U.S. OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

Confirmation of your representation: By accepting electronic delivery of this document, you are deemed to have represented to First Abu Dhabi Bank PJSC (**FAB**), Merrill Lynch International (**BofA**) and Morgan Stanley & Co. International plc (**Morgan Stanley**, together with FAB and BofA, the **Joint Global Coordinators**), and Abu Dhabi Commercial Bank PJSC (**ADCB**), EFG Hermes UAE Limited (**EFG Hermes**) and HSBC Bank Middle East Limited (together with the Joint Global Coordinators, the **Joint Bookrunners**) (FAB and ADCB are also the **UAE Recipient Banks**), the Company and the Selling Shareholder (as each such term is defined in the attached document) that (i) you are acting on behalf of, or you are either (a) an institutional investor outside the U.S. (as defined in Regulation S under the Securities Act), or (b) in the U.S. and a QIB that is acquiring securities for your own account or for the account of another QIB; (ii) if you are in the UK, you are a Relevant Person; (iii) if you are in any Relevant State, you are a Qualified Investor; (iv) the securities acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may constitute or give rise to an offer of any securities to the public other than their offer or resale in any Relevant State to Qualified Investors (as defined in the Prospectus Regulation); and (v) if you are outside the US, UK and EEA (and the electronic mail addresses that you gave us and to which this document has been delivered are not located in such jurisdictions) you are a person into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

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

A hard copy of the document will be made available to you only upon request.

You are reminded that this document has been made available to you solely on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located in, or a resident of, and you may not deliver, nor are you authorised to deliver, this document, electronically or otherwise, to any other person.

Restriction: Nothing in this electronic transmission constitutes, nor may be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

THE DOCUMENT IS IN PRELIMINARY FORM ONLY, IS NOT COMPLETE AND CONTAINS INFORMATION THAT IS SUBJECT TO COMPLETION AND CHANGE. NO OFFER OF SECURITIES WILL BE MADE AND NO INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THIS DOCUMENT ALONE, BUT ONLY ON THE BASIS OF THIS DOCUMENT AS FINALISED AND COMPLETED BY THE RELEVANT PRICING NOTIFICATION.

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

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

You are responsible for protecting against viruses and other destructive items. Your receipt of this document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Al Yah Satellite Communications Company PJSC

(a public joint stock company incorporated in the Emirate of Abu Dhabi, United Arab Emirates, pursuant to Federal Law No. 2 of 2015 concerning commercial companies, with a paid up share capital of AED2,439,770,265)

Global Offering of up to 975,908,106 Shares

Offer Price Range: AED 2.55 to AED 3.05 per Share

A minimum of 731,931,080 and a maximum of 975,908,106 ordinary shares with a nominal value of AED 1.00 each (the **Shares**) of Al Yah Satellite Communications Company PJSC (the **Company**) are being offered in this global offering (the **Global Offering**) by the Company's shareholder Mamoura Diversified Global Holding PJSC (the **Selling Shareholder**).

The Global Offering comprises an offering of Shares (i) in the United States to persons reasonably believed to be qualified institutional buyers (each a **QIB**) as defined in Rule 144A (**Rule 144A**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**), pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state and other securities laws, and outside the United States in accordance with Regulation S (**Regulation S**) under the Securities Act (together, the **Qualified Institutional Offering**), (ii) in the Abu Dhabi Global Market (**ADGM**) only as an "Exempt Offer" pursuant to the Market Rules Module of the Financial Services Regulatory Authority (**FSRA**) Regulations and Rules (the **ADGM Exempt Offer**), (iii) in the DIFC only as an "Exempt Offer" pursuant to the Markets Rules Module of the Dubai Financial Services Authority (**DFSA**) Rulebook (the **DIFC Exempt Offer**, and together with the ADGM Exempt Offer, the **Exempt Offer**) and (iv) in the United Arab Emirates (the **UAE**) pursuant to a prospectus, the publication of which was approved by the UAE Securities and Commodities Authority (the "**SCA**") to (A) natural persons who are citizens of any country (with the exception of persons located in the United States within the meaning under the Securities Act); and (B) to certain types of juridical persons and high net worth individuals (the **UAE Offer**).

Prior to the Global Offering, there has been no public market for the Shares. Application will be made to the Abu Dhabi Securities Exchange (the **ADX**) for all of Shares to be admitted to trading on the ADX. It is expected that admission to listing and trading will become effective and that dealings will commence on or about 14 July 2021 (the **Closing Date**). No application has been, or is currently intended to be, made for the Shares to be admitted to listing or trading on any other stock exchange.

Investing in the Shares involves significant risks. You should read this entire document and, in particular, "*Risk Factors*", before making an investment decision with respect to the Global Offering.

The Shares have not been and will not be registered under the Securities Act and, subject to certain limited exceptions, may not be offered or sold within the United States. The Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States only to QIBs in reliance on Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Shares and the distribution of this prospectus (the **Prospectus**), see "*Subscription and Sale*" and "*Transfer Restrictions*".

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

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

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

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

Joint Global Coordinators and Joint Bookrunners

BofA Securities | **FAB** | **Morgan Stanley**

Joint Bookrunners

ADCB | **EFG Hermes** | **HSBC**

This Prospectus is dated 27 June 2021.

IMPORTANT INFORMATION

This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any jurisdiction or circumstances in which such offer or solicitation is unlawful.

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

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

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

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

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

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

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

First Abu Dhabi Bank PJSC (**FAB**), Merrill Lynch International (**BofA**) and Morgan Stanley & Co. International plc (**Morgan Stanley**) have been appointed as joint global co-ordinators and joint bookrunners (the **Joint Global Coordinators**) and Abu Dhabi Commercial Bank PJSC (**ADCB**), EFG Hermes UAE Limited (**EFG Hermes**) and HSBC Bank Middle East Limited (**HSBC**) have been appointed as joint bookrunners (together with the Joint Global Coordinators, the **Joint Bookrunners**). FAB and ADCB are also the **UAE Recipient Banks**). BofA and Morgan Stanley, are each authorised by the Prudential Regulation Authority (the **PRA**) and regulated by the Financial Conduct Authority (the **FCA**) and the PRA in the United Kingdom, each of ADCB and FAB are authorised and regulated in the United Arab Emirates by the Central Bank of the United Arab Emirates and the Securities and Commodities Authority of the United Arab Emirates, EFG is authorised and regulated by the Dubai Financial Services Authority and HSBC is lead-regulated by the Dubai Financial Services Authority and regulated by the Central Bank of the United Arab Emirates and the Securities and Commodities Authority of the United Arab Emirates for licensed activities in on shore United Arab Emirates, are acting exclusively for the Company and no one else in connection with the Global Offering, will not regard any other person (whether or not a recipient of this document) as a client in relation to the Global Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for giving advice in relation to the Global Offering or any transaction or arrangement referred to in this document. The Joint Bookrunners and the UAE Recipient Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company for which they would have received customary fees.

In connection with the Global Offering, the Joint Bookrunners, the UAE Recipient Banks and any of their respective affiliates, may take up a portion of the Shares in the Global Offering as a principal position, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Global Offering or otherwise. Accordingly, references in this document to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, the Joint Bookrunners or the UAE Recipient Banks and any of their affiliates acting in such capacity. In addition, certain of the Joint Bookrunners, the UAE Recipient Banks or their affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors in connection with which such Joint Bookrunners and UAE Recipient Banks (or their affiliates) may from time to time acquire, hold or dispose of Shares. Moreover, in the course of their business with the Company and with parties affiliated with the Company (including the Selling Shareholder), the Joint Bookrunners and the UAE Recipient Banks and/or their respective affiliates, have from time to time been engaged, and may in the future engage, in commercial banking, lending, trading, hedging, investment banking and financial advisory and ancillary activities, for which they have received, and may in the future receive, customary compensation. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures or by rules and regulations. As a result of any such transactions, any Joint Bookrunner may have interests that may not be aligned, or could potentially conflict, with the interests of holders of Shares or with the interests of the

Company or the Selling Shareholder. None of the Joint Bookrunners or the UAE Recipient Banks intends to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

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

NOTICE TO INVESTORS

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

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

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

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Shares are being offered and sold outside the U.S. in reliance on Regulation S and within the U.S. to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.For a description of these and certain further restrictions on offers, sales and transfers of the Shares and the distribution of this Prospectus, see "*Subscription and Sale*" and "*Transfer Restrictions*".

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

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

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

State at any time under the following exemptions under the Prospectus Regulation, if they are implemented in that Relevant Member State:

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

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

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

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

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

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

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

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

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

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

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

(iii) in any other circumstances falling under the scope of Section 86 of the FSMA, *provided* that no such offer of Shares shall require the Company or the Joint Bookrunners to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

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

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

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

NOTICE TO PROSPECTIVE INVESTORS IN THE ABU DHABI GLOBAL MARKET

This document relates to a Global Offering which is not subject to any form of regulation or approval by the Financial Services Regulatory Authority (**FSRA**) of the Abu Dhabi Global Market (**ADGM**). The FSRA has not approved this document nor has any responsibility for reviewing or verifying any document or other documents in connection with this Global Offering. Accordingly, the FSRA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it.

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

(i) an “Exempt Offer” in accordance with the FSRA Financial Services and Markets Regulations and Markets Rules; and

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

The FSRA has not taken steps to verify the information set out in this document, and has no responsibility for it. If you do not understand the contents of this Global Offering or are unsure whether the securities to which the Global Offering relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

NOTICE TO PROSPECTIVE INVESTORS IN THE DUBAI INTERNATIONAL FINANCIAL CENTRE

This document relates to a Global Offering which is not subject to any form of regulation or approval by the Dubai Financial Services Authority (**DFSA**). The DFSA has not approved this document nor has any responsibility for reviewing or verifying any document or other documents in connection with this Global Offering. Accordingly, the DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it. The Shares have not been offered and will not be offered to any persons in the Dubai International Financial Centre except on the basis that an offer is:

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

(ii) made only to persons who meet the "Deemed Professional Client" criteria set out in Rule 2.3.4 of the DFSA Conduct of Business Module and who are not natural persons.

This document must not, therefore, be delivered to, or relied on by, any other type of person. The Global Offering to which this document relates may be illiquid and/or subject to restrictions on its resale. Prospective purchasers should conduct their own due diligence on the Global Offering.

The DFSA has not taken steps to verify the information set out in this document, and has no responsibility for it. If you do not understand the contents of this Global Offering or are unsure whether the securities to which this Global Offering relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF SAUDI ARABIA

This Prospectus may not be distributed in the Kingdom of Saudi Arabia (**Saudi Arabia**), except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations (the **Saudi Regulations**) issued by the Board of the Capital Market Authority (the **Capital Market Authority**) pursuant to resolution number 3-123-2017, dated 27 December 2017G, based on the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H (as amended by Resolution of the Board of the Capital Market Authority number 1-104-2019 dated 30 September 2019G (the **2019 Saudi Regulations**) and Resolution of the Board of the Capital Market Authority number 1-7-2021 dated 14 January 2021G (the **2021 Saudi Regulations**), noting that certain provisions of the 2021 Saudi Regulations only come into force on 1 January 2022G).

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

The Shares must not be advertised, offered or sold and no memorandum, information circular, brochure or any similar document has or will be distributed, directly or indirectly, to any person in Saudi Arabia other than as permitted by the Saudi Regulations.

The Global Offering of the Shares in Saudi Arabia shall not constitute a "public offer" pursuant to the Saudi Regulations. Prospective investors are informed that Article 15 of the 2019 Saudi Regulations and Article 14 of the 2021 Saudi Regulations place restrictions on secondary market activity with respect to the Shares. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the Saudi Regulations shall not be recognised by us.

INFORMATION TO DISTRIBUTORS

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

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

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

TABLE OF CONTENTS

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical financial information

The Group's audited consolidated financial statements for the two years ended 31 December 2020 (the **2020 Financial Statements**) and 2019 (the **2019 Financial Statements**) and the unaudited interim consolidated financial statements for the three month period ended 31 March 2021 (the **Interim Financial Statements**) have been included in this Prospectus beginning on page F-1. The 2020 Financial Statements and 2019 Financial Statements are collectively referred to as the **Annual Financial Statements** and, together with the Interim Financial Statements, the **Historical Financial Information**. The selected historical financial information for the year ended 31 December 2019 included in this Prospectus has been derived from the 2020 Financial Statements and the selected historical financial information for the year ended 31 December 2018 has been derived from the 2019 Financial Statements. Certain selected historical financial information for the year ended 31 December 2019 and as at 31 December 2018 was restated in the 2020 Financial Statements on account of the correction of certain errors. Please see note 36 to the 2020 Financial Statements for more detail. No similar changes have been made to the comparative 2018 historical financial information, which appears in the 2019 Financial Statements. For these reasons, the 2018 historical financial information, which appears in the 2019 Financial Statements and in this Prospectus is not comparable to the historical financial information disclosed in the 2020 Financial Statements and in this Prospectus. Certain selected historical financial information for the year ended 31 December 2018 was restated in the 2019 Financial Statements to present the results of discontinued operations. Please see note 35 to the 2019 Financial Statements for more detail.

The Annual Financial Statements were prepared in accordance with the requirements of International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**) and applicable requirements of UAE laws. The Interim Financial Statements were prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting (**IAS 34**) as issued by the IASB and applicable requirements of UAE laws.

Segmental Information

The Group's Annual Financial Statements did not include segment information in accordance with IFRS 8 Operating Segments as the scope of IFRS 8 Operating Segments did not apply to the Group prior to 2021. Prior to 2021, revenue was presented according to the nature of services rendered, namely infrastructure services, fixed satellite services, mobile satellite services and managed services. The Group's Interim Financial Statements apply IFRS 8 Operating Segments.

The IFRS 8 Operating Segments and their corresponding business lines are as follows:

IFRS 8 Operating Segments	**Corresponding Business Line**
Infrastructure Segment	Infrastructure
Managed Solutions Segment	Managed Solutions
Mobility Solutions Segment	Mobility Solutions
Data Solutions – *BCS Segment*	Data Solutions
Data Solutions – *Brazil Segment*(1)	Data Solutions
Broadcast Segment(1)	Broadcast

Note:

(1) The Data Solutions – Brazil Segment and the Broadcast Segment are equity accounted investees. These segments are included in the column "Other" in note 3 of the Interim Financial Statements.

As required by IFRS 8 Operating Segments, comparative information for the Group's results for the three month period ended 31 March 2020 in this Prospectus has also been presented in accordance with IFRS 8 Operating Segments.

This Prospectus includes revenue for the years ended 31 December 2020, 2019 and 2018 and for the three-month periods ended 31 March 2021 and 2020, presented in accordance with the Group's business lines (as set out in the table above), except for revenue from the Group's investments in HNS Participações Empreendimentos S.A. (**HPE**) and Al Maisan Satellite Communication Company LLC (**Al Maisan**), which are not consolidated by the Group. The revenue information for HPE is included in note 18 of the 2020 Financial Statements and the 2019 Financial Statements, while the revenue information for Al Maisan is derived from the Group's management accounts and is not disclosed in the Annual Financial Statements.

The revenue information by business lines for the years ended 31 December 2020, 2019, and 2018 are based on management accounts and are not included in the Annual Financial Statements.

Non-IFRS Information

Included in this Prospectus are certain measures that are not measures defined by IFRS, namely, Adjusted EBITDA, Adjusted EBITDA Margin, Normalised Adjusted EBITDA, Normalised Adjusted EBITDA Margin, Operating Free Cash Flow, Free Cash Flow to Equity and Leverage ratio (the **Non-IFRS Measures**).

The Non-IFRS Measures are defined by the Group as follows:

Adjusted EBITDA

Adjusted EBITDA comprises the Group's profit before discontinued operations before interest, tax, depreciation, amortisation, impairment, fair value adjustments on investment property and its share of results of equity-accounted investments. The Annual Financial Statements use the term EBITDA which aligns with the definition of Adjusted EBITDA as defined above. Adjusted EBITDA is a measure commonly used in the Group's sector, and the Group presents Adjusted EBITDA to enhance the understanding of its operating performance. The Group uses Adjusted EBITDA as one criterion for evaluating its performance relative to that of other satellite operators. The Group believes that Adjusted EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. However, Adjusted EBITDA is not a measure of financial performance under IFRS, and the Group's Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Adjusted EBITDA should not be considered as:

- an alternative to operating profit/(loss), determined in accordance with IFRS, or as an indicator of the Group's operating performance;
- an alternative to cash flows from operating activities, determined in accordance with IFRS, or as an indicator of cash flows; or
- a measure of liquidity.

In addition, the Group is likely to incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. The Group's presentation of Adjusted EBITDA should not be construed as an implication that the Group's future results will be unaffected by unusual or non-recurring items.

The table below shows a reconciliation of the Group's profit before discontinued operations to Adjusted EBITDA in each of the three months ended 31 March 2021 and 2020 and the years ended 31 December 2020, 2019 and 2018.

	For the three months ended 31 March		For the years ended 31 December		
	2021	2020	2020	2019	2018
	(*U.S.$ thousand*)		(*U.S.$ thousand*)		
Profit before discontinued operations[(1)]	14,073	9,405	61,400	56,719	41,881
Add:					
Income tax expense	48	52	200	241	261
Share of results of equity-accounted investments	306	5,537	16,360	16,130	7,084
Fair value adjustments on investment property	—	—	2,030	837	—
Net finance costs	2,972	4,780	17,373	24,272	33,508
Depreciation, amortisation and impairment	37,011	37,221	149,567	150,657	231,430
Adjusted EBITDA	**54,410**	**56,995**	**246,930**	**248,856**	**314,164**

Note:
(1) This line item is labelled as "Profit for the year before discontinued operations" in the Annual Financial Statements and is labelled as "Profit for the period" in the Interim Financial Statements.

Adjusted EBITDA Margin

Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by revenue.

Normalised Adjusted EBITDA

The Group's Adjusted EBITDA has been normalised for the impact of non-recurring items, including insurance proceeds net of accelerated premiums resulting from the Company's claim against an anomaly relating to the Al Yah 3 satellite launch, the gain on acquisition of Thuraya, the gain on disposal of a subsidiary in Brazil and income from an orbital location agreement entered into with a satellite operator to transfer the beneficial rights in a certain orbital slot to the operator. No normalisation to the Adjusted EBITDA was necessary for the three months ended 31 March 2021 and 31 March 2020, as there were no non-recurring items.

The table below shows a reconciliation of the Group's Adjusted EBITDA to Normalised Adjusted EBITDA in each of the years ended 31 December 2020, 2019 and 2018.

	For the years ended 31 December		
	2020	2019	2018
		(*U.S.$ thousand*)	
Adjusted EBITDA	**246,930**	**248,856**	**314,164**
Adjustments for:			
Other income – insurance claims..................................			(101,153)
Other income – bargain purchase on acquisition of a subsidiary			(1,686)
Gain on disposal – discontinued operations		(3,401)	
Gain on transfer of orbital rights	(14,000)		
Normalised Adjusted EBITDA..................................	**232,930**	**245,455**	**211,325**

Normalised Adjusted EBITDA Margin

Normalised Adjusted EBITDA Margin is calculated as Normalised Adjusted EBITDA divided by revenue.

*Operating Free Cash Flow (**Operating FCF**)*

Operating FCF is computed as Normalised Adjusted EBITDA, less cash outflow related to capital expenditures. Such cash outflow includes purchases of property, plant and equipment, purchases of capital work in progress (mainly relating to Al Yah 3 expenditure in 2018 and to the T4-NGS satellite programme in 2020) and additions to intangible assets. Cash outflow in the year ended 31 December 2018 related to capital expenditures excludes the purchase consideration paid for the acquisition of Thuraya.

*Free Cash Flow to Equity (**FCFE**)*

FCFE is computed as Operating FCF less cash taxes, net cash interest (interest paid less received) and changes in net working capital.

The table below shows the calculation of the Group's Operating FCF and Free Cash Flow to Equity in each of the years ended 31 December 2020, 2019 and 2018.

	For the years ended 31 December		
	2020	**2019**	**2018**
		(*U.S.$ thousand*)	
Normalised Adjusted EBITDA	232,930	245,455	211,325
Purchases of property, plant and equipment	(8,644)	(11,026)	(19,110)
Additions to intangible assets	(1,084)	(3,562)	—
Purchase of capital work in progress	(66,040)	(5,573)	(36,929)
Operating Free Cash Flow	**157,162**	**225,294**	**155,286**
Cash taxes	(169)	(461)	(98)
Net cash interest	(14,320)	(24,405)	(34,484)
Change in net working capital[1]	(17,183)	(10,132)	12,239
Free Cash Flow to Equity	**125,490**	**190,296**	**132,943**

Note:
(1) Includes: trade and other receivables, inventories, trade and other payables, deferred revenue.

Leverage ratio

Leverage ratio is computed as net debt divided by the last 12 months of Normalised Adjusted EBITDA.

The Group provides the Non-IFRS Measures and other information because the Group believes that they provide investors with additional information to measure the operating performance of the Group. The Group's use of the Non-IFRS Measures may vary significantly from the use of such metrics by other companies in its industry.

The measures used should not be considered as an alternative to profit (loss), revenue or any other performance measure derived in accordance with IFRS or to net cash provided by operating activities as a measure of liquidity. The Non-IFRS Measures have limitations as analytical tools over and above the limitations of any IFRS performance measures and should not be considered in isolation or as substitutes for analysis of the Group's results as reported under IFRS.

Currency presentation

Unless otherwise indicated, all references in this document to:

- **UAE dirham** or **AED** are to the lawful currency of the United Arab Emirates; and
- **U.S. dollars**, **USD** or **U.S.$** are to the lawful currency of the United States.

Rounding

Certain data in this document, including financial, statistical and operating information, has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Definitions

Unless the context otherwise requires, all references in this Prospectus to the **Company** are to Al Yah Satellite Communications Company PJSC and all references in this Prospectus to the **Group** refer, collectively, to the Company and its subsidiaries. Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in "*Definitions*" and "*Glossary*".

Market data

In certain instances in this Prospectus, the Group has included its own estimates, assessments, adjustments and judgements in preparing market information, which has not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed to a third-party source, to a certain degree subjective. While the Group believes that its estimates, assessments, adjustments and judgements are reasonable and that the market information prepared by the Group approximately reflects the industry and the markets in which it operates, there is no assurance that the Group's estimates, assessments, adjustments and judgements are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

Where expressly indicated, the market information contained in the section headed "*Industry Overview*" has been extracted from Northern Sky Research LLC (**NSR**). Unless otherwise indicated, other market data used in this Prospectus, including statistics in respect of the Group's competitors' sales volumes and market share, has been extracted from other official and industry sources and other sources the Group believes to be reliable, including, without limitation, in the sections headed "*Operating and Financial Review*" and "*Description of the Group*". Such information, data and statistics may be approximations or estimates or use rounded numbers. The Group has relied on the accuracy of this information without independent verification.

The Group confirms that the third-party information included herein has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Group notes that neither these independent sources nor the Joint Bookrunners accept liability for the accuracy of any such information, and prospective investors are advised to consider such information with caution.

No incorporation of website information

Neither the contents of the Group's website, any website mentioned in this Prospectus nor any website directly or indirectly linked to these websites have been verified and they do not form part of this Prospectus, and investors should not rely on such information.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding intentions, beliefs and current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry in which the Company operates. In particular, the statements under the headings regarding the Company's strategy and other future events or prospects in the following sections are forward-looking statements: "*Summary*", "*Risk Factors*", "*Description of the Group*" and "*Operating and Financial Review*".

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

- the Group may experience in-orbit satellite failures or degradations in performance, which could lead to lost revenue, an increase in cash operating expenses and impaired relationships with customers;

- the Group may experience a launch failure in relation to Thuraya 4 Next Generation System satellite (**T4-NGS**) or damage to or destruction of T4-NGS during launch, which could result in a total or partial satellite loss;

- the Group is subject to significant competition both from within the FSS and MSS sectors and from other providers of satellite communications services. This could hinder or prevent the Group from implementing its business strategy and expanding its operations as planned;

- the Group is reliant on a single large customer for the majority of its revenue and the loss of, or any significant reduction in expenditure by, this customer could materially adversely affect the Group's business;

- the Group relies on a limited number of third parties for key equipment, technology and services, and its results of operations may be materially adversely affected if any of these third-party providers fails to perform as contracted;

- the Group may not retain sufficient rights to the spectrum required to operate the Group's satellite system to its expected capacity or to take full advantage of future business opportunities;

- the Group is subject to the risk of unauthorised access, misappropriation of data or other malfeasance affecting its complex information systems, satellite control and operations networks and other technology;

- the Group may experience a failure of ground operations infrastructure or interference with its satellite signals that impairs the commercial performance of, or the services delivered over, its satellites, which could result in a material loss of revenue and reputational damage;

- the Group's satellites may be subject to damage or loss from events that may not be covered by its insurance policies;

- the Group's business is capital intensive and requires it to make long-term capital expenditure decisions;

- the Group's growth strategy may not be successful;

- amounts included in the Group's backlog may not result in actual revenue or translate into profits, and the Group's backlog is subject to contractual performance and may not therefore be an accurate indicator of its future operating results;

- the Group may not be able to raise adequate capital to finance its business strategies or may be able to do so only on terms that materially restrict its ability to operate its business;

- investments in equity partnerships and companies that the Group does not control could expose the Group to additional risks;

- the Group's operations and business activities are exposed to emerging market risks;

- the Group must comply with sanctions, anti-money laundering, anti-bribery or anti-corruption regulations;

- the Group may suffer the departure of key employees or be unable to hire the skilled operational staff needed for its operations;

- the Company's significant shareholder will maintain a controlling interest in the Company following completion of the Global Offering;

- new satellite development is subject to construction and launch risk, including delays, the occurrence of which could have a material and adverse effect on the Group's operations;

- the Group may not be successful in renewing its existing satellite capacity agreements or in renewing them on terms that are similar to their current terms;

- the resurgence of the novel coronavirus (**COVID-19**) pandemic, the emergence of other pandemics and the occurrence of other health crises could have an adverse effect on the Group's business;

- if the Group does not obtain or maintain all necessary national regulatory authorisations, it may not be able to operate its existing satellites or expand its operations;

- the delays in obtaining or not being able to obtain regulatory approvals needed for the operation and de-orbiting of a satellite as a space object may adversely affect the Group's ability to launch and use its satellites;

- the ITU process by which the Group obtains and maintains frequency rights at specific orbital locations may adversely affect the Group's ability to use a satellite at a given orbital location for its proposed service or coverage area;

- the Group's business is subject to laws and regulations in various countries in which it operates. Any increase or change in such laws and regulations could require the Group to incur additional costs, could expose the Group to fines and could limit the Group's ability to provide existing and new services in some countries;

- the Group's business depends on certain intellectual property rights and not infringing the intellectual property rights of others;

- litigation or governmental proceedings involving the Group could result in material adverse consequences;
- the Group must comply with data protection regulations;
- instability or unrest in the Middle East and North Africa (**MENA**) region may adversely affect the UAE economy;
- the UAE may introduce new laws and regulations that adversely affect the way in which the Group is able to conduct its businesses;
- the financial condition, and results of operations of the Group may be materially adversely affected if the U.S. dollar/AED exchange rate were to change or if there are changes in exchange rates between foreign currencies, particularly Brazilian Real (**BRL**), and the U.S. dollar; and
- other risks, including risks relating to the Global Offering and to the Shares.

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

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

AVAILABLE INFORMATION

For so long as any of the Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934 (the **Exchange Act**), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Share, or to any prospective purchaser of a Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

SUMMARY

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

AL YAH SATELLITE COMMUNICATIONS COMPANY PJSC

Overview

The Group is one of the largest providers of multi-mission (government and commercial) satellite communications services in the world (in terms of annual revenues) as at 31 December 2020 according to management estimates. The Group is based in the Middle East and through its critical satellite infrastructure provides both government and commercial satellite capacity and solutions, including government networks, enterprise networks, broadband, mobility (voice and narrowband data) and television broadcast, through a fleet currently comprising five geostationary satellites covering EMEA, APAC and Brazil. The Group has a high-quality satellite fleet that provides services using a wide selection of spectral bands (Ka-band, Ku-band, C-band and L-band). Its first two satellites, Al Yah 1 and Al Yah 2, were launched in April 2011 and April 2012, respectively. The Group's third satellite, Al Yah 3, was launched in January 2018. The Group also added two satellites, Thuraya-2 and Thuraya-3, to its fleet through the acquisition of Thuraya in 2018, with these satellites launched in June 2003 and January 2008, respectively. The Group expects to launch its new satellite, T4-NGS, in the second half of 2023, with commercial operations scheduled to commence in the second half of 2024.

The Group has five business lines, which are organised as follows:

- **Infrastructure**: The Group's largest revenue line is the leasing of secure satellite capacity on Al Yah 1 and Al Yah 2, principally to the Government (as defined in "*Definitions*"). The Group provides critical and secure Ka-band satellite capacity to the Government on Al Yah 1 and Al Yah 2 under a 15-year contract expiring in 2026, with a new 15-year agreement on a replacement fleet beyond 2026 already being discussed with the Government. The Group also entered into a 15-year contract in 2021 with the Government for capacity and associated services on T4-NGS. This T4-NGS capacity contract will expire in 2039. As at 31 March 2021, the Group's total contracted backlog for infrastructure contracts amounted to U.S.$2.1 billion, the vast majority of which relates to the Government. The Group has a C-band payload on the Al Yah 1 satellite covering the EMEA region, capacity on which is leased to satellite service providers and telecoms operators for use in corporate or telecommunications networks, marketed under the YahLink brand. The Group also provides infrastructure and related support services, such as satellite and payload control and monitoring services including telemetry, tracking and control (**TT&C**) to companies within the Group. Additionally, from time to time the Group enters into spectrum-related agreements with other satellite operators, in order to generate revenues.

- **Managed Solutions**: Managed Solutions is principally comprised of Yahsat Government Solutions (**YGS**), which delivers critical, secure, defence-focused, value added solutions primarily to the Government and other UAE and international governmental entities. YGS also provides operation and maintenance (**O&M**) services to the Government, related to supporting the infrastructure capacity contracted to the customer, which is based on multi-year engagements. As the O&M services are critical to Government operations, the current O&M agreement was extended until 31 December 2021. The Group is negotiating a new O&M agreement with the Government, which will ensure continuity of the current O&M services with options for additional services, expected to be signed by the end of 2021. The new O&M agreement is expected to expire at the end of 2026 and is expected to result in U.S.$175 million of additional contracted backlog for Managed

Solutions. Please see "*—Related Party Transactions and Material Contracts—Operation and Maintenance Agreement*" for additional information. As a trusted partner of the Government for satellite system delivery skills, YGS also provides consultancy or programme management support to the Government from time to time. In addition to YGS, the Group also provides managed satellite connectivity solutions to commercial customers, principally in the UAE, such as ADNOC, ENEC, Dubai Petroleum and Abu Dhabi Ship Building, either using its own capacity or that leased from third parties, including oil and gas as well as other sectors.

- **Mobility Solutions (MSS)**: The Group provides MSS through its approximately 90 per cent.-owned subsidiary Thuraya, a UAE based company providing MSS services using L-band capacity on its two satellites, Thuraya-2 and Thuraya-3. Thuraya is a leading MSS operator for L-band based voice and data services, covering more than two thirds of the world's population across the EMEA and APAC regions. According to NSR, in 2019, Thuraya was the second largest operator for global MSS operators handheld market share by subscribers. Thuraya offers innovative communications solutions to a variety of sectors including energy (oil and gas), government, broadcast media, maritime, military, aviation, enterprise, consumer, transportation and NGOs. Thuraya is a leading MSS operator with respect to the land voice (handheld) segment since the beginning of its commercial operations in 2001. Providing advanced communication solutions in more than 150 countries, as at the date of this document, Thuraya delivers GSM roaming capabilities with over 390 active roaming partners globally. Thuraya's portfolio of integrated solutions, satellite phones, broadband terminals and internet of things (**IoT**) and machine to machine (**M2M**) services are recognised for reliability, flexibility and resilience on land, at sea and in the air. Thuraya has over 240,000 subscribers (as of the end of 2020).

- **Data Solutions**: The Group offers satellite-based broadband data solutions using Ka-band to end-users including consumers, enterprises and government customers, as well as high-speed data links for use by telecommunications companies, internet service providers and other satellite service providers. The Ka-band capacity and related business on Al Yah 2 (excluding that reserved for use by the Government) and Al Yah 3 forms part of two equity partnerships the Group has with Hughes as follows:

  - *BCS:* The first equity partnership, Broadband Connectivity Solutions (**BCS**), which operates its business under the YahClick brand, offers Ka-band capacity in Africa, the Middle East and in Southwest Asia on both Al Yah 2 and Al Yah 3. The Group controls 80 per cent. of this equity partnership. BCS provides commercial broadband and data solutions to consumers, enterprises, mobile network operators (**MNOs**) and governments across its footprint using the "YahClick (powered by Hughes)" brand. The Ka-band capacity on Al Yah 2 (excluding that reserved for use by the Government) and the Africa payload of Al Yah 3 is dedicated to, and owned by, BCS and covers 45 countries. As of 31 March 2021, BCS had launched in 34 of the 45 countries covered. In addition to broadband satellite services, BCS also provided raw wholesale capacity to Eutelsat from 2017 to 2021. BCS has grown significantly from 12,571 subscribers as at 31 December 2019, to over 15,000 subscribers as at 31 March 2021, and was using approximately 8.5 of approximately 37 Gbps of the aggregate Ka-band capacity on its payloads. BCS also provides services in Africa using capacity from Avanti Communications Group Plc (**Avanti**), a third party, to cater to capacity demands in specific markets not available on Al Yah 2 or Al Yah 3. BCS also utilises the YahLink brand as needed for higher-end solutions, typically for enterprise and MNOs.

  - *HPE:* The second equity partnership, HPE, operating under the brand Hughes do Brasil (**HdB**), offers Ka-band capacity on the Brazil payload of Al Yah 3, along with capacity from other leased satellites. The Group owns 20 per cent. of HPE and accounts its investments as an associate. HPE provides commercial broadband and data solutions to consumers, enterprises, MNOs and government entities within Brazil. The Ka-band capacity over Brazil on Al Yah 3 is dedicated to, and owned by, HPE. HPE leases Ka-band, Ku-band and L-band capacity from other satellite operators to operate its business. As of 31 March 2021, HPE had over 275,000 subscribers for its consumer satellite broadband offering and was delivering enterprise and carrier solutions to numerous customers.

- **Broadcast**: The Group has a 65 per cent. shareholding in Al Maisan, the equity partnership with a member of the SES Finance operating under the brand "YahLive". SES Finance controls the business, which provides capacity to direct-to-home (**DTH**) television broadcasters using Ku-band capacity on the Al Yah 1 satellite, principally in the MENA region and Southwest Asia.

The table below provides a breakdown of the Group's revenue for the business lines for the three month period ended 31 March 2021 and the year ended 31 December 2020, presented in accordance with the Group's segments, except for revenue from the Group's investments in HPE and Al Maisan, which are not consolidated by the Group.

	Revenue			
	For the three months ended 31 March 2021	**(% of total)**	**For the year ended 31 December 2020**	**(% of total)**
	(Amounts in U.S.$ thousands, except percentages)			
Infrastructure..	59,956	66.5%	238,496	58.5%
Managed Solutions................................	12,053	13.4%	63,220	15.5%
Mobility Solutions.................................	12,702	14.0%	79,035	19.4%
Data Solutions				
BCS(1)	5,504	6.1%	26,756	6.6%
Total..	**90,215**	**100.0%**	**407,507**	**100.0%**

Note:
(1) Revenue for consolidated entity (BCS)

Mubadala Investment Company PJSC

The Company is currently 100 per cent. owned by Mubadala Investment Company PJSC (**Mubadala**). Following completion of the Global Offering, Mubadala will own not less than 60 per cent. of the Company's shares. Reflecting its proposed post-Global Offering ownership level, Mubadala will retain representation on the Company's Board. Whilst Mubadala's day-to-day operational involvement in the Company is limited, Mubadala has been supportive of the Group's growth objectives and the Company expects the two to share a close working relationship to explore further growth opportunities.

Mubadala is a sovereign investor managing a global portfolio, aimed at generating sustainable financial returns for the Government of Abu Dhabi. Mubadala's U.S.$243.4 billion (AED 894 billion) portfolio spans six continents with interests in multiple sectors and asset classes. It leverages deep sectoral expertise and long-standing partnerships to drive sustainable growth and profit, while supporting the continued diversification and global integration of the economy of the United Arab Emirates. Headquartered in Abu Dhabi, Mubadala has offices in London, Rio de Janeiro, Moscow, New York, San Francisco and Beijing.

Strengths

Leading satellite operator providing critical connectivity solutions through a differentiated fixed (FSS) and mobile (MSS) services infrastructure

The Group is a leading player in the provision of connectivity solutions that fill an important gap in the critical communications infrastructure needs of its customers across the markets in which it operates, with unique offerings that combine both FSS and MSS. The Group's FSS offering is comprised of its infrastructure, managed solutions, data solutions and broadcast business line offerings, while its MSS offering is comprised of the Group's mobility solutions business line offering. The Group offers a wide range of such critical satellite-based solutions to both governmental and commercial customers in the UAE and the rest of the Middle East as well as in Africa, Asia, Australasia and Latin America, through its controlled operations and associates. The Group has been expanding rapidly in its core markets, and was the fastest growing FSS satellite operator between 2012 and 2020, ranked eighth among all FSS and MSS satellite operators in the world by revenue based on management estimates.

In addition to its strong position in the UAE, the Group has established expertise and technical capabilities in working in diverse emerging markets, having launched broadband services under the YahClick brand in 34 markets since 2013. YahClick's markets typically have significant gaps in terrestrial (e.g. fibre, 4G) broadband coverage and access for its government, enterprise and consumer users to high-speed internet is a critical component to national socio-economic advancement. Bridging this digital divide by using terrestrial means is often too costly or operationally challenging, hence the need for affordable satellite-based internet connectivity solutions using Ka-band.

In addition to the growth of its Ka-band commercial broadband service, the Group has achieved strong commercial utilisation of its C-band capacity through its wholesale YahLink connectivity service, with a high utilisation (also referred to as the fill rate) on its C-band payload of 51 per cent. as at 31 March 2021. The C-band payload, through intermediaries who lease C-band capacity from the Group, is currently being used to service customers in more than 47 countries in MEA.

The Group's MSS business, offered through Thuraya, has over 240,000 subscribers (as of the end of 2020), using various products including handheld voice terminals, narrowband and broadband data terminals and data, IoT/M2M terminals adapted for use on land (mobile, transportable and fixed), at sea as well in air. Thuraya has over 390 active roaming partners globally. The Thuraya business has an estimated 7 per cent. market share within the MSS industry and is ranked fourth amongst MSS players globally as of 2019 according to NSR.

Thuraya is a pioneer MSS operator with respect to the land voice (handheld) segment, with an estimated global market share of over 30 per cent., and over 50 per cent. in MEA (its core market). Historically, Thuraya was established to serve the land voice market and address the infrastructure gaps in terrestrial networks, hence the interoperability with GSM. Subsequently, Thuraya expanded into the land data, maritime, M2M/IoT and aero segments and has lower, but growing, market share in these segments compared to its land voice business. In general, such satellite based narrowband solutions with the ability to connect to small mobile user terminals helps close a gap in the critical infrastructure needs of government and commercial users across the world that are increasingly dependent on ubiquitous coverage and redundancy or failover for continuous operations in case of terrestrial infrastructure outages. Furthermore, Thuraya is growing rapidly in APAC and building its regional market share, a result of the favourable market dynamics in APAC as well as the five-year timing gap between the launch of Thuraya-2 over EMEA and Thuraya-3 over Asia. While market share is growing in several segments, growth in the APAC maritime market has been particularly strong in recent years with 46 per cent. growth in gross revenues in 2018-2020, despite some headwinds faced in 2020 revenues due to pandemic related supply chain disruptions.

In addition, the Group has coverage in a number of regional markets that are currently restricted due to legal, regulatory or political factors, including India, Saudi Arabia, Egypt and Iran. Further, the Group's broad range of offerings combines both FSS and MSS infrastructure, which differentiates it from other separate FSS and MSS competitors. The Group believes that these factors provide additional opportunities for future growth.

The Government's preferred partner in space for essential satellite solutions with significant contracted revenue

Since its inception, the Group has enjoyed a long-term and strong relationship with the Government, providing highly secure and reliable essential satellite services, including military and civil communication services over land, sea and air. In particular, the Group is a trusted partner to the Government, with total contracted backlog for government contracts amounting to U.S.$2.1 billion as of 31 March 2021 (which is 98 per cent. of the Group's total backlog), more than 5x of the Group's 2020 revenue of U.S.$407,507 thousand. In addition, the Group is negotiating a new O&M agreement with the Government, which is expected to result in U.S.$175 million of additional contracted backlog. The Group's existing contracts with the Government, a highly rated counterparty (rated "Aa2" by Moody's and "AA" by S&P and Fitch), provide clear earnings visibility for the Group, with committed revenue streams until 2039. As at 31 March 2021, the ratio of the Group's total backlog, the vast majority of which relates to Government contracts, to its revenue for the 12 months ended 31 December 2020 was more than 5x. The Group believes that its strong and long-term relationship with the Government, as well as its track record in delivering critical solutions to the Government, gives the Group significant insight into future government satellite service needs and positions it strongly to capitalise on such opportunities going forward. Based on management's preliminary discussions with the Government, the Government's secure satellite communications capacity requirements are expected to exceed the capacity currently provided by Al Yah 1 and Al Yah 2, and extend well beyond the current capacity services agreement that is due to expire in 2026. Accordingly, the Group is currently in preliminary discussion and planning stages with the Government and, should those discussions result in an agreement, may launch additional FSS satellites in the medium term. Although the funding, services to be provided and timing of launch are still being discussed, the Group expects to follow the same approach as Al Yah 1 and Al Yah 2, whereby the Government would take capacity on a long term, committed basis, further increasing the Group's contracted backlog. Additionally, the construction of the Group's sixth satellite, T4-NGS, is underway with a significant up-front advance payment of U.S.$300 million from the Government to be made during the construction phase, and a managed capacity services contract for the provision of services on T4-NGS to the Government expected to generate revenue of over U.S.$700 million (inclusive of the U.S.$300 million advanced payment) over a 15-year period following commencement of commercial operations, which is currently expected in the second half of 2024. The Group believes that its relationship with the Government in particular benefits from the Group being based in Abu Dhabi and positions the Group to continue being the main provider of critical satellite infrastructure, solutions and capacity going forward.

The Group's relationship with the Government has evolved from solely providing communications services to being a key partner of the Government across the full satellite solutions value chain. For example, the Group was awarded a mandate to manage the multi-year, end-to-end programme delivery of the Government's FalconEye programme, a high-performance optical Earth-observation satellite system manufactured by Airbus for the Government, which launched in December 2020. It is anticipated that this relationship will lead to more scale and scope over the coming years, already evident in the pipeline of discussions ongoing with various Government entities, and that the ability to serve their needs is expected to be further accentuated and differentiated with the Group's involvement in the "made in the UAE" technology platform that the potential equity partnership with Tawazun Economic Council (**Tawazun**), which is the defence and security acquisitions authority for the Government and Abu Dhabi Police, or one of its group entities, offers. The Group entered into an Memorandum of Understanding (**MoU**) in February 2021 to form the equity partnership to develop critical in-country capabilities in relation to the development and manufacture of advanced SATCOM solutions within the UAE. The Company is expected to own a minority stake of the equity partnership with the majority owned by Tawazun. The collaboration is specifically expected to focus on the production of critical aeronautical modem and other advanced SATCOM technologies in the UAE. Moreover, the equity partnership will aim to harness local knowledge, manufacturing capabilities and technology leadership and is expected to be the first UAE project to develop an advanced satellite modem and bespoke waveform for government and defence.

Furthermore, as a trusted partner of the Government, the Group believes it is well positioned within the UAE to serve other Government entities and industry leaders. For example, the Group has secured contracts with ADNOC, Abu Dhabi Ship Building and ENEC to which it provides satellite communications services. In addition, the Group also believes that it is well placed to leverage its government experience in the wider Middle East to serve other regional governments, government-related entities (**GREs**) and the rapidly growing private sector. Current examples of such contracts include the provision of customised services and hardware to the Bahrain Defence Force and the services provided to the Secretariat General of the Gulf Cooperation Council.

Industry pioneer in fast-growing emerging markets benefiting from first-mover advantage and strong distribution networks

The Group has been an industry pioneer in both its FSS and MSS businesses. As a relatively young player, it has had to pursue gaps in the market using pioneering technologies and business models that were viewed as less crucial by its competitors. Overall, the Group's approach in this respect has become a key differentiating factor and the Group intends to continue building upon this approach.

In many of the emerging markets in which it operates, the Group has been a first-mover in satellite broadband and Internet Protocol (**IP**) connectivity. These markets typically have fast-growing middle classes and significant high-speed internet requirements, but lack the necessary terrestrial communications infrastructure, bringing about opportunities to bridge the gap in infrastructure to meet such increasing broadband demand. Similarly, the HPE business in Brazil is a key growth opportunity for the Group given the similar dynamics in the market.

From a technology standpoint, the Group has been a pioneer in delivering Ka-band services, both to governmental and commercial customers. Ka-band systems today are widely accepted as a more effective option for higher throughput solutions for land-, sea- and air-based communications. The band is now widely used for a variety of critical applications that were traditionally in either C-band or Ku-band, including consumer broadband, enterprise networks, and defence and civil government connectivity.

In MSS, Thuraya has been an industry-leading operator and a global telecommunications provider offering innovative solutions to a variety of sectors. Thuraya's choice of a complex and innovative satellite system design, including capabilities like digital signal processing and beam forming to allow in-orbit configuration of capacity to follow demand, coupled with a clear wholesale business model allowed its regional focus to tap into a new market segment that did not exist before. Personal communications in the form of handheld terminals combining terrestrial (Global System for Mobile (**GSM**) communication) and satellite (dual mode) led to Thuraya becoming the pioneer in the Middle East and Africa for satellite handheld telephony services.

Thuraya's advanced and dynamic technology choice for its space and ground segments has proved itself over the years as it allowed it to launch innovative services and products and has enabled it to compete in additional markets such as land data and maritime. This has led to a number of firsts achieved by Thuraya, including being the first to introduce a dual mode satellite and GSM phone in 2001, the first to launch the lightest satellite phones in 2006 and the first to introduce the bring-your-own-device (**BYOD**) concept in the MSS with its Sat Sleeve product in 2013, enabling smartphones to connect with Thuraya's satellites.

In addition to the Group's early mover advantage in new technology, the Group believes that its choice of markets has also been key to its success. The Group was, in most cases, the first operator to bring Ka-band solutions to many of its markets in Africa and amongst the first in Brazil. The Group sought to maximise its first-mover advantage through a differentiated go-to-market model which is tailored to its specific markets, rather than relying on a "one size fits all" traditional wholesale distribution model used by other satellite operators.

In particular, the Group has developed a differentiated go-to-market model for YahClick and for Thuraya in the Middle East, Africa, Asia and Australasia. Although these markets provide attractive characteristics for satellite operators, they also require capabilities and market presence that many satellite operators have not typically developed due to a historical focus on selling raw capacity, with such market facing components being performed by specialised satellite service providers focused on higher-end market needs. By contrast, the Group has been proactive in pushing its offerings further downstream across the value chain, delivering value added solutions along with deeper partnership or go-to-market models. This has created a differentiation and overall value proposition that is often difficult to match for other players resulting in relatively limited competition.

In these markets, the Group has adopted a hybrid-channel approach with each market adopting one or more "go-to-market" models, including:

- Direct-to-market (or retail) model, where the Group develops local operational eco-systems to complement the distribution value chain, such as call centres, licensed installer networks and tropicalised billing systems, using a combination of in-house and outsourced resources. This approach was used successfully in Brazil, prior to the merger of the business with HPE, which continues to use the same model for its consumer satellite broadband business, and is also being rolled out in specific high-potential and scalable markets in Africa, including South Africa and Nigeria;

- Service partner model, where the Group's managed satellite broadband products or mobile satellite solutions are sold via international service partners and/or in-country licensed operators. The model has been used successfully in many markets by YahClick, such as with Emirates Telecommunications Company PJSC (**Etisalat**) in Afghanistan, Redtone in Pakistan and Telkom in South Africa, which has a large-scale deal to provide YahClick terminals to ensure broadband services for underserved customers who were previously only able to use asymmetric digital subscriber line (**ADSL**). Similarly, Thuraya leverages international service partners such as Cygnus, IEC and Comsat, who typically target specific verticals, and national service partners such as Softbank in Japan and SMART in the Philippines, and multi-country partners such as Bharti Airtel Limited (**Airtel**);

- Virtual Network Operator (**VNO**) model, where the Group's managed capacity (including the ground network and platform capabilities) is sold in bulk and the capacity is distributed by a specialised partner within one or more markets for various uses (e.g. enterprise networks, cellular backhaul). The model was successfully used by the Group to sign a multi-year deal with Telespazio in 2016, a leading satellite solutions integrator in Brazil (prior to the equity partnership with Hughes). Similarly, the Group recently signed a multi-year deal with Hotspot and with Global Communications Extension Services (**GCES**), integrators of backhaul solutions that will be connecting over 2,000 rural cellular sites for two MNOs in Nigeria; and

- Raw capacity, where the resources are limited to the satellite capacity and termination to the ground only and where the customer will build their own network, with no involvement from the Group. This has been widely used as a model for its C-band capacity with long-term contracts initially with Emerging Markets Communications, Inc. (a subsidiary of Global Eagle Entertainment) and now with Marlink, but has also been adopted for Ka-band with a multi-year large scale supply of Ka-band capacity in Africa to Eutelsat in recent years.

This hybrid-channel approach enables the Group to effectively manage and scale-up its distribution without significant capital investment or, in most cases, the need to be directly licensed in the country in which its services are being made available. The Group engages extensively with its service providers to prepare them for the launch of their services, and provides training to ensure the quality of service delivered to its end customers. The Group believes that, by virtue of having robust capacity and a range of service offerings, it is able to attract national and international service providers in each of those markets, which are able to access a wide range of end customers across different sectors. As at 31 March 2021, the Group had 91 service providers that market and sell YahClick, across 34 countries. At the same point in time, Thuraya had over 100 channel partners across its footprint.

An important outcome of this first-mover advantage and differentiated market presence and distribution model is that, as the Group grows these segments, it not only has the opportunity to pursue more infrastructure programmes to underpin the growing capacity needs but, in cases where capacity is available, it also has the opportunity to enter into agreements to lease capacity from other operators. This ultimately offers the Group a flexible and scalable capacity model that blends pay-as-you-grow with larger long-term capex investments, but preserves the opportunity to leverage its in-market depth and differentiation to incorporate newer technologies as they come along, possibly using NGSO constellation capacity in the future.

Sizeable and well-identified areas of growth

As a result of the Group's strong links with the Government, its significant contracted revenue base, its wide technology platform and its presence in rapidly growing markets, the Group not only believes it has significant growth opportunities within its current markets and business lines, but also believes there is a strong platform to further grow its geographical presence and potentially its business lines using future capacity investments and partnerships. In particular, the Group expects strong growth opportunities in four areas:

- *Infrastructure*: As a result of its strong relationship with the Government, the Group expects that it will have further opportunities to develop new services and capabilities for the Government and its related entities as their satellite-related needs develop based on upcoming and new requirements. The Group is currently pursuing a number of opportunities related to the need for additional satellite capacity for the Government and other government entities and expects that further opportunities will develop. This has been recently demonstrated by the signing of a 15-year capacity contract to provide L-band services on T4-NGS to the Government. Based on management's latest discussions with the Government, the Government's capacity requirements are expected to exceed the capacity currently provided by Al Yah 1 and Al Yah 2 and will extend well beyond the current capacity services agreement that is due to expire in 2026. It is also understood that the Government will aim to augment capacity, as well as other key technical capabilities, with these collectively being a key motivation in securing a new long-term infrastructure agreement with the Group. Accordingly, the Group is currently in preliminary discussions and planning stages with the Government to identify the needs for the next generation of longer term FSS satellite needs, coverage and capacity.

- *Managed Solutions*: YGS' strategy is to deepen its participation both up and down the value chain, providing richer solutions by utilising improved in-house capabilities, and yielding higher margins. It anticipates expanding its offerings both within the UAE to other civil and defence-related government entities, such as the Ministry of Foreign Affairs, the Ministry of Interior, Federal Police and Homeland Security, and to regional and international government users, either directly or in partnership with international service providers. Moreover, the Group anticipates expanding satellite communications solutions to businesses with large national enterprises, leveraging local presence, its network and expertise. Additionally, the Group expects there will be further opportunities to provide O&M services to complement the leased infrastructure, including on T4-NGS.

- *Mobility Solutions*: The Group believes that it is well positioned to capture more of the growing MSS market, across EMEA and APAC. Since acquiring Thuraya in 2018, the Group has been focused on updating and renewing the space and ground infrastructure while ensuring the company is given the operational support it needs to be competitive. As such, the Group is able to roll out new products to capture MSS growth areas, including maritime, government and IoT/M2M. The Group believes it is also well-positioned to further penetrate the Asian market where the MSS growth is expected to be the highest globally in the coming decade. The expected commencement of operation of T4-NGS in 2024 is expected to strengthen Thuraya's value proposition and portfolio, allowing it to capture greater market share in existing segments and to enter into new high-growth verticals such as transportation and logistics, smart agriculture and autonomous vehicles.

- *Data Solutions*: Since the launch of Al Yah 3 and the formation of the HPE and BCS equity partnerships in Brazil and MEA, respectively, with Hughes, the leading company globally for Ka-band broadband solutions, the Group believes that its ability to expand its Data Solutions business has increased significantly. The Group believes that several markets continue to present a key opportunity for satellite broadband services due to characteristics such as a widely spread population, a lack of terrestrial broadband infrastructure and high demand for reliable internet services from consumers, enterprises and government users, resulting in a large underserved or unserved addressable market. For example, according to the Datareportal – Digital 2021 Global Overview Report, in Nigeria it is estimated broadband penetration is still approximately 50 per cent., with a large number of small and medium enterprises (**SMEs**) and households remaining un-served or underserved, with less than 1 per cent. of premises connected directly to fibre (**FTTx**). Similarly, in South Africa, while access to 3G and 4G is expanding according to the Datareportal Digital 2021 Global Overview Report, the penetration of high-quality broadband access remains at approximately 65 per cent. Across Africa, broadband penetration is approximately 40 per cent., with significantly lower speeds offered than in markets with higher proliferation of FTTx, providing a potentially significant opportunity for affordable satellite-based solutions across the continent. Furthermore, there is an increasing migration from legacy C-band and Ku-band data solutions to Ka-band, driving more affordable satellite broadband solutions. There is also a broader acceptance of the reliability of Ka-band for higher-end users and applications, including by providing cellular backhaul solutions to mobile network operators, allowing them to expand their own 3G, 4G and 5G reach beyond areas connected via fibre. In order to capture this opportunity, YahClick is implementing a number of new channel models, to allow it to expand its reach and increase sales across all segments, whilst further optimising margins. Although a number of markets remain currently closed due to regulatory and/or legal restrictions (such as export control and sanctions), the Group is working on resolving these bottlenecks, where possible, through dialogue with national regulators and international governments, whilst always strictly respecting and observing such restrictions. As an example, the Group has been granted the benefit of a specific licence from OFAC to sell its YahClick service in Iran via an approved distributor and is in the process of getting final approvals from the local regulator to roll out these services.

High quality asset base incorporating a wide range of technologies

The Group has a high-quality asset base that incorporates a wide range of technologies, including satellite systems enabling Ka-band, Ku-band, C-band and L-band frequency transmissions in its target markets, along with strategically positioned orbital slots. The Group's current fleet of five satellites enables it to offer high-throughput satellite (**HTS**) services using the Ka-band on Al Yah 1, Al Yah 2 and Al Yah 3 and also narrowband satellite services using the L-band on Thuraya-2 and Thuraya-3. T4-NGS is expected to greatly enhance the narrowband services and increase the capacity available once it becomes operational. The Group has a relatively healthy satellite fleet, with a replacement currently underway for the Thuraya-2 satellite, which is fully operational with sufficient propellant for another 8 years of operation, but has seen some degradation to its power and propellant subsystems, and options being explored to extend the life of Al Yah 3 by approximately six years (which had its estimated life reduced to 8.74 years due to a launch anomaly) using a mission extension solution.

Ka-band capacity is commercially more competitive for the Group's satellite broadband service compared to the more expensive technologies prevailing in the market (such as Ku-band and C-band), primarily as a result of greater available bandwidth and the use of small spot beams whereby satellite spectrum can be re-used several times to maximise capacity. The L-band services on the Thuraya satellites offer superior capabilities and features, including higher power levels compared to other MSS operators, enabling unique offerings such as smaller terminals and higher link availability. Despite being launched more than 10 years ago, Thuraya's satellites also employ multi-spot beam and frequency reuse schemes in addition to in-orbit coverage reconfiguration and dynamic resource allocation allowing the system to cope with varying market requirements whether from coverage, technology or demand perspectives.

The Group's strong orbital slots portfolio also provides a platform for future growth, containing over 170 ITU filings located strategically worldwide. Over the medium to longer term, the Group intends to develop its business through strategic use of its orbital slots and by expanding its satellite fleet, subject to sufficient customer demand. The Group's orbital filing strategy is to maintain a significant portfolio of filings with high priority in good standing to permit coverage across its target regions and to ensure it possesses a platform of orbital assets that supports growth in capacity and in line with evolving technologies. Furthermore, the Group's L-band spectrum rights at 33E, 44E and 98.5E form part of an MSS spectrum rights portfolio that is only shared with two other commercial MSS operators in its region of operations, namely Inmarsat and Iridium, and is an asset that has been strengthening over the years both in terms of amount of spectrum and coverage rights.

The Group believes that its current asset base and technology provide a strong platform to build market share further in all of its focus strategic segments, namely government, data and mobility.

Highly attractive financial profile underpinned by a strong backlog with a highly rated counterparty in the Government, supporting robust and growing dividend capacity

The Group has highly attractive financial characteristics with strong cash flow generation and a low level of net debt. For the period ended 31 December 2020, the Group generated profit for the year and Adjusted EBITDA (U.S.$61,400 thousand and U.S.$246,930 thousand respectively), corresponding to an Adjusted

EBITDA Margin of 60.6 per cent. (as compared to an Adjusted EBITDA Margin of 56.5 per cent. as at 31 December 2019 and 80.0 per cent. as at 31 December 2018). As at 31 December 2020, the Group's net debt to Adjusted EBITDA ratio was 0.1x and net cash flow from operating activities of U.S.$228,929 thousand, representing a high conversion of Adjusted EBITDA. Moreover, the Group's Leverage ratio for the year ended 31 December 2020 was 0.2x and is expected to be around 1.1x at the end of 2021.

All of the Group's satellites are fully operational. The construction of the Group's sixth satellite, T4-NGS, is underway with a significant up-front advance payment of U.S.$300 million from the Government to be made during the construction phase, and a managed capacity services contract for the provision of services on T4-NGS to the Government expected to generate revenue of over U.S.$700 million (inclusive of the U.S.$300 million advanced payment) over a 15-year period following commencement of commercial operations, which is currently expected in the second half of 2024. The Group's contracted backlog as at 31 March 2021, the vast majority of which relates to the Government, totalled U.S.$2.2 billion, more than five times its annualised revenues, which is significantly higher than the sector average (backlog to annualised revenues in 2019 of Eutelsat, SES Group and Viasat and were 3.5x and 3.3x and 1.1x respectively, according to their respective annual reports for the financial year ended 31 December 2020). In addition, the Group is negotiating a new O&M agreement with the Government, which is expected to result in U.S.$175 million of additional contracted backlog.

In June 2021, the Group completed a refinancing, entering into the Group's new term loan (the **New Term Loan Facility**) and export credit agency facility (the **ECA Facility**). The ECA Facility will provide funding of up to 85 per cent. of the eligible costs of the satellite construction, launch insurance and associated costs in relation to the T4-NGS contract with Airbus and 100 per cent. of the interest during the construction period. These Facilities have been obtained to optimise the Group's capital structure and has been secured at competitive rates.

In recent years, the Group has successfully managed its cost base by pursuing operational expenditure optimisation and capital expenditure savings on an ongoing basis, and has found significant cost synergies with Thuraya since the acquisition in 2018, to the benefit of Thuraya and the wider Group. All of these factors have helped the Group generate strong profitability and cash flow. In the year ended 31 December 2020 and the three months ended 31 March 2021, the Group's profit was U.S.$61,400 thousand and U.S.$14,073 thousand, respectively, the Group's Adjusted EBITDA was U.S.$246,930 thousand and U.S.$54,410 thousand, respectively, and its net cash from operating activities was U.S.$228,929 thousand and U.S.$95,248 thousand, respectively. The Group believes that its highly attractive financial characteristics, with strong cash flow generation and a low level of net debt, are supportive of the Group's robust and growing dividend capacity.

The Group also currently benefits from a favourable tax regime in the UAE, where it currently derives the majority of its revenue.

Highly experienced management team with proven track record, benefiting from the continued backing of the Government and controlling shareholder Mubadala

The Group has an experienced and strong management team with complementary skills and functional expertise across the satellite, communications, technology and other key areas. For more information please see "*Management*". Following the Global Offering, Mubadala will remain the Group's majority shareholder and the Group expects that Mubadala will continue to be supportive of the Group's growth objectives and in building relationships in the UAE and globally.

Strategies

Grow government and government-related revenues in the UAE, the GCC and the wider Middle East region

A key component of the Group's strategy is to continue building its Government business by leveraging its existing relationships to provide a broad range of government communications solutions. For example, the

Group’s strategic priority for its YGS business line in particular is to remain focused on its high-value customers, including the Government, as well as expanding its role to become the primary supplier for all the Government’s critical space infrastructure needs. A prime example of this is the Group’s ongoing discussions with the Government for the provision of additional secure military capacity and services, which would increase the contracted backlog on its secure government capacity beyond the current capacity services agreement for Al Yah 1 and Al Yah 2, due to expire in 2026, whilst increasing the amount of capacity and coverage available. The Group also intends to broaden its relationship across the Government, in particular with local and federal government entities such as the Ministry of Foreign Affairs, emergency services and the Ministry of Interior, which have communications needs that can be served by satellite-based services. The Group believes that its relationship with the Government benefits from the Group being based in Abu Dhabi and positions the Group to continue being the main provider of critical satellite infrastructure, solutions and capacity going forward. In line with broader global trends, the Government continues to require additional use of satellite solutions to support its critical communications infrastructure. Examples of this are the increasing needs of communications-on-the-move terminals, on land, at sea and in the air, typically requiring smaller terminals and with higher throughput, both increasing the Government’s need for satellite capacity and capabilities offered by the Group.

In addition, the Group believes that there is an opportunity to expand its satellite communications solutions business with large national enterprises, such as ADNOC, which is already a customer, leveraging its UAE presence, network and expertise. Other potential customers include government entities across the GCC and MENA region, as well as large international companies with operations in the UAE, which require FSS or MSS solutions for their international networks or operations, which the Group believes it is well-positioned to provide as a result of its currently available satellite capacity, ground network and technical expertise.

Continue developing broadband business

The Group intends to grow YahClick by continuing to expand its distribution network in underserved and/or growing markets with strong economic and demographic fundamentals, such as Nigeria and South Africa, whilst further penetrating existing markets.

Maximise penetration and uptake in existing markets

The markets where the Group offers its satellite broadband solutions typically have a large population of home, enterprise and government users that are unserved or underserved by terrestrial alternatives to connect to the internet with a reliable, high-speed connection, yet have the means to be able to afford a satellite broadband subscription. According to NSR, it is estimated that the total number of consumers connected to the internet via satellite broadband across MEA is approximately 110,000 and is expected to increase by a factor of four or five in the next 5 years. In terms of VSATs in service across the region, 200,000 are estimated to be in current use, with high-throughput geostationary Earth orbit (**GEO**) capacity, such as the Group’s Ka-band solution, is fulfilling around two thirds, at around 20 Gbps of the current throughput demand, and expected to grow by 400 per cent. to around 83 Gbps by 2025. The Group intends to continue to focus on building upon its strengths as a leading satellite provider through ownership and operation of GEO satellites. At the same time, the Group expects to continuously assess the overall satellite space for upcoming technological developments and to be in a position to benefit from any third-party non-GEO satellite capacity such as LEO and MEO where economically viable. Furthermore, the general trend is for enterprise users, mobile network operators or government users towards higher throughput and speed when using IP or internet connection and therefore are looking for faster and better value alternatives, such as those offered using Ka-band, versus those provided by legacy C-band and Ku-band. For additional examples please see “*—Strengths— Sizeable and well-identified areas of growth*”.

Continue to build out existing businesses

The Group intends to continue developing YahClick as follows:

- *Active management of transponder capacity*. The Group intends to continue seeking opportunities to actively manage its customer base, especially where there is higher demand relative to supply of its capacity whereby it seeks to accommodate more customers and improve yield (i.e. the dollar amount per megabits per second (**Mbps**) sold), reducing the proportion of "low value" customers. The Group also intends to increase the amount of capacity being sold to enterprise, government or MNO users, which generally have high average revenue per user, reduced price sensitivity, lower credit risk and higher margins. Whilst the Group does not control or operate the HPE equity partnership in Brazil, a similar approach has been implemented in that business with respect to active management of the customer base whilst awaiting additional capacity to become available on the ultra-HTS, EchoStar XXIV, which offers significant growth capacity in Ka-band over Brazil.

- *Develop distribution channels*. The Group intends to continue strengthening its distribution capabilities and flexibility through a variety of means, including by expanding and diversifying its network of partners and service providers, and continuously enhancing its business model in a value-adding way.

- *Opportunistically expand coverage*. The Group expects to have increased transponder capacity that it can opportunistically deploy in its existing markets, such as Africa, where the Group has existing knowledge of the market. According to NSR, demand is expected to increase driven by market and consumer dynamics.

Further opportunistic expansion

The Group expects that substantial further expansion opportunities may exist both for services provided by Al Yah 2 and Al Yah 3. The Group expects that, subject to gaining regulatory approval, Iran, Oman, Saudi Arabia and Egypt could provide strong growth opportunities for Al Yah 2, whilst Algeria or Morocco could allow for much of the capacity in North Africa to be put into use on a long-term basis. The Group has entered into short to medium term lease agreements with Avanti to augment or enhance the capacity where it is accretive to the current business where possible on Al Yah 2 and Al Yah 3, and is exploring options to do the same with other operators that have complementary capacity offerings. The Group also expects to closely monitor other markets in Africa, such as Ethiopia, that are currently not sufficiently developed to warrant expansion of the Group's services, with a view to becoming the first-mover in those markets once they are considered to be commercially viable.

Diversify products and markets

The Group is seeking to broaden its appeal to existing and new customers, through the rollout of products and services that capitalise on the Group's technical base.

In particular, the Group expects to continue developing products and services from YahClick, such as:

- VNO or managed capacity service, which allows its wholesale customers to configure and manage their own products on a dedicated pool of capacity. The Group has had significant success in this area in the past, for example with Telespazio, a leading satellite solutions integrator in Brazil, and more recently with iSAT Africa and CAMTEL in Cameroon;

- Cost-effective internet trunking and backhaul solutions on Ka-band for MNOs and internet service providers. In 2021, the Group signed a multi-year backhaul capacity deal with Hotspot in Nigeria, which is a leading network infrastructure aggregator and integrator for mobile network operators;

- WiFi hotspot service that enables multiple users to connect to the internet for a limited period of time or limited amount of data, via the same WiFi access point and using prepaid vouchers. For example, over 160 taxi rank locations in South Africa have a WiFi hotspot offering in conjunction with YahClick, where the quality and price are competitive or better than the cellular alternative. Additionally, in Ghana approximately 250 schools have a similar service available. These hotspot solutions are operated in conjunction with the Facebook Express WiFi eco-system and platform, allowing service providers to partner with local communities and local entrepreneurs to extend WiFi coverage; and

- Mobility services, including high-speed broadband on commercial aircrafts, which are increasingly tapping into Ka-band capacity from a broader set of FSS operators as an alternative and/or complement to Ku-band capacity or capacity on mobility-focused FSS satellites. In the past, the Group has engaged in discussions with major airlines, including Etihad, as well as in-flight connectivity (**IFC**) and entertainment integrators and, whilst the airline industry is in a current negative cycle due to the pandemic, the Group believes that its presence in the UAE which is a major hub for regional and global airlines may open up more opportunities on this front again in the future. For further detail on the Group's mobility solutions strategy, please see "*—Business Lines—Mobility Solutions (MSS)—Mobility Solutions Strategy*" below.

The Group expects significant opportunities to materialise for renewing growth in its mobile satellite solutions business with Thuraya beyond the UAE. The Group believes that Thuraya is well positioned to capitalise on the growing MSS market, both in EMEA and APAC. Additionally, the Group believes that MSS will be required for mission critical IoT and M2M applications driven by operational efficiency and automation requirements, which will benefit MSS growth. With multiple new platforms and products being developed for the Government, the Group expects that Thuraya will also be able to deploy its MSS solutions to additional customers in order to capture projected market growth, particularly as Thuraya already has a base of additional government customers in addition to the UAE such as Saudi Arabia and United States. The MSS market is expected by NSR to grow at a CAGR of 2 per cent. between 2020 and 2025, with the several customer segments where Thuraya is active, such as government, maritime and IoT, also growing at a significant pace. Furthermore, the Group believes that there will be strong growth opportunity for Thuraya in Asia, which, according to NSR, is forecast to be the fastest growing region for MSS for years to come, with particularly high growth in demand expected in the maritime (regional vessels) and IoT segments. Thuraya has several advantages, which are expected to support this acceleration in the coming years, including:

- Access to finite pool of L-band spectrum, which is difficult for new entrants to obtain, and has specialised characteristics that cannot be replicated easily by other bands allocated for use via satellite;

- Order and announcement of T4-NGS, ensuring business continuity of Thuraya's fleet into the future;

- Ownership of Thuraya ultimately by Mubadala and the Government of Abu Dhabi, which has strong and open trade and government relations with the vast majority of Thuraya's key markets (e.g. India, China and Indonesia), providing support for access to such markets;

- Investment in next generation space, ground and product technology, offering differentiation and in some areas superiority relative to competitors, including with respect to:

    - availability of high-speed data terminals (>1Mbps);

    - support for smaller terminals (handhelds, small transportable data terminals);

    - higher link availability and network resiliency;

    - high power and capacity system supporting high demand traffic areas and large number of subscribers;

    - wider product portfolio and specialised solutions for enterprise verticals;

    - new advanced platform and products for IoT services; and

    - open architecture to support third party technologies over the satellite system;

- A flexible go-to-market approach that supports value creation both up- and down-stream across the value chain for Thuraya's partner; and

- Strong brand equity, recognised for high quality MSS services with coverage of more than 150 countries and servicing approximately 240,000 customers.

For additional information, please also see "*—Business Lines—Mobility Solutions (MSS)—Mobility Solutions Strategy*".

Further grow demand for YahLive's broadcast services

YahLive's strategy is to increase the attractiveness of the broadcast channels that it carries to potential advertisers, in particular across the Middle East and important communities in Pakistan, Afghanistan, Tajikistan and Farsi-speaking regions. Increased advertising creates additional revenue for the channel providers that lease capacity from YahLive and, in turn, should enable YahLive to increase the capacity lease rates that it charges these providers. The Group believes that this strategy, when combined with a recent optimisation of its cost base undertaken in 2019-2020 and the development of data services, should improve YahLive's profitability. The Group currently has a strong programming base of more than 180 broadcast and 25 radio channels (more than 115 of which are exclusive to YahLive). In 2020, channels broadcast using the capacity provided by YahLive recorded 110+ million viewers and held leading positions (in terms of viewer numbers) in Afghanistan, Tajikistan and in Farsi- and Kurdish-speaking communities across the region. YahLive had a capacity utilisation rate of more than 80 per cent. at 31 December 2020.

THE GLOBAL OFFERING

Company............................	Al Yah Satellite Communications Company PJSC, a public joint stock company (**PJSC**) incorporated in the Emirate of Abu Dhabi, UAE.
Selling Shareholder...........	Mamoura Diversified Global Holding PJSC (formerly Mubadala Development Company PJSC). Immediately following completion of the Global Offering, the Selling Shareholder will continue to own at least 60 per cent. of the Company's issued and outstanding share capital.
Joint Bookrunners............	ADCB, BofA, EFG Hermes, FAB, HSBC and Morgan Stanley.
UAE Recipient Banks.......	ADCB and FAB.
Global Offering.................	A minimum of 731,931,080 and a maximum of 975,908,106 Shares are being offered by the Selling Shareholder in the Global Offering. The Global Offering comprises the Qualified Institutional Offering, the ADGM Exempt Offer, the DIFC Exempt Offer and the UAE Offer. The Shares are being offered outside the United States in reliance on Regulation S and within the United States only to QIBs in reliance on Rule 144A. The ADGM Exempt Offer is being made in the ADGM pursuant to an exemption from registration under the Market Rules Module of the FSRA Regulations and Rules. The DIFC Exempt Offer is being made in the DIFC pursuant to an exemption from registration under the Markets Rules Module of the DFSA's Rulebook. Subject to the approval of the SCA, the Company reserves the right to alter the percentage of the Global Offering which is to be made available to either the UAE Offer or the Qualified Institutional Offering.
ADGM Exempt Offer.......	A number of Shares to be determined by the Joint Bookrunners and the Company are being offered in the ADGM Exempt Offer in the ADGM pursuant to an exemption from registration under the Market Rules Module of the FSRA Regulations and Rules.
DIFC Exempt Offer..........	A number of Shares to be determined by the Joint Bookrunners and the Company are being offered in the DIFC Exempt Offer in the DIFC pursuant to an exemption from registration under the Markets Rules Module of the DFSA's Rulebook.
UAE Offer..........................	A minimum of 73,193,108 and a maximum of 97,590,810 Shares (representing 10 per cent. of the total Shares offered in the Global Offering) are being offered in the UAE (A) to natural persons who are citizens of any country (with the exception of persons located in the United States within the meaning under the Securities Act), (B) to juridical persons and (C) in accordance with the UAE Council of Ministers' Resolution No. 8 of 2006, to EIA.
Shares................................	As at the date of this Prospectus, the Company's share capital consists of 2,439,770,265 Shares, each with a nominal value of AED 1.00, which are fully paid, issued and outstanding. All Shares carry equal voting rights and rank *pari passu* in all other rights (including dividend rights) and obligations.
Offer Price Range.............	The Offer Price Range is AED 2.55 to AED 3.05 per Share.

Commencement of the Global Offering	On or about 27 June 2021.
Expecting Pricing Date	On or about 9 July 2021.
Expecting Closing Date	On or about 14 July 2021.
Payment and settlement ...	Payment for the Shares purchased in connection with the Global Offering shall be made in either U.S.$ or AED, as specified by each purchaser to the Joint Bookrunners during the bookbuilding process. Purchasers will be required to make full payment for the Shares to the Joint Bookrunners for receipt by the Joint Bookrunners on the business day prior to the expected Closing Date. In the event of a failure to make timely payment, purchasers of Shares may incur significant charges. Delivery of the Shares is expected to be made on the Closing Date to the accounts of purchasers through the book-entry facilities operated by the ADX. Trading of the Shares will take place through the trading system of the ADX. Shares will be held under national investor numbers (**NINs**) assigned by the ADX either to the holders directly or through custodian omnibus accounts and the ownership of the Shares will be evidenced by the holdings under each such NIN. Clearing and settlement of trades on the ADX by brokers or custodians may be performed only through members of the ADX that are authorised clearing members (the **Clearing Members**). Settlement of securities trading on the ADX is governed by the ADX's rules and regulations, which are available from its website, http://www.adx.ae.
Restrictions on purchases and transfers of Shares	The Shares are subject to certain restrictions on their purchase, resale and transfer. For more information, see "*Subscription and Sale*" and "*Transfer Restrictions*".
Dividends	The Company's ability to pay dividends is dependent on a number of factors, including the availability of distributable reserves and the Company's capital expenditure plans and other cash requirements in future periods, and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be. Subject to the foregoing, the Company intends to pay a dividend of U.S.$105 million relating to its financial performance in the year ended 31 December 2021. 50 per cent. of this dividend would be paid to the Selling Shareholder in 2021 before the Closing Date of the Global Offering, reflecting the period in which it was a 100 per cent. shareholder of the Company. The remaining 50 per cent. will be paid in 2022 on a pro rata basis to all shareholders at the relevant record date. The dividend is expected to increase in each subsequent fiscal year, subject to consideration by the Company's Board of the cash management requirements of its business for operating expenses, interest expense, and anticipated capital expenditures. In addition, the Board would also consider market conditions, the then current operating environment and its outlook for the business. Any level or payment of dividends depends on future profits and the business plan of the Company, amongst other factors, at the discretion of the Board.

Use of proceeds.................	All of the net proceeds of the Global Offering will be received by the Selling Shareholder. The Company will not receive any proceeds from the Global Offering. All of the expenses of the Global Offering (including underwriting commissions and any discretionary fees) will be borne by the Selling Shareholder.
Listing and trading	Prior to the Global Offering, there has been no public market for the Shares. Application will be made to the ADX for all of Shares to be admitted to trading on the ADX. It is expected that admission to listing and trading will become effective and that dealings will commence on the Closing Date.
Lock-up.............................	Pursuant to the terms of the Underwriting Agreement dated 27 June 2021 (the **Underwriting Agreement**), the Company and the Selling Shareholder, which held 100 per cent. of the Shares immediately prior to the Global Offering, have contractually agreed, for a period of 180 days after the Closing Date, not to (i) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant, or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company or request or demand that the Company file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing; or (ii) enter into any swap, or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, in each case, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed. For more information, see "*Subscription and Sale*".
Taxation	For a discussion of certain tax considerations relevant to an investment in the Shares, see "*Taxation—Certain U.S. federal income tax consequences*" and "*Taxation—UAE Taxation*".
General Information.........	The security identification numbers of the Shares offered hereby are as follows: Shares ISIN: ADX Share Trading Symbol: YAHSAT
Risk Factors...........................	You should read "*Risk Factors*" for a discussion of factors that you should consider carefully before deciding to invest in the Global Offering.

SUMMARY HISTORICAL FINANCIAL INFORMATION AND OPERATING DATA

The summary historical financial information set forth below shows the Company's historical financial information and other unaudited operating information as at and for the years ended 31 December 2020, 2019 and 2018 and for the three month periods ended 31 March 2021 and 2020. The selected historical financial information as at and for the years ended 31 December 2020, 2019 and 2018 has been derived from the Company's Annual Financial Statements, which were prepared in accordance with IFRS. Specifically, the selected historical financial information for the year ended 31 December 2019 included in this Prospectus has been derived from the 2020 Financial Statements and the selected historical financial information for the year ended 31 December 2018 has been derived from the 2019 Financial Statements. Certain selected historical financial information for the year ended 31 December 2019 and as at 31 December 2018 was restated in the 2020 Financial Statements on account of the correction of certain errors. Please see note 36 to the 2020 Financial Statements for more detail. No similar changes have been made to the comparative 2018 historical financial information, which appears in the 2019 Financial Statements. For these reasons, the 2018 historical financial information, which appears in the 2019 Financial Statements and in this Prospectus is not comparable to the historical financial information disclosed in the 2020 Financial Statements and in this Prospectus. Certain selected historical financial information for the year ended 31 December 2018 was restated in the 2019 Financial Statements to present the results of discontinued operations. Please see note 35 to the 2019 Financial Statements for more detail. The selected historical financial information for the three months ended 31 March 2021 and 2020, has been derived from the Company's Interim Financial Statements, which were prepared in accordance with IFRS. The selected historical financial and operating information should be read in conjunction with "Selected Financial Information and Operating Data", "Capitalisation and Indebtedness", "Operating and Financial Review" and the Company's Historical Financial Information, including the related notes, included elsewhere in this Prospectus.

The financial information set forth below under the captions "Consolidated Statement of Profit or Loss Data", "Consolidated Statement of Comprehensive Income Data", "Consolidated Statement of Financial Position Data", "Consolidated Statement of Cash Flows Data" and "Other Financial Information" has been derived from, and should be read in conjunction with, the Historical Financial Information included elsewhere in this Prospectus.

Adjusted EBITDA is a non-IFRS measure and was calculated by the Company and reported in its Historical Financial Information.

The selected financial information and operating data presented below should be read in conjunction with "Operating and Financial Review".

Consolidated Statement of Profit or Loss Data

	For the three months ended 31 March		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018 restated[(1)]**
			(U.S.$ thousand)		
Continuing operations:					
Revenue	**90,215**	**97,315**	**407,507**	**440,569**	**392,519**
Cost of revenue	(4,911)	(6,110)	(40,041)	(53,792)	(61,322)
Staff costs	(19,992)	(23,769)	(84,208)	(89,140)	(77,448)
Other operating expenses	(11,330)	(10,855)	(51,996)	(54,642)	(43,712)
Other income	428	414	15,668	5,861	104,127
Adjusted EBITDA[(2)]	**54,410**	**56,995**	**246,930**	**248,856**	**314,164**
Depreciation, amortisation and impairment	(37,011)	(37,221)	(149,567)	(150,657)	(231,430)
Fair value adjustments on investment property	—	—	(2,030)	(837)	—
Operating profit	**17,399**	**19,774**	**95,333**	**97,362**	**82,734**
Finance income	165	1,468	3,216	6,756	3,992
Finance costs	(3,137)	(6,248)	(20,589)	(31,028)	(37,500)

	For the three months ended 31 March		For the year ended 31 December		
	2021	2020	2020	2019	2018 restated[(1)]
	(U.S.$ thousand)				
Net Finance costs	**(2,972)**	**(4,780)**	**(17,373)**	**(24,272)**	**(33,508)**
Share of results of equity-accounted investments	(306)	(5,537)	(16,360)	(16,130)	(7,084)
Profit before income tax	**14,121**	**9,457**	**61,600**	**56,960**	**42,142**
Income tax expense	(48)	(52)	(200)	(241)	(261)
Profit before discontinued operations[(3)]	**14,073**	**9,405**	**61,400**	**56,719**	**41,881**
Discontinued operations:					
Loss after tax from discontinued operations[(4)]	—	—	—	(33,846)	(16,611)
Profit[(5)]	**14,073**	**9,405**	**61,400**	**22,873**	**25,270**
(Loss)/profit for the period attributable to non-controlling interests[(6)]	(1,825)	(1,788)	(7,502)	(6,986)	178
Profit attributable to Yahsat Owner[(7)]	**15,898**	**11,193**	**68,902**	**29,859**	**25,092**

Notes:

(1) Restated in 2019 to present the results of discontinued operations.

(2) Adjusted EBITDA represents profit before discontinued operations before interest, tax, depreciation, amortisation, impairment, fair value adjustments on investment property and share of results of equity-accounted investments. Information regarding Adjusted EBITDA is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. The Company uses Adjusted EBITDA in assessing its growth and operational performance. There are no generally accepted principles governing the calculation of Adjusted EBITDA, and the criteria upon which Adjusted EBITDA is based can vary from company to company. Adjusted EBITDA does not by itself provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. In addition, this measure should not be used instead of, or considered as an alternative to, the Company's historical financial results. The Company has presented this non-IFRS measure because it believes it is helpful to investors and financial analysts in highlighting trends in the Company's overall business.

(3) This line item is labelled as "Profit for the year before discontinued operations" in the Annual Financial Statements and is labelled as "Profit for the period" in the Interim Financial Statements.

(4) This line item is labelled as "Loss after tax for the year from discontinued operations" in the Annual Financial Statements.

(5) This line item is labelled as "Profit for the year" in the Annual Financial Statements and is labelled as "Profit for the period" in the Interim Financial Statements.

(6) This line item is labelled as "Loss for the year attributable to non-controlling interests" in the Annual Financial Statements.

(7) This line item is labelled as "Profit for the year attributable to Yahsat Owner" in the Annual Financial Statements and is labelled as "Profit for the period attributable to the Shareholder" in the Interim Financial Statements.

Consolidated Statement of Comprehensive Income Data

	For the three months ended 31 March		For the year ended 31 December		
	2021	2020	2020	2019	2018 restated[(1)]
	(U.S.$ thousand)				
Profit[(2)]	**14,073**	**9,405**	**61,400**	**22,873**	**25,270**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Cash flow hedge – effective portion of changes in fair value[(3)]	(2,361)	(6,563)	(4,966)	(5,928)	3,162
Cash flow hedge – loss reclassified to profit or loss	2,380	2,522	11,148	10,040	14,820
Foreign operations – currency translation differences	(9,454)	(28,220)	(28,013)	6,158	(113)
Discontinued operations – currency translation differences	—	—	—	(5,102)	(676)
Currency translation differences reclassified to profit or loss	—	—	—	4,442	—
Total comprehensive income/(loss)[(4)]	**4,638**	**(22,856)**	**39,569**	**32,483**	**42,463**
Total comprehensive (loss)/income attributable to non-controlling interests	(1,817)	(1,831)	(7,513)	(6,957)	178
Total comprehensive income/(loss) attributable to Yahsat Owner[(5)]	**6,455**	**(21,025)**	**47,082**	**39,440**	**42,285**

	For the three months ended 31 March		For the year ended 31 December		
	2021	2020	2020	2019	2018 restated(1)
	(U.S.$ thousand)				
of which arising from continuing operations	6,455	21,025	47,082	78,388	59,572
of which arising from discontinued operations.......	—	—	—	(38,948)	(17,287)

Notes:

(1) Restated in 2019 to present the results of discontinued operations.

(2) This line item is labelled as "Profit for the year" in the Annual Financial Statements and is labelled as "Profit for the period" in the Interim Financial Statements.

(3) This line item is labelled as "Cash flow hedge – net (loss) / gain" in the 2019 Financial Statements.

(4) This line item is labelled as "Total comprehensive income for the year" in the Annual Financial Statements and is labelled as "Total comprehensive income for the period" in the Interim Financial Statements.

(5) This line item is labelled as "Total comprehensive income attributable to the Shareholder" in the Interim Financial Statements.

Consolidated Statement of Financial Position Data

	As at 31 March	As at 31 December		
	2021	2020	2019 restated(1)	2018 restated(2)
	(U.S.$ thousand)			
Assets				
Property, plant and equipment.....................................	984,833	1,018,003	1,146,331	1,382,840
Capital work in progress..	132,301	98,531	19,180	20,634
Investment property...	22,137	22,137	24,167	17,913
Right-of-use assets...	19,301	20,645	28,155	—
Intangible assets...	12,178	13,083	16,524	27,193
Equity-accounted investments.....................................	121,115	125,574	151,285	36,625
Trade and other receivables(3)	11,389	11,227	3,215	3,242
Deferred income tax assets	98	94	72	8,044
Total non-current assets..	**1,303,352**	**1,309,294**	**1,388,929**	**1,496,491**
Inventories	12,934	13,291	9,454	14,933
Trade and other receivables...	132,675	127,296	133,735	126,699
Income tax assets...	182	182	182	255
Cash and short-term deposits.......................................	281,381	224,915	287,432	237,296
Total current assets	**427,172**	**365,684**	**430,803**	**379,183**
Total assets	**1,730,524**	**1,674,978**	**1,819,732**	**1,875,674**
Liabilities				
Trade and other payables...	80,943	88,539	75,796	74,727
Borrowings	127,580	129,114	125,511	106,931
Derivative financial instruments..................................	8,001	8,016	9,445	9,196
Deferred revenue	83,207	22,095	30,907	28,741
Income tax liabilities	250	288	235	317
Total current liabilities..	**299,981**	**248,052**	**241,894**	**219,912**
Trade and other payables...	291,000	291,000	292,096	294,257
Borrowings	142,768	143,655	273,727	367,736
Derivative financial instruments..................................	1,637	1,641	6,394	10,755
Provision for employees' end of service benefits.........	10,385	10,515	10,075	12,650
Total non-current liabilities.......................................	**445,790**	**446,811**	**582,292**	**685,398**
Total liabilities	**745,771**	**694,863**	**824,186**	**905,310**
Net assets	**984,753**	**980,115**	**995,546**	**970,364**
Equity				
Share capital	2,722	2,722	2,722	2,722
Additional paid-in capital..	661,612	661,612	661,612	661,612
Hedging reserve...	(9,638)	(9,657)	(15,839)	(19,951)
Statutory reserve..	4,103	4,103	4,103	4,103
Translation reserve	(31,664)	(22,202)	5,800	331
Retained earnings	275,844	259,946	246,044	222,900
Equity attributable to Yahsat Owner(4)	**902,979**	**896,524**	**904,442**	**871,717**

	As at 31 March	As at 31 December		
	2021	2020	2019 restated[(1)]	2018 restated[(2)]
		(U.S.$ thousand)		
Non-controlling interests	81,774	83,591	91,104	98,647
Total Equity	**984,753**	**980,115**	**995,546**	**970,364**

Notes:

(1) Restated in 2020 on account of correction of errors. For additional information, please see note 36 to the 2020 Financial Statements.

(2) Restated in 2019 to present the results of discontinued operations.

(3) This line item is labelled as "Other receivables" in the 2019 Financial Statements.

(4) This line item is labelled as "Equity attributable to the Shareholder" in the Interim Financial Statements.

Consolidated Statement of Cash Flows Data

	For the three months ended 31 March		For the year ended 31 December		
	2021	2020	2020	2019	2018
			(U.S.$ thousand)		
Operating activities					
Profit before income tax	14,121	9,457	61,600	30,338	21,672
Adjustments for:					
Share of results of equity-accounted investments	306	5,537	16,360	16,130	7,084
Depreciation, amortisation and impairment	37,011	37,221	149,566	155,429	232,563
Allowance (reversal of allowance) for expected credit losses	1,380	1,267	6,202	3,615	(5,715)
Loss allowance for inventories	202	60	2,692	1,648	655
Fair value adjustment to investment property	—	—	2,030	837	—
Finance income	(165)	(1,468)	(3,216)	(6,965)	(4,167)
Finance costs	3,137	6,248	20,589	32,722	41,362
Gain on disposal of property, plant and equipment	(31)	—	—	—	—
Gain on disposal of a subsidiary	—	—	—	(3,401)	—
Gain on transfer of orbital rights – non-cash consideration	—	—	(10,000)	—	
Other income – insurance claims	—	—	—	—	(101,153)
Other income – bargain purchase on acquisition of a subsidiary	—	—	—	—	(1,686)
Provision for employees' end of service benefits	473	485	2,342	2,455	1,979
Write-off of property, plant and equipment / capital work in progress	—	—	7	837	—
Operating profit before working capital changes	**56,434**	**58,807**	**248,172**	**233,645**	**192,594**
Working capital changes:					
Trade and other receivables	(6,921)	9,995	2,224	(15,571)	397
Inventories	155	(725)	(6,266)	3,509	691
Trade and other payables	(14,844)	(3,152)	(4,329)	10,293	11,149
Deferred revenue	61,112	57,080	(8,812)	(8,363)	2
Proceeds from insurance claim	—	—	—	—	101,153
Employee end of service payments	(598)	(412)	(1,891)	(5,035)	(355)
Income tax paid	(90)	(92)	(169)	(461)	(98)
Net cash from operating activities	**95,248**	**121,501**	**228,929**	**218,017**	**305,533**
Investing activities					
Purchases of property, plant and equipment	(1,618)	(2,100)	(8,644)	(11,026)	(19,110)
Purchases of capital work in progress	(26,522)	(4,703)	(66,040)	(5,573)	(36,929)
Additions to intangible assets	(15)	(262)	(1,084)	(3,562)	—
Investment in an associate	(5,400)	(4,000)	(18,558)	—	—

	For the three months ended 31 March		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(U.S.$ thousand)				
Movement in short-term deposits with original maturity of over three months[(1)]	100,000	—	20,000	(140,000)	40,328
Proceeds from disposal of property, plant and equipment	49	—	—	—	—
Disposal of a subsidiary, net of cash disposed	—	—	—	(7,858)	—
Acquisition of a subsidiary, net of cash received	—	—	—	—	(97,441)
Interest received	165	1,468	3,216	6,965	4,167
Net cash from/(used in) investing activities	**66,659**	**(9,597)**	**(71,110)**	**(161,054)**	**(108,985)**
Financing activities					
Dividend paid to the Shareholder	—	(15,000)	(55,000)	(5,000)	—
Repayment of borrowings	(3,144)	(8,349)	(127,545)	(110,914)	(203,737)
Interest paid on term loans	(2,415)	(5,481)	(17,536)	(31,370)	(38,651)
Contribution from the Shareholder	—	—	—	—	103,500
Proceeds from disposals of interest in a subsidiary	—	—	—	—	100,000
Net cash used in financing activities	**(5,559)**	**(28,830)**	**(200,081)**	**(147,284)**	**(38,888)**
Net increase/(decrease) in cash and cash equivalents	**156,348**	**83,074**	**(42,262)**	**(90,321)**	**157,660**
Net foreign exchange difference	118	(111)	(255)	457	3,500
Cash and cash equivalents at the beginning of the period/year	104,915	147,432	147,432	237,296	76,136
Cash and cash equivalents at the end of the period/year	**261,381**	**230,395**	**104,915**	**147,432**	**237,296**

Note:

(1) This line item is labelled as "Receipt of short-term deposits with original maturity over three months" in the Interim Financial Statements for the three months ended 31 March 2021 and 2020.

Other Financial Information

	For the year ended 31 December		
	2020	2019	2018
	(U.S.$ thousand, except for percentages)		
Adjusted EBITDA[(1)]	246,930	248,856	314,164
Adjusted EBITDA Margin[(2)]	60.6%	56.5%	80.0%
Normalised Adjusted EBITDA[(3)]	232,930	245,455	211,325
Normalised Adjusted EBITDA Margin[(4)]	57.2%	55.7%	53.8%
Capital expenditure [(5)]	92,190	34,372	55,936
Operating FCF[(6)]			
Including purchase of capital work in progress[(7)]	157,162	225,294	155,286
Excluding purchase of capital work in progress[(7)]	223,202	230,867	192,215
FCFE[(8)]			
Including purchase of capital work in progress[(7)]	125,490	190,296	132,943
Excluding purchase of capital work in progress[(7)]	191,531	195,869	169,873

Notes:

(1) Adjusted EBITDA is defined as profit before discontinued operations before interests, taxes, depreciation, amortisation, impairment, fair value adjustments on investment properties and share of results of equity-accounted investments.

(2) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by revenue.

(3) Normalised Adjusted EBITDA is Adjusted EBITDA, excluding non-recurring items (income from insurance claim, gain on acquisition or disposal of subsidiary and income from transfer of orbital rights). The non-recurring items for the year ended 31 December 2018 includes income from insurance claims of U.S.$101,153 thousand relating to the Al Yah 3 launch and bargain purchase on acquisition of a subsidiary of U.S$1,686 thousand. The non-recurring items for the year ended 31 December 2019 includes the gain on disposal of discontinued operations of U.S.$3,401 thousand. The non-recurring items for the year ended 31 December 2020 includes the gain on the transfer of orbital rights of U.S.$14,000 thousand.

(4) Normalised Adjusted EBITDA Margin is calculated as Normalised Adjusted EBITDA divided by revenue.

(5) Capital expenditure represents additions to capital assets (property, plant and equipment, capital work in progress, intangible assets and right of use assets) during the period, excluding assets acquired through business combinations.

(6) Operating FCF is computed as Normalised Adjusted EBITDA, less cash outflow related to capital expenditures. Such cash outflow includes purchases of property, plant and equipment, purchases of capital work in progress (mainly relating to Al Yah 3 expenditure in

2018 and to T4-NGS satellite programme in 2020) and additions to intangible assets. Cash outflow in the year ended 31 December 2018 related to capital expenditures excludes the purchase consideration paid for the acquisition of Thuraya.

(7) Mainly relates to Al Yah 3 in 2018 and to T4-NGS satellite programme in 2020.

(8) FCFE is computed as operating FCF less cash taxes, net cash interest (interest paid less received) and changes in net working capital.

Certain Revenue Data – Mobility Solutions

	For the year ended 31 December		
	2020	**2019**	**2018**
		(U.S.$ thousand)	
Service Revenue[1]	**52,055**	**56,131**	**62,793**
Voice	45%	52%	46%
Intercarrier	18%	16%	20%
IP	15%	14%	15%
Maritime	7%	9%	7%
Leasing	13%	5%	6%
Government	2%	4%	6%
Equipment Revenue[2]	**26,980**	**31,674**	**20,956**
Handsets	65%	66%	70%
Maritime	14%	20%	14%
THIP	12%	6%	8%
Supp & Access	4%	5%	8%
M2M	4%	3%	1%
Total Revenue[3]	**79,035**	**87,805**	**83,749**

Notes:

(1) Service revenues from voice, data and maritime customers driven by number of subscribers and average revenue per user and from capacity leasing driven by amount of capacity lease and price.

(2) Equipment revenues based on number of terminals sold and price per terminal.

(3) In the year ended 31 December 2018, the Group's consolidated revenue of U.S.$392,519 thousand included Thuraya revenue from the date of acquisition (1 August 2018) of U.S.$34,687 thousand. The Total Revenue for the year ended 31 December 2018 in the table above is the pro forma Thuraya revenue as if the acquisition had taken place at the beginning of the year (1 January 2018). The Group's consolidated revenue for the year ended 31 December 2018 would have been U.S.$441,808 thousand, including Thuraya full year revenue of U.S.$83,749 thousand (19 per cent. revenue contribution to consolidated revenue).

RISK FACTORS

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

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

1. The Group may experience in-orbit satellite failures or degradations that could impair the performance of its satellites, which could lead to lost revenue, an increase in cash operating expenses and impaired relationships with customers.

Satellites utilise highly complex technology and operate in the harsh environment of space and, accordingly, are subject to significant operational risks while in orbit. These risks include critical malfunctions, commonly referred to as "anomalies". Satellite anomalies include, for example, circuit failures, transponder failures, solar array failures, battery cell and other power system failures, satellite control system failures and propulsion system failures. Anomalies principally arise as a result of:

- the satellite manufacturer's error, whether due to the use of new and largely unproven technology or due to a design, manufacturing or assembly defect that was not discovered before launch; and/or
- general failures resulting from operating satellites in the harsh space environment, such as premature component failure or wear-out.

For example, the Group has had certain technical issues with Thuraya-2, including its electrical power system and chemical propulsion subsystem. In relation to the electrical power system in particular, whilst T4-NGS is expected to be operational well in advance of the estimated end-of-life of Thuraya-2, potential future degradations in the power subsystem may require the implementation of operational measures that may have a minor impact on the performance of Thuraya-2 during the semi-annual eclipse seasons (although any such measures are expected to maintain Thuraya-2's availability rate above accepted industry-standard availability levels). Although the Group works closely with satellite manufacturers to determine and to attempt to eliminate the causes of anomalies in new satellites and to provide on-satellite backups for critical components to minimise service disruptions in the event of failure, the Group may experience anomalies, which may be material, whether of the types described above or arising from the failure of other systems or components. Because the Group only has a limited number of satellites, any single anomaly or series of anomalies could materially and adversely affect the Group's operations, revenue, relationships with current customers and its ability to attract new customers for its satellite services. The Group has only experienced short outages to date which have had limited effect on the Group's ability to meet its service level agreements. Any future anomalies could result in the loss of individual transponders on a satellite, a group of transponders on that satellite or the entire satellite, depending on the nature of the anomaly and the availability of on-satellite backups.

While the Group has experienced limited in-orbit anomalies to date, each of the Group's satellites has experienced non-critical degradations and malfunctions. However, these have not affected day-to-day operations and are considered to be within expected norms for satellites operating in geostationary orbit for that length of time.

For further information on the above, see "*Description of the Group—Satellite Systems—Satellite Health*".

Anomalies, and the Group's estimates of their future effects, may also cause a reduction of expected useful life of a satellite. Operational failures and anomalies, as well as conditions in space such as solar flares and space debris, can reduce the useful life of a satellite. If a satellite's actual useful life is or is expected to be shorter than its current estimated useful life, depreciation may be accelerated, the lifetime revenue generated may be reduced and impairments may be recognised, leading to a reduction in the return on investment for the satellite. In addition, replacing a satellite at the end of its useful life requires significant lead time and capital expenditure. The Group has significant contractual backlog, which is dependent on the useful life of the Group's existing satellites. If the useful life of any of its satellites is reduced for any of the foregoing reasons, the Group's backlog could be reduced.

Anomalies can lead to a loss of revenue and may trigger the need to recognise an impairment loss if sufficiently serious. In some circumstances, anomalies could lead to claims from third parties for damages if an anomaly results in physical damage to another satellite, creates interference to the transmissions on another satellite or causes other satellite operators to incur expenses in order to avoid such physical damage or interference. Finally, the occurrence of anomalies may adversely affect the Group's ability to insure its satellites at commercially reasonable premiums, if at all. While some anomalies are covered by insurance policies, others are not, or may not, be covered. See "*—The Group's satellites may be subject to damage or loss from events that may not be covered by its insurance policies*" below.

The Group has estimated that the expected end-of-life of the Group's five in-orbit satellites, which is estimated by the Group based on the latest health reports and estimated remaining fuel life and assuming typical degradation in coming years and no significant anomalies occur, are as follows: (i) 8 years for Al Yah 1; (ii) 9 years for Al Yah 2; (iii) 6 years for Al Yah 3; (iv) 5 years for Thuraya-2; and (v) 9 years for Thuraya-3. Please see the section "*Description of the Group—Satellite Systems*" for more detail on the Group's satellite fleet.

Meteoroid events and increased solar activity pose a potential threat to all in-orbit satellites. These events are unpredictable and cannot be mitigated by Group actions. Some decommissioned spacecraft are in uncontrolled orbits that pass through the geostationary belt at various points, thereby presenting hazards to operational spacecraft, including the Group's satellites. While the Group has procedures in place that seek to mitigate the risk of collision with such spacecraft, there can be no assurances that such collisions will not occur. The loss, damage or destruction of any of the Group's satellites as a result of an electrostatic storm, collision with meteorites or space debris, malfunction or other event could have a material adverse effect on the Group's business, results of operations and financial condition.

2. The Group may experience a launch failure in relation to Thuraya 4 Next Generation System satellite (T4-NGS) or damage to or destruction of T4-NGS during launch, which could result in a total or partial satellite loss. T4-NGS could also fail to achieve its designated orbital location after launch and could experience other implementation failures following launch. Any such event could result in increased costs and reduced revenue. The T4-NGS programme could face delays due to issues faced by the manufacturer or the satellite or ground components, or due to launcher schedules.

Satellites are subject to certain risks related to failed launches. Launch failures can occur due to a number of factors, including technical failure of the launch vehicle and human error. For example, the Group experienced an issue during the launch of Al Yah 3 in January 2018 that reduced the amount of propellant available and has thus had a negative impact on expected useful life. Immediately following the launch, it became apparent that the launch trajectory of Al Yah 3 was incorrect for the satellite to reach its intended geostationary transfer orbit. The Al Yah 3 satellite safely reached orbit despite the flight anomaly following the execution of additional manoeuvres, which required the burning of additional fuel, reducing its mission life from 15 years to 8.74 years. As a result, in 2018, the Group received insurance proceeds (net of accelerated premiums) for the loss of life under the Group's launch insurance for Al Yah 3, amounting to U.S.$101,153 thousand.

Through its wholly-owned subsidiary, Star Satellite Communications Company PrJSC (**Star**), the Group has entered into a managed capacity services agreement with the Government (as defined in "*Definitions*") to provide services through T4-NGS, expected to begin in the second half of 2024. Any significant delay in the deployment of T4-NGS could materially and adversely affect the Group's operations and revenue and could, if the delay is particularly protracted, result in the payment of service credits to the Government or in the termination of the agreement. A launch failure or failure to commence commercial services once in orbit in relation to T4-NGS would also undermine the Group's ability to pursue an important element of its growth strategy and could have financial consequences for the Group, including a requirement to reimburse the Government for some or all of the advance payments made to the Group under the T4-NGS managed capacity services agreement, depending on the cause of the failure. See also "*—The Group's growth strategy may not be successful*" below.

The T4-NGS launch vehicle could also under-perform, in which case the satellite may still be placed into service by using its on-board propulsion systems to reach the desired orbital location but would experience a reduction in its useful life, which could result in a significant impairment charge.

3. The Group is subject to significant competition both from within the FSS and MSS sectors and from other providers of satellite communications services. This could hinder or prevent the Group from implementing its business strategy and expanding its operations as planned.

The Group faces significant competition in the fixed satellite services (**FSS**) sector in the regions in which it operates, which currently include 59 countries in the Middle East, Africa and Asia. The Group competes against other international, regional and national FSS satellite operators, including but not limited to Avanti, Intelsat, SES, Eutelsat and Arabsat, many of which may have more satellites, greater capacity and geographical coverage, a longer track record of operations and substantially greater resources than the Group. As a result, these competitors may be able to take advantage of greater economies of scale, may be more attractive to customers and may be able to offer greater flexibility in terms of their ability to restore services after systems failures or to meet any future customer expansion requirements.

In addition, the Group competes against suppliers of terrestrial based services, including cellular (3G/4G/5G), cable, fibre optic and digital subscriber line (**DSL**). As the coverage of ground-based communication continues to advance, the Group faces the risk that terrestrial fixed and mobile technology will expand its reach and be able to offer high throughput services, which are services that provide multiple times the total throughput of an FSS satellite, at competitive or cheaper prices (including on a bundled basis with other complementary services) in areas currently only served by satellite. There are also new entrants in the space-based communications arena utilising non-geostationary orbit (**NGSO**) solutions in the medium Earth orbit (**MEO**) or low Earth orbit (**LEO**) that, over time, may be able to offer similar or better pricing, along with other advantages such as lower latency. Some of the Group's business, in particular the FSS business segment, is likely to be impacted in the longer term if these succeed, and a new Group business model, potentially integrating such capacity instead of building new geostationary Earth orbit capacity used on its current missions may need to be considered.

Increased competition in the FSS sector is likely to result in increased capacity and lower prices in the regions in which the Group operates and could make certain of the Group's services less attractive. For example, there is currently a significant oversupply of C-band capacity in Africa, which has impacted the Group's ability to lease all of its C-band capacity and has negatively impacted the prices at which new leases are agreed. In addition, competition in the Group's satellite broadband business varies by country and, reflecting this competition, prices for the Group's services in certain countries are considerably lower than in others. As a result, increased competition may negatively impact the Group's business, resulting in increased capacity and lower prices for the Group's services. In addition, satellite capacity is finite and, in order to accommodate demand and to continue to compete effectively, the Group may be required to make additional investments to deploy or acquire additional satellites to achieve sufficient capacity. To the extent, the Group is not able to carry out such required investment or if such investment is not achieved on commercially desirable terms, the Group's ability to compete effectively may be materially adversely impacted. See "*Industry Overview—Assessment of the Competitive Landscape*" for additional information on the industry in which the Group operates and the competitive landscape. Further, there has been some consolidation among major FSS providers as customers increasingly demand more robust distribution platforms with network redundancies and worldwide reach, which is likely to result in major satellite service providers developing and launching satellites with greater power and more capacity, which lower the average cost per unit of throughput (e.g. megahertz (**MHz**) and megabits per second (**Mbps**)).

The Group faces competition in the mobile satellite services (**MSS**) sector in the regions in which it operates, which currently include approximately 150 countries across Europe, Middle East, Africa, Asia and Australasia. The Group competes against a limited number of other international, regional and national MSS satellite operators and service providers, each of which has various differentiated value propositions specific to their geography or vertical market being served. Some of these competitors benefit from certain advantages resulting from market access privileges granted to them on a preferential basis, which may prevent the Group from accessing such markets or may reduce or eliminate the market potential for the Group altogether. Other competitors may benefit from additional advantages, such as the ability to provide global coverage, which is a preference or requirement for certain customer segments such as armed forces who operate across the globe, or large maritime vessels that typically cross oceans across the world, limiting the Group's ability to capture market share in such segments. Moreover, new technologies are being explored, which attempt to circumvent the need for spectrum reserved for MSS by the International Telecommunication Union (**ITU**). If such efforts succeed and licences are granted for use in the Group's MSS markets, the longer-term potential of certain of the Group's commercial products and solutions in the current and future MSS portfolio could be reduced.

Any failure to compete effectively with other FSS and MSS operators in the regions in which the Group operates, any failure to adapt to new competition and new technologies or any failure to implement its business strategy and expand its business operations as planned could result in lower revenue than anticipated, a decline in the Group's operating margins and profitability, a decline in the cash available to fund its operations and service its debt and an overall decrease in the value of the Group's business.

4. The Group is reliant on a single large customer for the majority of its revenue and the loss of, or any significant reduction in expenditure by, this customer could materially adversely affect the Group's business.

The Government is the Group's largest customer, accounting for approximately 70.3 per cent. of its revenue in 2020 and approximately 77.1 per cent. in the three months ended 31 March 2021. Additionally, the Group intends to expand the amount of services it provides to the Government, along with an expected expansion of commercial services. The Group is party to an FSS capacity services agreement with the Government under which the Group has agreed to provide satellite transponder capacity to the Government for a term of 15 years ending in 2026, subject to certain conditions (the **CSA**). In the event of a breach of terms and conditions under the CSA by the Group, it may need to make payments to the Government. The Group is also party to a long-term agreement with the Government for MSS capacity on T4-NGS, under which the Group has agreed to provide MSS satellite capacity and solutions to the Government for a term of 15 years from the date of commencement of commercial services on T4-NGS (expected to launch in the last quarter of 2023), subject to certain conditions (the **T4-NGSA**). In the event of a breach of terms and conditions by the Group under the T4-NGSA, it may be required to make certain payments to the Government. Despite the expected expansion of commercial services, the Group continues to expect that government revenues will continue to be a material part of the Group's revenues. Accordingly, the loss of any government contract or any reduction in expected government revenue could materially and adversely affect the Group's business, results of operations or financial condition.

The Group is currently in discussions with the Government for the potential development and launch of two further satellites as an expansion of the current CSA. See "*—The Group's growth strategy may not be successful*" below for additional information. If these discussions result in the procurement of new satellite(s) and an expansion of the current capacity services provided to the Government, the Government may in the future account for an even larger proportion of the Group's revenue. As a result, any damage to the Group's relationship with the Government that results in a significant reduction in the revenue received by the Group from the Government could materially adversely affect the Group's business. There is no assurance that the Government will enter into new contracts with the Group on the same or similar terms following expiration of the existing contracts. Additionally, to the extent that any disputes with the Government arise, it may be difficult for the Group to enforce its contractual rights under such contracts with the Government, which may have a material adverse impact on the Group. Furthermore, future levels of expenditures and authorisations for contracts with the Government may decrease, remain constant or shift to programmes in areas where the Group does not currently provide services, which may also materially adversely affect the Group's business, results of operations or financial condition.

5. The Group relies on a limited number of third parties for key equipment, technology and services, and its results of operations may be materially adversely affected if any of these third-party providers fails to perform as contracted.

In line with the industry standard, the Group is dependent upon a limited number of third-party providers for key equipment, technology and services. The Group relies on third parties such as Hughes Network Systems LLC, USA (**Hughes**) for support in relation to the Hughes broadband platforms on the Al Yah 2 satellite and Al Yah 3 satellites, for both Africa and Brazil, as well as for the service platform for the Thuraya-2 and Thuraya-3 satellites, Thales Alenia Space (**TAS**) for support in relation to the provision of payloads and systems on the bus supplied by Airbus Defence and Space SAS (**Airbus**), Nokia's Intelligent Network and Ericsson in respect of its mobility business line as well as Asia Pacific Satellite Inc. as the main supplier for Thuraya's voice handheld devices, with approximately 200,000 currently in use. The Group also relies on certain third-party distributors in its broadband business. While disruption resulting from the loss of a distributor could be addressed through the use of other vendors with the ability to provide similar services, if the Group is unable to contract another vendor in a timely manner, either on desirable terms or at all, the Group's ability to market its broadband services could be adversely affected, which may result in a decline in the Group's revenue. Additionally, the Group expects to rely on Mubadala Investment Company PJSC's (**Mubadala**) infrastructure for access to certain systems and software relating to functions including management of payroll, finance, supply chain, document management and business partner screening, until such services and infrastructure are transitioned in-house by the Group. Such transition is expected to occur in various phases and is anticipated to complete by the end of 2022. The Group does not have operational or financial control over such third-party suppliers. If these third parties fail to provide equipment, technology or services on a timely basis, the Group may be unable to provide services to its customers until an alternative source can be found, which may not be available on favourable terms or at all. Such occurrences could result in the Group failing to successfully deliver under its contracts, causing reputational damage and adversely impacting customer relationships, and could result in an increased risk of the Group being required to pay contractual damages or suffering non-renewal of key contracts or licences.

If these suppliers are unable to meet their obligations to the Group, the Group's business, results of operations and financial condition could be materially adversely affected.

6. The Group may not retain sufficient rights to the spectrum required to operate the Group's satellite system to its expected capacity or to take full advantage of future business opportunities.

The Group's ability to provide services to its customers is highly dependent on the Group's access to sufficient spectrum and, in the longer term, the replacement and renewal of its existing spectrum licences. The categorisation of spectrum for different uses is set in the ITU's Radio Regulations (**RR**) issued by the ITU, which are amended every four years by the UN World Radiocommunication Conferences (**WRC**). However, the amount of available spectrum suitable for the Group's operations is limited and the process for obtaining it is complex. The Group therefore cannot guarantee that it will have sufficient access to spectrum in the long term to maintain and develop its services.

As the amount of spectrum is finite, new applications may encroach on existing users, with consequential increases in interference and limitations in deployment. The Group stands at risk of encroachment on the spectrum used by its satellites. In particular, in a number of countries, regulators plan to adopt new spectrum allocations for terrestrial mobile broadband and 5G, including in bands that are currently allocated to satellite services and are shared or adjacent to satellite bands used by the Group. New spectrum allocations may require satellite operators to vacate or share spectrum and may limit the spectrum that is available for satellite services, which could adversely impact the Group's business, results of operations and financial conditions.

Increased competition for spectrum from new operators or for new services or business opportunities could make it more difficult for the Group to retain rights to spectrum or to take full advantage of future business opportunities by acquiring further spectrum. If the Group is unable to retain sufficient rights to spectrum, at an economic rate or at all, its ability to provide services in the future could be prejudiced, which could have a material adverse impact on the Group's business, results of operation and financial condition. See "*—Risks Relating to Regulatory and Legal Matters—The ITU process by which the Group obtains and maintains frequency rights at specific orbital locations may adversely affect the Group's ability to use a satellite at a given orbital location for its proposed service or coverage area*".

7. The Group is subject to the risk of unauthorised access, misappropriation of data or other malfeasance affecting its complex information systems, satellite control and operations networks and other technology.

Because information systems, satellite control and operations networks and other technologies are critical to the Group's operating activities, shutdowns or disruptions caused by events such as computer hacking, dissemination of computer viruses, worms and other destructive or disruptive software and other malicious activity pose significant risks. Due to the fast-moving pace of technological advancements and the high sophistication of certain attackers, it may be difficult to detect, determine the scope of, contain and remediate every such event. Any such event could have an adverse impact on the Group's operations, including service disruption, loss of customers and damage to the Group's reputation, and could also result in damage to the Group's properties, equipment and data. Any shutdown or disruption caused by hacking or similar events might also result in large expenditures necessary to repair or replace the affected networks or information systems or to protect them from similar events in the future. Third parties, including Mubadala, may also experience equipment failures, errors or disruptions that could adversely impact the Group's business operations and over which the Group has limited or no control. The amount and scope of insurance that the Group maintains against losses resulting from hacking and similar events may not be sufficient to cover its losses or otherwise adequately compensate it for any disruptions to its business that may result. See "*—The Group's satellites may be subject to damage or loss from events that may not be covered by its insurance policies*" below.

The Group's operating activities could also be subject to risks of misappropriation, misuse, leakage, falsification and accidental release or loss of information maintained in the Group's information technology systems and networks, as well as those maintained by Mubadala, including customer, personnel and vendor data. There can be no assurance that the Group's security measures will be adequate or successful, and the costs of maintaining adequate security measures may increase substantially in the future. Any such breach, or actions taken to repair or prevent a breach, could result in significant cost to the Group or harm the ability of the Group to successfully compete in one or more of its businesses, which could in turn have a material adverse impact on the Group's business, results of operations and financial condition. See "*—Risks Relating to Regulatory and Legal Matters—The Group must comply with data protection regulations*".

8. The Group may experience a failure of ground operations infrastructure or interference with its satellite signals that impairs the commercial performance of, or the services delivered over, its satellites, which could result in a material loss of revenue and reputational damage.

The Group operates ground infrastructure including its primary and backup satellite control centres in different locations in the Emirate of Abu Dhabi and its gateways in Abu Dhabi, Sharjah and three separate European countries. These ground facilities are used for controlling its satellites and for the provision of end-to-end services to its customers. The Group also has a separate backup arrangement with a reputable European operator in the event of the failure of its control facilities in Abu Dhabi.

The Group may experience a partial or total loss of one or more of its facilities due to any number of reasons, including natural disasters (ice and wind storms, tornadoes, floods, fires, hurricanes, earthquakes), power loss, telecommunications failures, network software flaws and acts of vandalism, arson, terrorism, or war, theft and fuel shortages as well as other unforeseen and catastrophic events or damage. A failure at any of its facilities could cause a significant loss of service for the Group's customers. Additionally, the Group may experience a failure in the necessary equipment at its primary satellite control centre, at its backup facilities, or in the communication links between these facilities and remote teleport facilities. A failure or operator error affecting tracking, telemetry and control operations might lead to a breakdown in the ability to communicate with one or more satellites or cause the transmission of incorrect instructions to any affected satellite, which could lead to a temporary or permanent degradation in satellite performance or to the loss of one or more satellites. Intentional or non-intentional electromagnetic or radio frequency interference could result in a failure of the Group's ability to deliver satellite services to its customers. A failure at any of the Group's facilities or in the communications links between its facilities or interference with its satellite signal could cause the Group's revenue and backlog to decline materially and could adversely affect its ability to market its services and generate future revenue and profit.

Satellite operators have been the victim of a number of attempts to intentionally jam broadcasts from their satellites. Any such attempts targeted at the Group's satellites could lead to disruptions in service, which could have a material effect on the Group's revenue, cause reputational damage and/or loss of customers. In addition, the risk of sabotage, terrorist attacks and attacks by anti-satellite devices is beyond the Group's control and could cause substantial damage to its network. Such occurrences are generally excluded from the Group's insurance coverage.

While the Group believes it maintains adequate insurance coverage for natural disasters and other catastrophic events and the Group has in place disaster recovery plans, it may not have adequate insurance to cover all of the associated costs of repair or reconstruction for a major future event. Further, the Group carries business interruption insurance that may cover the increased cost of operational service but would not cover lost revenues. If the Group is unable to provide services to its customers as a result of damage to its sites, it could lead to customer loss. Additionally, if the loss of service is not deemed due to an unforeseeable force majeure event, the Group could be held responsible for failing to satisfy service obligations under its transmission contracts, which could result in service credit penalties or suspension of normal fees and annual charges. As a result of such an impact on the Group's ability to provide services or customers' continued use of such services, a natural disaster or other unforeseen events could result in a material adverse impact on the Group's business, results of operations and financial condition. See "*—The Group's satellites may be subject to damage or loss from events that may not be covered by its insurance policies*" below.

9. The Group's satellites may be subject to damage or loss from events that may not be covered by its insurance policies.

The Group currently has in-orbit insurance, as well as third-party liability insurance, for its entire satellite fleet, Al Yah 1, Al Yah 2, Al Yah 3, Thuraya-2 and Thuraya-3. The Group's insurance policies contain specified deductibles and material change limitations and generally also contain exclusions in respect of losses resulting from, among others:

- military or similar action;
- any anti-satellite device;
- electromagnetic and radio interference (except for physical damage to a satellite directly resulting from this interference);
- confiscation by any governmental body;
- insurrection and similar acts or governmental action to prevent such acts;
- nuclear reaction or radiation contamination;
- wilful or intentional acts by the insured causing the loss or failure of satellites; and
- terrorism.

In addition, the Group's in-orbit insurance may exclude coverage for satellite health-related problems affecting the Group's satellites and other satellites of the same design or using the same components that are known at the time the policy is written. The Group's in-orbit insurance policies also contemplate technical margins and deductibles relating to the propellant lifetime and solar array power generating capability of the satellites.

The Group's insurance policies do not provide compensation for loss of market share, reputational damage, incidental and consequential damages and similar losses that might arise from the failure of a satellite launch, incorrect orbital placement or the failure of a satellite to perform according to specifications, and the in-orbit insurance only covers losses up to the insured amount (unless any additional cost is specifically provided for in the policy). In addition, the Group's space third-party liability insurance, which indemnifies the Company against liability to third parties for certain claims, costs and expenses relating to its business providing satellite communication services, is limited to U.S.$150 million with respect to any one occurrence in relation to any one satellite. For any occurrence involving more than one satellite, the total coverage does not exceed U.S.$150 million.

The Group will not be fully reimbursed if the cost of a replacement satellite exceeds the sum insured which it is likely to do because, as is typical in this industry, the Group's in-orbit insurance policies are based on the declining book value of its satellites. In addition, insurance companies may challenge the causes of the failure or malfunction or the amount of the loss claimed. The Group cannot guarantee that, in the event of a proven failure or malfunction on any of its satellites, its insurers would compensate it within a reasonable timeframe or for the full amount claimed by it.

While the Group's insurance policies cover asset value, loss of services is not covered under such policies and any prolonged cessation of operations could result in significantly greater loss of revenue than the amount insured against.

During 2020/2021, the insurance premiums paid by the Group accounted for 5 per cent. of its total operating costs. Numerous factors, some of which are outside the Group's control, may affect the amount of insurance premiums. Insurance premiums depend mainly on statistics on satellite failures or launch failures across the sector as a whole.

The Group might not be able to renew its insurance on comparable terms. A deterioration in the insurance market or an increase in insurance premiums could prompt the Group to reduce its coverage of partial losses or losses deemed total which could lead to an increase in the Group's exposure to the consequences of a failure or malfunction in orbit.

As a result of these factors, the Group could be exposed to significant losses should an event against which it has purchased insurance, or an event in respect of which it is not insured, occur.

10. The Group's business is capital intensive and requires it to make long-term capital expenditure decisions.

Implementation of the Group's business strategy requires a substantial outlay of capital, particularly with respect to the construction of new satellites and their related infrastructure. The cost to construct, launch and insure a satellite is significant. For example, the total programme capital expenditure for T4-NGS is expected to be U.S.$580 million and an option is in place with Airbus until 29 November 2021 to procure another identical satellite, "T5-NGS", which would require an additional estimated total capital expenditure of approximately U.S.$400 million. The T5-NGS satellite is being considered by the Group as a replacement for Thuraya-3.

In addition, the Group is in early stage discussions with the Government for two further satellites (and associated ground systems) to replace their contracted capacity on Al Yah 1 and Al Yah 2. The estimated capacity replacement capital expenditure of these satellites (and their associated ground systems) is approximately U.S.$600 million. In addition to building new satellite(s), the Group needs to commence construction of replacement satellite(s) (or a life extension vehicle in the case of Al Yah 3) approximately three to five years prior to the estimated end-of-life of each satellite then in orbit to ensure no disruption in the Group's business and to prevent loss of customers in the event of satellite failure. See also "*—The Group may not be able to raise adequate capital to finance its business strategies or may be able to do so only on terms that materially restrict its ability to operate its business*" below for a discussion of financing risks. The age and health of the Group's satellite fleet, as well as the Group's growth plans, will impact the Group's long-term capital expenditure decisions. As the Group pursues its business strategies and seeks to respond to opportunities and trends in its industry, or to unforeseen incidents affecting the health of its satellites, its actual capital expenditures may differ from its expected capital expenditures and there can be no assurance that the Group will be able to satisfy its capital requirements in the future.

The nature of the Group's business also requires it to make capital expenditure decisions in anticipation of customer demand, which is difficult to predict and, if not accurately predicted, may result in significant unrecovered costs. 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. If the Group's actual capital expenditures differ significantly from its expected capital expenditures or if the Group is unable to satisfy its capital requirements in the future, its ability to execute its business strategy and its financial condition could be materially adversely impacted. Additionally, the Group's ability to pay dividends is dependent on a number of factors, including the availability of distributable reserves and its capital expenditure plans and other cash requirements in future periods, and there is no assurance that the Company will be able pay dividends or, if a dividend is paid, what the amount of such dividend will be. See for example, "*—The Group is subject to significant competition both from within the FSS and MSS sectors and from other providers of satellite communications services. This could hinder or prevent the Group from implementing its business strategy and expanding its operations as planned*" above and "*—The Group's growth strategy may not be successful*" below.

11. The Group's growth strategy may not be successful.

The Group's growth strategy focuses on its infrastructure, managed solutions, mobility solutions and data solutions segments, with a decreased focus on its broadcast segment.

The Group is party to a number of contracts with the Government and its related agencies, including the Government. These contracts, excluding the CSA, are part of the Group's Managed Solutions business line and accounted for 16 per cent. of its revenue in 2020 and 13 per cent. in the three months ended 31 March 2021. The Group's strategy for its government solutions business, Yahsat Government Solutions (**YGS**), is focused on targeting value added solutions for Government entities, international governments and large strategic UAE state-owned enterprises. In particular, the Group intends to expand the amount of services it provides to the Government, including through the development and launch of more advanced replacement missions for the payloads offered on Al Yah 1 and Al Yah 2 underpinning the CSA, although no assurance can be made as to the terms of such agreement, if any, and the Group's ability to obtain sufficient financing required for this project on commercially acceptable terms. See "*—The Group may not be able to raise adequate capital to finance its business strategies or may be able to do so only on terms that materially restrict its ability to operate its business*" below. However, spending authorisations for defence-related and other programmes by the Government have fluctuated in the past, and future levels of expenditures and authorisations for these programmes may decrease for a variety of reasons including, for example, budgetary pressures resulting from a prolonged period of low oil prices, may remain constant or may shift to programmes in areas where the Group does not currently provide services. In addition, obsolescence of government applications that are dependent on satellite capacity, changing geo-political situations in the region, regulatory reforms in regional markets and advancements in alternate technologies may dampen demand for the Group's managed government services.

The Group's strategy in relation to its commercial (non-Government) satellite services is centred on growing its MSS service and its FSS broadband business. The Group's success in executing its MSS strategy depends, among other factors, on sufficient demand existing for MSS services in the Group's existing markets and in new markets it may seek to access. Demand for MSS may be negatively impacted, particularly at times when macroeconomic conditions are poor. Even if demand does continue to grow, the Group cannot guarantee that such growth will generate increased demand for its satellite services due to the impact of existing and potential future competition from other satellite or terrestrial service providers including operators of emerging technologies. Furthermore, the Group may not be able to provide MSS services that correspond to market demand at competitive prices in all markets. Additionally, the Group's success in executing its MSS strategy also depends on its ability to successfully launch T4-NGS and to effectively manage the regulatory and market access risks posed by evolving licensing rules in each country where its services are sold. Moreover, the Group's ability to execute its strategy with respect to its FSS broadband business could be undermined by, among others, lack of sufficient demand for FSS services, lack of continued access to capacity from third parties to top-up Al Yah 2 and Al Yah 3 Ka-band capacity where it is saturated or where an in-country gateway is needed and inability to manage the regulatory and market access risks. Furthermore, while the Group continues exploring options for extending the life of Al Yah 3, including contracting with a third party for a life extension vehicle to extend Al Yah 3 for approximately six years of life, the Group may be unable to procure or lease capacity beyond the current life of Al Yah 3 and/or to extend the life of Al Yah 3, which may also affect the Group's ability to execute its strategy with respect to its FSS broadband business. The Group estimates this type of extension will require additional funding from the Group, along with the approval and funding by Hughes as the other shareholder in the equity partnerships, which own the payloads of Al Yah 3.

Any of the foregoing could negatively impact the Group's ability to execute its strategy, undermining growth and materially adversely affecting the Group's business, results of operations and financial condition.

12. Amounts included in the Group's backlog may not result in actual revenue or translate into profits, and the Group's backlog is subject to contractual performance and may not therefore be an accurate indicator of its future operating results.

As of 31 March 2021, the Group's contract backlog amounted to U.S.$2.2 billion, the vast majority of which is comprised of backlog related to the provision of services to the Government. In addition, the Group is negotiating a new O&M agreement with the Government, which is expected to result in U.S.$175 million of additional contracted backlog. There can be no assurance that the new O&M agreement will be signed. The Group's backlog is based on its contractual entitlements and therefore may not correspond to actual receipt of revenue in the originally anticipated period, or at all. The Group may experience variances in the realisation of its backlog due to factors including contract termination or suspension, foreign exchange rate movements, force majeure, degradation or anomalies that reduce the capacity or performance of any of its satellites, default by its customers, and external market factors and economic or other factors beyond its control.

Backlog is computed based on facts known and assumptions deemed appropriate at the computation date. The Group's definition of backlog may not necessarily be the same as that used by other companies engaged in similar activities. As a result, the amount of the Group's backlog may not be comparable to the backlog reported by such other companies. Where the Group's backlog is not denominated in U.S. dollars, any depreciation or fluctuation of the currency in which it is denominated would impact the amount of revenue the Group will realise. If the Group's backlog fails to materialise, its results of operations, cash flows and liquidity would be materially adversely affected. The risk of contracts being cancelled or suspended generally increases during periods of economic slowdown. The Group's backlog as of any particular date is not an accurate indicator of its future cash flow and revenue and there is no assurance that backlog will actually be realised as revenue in the amounts reported or, if realised, will result in profits.

13. The Group may not be able to raise adequate capital to finance its business strategies or may be able to do so only on terms that materially restrict its ability to operate its business.

The availability and cost to the Group of external financing depends on a number of factors, including its financial performance and its credit strength. Both the Group's credit strength and its ability to obtain financing generally may be influenced by the supply and demand characteristics of the telecommunications sector in general and of the FSS sector in particular. Declines in the Group's expected future revenue under contracts with customers and challenging business conditions faced by its customers are among factors that may adversely affect its credit. Other factors that could impact its credit include the amount of debt in its current capital structure, activities associated with its strategic initiatives, its expected future cash flows and the capital expenditures required to execute its business strategy. A deterioration in the Group's financial performance, as well as other external factors, such as a deterioration of Abu Dhabi's credit rating, could limit the Group's ability to obtain financing or could result in any such financing being available only at greater cost or on more restrictive terms than might otherwise be available.

Long-term disruptions in the capital and credit markets as a result of uncertainty due to negative economic developments on a regional or global basis (including as a result of the ongoing impact of the COVID-19 pandemic), changing or increased regulation or failures of significant financial institutions could also adversely affect the Group's access to capital. At times when financial markets are disrupted, it may become difficult for the Group to raise additional capital or refinance debt when needed, on acceptable terms or at all. Any disruption could require the Group to take measures to conserve cash until the markets stabilise or until alternative credit arrangements or other funding for its business needs can be arranged. Such measures could include deferring capital expenditures and reducing or eliminating other discretionary uses of cash.

In addition, as a result of *Circular No. 11 of 2015 Concerning the Investments of Governmental Companies and their Subsidiaries*, the Group (by virtue of the Company being a subsidiary of Mubadala) is required to obtain the prior approval of the General Secretariat of the Executive Council before entering into any loans or issuing any debt instruments. Such approval may not be forthcoming or may be delayed, and this may materially adversely affect the Group's ability to obtain financing.

14. Investments in equity partnerships and companies that the Group does not control could expose the Group to additional risks.

The Group is currently party to two equity partnerships which it does not control: Hughes do Brasil (**HdB**) (with Hughes) and Al Maisan (which trades under the brand "YahLive") (with SES Finance S.à r.l. (**SES Finance**), a subsidiary of SES S.A. (**SES Group**)). The Group may, in the future, make additional investments in equity partnerships and companies that it does not control. Such investments could expose the Group to the risk that equity partnership partners or other shareholders of companies in which such investments are made, who may have different business or investment objectives, may have the ability to block business, financial or management decisions which the Group believes are crucial to the success of the project or investment concerned, or implement initiatives which may be contrary to the Group's interests. In addition, the Group's equity partnership partners may be unable or unwilling to fulfil their obligations under the relevant equity partnership or other agreements or may experience financial or other difficulties that may adversely impact the Group's investment. Moreover, actions taken by equity partnership partners could cause reputational harm to the Group. In its current equity partnerships, the Group is reliant on the particular expertise of its equity partnership partner and any failure by 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 its current, or any future, equity partnership partners.

15. The Group's operations and business activities are exposed to emerging market risks.

Outside of the UAE, the Group conducts business in a number of emerging markets across the Middle East, Africa, Asia and in Brazil, which, in the year ended 31 December 2020, accounted for approximately 20 per cent. of the Group's revenues (excluding Brazil, which is consolidated by Hughes for accounting purposes). These operations are subject to a variety of risks, including:

- lack of developed legal systems to enforce contractual rights and changes in regulation generally;
- risk of uncollectible accounts and longer collection cycles;
- foreign currency exchange volatility, which can, for example, impact the affordability of the Group's broadband services in many of the markets in which it operates or the hard currency equivalent of the Group's receivables in such foreign currencies;

- difficulties in recovering receivables or repatriating monies as a result of exchange controls, for example as is currently the case for the Group in Angola, Nigeria and Zimbabwe or as a result of restrictions on cash repatriation;

- inflation;

- risk of fraud and corruption;

- uncertain and changing tax rules, regulations and rates in countries where the Group is subject to taxation;

- uncertain and changing financial reporting regulations;

- tariffs and other trade barriers;

- ability to obtain necessary licences or authorisations in a timely manner to export or re-export hardware and equipment;

- logistical and communication challenges; and

- general economic, political, and financial conditions in foreign markets, including civil unrest, wars or political, economic or social instability in the Group's areas of operation which may result in it being unable to perform its contracts or otherwise operate successfully.

Due to the Group's geographic mix, these factors could affect it more than its competitors with less exposure to emerging markets, and any general decline in emerging markets as a whole could have a material adverse effect on its business, results of operations and financial condition.

16. The Group must comply with sanctions, anti-money laundering, anti-bribery or anti-corruption regulations.

The Group is subject to various legal and regulatory requirements and risks in the countries in which it has facilities or operations, involving compliance with sanctions, anti-money laundering, anti-bribery and anti-corruption laws and regulations. There can be no guarantee that the procedures, policies and controls that the Group has in place to detect and prevent instances of non-compliance with such requirements will be fully effective at all times and any failure by the Group to comply with sanctions anti-money laundering, anti-bribery and anti-corruption laws and regulations may expose it to significant fines and penalties and/or reputational damage.

The U.S. government, through the Office of Foreign Assets Control of the U.S. Department of Treasury (**OFAC**), the U.S. Department of State and other departments, administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries, including Iran, and certain entities and individuals, including specially designated nationals, and other United States, United Kingdom (**UK**), European Union and United Nations (**UN**) rules impose similar restrictions (together **Sanctions Targets**). As the Company is not a Sanctions Target, these rules do not prohibit U.S. or EU persons from investing in, or otherwise engaging in business with, the Company. However, investors investing in the Company may incur the risk of indirect contact with Sanctions Targets to the extent that the Company, directly or indirectly, engages in business with, or operations in, Sanctions Targets. The Group cannot provide equipment or services to certain countries subject to U.S. trade sanctions unless it first obtains the necessary authorisations from OFAC. Although the Company has received OFAC clearance in Iran to sell services through service providers, if sanctions regulations or clearance processes change, the Company may have to seek additional authorisations.

Moreover, the Group is also subject to applicable export control laws and regulations in the United States and other countries, including France and the UK. If the Group does not maintain its existing authorisations or obtain necessary future authorisations under the export control laws and regulations of the United States for example, the Group may be unable to export technical data or equipment to non-U.S. persons and companies as required to fulfil existing contracts.

Violations of these laws or regulations could result in significant sanctions including fines, more onerous compliance requirements, debarments from export privileges, or loss of authorisations needed to conduct aspects of the Group's international business. A violation of export or trade-related regulations could materially adversely affect the Group's business, results of operations and financial condition.

17. The Group may suffer the departure of key employees or be unable to hire the skilled operational staff needed for its operations.

The Group has a number of key management and operational employees with highly specialised skills and extensive experience in their fields. If one of these employees were to leave, the Group may have difficulty replacing him or her. In addition, the Group's business is characterised by rapidly-evolving technology that requires the ability to attract new, technically qualified employees on a regular basis. The Group may also experience delay in hiring qualified employees in certain positions due to the sensitive nature of the Group's military contracts and the human resource security clearance processes that such contracts require. There can be no assurance that the Group will be successful in hiring and training the necessary staff at all times or without undue cost or delay. If the Group is unable to retain its key employees or to attract new highly qualified employees in roles that require special technical expertise, the Group's business, results of operation and financial condition could be materially adversely impacted.

18. The Company's significant shareholder will maintain a controlling interest in the Company following completion of the Global Offering.

Mubadala currently owns 100 per cent. of the Company's share capital, via its wholly-owned subsidiary, Mamoura Diversified Global Holding PJSC (**MDGH**). Mubadala is wholly-owned by the government of Abu Dhabi. Following completion of the Global Offering, MDGH will own not less than 60 per cent. of the Company's share capital and will therefore continue to be able to control the Group through its ability to control the appointment of directors of the Company and the outcome of votes at general meetings of shareholders of the Company. There can be no assurance that the interests of Mubadala will coincide with the interests of all purchasers of the Shares.

Furthermore, there can be no assurance that the interests of Mubadala and the Abu Dhabi government will align with the strategic objectives and commercial initiatives of the Group.

19. New satellite development is subject to construction and launch risk, including delays, the occurrence of which could have a material and adverse effect on the Group's operations.

The construction and launch of satellites are subject to certain delays. Such delays can result from delays in the construction of satellites and launch vehicles, the periodic unavailability of reliable launch opportunities, possible delays in obtaining regulatory approvals and launch failures, including as a result of natural disaster at manufacturer and service provider facilities. Given the limited number of satellite launch providers and the limited opportunities for launches to occur, a delay experienced by the Group's selected launch provider at a prior launch can have a knock-on effect on that provider's future scheduled launches, including the Group's scheduled launch.

If satellite construction schedules are not met, a launch opportunity may not be available at the time the satellite is ready to be launched. Delays in the commencement of service may affect plans to replace an in-orbit satellite prior to the end of its useful life, may result in the expiration or cancellation of launch insurance and may result in the loss of rights to use orbital locations. A delay or perceived delay in launching replacement satellites may cause current customers to move to another satellite provider if they determine that the delay may cause an interruption in service. In addition, the Group's contracts with customers who purchase or reserve satellite capacity may allow those customers to terminate their contracts in the event of delays, thus impacting the backlog.

A significant delay in the future delivery or launch of any satellite may also adversely affect the Group's sales and marketing plan for the satellite. As a result, any failure to implement the Group's satellite deployment plan on schedule could have a material adverse effect on its business, results of operations and financial condition.

20. The Group may not be successful in renewing its existing satellite capacity agreements or in renewing them on terms that are similar to their current terms.

Outside of its contracts with the Government, which tend to be long-term contracts, the Group's satellite capacity lease contracts vary in length depending on the type of customer, with the majority having maturities of three to five years.

In addition, the Group's customers may from time to time seek to renegotiate their longer-term contracts with the Group as a result of adverse market developments or for other reasons. If the Group is unsuccessful in obtaining the renewal of its satellite capacity agreements when they come up for renewal or is unable to obtain commercial terms similar to those currently reflected in its agreements, or agrees to contract renegotiations, its capacity lease revenue could be adversely affected for some time, which could have a material adverse effect on the Group's business, results of operations and financial condition.

21. The resurgence of the COVID-19 pandemic, the emergence of other pandemics and the occurrence of other health crises could have an adverse effect on the Group's business.

The Group's business has been affected, and may continue to be affected by the fear of exposure to or actual effects of a disease outbreak, epidemic, pandemic, or similar widespread public health concerns. The outbreak of the COVID-19 pandemic continues to evolve and, to date, has resulted in the implementation of significant measures by governments globally, including lockdowns, closures, quarantines and travel bans intended to control the spread of the virus. Companies, including the Group, have also taken precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses and facilities. Within the UAE, measures undertaken to contain the COVID-19 pandemic have evolved over time and vary across the Emirates, and have included travel restrictions, containment and lockdown measures, and limitations on business operations and gatherings of large numbers of people. Other measures that have been mandated from time to time include domestic and international travel bans, domestic and international border closings, business closures, quarantines, curfews and social distancing measures. As a result, the COVID-19 pandemic has materially limited ground, air and water transportation, both locally and internationally.

Although the Group's activity has demonstrated a certain resilience compared to other industries, a resurgence of the COVID-19 pandemic, as well as the emergence of other pandemics or the occurrence of other health crises, could result in adverse consequences for the Group, including as a result of economic pressures experienced by the Group's customers and partners, negative impact experienced in the operations of other players in the Group's value chain, notably satellite manufacturers, launchers and gateway installers, could lead to delays in the entry into service of new satellites. These adverse economic conditions may reduce commercial activity, cause disruption and extreme volatility in global financial markets and increase rates of default and bankruptcy. A new episode of the COVID-19 pandemic, its resurgence, or a similar health crisis could thus have a material adverse impact on the Group's business, results of operations and financial condition.

RISKS RELATING TO REGULATORY AND LEGAL MATTERS

22. If the Group does not obtain or maintain all necessary national regulatory authorisations, it may not be able to operate its existing satellites or expand its operations.

National regulators allocate spectrum for satellite services and may change these allocations, which could change or limit how the Group's current satellites are able to be used. While national regulators continue to adopt a range of satellite spectrum rules, from open-skies to fee-charging, an increasing number of national administrations are charging spectrum fees or auctioning rights to use spectrum. In addition, national administrations may revoke the Group's rights to use frequency spectrum, even when the Group has an established business and satellite frequency landing rights at a particular orbital location. Any reallocation of spectrum, charges levied for spectrum or revocation of rights to use spectrum could have a significant adverse effect on the Group's business, results of operations and financial condition.

In addition, in connection with providing satellite capacity, ground network uplinks, downlinks and other value-added services to its customers, the Group needs to maintain regulatory approvals from various regulators across the jurisdictions in which it offers services. In the case of its contracts with government entities, it may also be required to obtain security clearances. Obtaining and maintaining these approvals can involve significant time and expense. If the Group cannot obtain or is delayed in obtaining the required regulatory approvals, it may not be able to provide the relevant services to its customers or offer planned new services or existing services in planned new jurisdictions. In addition, the laws and regulations to which the Group is subject could change at any time, thus making it more difficult for the Group to obtain new regulatory approvals or causing its existing approvals to be revoked or adversely modified. Because the regulatory schemes vary by country, the Group may also be subject to changes in regulations of which it is not presently aware and could be subject to sanctions by a foreign government that could materially and adversely affect its operations in that country. If the Group cannot comply with the laws and regulations that apply to it, the Group could lose its revenue from services provided to the countries and territories covered by these laws and regulations and be subject to criminal or civil sanctions.

Additionally, in certain markets where the Group has FSS coverage, the Group has excess capacity that it cannot put into proper use due to national regulations in those markets. Whilst the Group intends to continue working with local regulators and/or in-country partners, including in Saudi Arabia, Egypt and Algeria, to expand access in such markets, there is no assurance the Group will succeed in gaining such expanded access. Moreover, applicable restrictions and regulations can change over time and they may change in ways that negatively impact the Group's ability to carry out its business in such markets, including as a result of additional players entering the market who may be able to obtain greater access in such markets.

The Group strives to maintain compliance with all relevant requirements in the jurisdictions in which it operates. However, if the Group does not maintain the authorisations necessary to operate its existing satellites and provide the other services currently provided by it, it will not be able to operate the satellites or provide the services covered by those authorisations. Loss of a satellite authorisation could cause the Group to lose the revenue from services provided by that satellite at a particular orbital location in the relevant jurisdictions to the extent these services cannot be provided by satellites at other orbital locations.

If any of the Group's current or future operations are deemed not in compliance with applicable regulatory requirements, the Group may be subject to various sanctions, including fines, loss of authorisations or the denial of applications for new authorisations or the renewal of existing authorisations, which could have a material adverse effect on the Group's business, results of operations and financial condition.

23. The delays in obtaining or not being able to obtain regulatory approvals needed for the operation and de-orbiting of a satellite as a space object may adversely affect the Group's ability to launch and use its satellites.

The UAE has ratified various UN conventions and the Artemis Accords that pertain to the sustainable use of outer space, to which the Group must abide in the construction, launch and operation of its satellites. In addition, the United Arab Emirates Space Agency (**UAESA**) is in the process of developing a new approval process for the launch, operation and de-orbiting of satellites under the UAE "Federal Law No.12 on the Regulation of the Space Sector" (the **UAE Space Law**), which may impact the design and operation of the Group's current and future satellites. Furthermore, the new approval process may require the Group to dispose of satellites earlier than planned to ensure their safe disposal, resulting in a reduction of commercial operation. The Group may be required to seek additional design changes to new satellites aimed at improving flight safety and limiting debris mitigation, which may result in higher costs and development delays. The UAESA may also impose restrictions on the movement of satellites between orbital locations or their operation at any orbital location that limit commercial opportunities. Furthermore, the cost of third-party liability insurance that must be carried by the Group to protect the UAE from an in-orbit collision could be material depending on the coverage amount required and current premium levels.

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

24. The ITU process by which the Group obtains and maintains frequency rights at specific orbital locations may adversely affect the Group's ability to use a satellite at a given orbital location for its proposed service or coverage area.

The telecommunications industry is highly regulated, and the Group depends on access to orbital slots and spectrum resources to provide satellite services. Orbital slots and associated frequencies are a limited resource. The Group is required to obtain spectrum rights at distinct orbital location by means of a process set forth in the RR. The process requires the support of the UAE Telecommunication and Digital Government Regulatory Authority (the **TDRA**) through which the Group interacts with the ITU, compliance with complex regulatory conditions and may require reaching agreement with other satellite operators that have senior rights.

Satellite operators make filings to secure spectrum rights at particular locations. Each filing is valid for seven years unless it is brought into use within that period, in which case it remains valid for as long as it is in use. Among other technical characteristics, a filing specifies both the frequency bands and the orbital location to be used by the satellite. Once an operator has made a new filing, it is reviewed by the ITU and a list of impacted operational satellites and yet unused but more senior ITU filings are identified, including filings owned by governments. The owner of the new filing must then undertake negotiations with each party identified on the list, a process which is referred to as coordination. The coordination process is critical in establishing the viability of new filings.

As result of such coordination so as to comply with the ITU process, the Group may be required to modify its intended satellite coverage areas or satellite design or transmission plans to eliminate or minimise interference from or to other satellite networks. Those modifications may mean that use of a particular orbital position is restricted, possibly to the extent that it may not be technically or economically feasible to place a new satellite in that location, effectively making the new filing unusable. In addition, interference concerns of a country may affect the ability of the Group's satellite network to generate revenue due to the operational restrictions that the country may impose. Such operational restrictions include not allowing transponders to be operated at the maximum power over the intended area, requiring the receiving or transmitting Earth stations to use a minimum antenna size or using steerable coverage to avoid a specific geographical area. Furthermore, the ITU process obligates fixed timelines for the initial use and returning use of a satellite at a given orbital location. Not meeting these timelines could lead to the loss of spectrum rights.

Changes in the RR or limitations in the support made available by the UAE regulator can arise from time to time. The Group may not always be able to resolve such issues quickly, or at all, which could lead to reputational harm, potential loss of customers, litigation and/or deterioration of the Group's relationships with other operators, degradation of signal quality resulting from interference from satellites of other operators, operating or design restrictions that make the Group's services in a particular region less competitive, uneconomic or limit the ability to fully utilise the capabilities of a particular satellite, and, to the extent an issue is not resolved in the Group's favour, potential loss of rights. The significance of such a loss would vary across frequencies and geography and it can therefore be difficult to determine which portion of the Group's revenue will be impacted.

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

25. The Group's business is subject to laws and regulations in various countries in which it operates. Any increase or change in such laws and regulations could require the Group to incur additional

costs, could expose the Group to fines and could limit the Group's ability to provide existing and new services in some countries.

The maintenance and expansion of the Group's business is dependent upon, among other things, the Group's ability (and/or the ability of the Group's service providers) to obtain required government licences and authorisations in a timely manner, at reasonable costs and on satisfactory terms and conditions.

In most countries in which the Group operates, it is not required to be licensed as its business model is to operate through service providers that possess necessary licences to operate in such countries. Where required by local rules, the Group obtains and maintains its own licences. In certain countries, neither the Group nor a service provider holds licences, which may be due to an open regime or the absence of a regulatory structure requiring such licences.

If a service provider is unable to obtain required licences in a certain country in a timely manner, at reasonable costs and on satisfactory terms, regulators may prevent the Group from continuing to serve customers in such countries. Furthermore, if the Group or its service provider fail to comply with all applicable rules pertaining to a particular licence, such licence may be revoked.

While the Group consults with regulators, licensing experts in a given country as well as other licensees to ensure that services are in compliance with local regulations, laws, policies and regulations affecting the satellite industry are subject to change in response to industry developments, new technology or political considerations. Legislators or regulatory authorities in various countries, including the UAE, are considering, and may in the future adopt, new laws, policies and regulations or changes to existing regulations regarding a variety of matters that could, directly or indirectly, affect the Group's operations or the operations of the Group's service providers, or increase the cost of providing services over the Group's system.

In particular, the above risks may be more acute in emerging markets in which the Group currently operates or may operate in the future. For example, the Group is evaluating entry options for Saudi Arabia, Egypt and Algeria, which requires discussion with local partners and regulators to procure the appropriate licences. Any uncertainty or significant change in the regulatory landscape in these countries may limit the Group's ability to operate in such emerging markets or grow the Group's business in new markets. See "—*Risks Relating to the Group's Business and Industry—The Group is subject to significant competition both from within the FSS and MSS sectors and from other providers of satellite communications services. This could hinder or prevent the Group from implementing its business strategy and expanding its operations as planned*".

Changes to current laws, policies or regulations or the adoption of new regulations could affect the Group's ability to obtain or retain required government licences and authorisations or could otherwise have a material adverse effect on the Group's business, results of operations and financial condition.

26. The Group's business depends on certain intellectual property rights and not infringing the intellectual property rights of others.

The Group relies on its patents, copyrights, trademarks, trade secrets, licences and other agreements to conduct its business. Legal challenges to the Group's intellectual property rights and claims of intellectual property infringement could result in significant monetary liability and could require the Group to change its business practices or limit its ability to compete effectively or could otherwise have a material adverse effect on the Group's business. Even if any such challenges or claims prove to be without merit, they can be time-consuming and costly to defend and may divert management's attention and resources away from the Group's business.

Moreover, the Group relies in part on technologies developed or licensed by third parties. If the Group is unable to obtain or retain licences or other required intellectual property rights from these third parties on reasonable terms, the Group's business could be adversely affected. In addition, the Group works with suppliers for the development and manufacture of components that are integrated into its products and the Group's products may contain technologies provided to the Group by these suppliers. The Group may have little or no ability to determine in advance whether any such technology infringes the intellectual property rights of others, or whether such suppliers have obtained or continue to obtain the appropriate licences or other intellectual property rights to use such technology. The Group's suppliers may not be required to indemnify the Group in the event that a claim of infringement is asserted against it, or they may be required to indemnify the Group only up to a maximum amount. Legal challenges to these intellectual property rights may impair the Group's ability to use the products and technologies that it needs in order to operate the Group's business and may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group cannot estimate the extent to which it may be required in the future to obtain intellectual property licences, or the availability and cost of any such licences. To the extent that the Group is required to pay royalties to third parties to whom it is not currently making payments, these increased costs of doing business could negatively affect the Group's profitability or liquidity.

27. Litigation or governmental proceedings involving the Group could result in material adverse consequences.

The Group may in the future be involved in lawsuits, regulatory inquiries, audits, consumer claims and governmental and other legal proceedings. Some of these proceedings may raise difficult and complicated factual and legal issues and can be subject to uncertainties and complexities. The timing of the final resolutions is typically uncertain. Additionally, the possible outcomes of, or resolutions to, these proceedings could include adverse judgments, settlements, injunctions or liabilities, any of which could require substantial payments or have other adverse impacts on the Group's business.

28. The Group must comply with data protection regulations.

The Group is subject to regulation regarding the use of personal data. The Group processes limited personal, customer, employee and other data as part of its business and therefore must comply with strict data protection and privacy laws. The Group seeks to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third-party service providers, and also implements security measures to help prevent cyber-theft. Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection laws. If the Group or any of the third-party service providers on which it relies, including Mubadala, fail to store or transmit customer information in a secure manner, or if any loss or wrongful processing of personal customer data were otherwise to occur, the Group could be subject to investigative and enforcement action by relevant regulatory authorities, could be subject to claims or complaints from the person to whom the data relates, or could face liability under data protection laws. For example, the EU General Data Protection Regulation (the **GDPR**) requires companies to meet requirements regarding the processing of personal data, including its use, protection and transfer and the ability of persons whose data is stored to correct or delete such data. The GDPR also confers a private right of action on certain individuals and associations. Failure to meet the requirements of applicable data protection regulations or if regulators assert a failure to comply, could result in significant penalties for the Company or target business, including up to 4 per cent. of annual worldwide revenue for violations under the GDPR as well as private lawsuits. The GDPR has increased the regulatory burdens with respect to the processing of personal, customer, employee and other data in the conduct of its business and while the Group has established procedures to ensure compliance with these regulations, breach of the GDPR may expose the Group to penalties. The Group cannot guarantee that it will be fully compliant with its obligations under the GDPR, and therefore the Group may be subject to regulatory action or financial penalties, which could also result in adverse publicity or reputational damage. Any of the foregoing could adversely affect the Group's business, results of operations and financial condition.

RISKS RELATING TO THE UAE AND THE MENA REGION

29. Instability or unrest in the MENA region may adversely affect the UAE economy.

Many of the Group's operations are located within the UAE and the Group's principal customer is the Government and its agencies. Although Abu Dhabi and the UAE are rated "Aa2" by Moody's Investor Service (**Moody's**) and "AA" by Standard & Poor's Financial Services LLC (**S&P**) and Fitch Ratings (**Fitch**) as at the date of the Prospectus and enjoy domestic political stability and generally healthy international relations, since early 2011 there has been political unrest in a number of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to a number of regime changes and increased political uncertainty across the region. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact that such occurrences might have on Abu Dhabi and the UAE.

The MENA region is currently subject to a number of armed conflicts including those in Yemen, Syria, Iraq and Palestine as well as the multinational conflict with the Islamic State. A number of Arab states continue to participate in the military intervention in Yemen, which began in 2015 and is currently being scaled back. In addition, in June 2017, Saudi Arabia, the UAE and Bahrain, as well as Egypt and Yemen, severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions on Qatar. In January 2021, at the annual Gulf Cooperation Council (**GCC**) summit, the leaders of the six members of the GCC signed the Al-Ula Declaration, a "solidarity and stability" agreement towards the ending of the diplomatic rift with Qatar, although diplomatic tensions with Qatar remain. Saudi Arabia and the UAE, among others, announced the opening of air, land and sea entry points to Qatar. It remains uncertain how the events relating to Qatar will develop or how the situation may affect Abu Dhabi and the UAE.

Additionally, tensions in the Gulf region have also increased following the seizure by Iran of a British tanker in July 2019 and, more broadly, due to several incidents with oil tankers in the Strait of Hormuz. On 14 September 2019, the Abqaiq processing facility and the Kurais oil field in Saudi Arabia were damaged to a significant extent in apparent drone attacks, which caused an immediate significant reduction in the output of Saudi Aramco, Saudi Arabia's national oil company. In addition, on 23 November 2020, an explosion took place in a further apparent attack with a projectile, resulting in a fire in a fuel tank at a Saudi Aramco petroleum products distribution terminal in north Jeddah, Saudi Arabia. There can be no assurance that a similar incident could not occur elsewhere in the Gulf region and the impact of such incidents on the geopolitical situation in the region, including any potential escalation of tensions remains unclear. Furthermore, the 2 January 2020 killing of the prominent Iranian military commander, General Qasem Soleimani, and subsequent political developments in Iraq have resulted in military action being taken by Iran against the United States and its interests in the region. Any continuation of, or increase in, international or regional tensions with Iran, including further attacks on or seizures of oil tankers that disrupt international trade and impair trade flows through the Strait of Hormuz, or any military action, may have a destabilising impact on the Gulf region.

In August 2020, the UAE and Israel reached a deal to normalise relations, under which Israel agreed to suspend its plans to annex parts of the West Bank. On 15 September 2020, the UAE and Israel entered into a Treaty of Peace, Diplomatic Relations and Full Normalisation. On the same date, Bahrain also entered into a similar agreement with Israel, and in January 2021, Bahrain's Electricity and Water Authority entered into preliminary discussions with Israel's national water company as to supplying Bahrain with water purification systems. Although the agreements serve to reduce tensions in the region between Israel and its neighbouring countries, it is possible that it could lead to a heightening of tensions in the MENA region between those countries who have welcomed the deal and those who disapprove of it, notably Palestine and Iran, whose leaders have publicly criticised the deal and the former of which recalled the Palestinian ambassador to the UAE.

There can be no assurance that tensions will not continue to escalate in the region, that further attacks will not happen or that the governments in these countries will be successful in maintaining adequate levels of domestic order and stability.

Continuing instability and unrest in the MENA region may significantly affect the regional economies and the economy of the UAE, including both the respective financial markets and real economies. These impacts could occur through a lower flow of foreign direct investment into the region, capital outflows or increased volatility in the regional financial markets. Although the UAE has not experienced significant terrorist attacks such as those experienced by a number of countries in the MENA region, including Egypt, there can be no assurance that extremists or terrorist groups will not initiate violent activity in the UAE. The Group's business, results of operations and financial condition may be materially adversely affected if and to the extent this regional volatility leads to potential instability or change of government in the UAE.

30. The UAE may introduce new laws and regulations that adversely affect the way in which the Group is able to conduct its businesses.

Changes in investment policies or in the prevailing political climate in the UAE could result in the introduction of changes to government regulations with respect to export and import controls; the application of, or adjustment of the rate applicable to, income, value added and other taxes and the possible introduction of corporation tax; foreign exchange rates, including the currency peg between the UAE dirham and the U.S. dollar, and currency controls; the use of spectrum and access to telecommunication services and, to a lesser extent, labour and welfare benefit policies and the launch, operation, and de-orbit of satellites.

The Group is not currently subject to corporate income tax in the UAE, although some consideration has been given to the introduction of a corporate income tax in Abu Dhabi. See "*Taxation—UAE Taxation*". There can be no assurance that the introduction of a corporate income tax or any other changes to current laws would not increase the Group's costs or otherwise materially adversely affect the Group's business, results of operations, financial condition and prospects. There can be no assurance that any future changes to current laws would not increase the Group's costs or otherwise materially adversely affect the way in which the Group conducts its businesses.

31. The Group may be materially adversely affected if the U.S. dollar/AED exchange rate were to change or if there are changes in exchange rates between foreign currencies, particularly the Brazilian Real (BRL), and the U.S. dollar.

Most of the Group's revenue is denominated in U.S. dollars, as are certain other costs. In addition, all of the indebtedness under the Group's new term loan (the **New Term Loan Facility**) and export credit agency facility (the **ECA Facility**), both completed in the second quarter of 2021, are denominated in U.S. dollars. Although the UAE dirham has been pegged to the U.S. dollar at a rate of AED 3.673 to U.S. dollar 1.00 since 1997, there can be no assurance that the UAE Central Bank will continue to maintain this fixed rate in the future, particularly if there continues to be increased demand for the U.S. dollar as a result of the COVID-19 pandemic and any additional waves or resurgences thereof. The existing fixed rate may be adjusted in a manner that exposes the Group to volatility in rates or an increase in repayment obligations under the Group's New Term Loan Facility and ECA Facility that the Group may be unable to hedge through interest rate swaps or otherwise. Any change to the U.S. dollar/AED exchange rate could increase the costs that the Group pays for its products or to service its indebtedness, or could cause the Group's results of operations and financial condition to fluctuate due to currency translation effects, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

While almost all of the Group's customers pay for its services in U.S. dollars or AED, some customers pay for the Group's services in other currencies, particularly in BRL, which are not pegged to the U.S. dollar. Fluctuating exchange rates, including as a result of, or when coupled with, occurrences of inflation, could lead to an increase in the price of the Group's capacity and services when paid in currencies other than U.S. dollars or in currencies not pegged to the U.S. dollar. These fluctuations could reduce demand from customers paying in currencies other than U.S. dollars. Moreover, the Group's clients located in emerging countries may encounter difficulties in obtaining U.S. dollars, because of currency controls, or may face a strong decrease of the U.S. dollar-equivalent of revenues generated in local currencies. This could significantly affect their ability to pay in U.S. dollars, thereby exposing the Group to additional exchange rate risks.

RISKS RELATING TO THE GLOBAL OFFERING AND THE SHARES

32. There is no guarantee of an active or liquid market for the Shares, and trading prices of the Shares may be volatile and may decline. In addition, the ADX is significantly smaller in size than other established securities markets, which may also affect liquidity in the Shares.

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

The Shares will be listed on the ADX. The ADX was established in 2000, but its future success and liquidity in the market for the Shares once listed cannot be guaranteed. The ADX is substantially smaller in size and trading volume than other established securities markets, such as those in the U.S. and the UK. Brokerage commissions and other transaction costs on the ADX are generally higher than those in Western European countries.

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

33. The Company may not pay cash dividends on the Shares. Consequently, the investors may not receive any return on investment unless the investors sell their Shares for a price greater than that which the investor paid for them.

There can be no assurance that the Company will be able to pay dividends. Any decision to declare and pay dividends in the future will be made at the discretion of the Group's Board of Directors (the **Board**) and will depend on, among other things, applicable law and regulations, results of operations, financial condition, cash requirements, future plans and other factors that the Board may deem relevant. As a result, you may not receive any return on an investment in the Shares unless you sell your Shares for a price greater than that which you paid for them.

34. Substantial sales of Shares by the Selling Shareholder could depress the price of the Shares.

Sales of a substantial number of Shares by the Selling Shareholder following the completion of the Global Offering may significantly reduce the share price of the Company in the financial market. The Selling Shareholder has agreed in the Underwriting Agreement dated 27 June 2021 (the **Underwriting Agreement**) to certain restrictions on its ability to sell, transfer and otherwise deal in its Shares for a period of 180 days from the Closing Date. For additional information, see "*Subscription and Sale—Lock-up Arrangements*".

35. Shareholders in the United States and other jurisdictions may not be able to participate in future equity offerings.

The Company's Articles of Association (the **Articles of Association**) and Federal Law No. 2 of 2015 concerning commercial companies, as amended (the **Companies Law**) provide for pre-emption rights to be granted to shareholders. However, securities laws of certain jurisdictions may restrict the Company's ability to allow participation by shareholders in future offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the Shares and any other securities that are offered and sold are registered under the Securities Act or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable shareholders in the United States or other jurisdictions to exercise their pre-emption rights or, if available, that the Company will utilise any such exemption.

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

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

USE OF PROCEEDS

All of the net proceeds of the Global Offering will be received by the Selling Shareholder. The Company will not receive any proceeds from the Global Offering. All of the expenses of the Global Offering (including underwriting commissions and any discretionary fees) will be borne by the Selling Shareholder.

DIVIDEND POLICY

The Company's ability to pay dividends is dependent on a number of factors, including the availability of distributable reserves and its capital expenditure plans and other cash requirements in future periods, and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be. See "*Risk Factors—Risks Relating to the Global Offering and the Shares—The Company may not pay cash dividends on the Shares. Consequently, the investors may not receive any return on investment unless the investors sell their Shares for a price greater than that which the investor paid for them*" and "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group's business is capital intensive and requires it to make long-term capital expenditure decisions*".

Subject to the foregoing, the Company intends to pay a dividend of U.S.$105 million relating to its financial performance in the year ended 31 December 2021. 50 per cent. of this dividend would be paid to the Selling Shareholder in 2021 before the Closing Date of the Global Offering, reflecting the period in which it was a 100 per cent. shareholder of the Company. The remaining 50 per cent. will be paid in 2022 on a pro rata basis to all shareholders at the relevant record date. The dividend is expected to increase in each subsequent fiscal year, subject to consideration by the Company's Board of the cash management requirements of its business for operating expenses, interest expense, and anticipated capital expenditures. In addition, the Board would also consider market conditions, the then current operating environment and its outlook for the business. Any level or payment of dividends depends on future profits and the business plan of the Company, amongst other factors, at the discretion of the Board.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's cash and short-term deposits and total capitalisation as at 31 March 2021 as derived from the Interim Financial Statements. Total capitalisation is calculated as the sum of equity attributable to the shareholder and current and non-current borrowings.

You should read this table together with "*Operating and Financial Review*" and the Historical Financial Information contained elsewhere herein.

	As at 31 March 2021(1)
	U.S.$ thousand
Cash and short-term deposits	**281,381**
Borrowings – current	127,580
Borrowings – non-current	142,768
Total borrowings	**270,348**
Equity attributable to the Shareholder:	
Share capital	2,722
Additional paid-in capital	661,612
Hedging reserve	(9,638)
Statutory reserve	4,103
Translation reserve	(31,664)
Retained earnings	275,844
Total equity attributable to the Shareholder	**902,979**
Total capitalisation(2)	**1,173,327**

Notes:

(1) Subsequent to 31 March 2021, the Group entered into material transactions that may impact the Group's total capitalisation, including (i) the New Term Loan Facility in a principal amount of U.S.$400 million on 14 June 2021, which was drawn in full on 22 June 2021 and was partially used to acquire the outstanding borrowings of Term Loan 1 of U.S.$251,461 thousand on the same date; (ii) the ECA Facility in a principal amount of U.S.$300.5 million on 14 June 2021, of which no amounts are expected to be drawn before the Closing Date of the Global Offering; (iii) the payment of a dividend of U.S.$36,000 thousand on 29 April 2021 and an additional dividend of U.S.$44,000 thousand intended to be paid to the Selling Shareholder before the Closing Date of the Global Offering, both payments relating to the financial performance of the Company for the year ended 31 December 2020; and (iv) the increase of the Company's share capital from AED 10,000,000 to AED 2,439,770,265 by conversion of additional paid-in capital into share capital on 17 June 2021 (this does not impact the Group's total capitalisation). For more detail on these transactions, please see "*Operating and Financial Review—Recent Developments*" and "*Operating and Financial Review—Borrowings*". Please also see "*Dividend Policy*" for more detail on the Company's intention to pay dividend of U.S.$105 million relating to the financial performance for the year ended 31 December 2021, 50 per cent. of which is intended to be paid to the Selling Shareholder in 2021 before the Closing Date of the Global Offering.

(2) Excluding non-controlling interests of U.S.$ 81,774 thousand. If non-controlling interests is included as part of the total capitalisation, then the total equity and total capitalisation would be U.S.$984,753 thousand and U.S.$1,255,101 thousand.

SELECTED FINANCIAL INFORMATION AND OPERATING DATA

The selected historical financial information set forth below shows the Company's historical financial information and other unaudited operating information as at and for the years ended 31 December 2020, 2019 and 2018 and for the three month periods ended 31 March 2021 and 2020. The selected historical financial information as at and for the years ended 31 December 2020, 2019 and 2018 has been derived from the Company's Annual Financial Statements, which were prepared in accordance with IFRS. Specifically, the selected historical financial information for the year ended 31 December 2019 included in this Prospectus has been derived from the 2020 Financial Statements and the selected historical financial information for the year ended 31 December 2018 has been derived from the 2019 Financial Statements. Certain selected historical financial information for the year ended 31 December 2019 and as at 31 December 2018 was restated in the 2020 Financial Statements on account of the correction of certain errors. Please see note 36 to the 2020 Financial Statements for more detail. No similar changes have been made to the comparative 2018 historical financial information, which appears in the 2019 Financial Statements. For these reasons, the 2018 historical financial information, which appears in the 2019 Financial Statements and in this Prospectus is not comparable to the historical financial information disclosed in the 2020 Financial Statements and in this Prospectus. Certain selected historical financial information for the year ended 31 December 2018 was restated in the 2019 Financial Statements to present the results of discontinued operations. Please see note 35 to the 2019 Financial Statements for more detail. The selected historical financial information for the three months ended 31 March 2021 and 2020, has been derived from the Company's Interim Financial Statements, which were prepared in accordance with IFRS. The selected historical financial and operating data should be read in conjunction with "Capitalisation and Indebtedness", "Operating and Financial Review" and the Company's Historical Financial Information, including the related notes, included elsewhere in this Prospectus.

The financial information set forth below under the captions "Consolidated Statement of Profit or Loss Data", "Consolidated Statement of Comprehensive Income Data", "Consolidated Statement of Financial Position Data", "Consolidated Statement of Cash Flows Data" and "Other Financial Information" has been derived from, and should be read in conjunction with, the Historical Financial Information included elsewhere in this Prospectus.

Adjusted EBITDA is a non-IFRS measure and was calculated by the Company and reported in its Historical Financial Information.

The selected financial information and operating data presented below should be read in conjunction with "Operating and Financial Review".

Consolidated Statement of Profit or Loss Data

	For the three months ended 31 March		**For the year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018 restated[(1)]**
	(U.S.$ thousand)				
Continuing operations:					
Revenue	**90,215**	**97,315**	**407,507**	**440,569**	**392,519**
Cost of revenue	(4,911)	(6,110)	(40,041)	(53,792)	(61,322)
Staff costs	(19,992)	(23,769)	(84,208)	(89,140)	(77,448)
Other operating expenses	(11,330)	(10,855)	(51,996)	(54,642)	(43,712)
Other income	428	414	15,668	5,861	104,127
Adjusted EBITDA[(2)]	**54,410**	**56,995**	**246,930**	**248,856**	**314,164**
Depreciation, amortisation and impairment	(37,011)	(37,221)	(149,567)	(150,657)	(231,430)
Fair value adjustments on investment property	—	—	(2,030)	(837)	—
Operating profit	**17,399**	**19,774**	**95,333**	**97,362**	**82,734**
Finance income	165	1,468	3,216	6,756	3,992
Finance costs	(3,137)	(6,248)	(20,589)	(31,028)	(37,500)
Net Finance costs	**(2,972)**	**(4,780)**	**(17,373)**	**(24,272)**	**(33,508)**

	For the three months ended 31 March		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018 restated(1)**
	(U.S.$ thousand)				
Share of results of equity-accounted investments	(306)	(5,537)	(16,360)	(16,130)	(7,084)
Profit before income tax	**14,121**	**9,457**	**61,600**	**56,960**	**42,142**
Income tax expense	(48)	(52)	(200)	(241)	(261)
Profit before discontinued operations(3)	**14,073**	**9,405**	**61,400**	**56,719**	**41,881**
Discontinued operations:					
Loss after tax from discontinued operations(4)	—	—	—	(33,846)	(16,611)
Profit(5)	**14,073**	**9,405**	**61,400**	**22,873**	**25,270**
(Loss)/profit for the period attributable to non-controlling interests(6)	(1,825)	(1,788)	(7,502)	(6,986)	178
Profit attributable to Yahsat Owner(7)	**15,898**	**11,193**	**68,902**	**29,859**	**25,092**

Notes:

(1) Restated in 2019 to present the results of discontinued operations.

(2) Adjusted EBITDA represents profit before discontinued operations before interest, tax, depreciation, amortisation, impairment, fair value adjustments on investment property and share of results of equity-accounted investments. Information regarding Adjusted EBITDA is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. The Company uses Adjusted EBITDA in assessing its growth and operational performance. There are no generally accepted principles governing the calculation of Adjusted EBITDA, and the criteria upon which Adjusted EBITDA is based can vary from company to company. Adjusted EBITDA does not by itself provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. In addition, this measure should not be used instead of, or considered as an alternative to, the Company's historical financial results. The Company has presented this non-IFRS measure because it believes it is helpful to investors and financial analysts in highlighting trends in the Company's overall business.

(3) This line item is labelled as "Profit for the year before discontinued operations" in the Annual Financial Statements and is labelled as "Profit for the period" in the Interim Financial Statements.

(4) This line item is labelled as "Loss after tax for the year from discontinued operations" in the Annual Financial Statements.

(5) This line item is labelled as "Profit for the year" in the Annual Financial Statements and is labelled as "Profit for the period" in the Interim Financial Statements.

(6) This line item is labelled as "Loss for the year attributable to non-controlling interests" in the Annual Financial Statements.

(7) This line item is labelled as "Profit for the year attributable to Yahsat Owner" in the Annual Financial Statements and is labelled as "Profit for the period attributable to the Shareholder" in the Interim Financial Statements.

Consolidated Statement of Comprehensive Income Data

	For the three months ended 31 March		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018 restated(1)**
	(U.S.$ thousand)				
Profit(2)	**14,073**	**9,405**	**61,400**	**22,873**	**25,270**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Cash flow hedge – effective portion of changes in fair value(3)	(2,361)	(6,563)	(4,966)	(5,928)	3,162
Cash flow hedge – loss reclassified to profit or loss	2,380	2,522	11,148	10,040	14,820
Foreign operations – currency translation differences	(9,454)	(28,220)	(28,013)	6,158	(113)
Discontinued operations – currency translation differences	—	—	—	(5,102)	(676)
Currency translation differences reclassified to profit or loss	—	—	—	4,442	—
Total comprehensive income/(loss)(4)	**4,638**	**(22,856)**	**39,569**	**32,483**	**42,463**
Total comprehensive (loss)/income attributable to non-controlling interests	(1,817)	(1,831)	(7,513)	(6,957)	178
Total comprehensive income/(loss) attributable to Yahsat Owner(5)	**6,455**	**(21,025)**	**47,082**	**39,440**	**42,285**
of which arising from continuing operations	6,455	21,025	47,082	78,388	59,572

	For the three months ended 31 March		For the year ended 31 December		
	2021	2020	2020	2019	2018 restated(1)
	(U.S.$ thousand)				
of which arising from discontinued operations	—	—	—	(38,948)	(17,287)

Notes:

(1) Restated in 2019 to present the results of discontinued operations.

(2) This line item is labelled as "Profit for the year" in the Annual Financial Statements and is labelled as "Profit for the period" in the Interim Financial Statements.

(3) This line item is labelled as "Cash flow hedge – net (loss) / gain" in the 2019 Financial Statements.

(4) This line item is labelled as "Total comprehensive income for the year" in the Annual Financial Statements and is labelled as "Total comprehensive income for the period" in the Interim Financial Statements.

(5) This line item is labelled as "Total comprehensive income attributable to the Shareholder" in the Interim Financial Statements.

Consolidated Statement of Financial Position Data

	As at 31 March	As at 31 December		
	2021	2020	2019 restated(1)	2018 restated(2)
	(U.S.$ thousand)			
Assets				
Property, plant and equipment	984,833	1,018,003	1,146,331	1,382,840
Capital work in progress	132,301	98,531	19,180	20,634
Investment property	22,137	22,137	24,167	17,913
Right-of-use assets	19,301	20,645	28,155	—
Intangible assets	12,178	13,083	16,524	27,193
Equity-accounted investments	121,115	125,574	151,285	36,625
Trade and other receivables(3)	11,389	11,227	3,215	3,242
Deferred income tax assets	98	94	72	8,044
Total non-current assets	**1,303,352**	**1,309,294**	**1,388,929**	**1,496,491**
Inventories	12,934	13,291	9,454	14,933
Trade and other receivables	132,675	127,296	133,735	126,699
Income tax assets	182	182	182	255
Cash and short-term deposits	281,381	224,915	287,432	237,296
Total current assets	**427,172**	**365,684**	**430,803**	**379,183**
Total assets	**1,730,524**	**1,674,978**	**1,819,732**	**1,875,674**
Liabilities				
Trade and other payables	80,943	88,539	75,796	74,727
Borrowings	127,580	129,114	125,511	106,931
Derivative financial instruments	8,001	8,016	9,445	9,196
Deferred revenue	83,207	22,095	30,907	28,741
Income tax liabilities	250	288	235	317
Total current liabilities	**299,981**	**248,052**	**241,894**	**219,912**
Trade and other payables	291,000	291,000	292,096	294,257
Borrowings	142,768	143,655	273,727	367,736
Derivative financial instruments	1,637	1,641	6,394	10,755
Provision for employees' end of service benefits	10,385	10,515	10,075	12,650
Total non-current liabilities	**445,790**	**446,811**	**582,292**	**685,398**
Total liabilities	**745,771**	**694,863**	**824,186**	**905,310**
Net assets	**984,753**	**980,115**	**995,546**	**970,364**
Equity				
Share capital	2,722	2,722	2,722	2,722
Additional paid-in capital	661,612	661,612	661,612	661,612
Hedging reserve	(9,638)	(9,657)	(15,839)	(19,951)
Statutory reserve	4,103	4,103	4,103	4,103
Translation reserve	(31,664)	(22,202)	5,800	331
Retained earnings	275,844	259,946	246,044	222,900
Equity attributable to Yahsat Owner(4)	**902,979**	**896,524**	**904,442**	**871,717**
Non-controlling interests	81,774	83,591	91,104	98,647

	As at 31 March	As at 31 December		
	2021	2020	2019 restated(1)	2018 restated(2)
		(U.S.$ thousand)		
Total Equity	**984,753**	**980,115**	**995,546**	**970,364**

Notes:

(1) Restated in 2020 on account of correction of errors. For additional information, please see note 36 to the 2020 Financial Statements.
(2) Restated in 2019 to present the results of discontinued operations.
(3) This line item is labelled as "Other receivables" in the 2019 Financial Statements.
(4) This line item is labelled as "Equity attributable to the Shareholder" in the Interim Financial Statements.

Consolidated Statement of Cash Flows Data

	For the three months ended 31 March		For the year ended 31 December		
	2021	2020	2020	2019	2018
			(U.S.$ thousand)		
Operating activities					
Profit before income tax	14,121	9,457	61,600	30,338	21,672
Adjustments for:					
Share of results of equity-accounted investments	306	5,537	16,360	16,130	7,084
Depreciation, amortisation and impairment	37,011	37,221	149,566	155,429	232,563
Allowance (reversal of allowance) for expected credit losses	1,380	1,267	6,202	3,615	(5,715)
Loss allowance for inventories	202	60	2,692	1,648	655
Fair value adjustment to investment property	—	—	2,030	837	—
Finance income	(165)	(1,468)	(3,216)	(6,965)	(4,167)
Finance costs	3,137	6,248	20,589	32,722	41,362
Gain on disposal of property, plant and equipment	(31)	—	—	—	—
Gain on disposal of a subsidiary	—	—	—	(3,401)	—
Gain on transfer of orbital rights – non-cash consideration	—	—	(10,000)	—	
Other income – insurance claims	—	—	—	—	(101,153)
Other income – bargain purchase on acquisition of a subsidiary	—	—	—	—	(1,686)
Provision for employees' end of service benefits	473	485	2,342	2,455	1,979
Write-off of property, plant and equipment / capital work in progress	—	—	7	837	—
Operating profit before working capital changes	**56,434**	**58,807**	**248,172**	**233,645**	**192,594**
Working capital changes:					
Trade and other receivables	(6,921)	9,995	2,224	(15,571)	397
Inventories	155	(725)	(6,266)	3,509	691
Trade and other payables	(14,844)	(3,152)	(4,329)	10,293	11,149
Deferred revenue	61,112	57,080	(8,812)	(8,363)	2
Proceeds from insurance claim	—	—	—	—	101,153
Employee end of service payments	(598)	(412)	(1,891)	(5,035)	(355)
Income tax paid	(90)	(92)	(169)	(461)	(98)
Net cash from operating activities	**95,248**	**121,501**	**228,929**	**218,017**	**305,533**
Investing activities					
Purchases of property, plant and equipment	(1,618)	(2,100)	(8,644)	(11,026)	(19,110)
Purchases of capital work in progress	(26,522)	(4,703)	(66,040)	(5,573)	(36,929)
Additions to intangible assets	(15)	(262)	(1,084)	(3,562)	—
Investment in an associate	(5,400)	(4,000)	(18,558)	—	—

	For the three months ended 31 March		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(U.S.$ thousand)				
Movement in short-term deposits with original maturity of over three months(1)	100,000	—	20,000	(140,000)	40,328
Proceeds from disposal of property, plant and equipment	49	—	—	—	—
Disposal of a subsidiary, net of cash disposed	—	—	—	(7,858)	—
Acquisition of a subsidiary, net of cash received	—	—	—	—	(97,441)
Interest received	165	1,468	3,216	6,965	4,167
Net cash from/(used in) investing activities	**66,659**	**(9,597)**	**(71,110)**	**(161,054)**	**(108,985)**
Financing activities					
Dividend paid to the Shareholder	—	(15,000)	(55,000)	(5,000)	—
Repayment of borrowings	(3,144)	(8,349)	(127,545)	(110,914)	(203,737)
Interest paid on term loans	(2,415)	(5,481)	(17,536)	(31,370)	(38,651)
Contribution from the Shareholder	—	—	—	—	103,500
Proceeds from disposals of interest in a subsidiary	—	—	—	—	100,000
Net cash used in financing activities	**(5,559)**	**(28,830)**	**(200,081)**	**(147,284)**	**(38,888)**
Net increase/(decrease) in cash and cash equivalents	**156,348**	**83,074**	**(42,262)**	**(90,321)**	**157,660**
Net foreign exchange difference	118	(111)	(255)	457	3,500
Cash and cash equivalents at the beginning of the period/year	104,915	147,432	147,432	237,296	76,136
Cash and cash equivalents at the end of the period/year	**261,381**	**230,395**	**104,915**	**147,432**	**237,296**

Note:

(1) This line item is labelled as "Receipt of short-term deposits with original maturity over three months" in the Interim Financial Statements for the three months ended 31 March 2021 and 2020.

Other Financial Information

	For the year ended 31 December		
	2020	2019	2018
	(U.S.$ thousand, except for percentages)		
Adjusted EBITDA(1)	246,930	248,856	314,164
Adjusted EBITDA Margin(2)	60.6%	56.5%	80.0%
Normalised Adjusted EBITDA(3)	232,930	245,455	211,325
Normalised Adjusted EBITDA Margin(4)	57.2%	55.7%	53.8%
Capital expenditure (5)	92,190	34,372	55,936
Operating FCF(6)			
Including purchase of capital work in progress(7)	157,162	225,294	155,286
Excluding purchase of capital work in progress(7)	223,202	230,867	192,215
FCFE(8)			
Including purchase of capital work in progress(7)	125,490	190,296	132,943
Excluding purchase of capital work in progress(7)	191,531	195,869	169,873

Notes:

(1) Adjusted EBITDA is defined as profit before discontinued operations before interests, taxes, depreciation, amortisation, impairment, fair value adjustments on investment properties and share of results of equity-accounted investments.

(2) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by revenue.

(3) Normalised Adjusted EBITDA is Adjusted EBITDA, excluding non-recurring items (income from insurance claim, gain on acquisition or disposal of subsidiary and income from transfer of orbital rights). The non-recurring items for the year ended 31 December 2018 includes income from insurance claims of U.S.$101,153 thousand relating to the Al Yah 3 launch and bargain purchase on acquisition of a subsidiary of U.S$1,686 thousand. The non-recurring items for the year ended 31 December 2019 includes the gain on disposal of discontinued operations of U.S.$3,401 thousand. The non-recurring items for the year ended 31 December 2020 includes the gain on the transfer of orbital rights of U.S.$14,000 thousand.

(4) Normalised Adjusted EBITDA Margin is calculated as Normalised Adjusted EBITDA divided by revenue.

(5) Capital expenditure represents additions to capital assets (property, plant and equipment, capital work in progress, intangible assets and right of use assets) during the period, excluding assets acquired through business combinations.

(6) Operating FCF is computed as Normalised Adjusted EBITDA, less cash outflow related to capital expenditures. Such cash outflow includes purchases of property, plant and equipment, purchases of capital work in progress (mainly relating to Al Yah 3 expenditure in

2018 and to T4-NGS satellite programme in 2020) and additions to intangible assets. Cash outflow in the year ended 31 December 2018 related to capital expenditures excludes the purchase consideration paid for the acquisition of Thuraya.

(7) Mainly relates to Al Yah 3 in 2018 and to T4-NGS satellite programme in 2020.

(8) FCFE is computed as operating FCF less cash taxes, net cash interest (interest paid less received) and changes in net working capital.

Certain Revenue Data – Mobility Solutions

	For the year ended 31 December		
	2020	**2019**	**2018**
		(U.S.$ thousand)	
Service Revenue[(1)]	**52,055**	**56,131**	**62,793**
Voice	45%	52%	46%
Intercarrier	18%	16%	20%
IP	15%	14%	15%
Maritime	7%	9%	7%
Leasing	13%	5%	6%
Government	2%	4%	6%
Equipment Revenue[(2)]	**26,980**	**31,674**	**20,956**
Handsets	65%	66%	70%
Maritime	14%	20%	14%
THIP	12%	6%	8%
Supp & Access	4%	5%	8%
M2M	4%	3%	1%
Total Revenue[(3)]	**79,035**	**87,805**	**83,749**

Notes:

(1) Service revenues from voice, data and maritime customers driven by number of subscribers and average revenue per user and from capacity leasing driven by amount of capacity lease and price.

(2) Equipment revenues based on number of terminals sold and price per terminal.

(3) In the year ended 31 December 2018, the Group's consolidated revenue of U.S.$392,519 thousand included Thuraya revenue from the date of acquisition (1 August 2018) of U.S.$34,687 thousand. The Total Revenue for the year ended 31 December 2018 in the table above is the pro forma Thuraya revenue as if the acquisition had taken place at the beginning of the year (1 January 2018). The Group's consolidated revenue for the year ended 31 December 2018 would have been U.S.$441,808 thousand, including Thuraya full year revenue of U.S.$83,749 thousand (19 per cent. revenue contribution to consolidated revenue).

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of Financial and Other Information", "Capitalisation and Indebtedness", "Selected Financial Information and Operating Data" and the Historical Financial Information.

The discussion of the Group's financial condition and results of operations is based upon the Historical Financial Information which have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Information 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.

All information in this section as at, and relating to, the three month periods ended 31 March 2021 and 31 March 2020 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year.

OVERVIEW

The Group is one of the largest providers of multi-mission (government and commercial) satellite communications services in the world (in terms of annual revenues) as at 31 December 2020 according to management estimates. The Group is based in the Middle East and through its critical satellite infrastructure provides both government and commercial satellite capacity and solutions, including government networks, enterprise networks, broadband, mobility (voice and narrowband data) and television broadcast, through a fleet currently comprising five geostationary satellites covering EMEA, APAC and Brazil. The Group has a high-quality satellite fleet that provides services using a wide selection of spectral bands (Ka-band, Ku-band, C-band and L-band). Its first two satellites, Al Yah 1 and Al Yah 2, were launched in April 2011 and April 2012, respectively. The Group's third satellite, Al Yah 3, was launched in January 2018. The Group also added two satellites, Thuraya-2 and Thuraya-3, to its fleet through the acquisition of Thuraya in 2018, with these satellites launched in June 2003 and January 2008, respectively. The Group expects to launch its new satellite, T4-NGS, in the second half of 2023, with commercial operations scheduled to commence in the second half of 2024.

The Group has five business lines, which are organised as follows:

- **Infrastructure**: The Group's largest revenue line is the leasing of secure satellite capacity on Al Yah 1 and Al Yah 2, principally to the Government. The Group provides critical and secure Ka-band satellite capacity to the Government on Al Yah 1 and Al Yah 2 under a 15-year contract expiring in 2026, with a new 15-year agreement on a replacement fleet beyond 2026 already being discussed with the Government. The Group also entered into a 15-year contract in 2021 with the Government for capacity and associated services on T4-NGS. This T4-NGS capacity contract will expire in 2039. As at 31 March 2021, the Group's total contracted backlog for infrastructure contracts amounted to U.S.$2.1 billion, the vast majority of which relates to the Government. The Group has a C-band payload on the Al Yah 1 satellite covering the EMEA region, capacity on which is leased to satellite service providers and telecoms operators for use in corporate or telecommunications networks, marketed under the YahLink brand. The Group also provides infrastructure and related support services, such as satellite and payload control and monitoring services including telemetry, tracking and control (**TT&C**) to companies within the Group. Additionally, from time to time the Group enters into spectrum-related agreements with other satellite operators, in order to generate revenues.
- **Managed Solutions**: Managed Solutions is principally comprised of YGS, which delivers critical, secure, defence-focused, value added solutions primarily to the Government and other UAE and

international governmental entities. YGS also provides operation and maintenance (**O&M**) services to the Government, related to supporting the infrastructure capacity contracted to the customer, which is based on multi-year engagements. As the O&M services are critical to Government operations, the current O&M agreement was extended until 31 December 2021. The Group is negotiating a new O&M agreement with the Government, which will ensure continuity of the current O&M services with options for additional services, expected to be signed by the end of 2021. The new O&M agreement is expected to expire at the end of 2026 and is expected to result in U.S.$175 million of additional contracted backlog for Managed Solutions. Please see "*—Related Party Transactions and Material Contracts—Operation and Maintenance Agreement*" for additional information. As a trusted partner of the Government for satellite system delivery skills, YGS also provides consultancy or programme management support to the Government from time to time. In addition to YGS, the Group also provides managed satellite connectivity solutions to commercial customers, principally in the UAE, such as ADNOC, ENEC, Dubai Petroleum and Abu Dhabi Ship Building, either using its own capacity or that leased from third parties, including oil and gas as well as other sectors.

- **Mobility Solutions (MSS)**: The Group provides MSS through its approximately 90 per cent.-owned subsidiary Thuraya, a UAE based company providing MSS services using L-band capacity on its two satellites, Thuraya-2 and Thuraya-3. Thuraya is a leading MSS operator for L-band based voice and data services, covering more than two thirds of the world's population across the EMEA and APAC regions. According to NSR, in 2019, Thuraya was the second largest operator for global MSS operators handheld market share by subscribers. Thuraya offers innovative communications solutions to a variety of sectors including energy (oil and gas), government, broadcast media, maritime, military, aviation, enterprise, consumer, transportation and NGOs. Thuraya is a pioneer MSS operator with respect to the land voice (handheld) segment since the beginning of its commercial operations in 2001. Providing advanced communication solutions in more than 150 countries, as at the date of this document, Thuraya delivers GSM roaming capabilities with over 390 active roaming partners globally. Thuraya's portfolio of integrated solutions, satellite phones, broadband terminals and IoT and M2M services are recognised for reliability, flexibility and resilience on land, at sea and in the air. Thuraya has over 240,000 subscribers (as of the end of 2020).

- **Data Solutions**: The Group offers satellite-based broadband data solutions using Ka-band to end-users including consumers, enterprises and government customers, as well as high-speed data links for use by telecommunications companies, internet service providers and other satellite service providers. The Ka-band capacity and related business on Al Yah 2 (excluding that reserved for use by the Government) and Al Yah 3 forms part of two equity partnerships the Group has with Hughes as follows:

  - *BCS:* The first equity partnership, Broadband Connectivity Solutions (**BCS**), which operaties its business under the YahClick brand, offers Ka-band capacity in Africa, the Middle East and in Southwest Asia on both Al Yah 2 and Al Yah 3. The Group controls 80 per cent. of this equity partnership. BCS provides commercial broadband and data solutions to consumers, enterprises, mobile network operators (**MNOs**) and governments across its footprint using the "YahClick (powered by Hughes)" brand. The Ka-band capacity on Al Yah 2 (excluding that reserved for use by the Government) and the Africa payload of Al Yah 3 is dedicated to, and owned by, BCS and covers 45 countries. As of 31 March 2021, BCS had launched in 34 of the 45 countries covered. In addition to broadband satellite services, BCS also provided raw wholesale capacity to Eutelsat from 2017 to 2021. BCS has grown significantly from 12,571 subscribers as at 31 December 2019, to over 15,000 subscribers as at 31 March 2021, and was using approximately 8.5 of approximately 37 Gbps of the aggregate Ka-band capacity on its payloads. BCS also provides services in Africa using capacity from Avanti Communications Group Plc (**Avanti**), a third party, to cater to capacity demands in specific markets not available on Al Yah 2 or Al Yah 3. BCS also utilises the YahLink brand as needed for higher-end solutions, typically for enterprise and MNOs.

- *HPE:* The second equity partnership, HPE, operating under the brand HdB, offers Ka-band capacity on the Brazil payload of Al Yah 3, along with capacity from other leased satellites. The Group owns 20 per cent. of HPE and accounts its investments as an associate. HPE provides commercial broadband and data solutions to consumers, enterprises, MNOs and government entities within Brazil. The Ka-band capacity over Brazil on Al Yah 3 is dedicated to, and owned by, HPE. HPE leases Ka-band, Ku-band and L-band capacity from other satellite operators to operate its business. As of 31 March 2021, HPE had over 275,000 subscribers for its consumer satellite broadband offering and was delivering enterprise and carrier solutions to numerous customers.

- **Broadcast**: The Group has a 65 per cent. shareholding in Al Maisan, the equity partnership with a member of the SES Finance operating under the brand "YahLive". SES Finance controls the business, which provides capacity to direct-to-home (**DTH**) television broadcasters using Ku-band capacity on the Al Yah 1 satellite, principally in the MENA region and Southwest Asia.

RECENT DEVELOPMENTS

As at 31 March 2021, the Group's total borrowings were U.S.$270,348 thousand, of which U.S.$249,189 thousand related to amounts outstanding in respect of Term Loan 1 (as defined below). Borrowings under Term Loan 1 were originally drawn down to enable the Group to finance the construction of its first two satellite systems (Al Yah 1 and Al Yah 2) and related equipment.

On 17 June 2021, the Company signed the T4-NGS capacity services agreement with the Government. Capital expenditure relating to T4-NGS will be funded by a combination of internally generated cash flow, an advance from the Government under the T4-NGSA and drawdowns on the ECA Facility which will be entered into with a syndicate of banks, as outlined below in the section "*—Liquidity and capital resources—Borrowings*". For more information on the agreement, please see "*Related Party Transactions and Material Contracts— Government Agreements—T4-NGS Capacity Services Agreement*".

On 14 June 2021, the Group entered into the New Term Loan Facility with a syndicate of banks in the amount of U.S.$400 million, for a term of 5 years with an availability period of 180 days. Please see section "*—Borrowings—Liquidity and capital resources*" for more detail. On 22 June 2021 the New Term Loan Facility was drawn in full by Yahsat Treasury Sole Proprietorship LLC (**Yahsat Treasury**), a wholly-owned subsidiary of the Company, which then acquired the outstanding borrowings of U.S.$251,461 thousand under Term Loan 1, thereby becoming the sole lender under the Term Loan 1 facility. On the same date, the borrower under Term Loan 1 terminated all, but one, hedging arrangements (interest-rate swap contracts) relating to Term Loan 1. The remaining hedging arrangement was novated to Yahsat Treasury on 22 June 2021 to form part of the new hedging arrangements relating to the New Term Loan Facility.

An interest rate swap agreement has been entered into for the top-up amount in relation to the New Term Loan Facility. Accordingly, the borrowings under the New Term Loan Facility are fully hedged against variable interest rate risk exposure.

On 14 June 2021, the Group entered into the ECA Facility. The amount of the ECA Facility is up to U.S.$300.5 million with a tenor of 8.5 years and an availability period starting 14 June 2021 for the ECA Facility until the date falling 5 months after the starting point of credit. The ECA Facility will be drawn between the fixed rate tranche and the floating rate tranche with both facilities expected to be drawn on floating rate basis. An interest rate swap agreement has been entered into, to hedge the estimated ECA Facility profile at 50 per cent. during the first six months of the construction period from the date of entering into the hedge arrangement and thereafter, capped at 75 per cent. The hedging strategy aims to ensure no over hedging during the construction period, while keeping a minimum amount open to market movement. As at the date of this Prospectus, the ECA Facility was undrawn. Please see section "*—Borrowings—Liquidity and capital resources*" for more detail.

On 29 April 2021, the Company paid a dividend to its shareholders of U.S.$36 million and intends to pay an additional dividend of U.S.$44 million to the Selling Shareholder before the Closing Date of the Global

Offering, relating to its financial performance in the year ended 31 December 2020. The Company also intends to pay a dividend of U.S.$105 million relating to its financial performance in the year ended 31 December 2021. 50 per cent. of this dividend would be paid to the Selling Shareholder in 2021 before the Closing Date of the Global Offering, reflecting the period during which the Selling Shareholder was a 100 per cent. shareholder of the Company. Please see "*Dividend Policy*" for more information.

The Company increased its share capital from AED 10,000,000 to AED 2,439,770,265 by conversion of additional paid-in capital into share capital. This process was completed on 17 June 2021. This conversion had no impact on total equity. As at the date of this Prospectus, the Company's share capital consists of 2,439,770,265 Shares, each with a nominal value of AED 1.00.

SIGNIFICANT FACTORS AFFECTING FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Availability of and demand for satellite transmission capacity

The primary driver of the Group's revenue in the periods under review has been satellite capacity, particularly capacity available for lease in its infrastructure business line. The Group currently has a fleet of five satellites providing capacity, namely Al Yah 1, Al Yah 2, Al Yah 3 and Thuraya-2 and Thuraya-3. The Thuraya satellites were added to the Group's fleet in 2018, as part of the acquisition of Thuraya. The Group expects to launch its new satellite T4-NGS in the second half of 2023, with commercial operations scheduled to commence in the second half of 2024.

Infrastructure revenue represents the largest proportion of the Group's revenue and primarily includes revenue from leasing of secure Ka-band, and to a lesser extent Ku-band, satellite capacity and related services to the Government, who have leased secure satellite transponders on the Group's Al Yah 1 and Al Yah 2 satellites on a long-term contract that expires in 2026. The Group also entered into a 15-year contract in 2021 with the Government for capacity and associated services on T4-NGS. This T4-NGS capacity contract will commence when T4-NGS becomes operational (currently expected in the second half of 2024) and will expire in 2039. See "*—Contracted backlog*" below.

The Group's revenue in future periods is expected to be dependent upon a number of factors, including but not limited to the ability of the Group to supply further capacity (and secure further contracts and/or extensions) with the Government, the Group's single largest customer, and other government and commercial customers, which will be determined in part by future launch programmes, competition from supply provided by other satellite operators and by competing technologies such as fibre optic cable networks, as well as the level of demand for that capacity.

Business trends that are expected to impact the Group's revenue from the lease of satellite capacity, satellite services and managed services in future years include:

- the increasing demand for secure communications and end-to-end managed solutions from governments for military and other operations;
- growth in demand for broadband connectivity for consumers, enterprises and government organisations providing services in the Group's region of operations;
- growth in demand for mobile satellite solutions, such as for maritime or internet of things (**IoT**) and machine to machine (**M2M**) use, across its region of operations of its L band MSS satellites; and
- future expansion of the Group's satellite fleet subject to expected demand.

Pricing

Pricing of the capacity made available by the Group is based upon a number of factors, including, but not limited to, competition in the region served, the power and other characteristics of the satellite beam, the amount of demand for the capacity available on a particular satellite and the total supply of capacity serving any particular region.

Competition in the satellite services market is intense due to a number of factors, including transponder over-capacity in certain geographic regions and increased competition from terrestrial-based communication networks. This competition puts pressure on prices, depending on market conditions in various geographic regions and frequency bands. See "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group is subject to significant competition both from within the FSS and MSS sectors and from other providers of satellite communications services. This could hinder or prevent the Group from implementing its business strategy and expanding its operations as planned*". The Group believes that it currently enjoys significant competitive advantages in relation to the provision of Ka-band, and future L-band, capacity to the Government due to the specialised capabilities offered by the Group.

The pricing of the Group's capacity leases to the Government is generally fixed (in whole or in substantial part) for the duration of the service commitment. New and renewing service commitments are priced to reflect regional demand and other factors as discussed above.

The pricing of the Group's Managed Solutions, particularly turnkey contracts, is on a cost-plus margin basis with back-to-back arrangements with suppliers and service providers. Contracts for services (such as operations and maintenance services, project management services) leverage on specialised internal resources, to maximise margins.

The Group's YahClick product is marketed principally on the basis of broadband plans which are priced in line with market conditions and which vary depending on the speed of connection required and the nature of the customer. Revenue is generated mainly through fixed subscription fees billed to customers and capacity provided to enterprise clients through managed satellite services.

The Group's MSS business primarily delivers voice, data and maritime services through specialised communication equipment, including handheld satellite phones and broadband devices. Revenue is generated mainly through fixed subscription fees, usage based pricing and sale of equipment on a cost-plus margin basis. The pricing is set, keeping in mind the competitive market conditions, capability of the service partner and geographic location of the market.

Significant up-front capital and investment expenditure requirements for new satellites

The satellite business is capital intensive and the construction of a satellite fleet requires long-term planning and substantial investment up-front to create the infrastructure in the space and on the ground. Once these investments are made, however, the costs to maintain and operate the fleet are relatively low compared to the size of the initial investment. Such ongoing costs include routine maintenance costs of the ground segment infrastructure, the ongoing operation of the satellites and other expenses such as in-orbit insurance, the premiums for which are subject to market condition, driven by risk events, the value of the insured asset as well as the availability and willingness of underwriters. Returns on initial investments are primarily earned through signing a long-term capacity services contract with customers over the life of the satellite, that assures revenue flow.

Depreciation, amortisation and impairment of capital assets was the Group's single largest expense category in the periods under review reflecting the capital-intensive nature of the business. For a further discussion of the Group's depreciation, amortisation and impairment policies, please see "*—Depreciation, amortisation and impairment*" below. The Group's depreciation, amortisation and impairment charges were U.S.$149,567 thousand, U.S.$150,657 thousand and U.S.$231,430 thousand in the years ended 31 December 2020, 2019 and 2018, respectively. Depreciation, amortisation and impairment charges in 2018 were negatively impacted, due to the U.S.$100,431 thousand impairment charge booked in the year ended 31 December 2018 relating to the Al Yah 3 satellite launch issue. Please see section "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group may experience a launch failure in relation to Thuraya 4 Next Generation System satellite (T4-NGS) or damage to or destruction of T4-NGS during launch, which could result in a total or partial satellite loss. T4-NGS could also fail to achieve its* *designated orbital location after launch and could experience other implementation failures following launch. Any such event could result in increased costs and reduced revenue. The T4-NGS programme could face delays due to issues faced by the manufacturer or the satellite or ground components, or due to launcher schedules*", for more detail on the Al Yah 3 launch issue.

The Company initially focused on procuring two satellites and the related ground network systems to operate them. Following its incorporation in 2007, the Group entered into a U.S.$1.7 billion turnkey contract for the construction of these two satellites, Al Yah 1 and Al Yah 2, and their related infrastructure.

The Group funded its first two satellite programmes through a combination of borrowings under Term Loan 1 of U.S.$1.2 billion, contractual advances from the Government, and U.S.$600.1 million in shareholder loans. U.S.$42 million of the shareholder loan was repaid in 2013, with the remaining loan of U.S.$558.1 million (along with U.S.$103.5 million advanced for the Group's acquisition of Thuraya in 2018, together totalling U.S.$661.6 million) converted to share capital on 17 June 2021. The Group entered into a ground segment supply contract (**GSSC**) and the CSA with the Government. Under the GSSC, the Government agreed to pay all costs incurred in the development of a network control centre and related satellite ground terminals. As agreed under the CSA, the Government made an advance payment of U.S.$300 million in three annual instalments from June 2008 to fund costs related to the construction of the Group's satellites. Upon discharge of Term Loan 1 at its maturity in December 2022, this payment (less an amount of U.S.$9 million) will be set off against the capacity lease charges payable by the Government, in equal instalments from the discharge date until the termination of the agreement in 2026. Please see section "*Related Party Transactions and Material Contracts—Government Agreements—Capacity Services Agreement*".

Furthermore, the cost of the T4-NGS (including its design, build and launch) is estimated to be U.S.$580 million (of which U.S.$110.5 million has been incurred as of 31 March 2021, which to date has been funded through the Group's cash reserves). On 17 June 2021, the Group entered into the T4-NGSA, a 15-year contract with the Government for capacity and associated services on T4-NGS. As agreed under the T4-NGSA, the Government will make advance payments of U.S.$300 million during the construction phase, in two equal instalments of U.S.$150 million, to be received in June 2022 and June 2023. The T4-NGSA also includes an option by Star, which expires in November 2021, to procure additional capacity from the Group for an additional satellite, T5-NGS. Please see section "*—Borrowings—ECA Facility*" for additional detail on costs and funding of T4-NGS or T5-NGS (if required). Please see section "*Related Party Transactions and Material Contracts—Government Agreements—T4-NGS Capacity Services Agreement*".

The Group is currently in discussions with the Government for the potential procurement of at least one (and possibly two) further satellites in addition to T4-NGS and T5-NGS as a continuation of services beyond the current CSA. The Government's future secure satellite communications capacity is expected to exceed the capacity currently provided by Al Yah 1 and Al Yah 2, however no firm decision has yet been taken on any future satellite other than T4-NGS. Should the Group take a decision to commission one or more new satellites, the associated capital expenditures would be significant and would potentially require the Group to obtain further debt and/or equity financing and could limit the ability of the Group to pay dividends. See "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group's satellites may be subject to damage or loss from events that may not be covered by its insurance policies*" and "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group's business is capital intensive and requires it to make long-term capital expenditure decisions*".

Please see section "*—Capital expenditure and other commitments*" for more detail on the Group's capital expenditure.

Contracted backlog

The Group benefits from strong visibility of a large part of its future revenues. The Group defines contracted backlog as the aggregate of the remaining contractually committed revenues across all business lines. The Group's contracted backlog is primarily its expected future revenue under existing customer long-term capacity contracts.

Most of the Group's Ka-band and a small part of its Ku-band capacity is leased to the Government for military purposes under the CSA. The capacity charges payable under the CSA includes a lease element (lease of satellite transponder capacity) and a service element (provision of services relating to the operation of the satellite network). The capacity charges are predetermined throughout the lease term. Revenue from the lease element is accounted for as an operating lease, on a straight line basis over the lease term. Revenue from the service element is recognised over the period in which the performance obligations are satisfied. Such performance obligations are not tied to specific milestones but instead refer to certain obligations under the CSA to provide services relating to the operation of the satellite network. In the years ended 31 December 2020, 2019 and 2018 revenue of U.S.$231,089 thousand, U.S.$228,714 thousand and U.S.$226,408 thousand, respectively, was recognised from the CSA.

The Group's contracted capacity backlog was U.S.$2.1 billion and the Group's total contracted backlog was U.S.$2.2 billion at 31 March 2021. In addition, the Group is negotiating a new O&M agreement with the Government, which is expected to result in U.S.$175 million of additional contracted backlog. There can be no assurance that this new O&M agreement will be signed. As at 31 March 2021, U.S.$291 million of advanced payments the Group received in relation to the CSA will be offset against the Group's total contracted backlog in the last four years of the term of the CSA. U.S.$300 million of advanced payments in relation to T4-NGSA will be offset against the Group's total contracted backlog on a straight line basis over the term of the T4-NGSA.

The Group's contracted capacity backlog is principally attributable to the Government under the CSA and the T4-NGSA. The amount included in this backlog represents the full service charge for the duration of the contract and does not include termination fees. The amount of the termination fees, which are not included in the backlog amount, is generally calculated as a percentage of the remaining backlog associated with the contract. In certain cases of breach for non-payment or customer bankruptcy, the Group may not be able to recover the full value of certain contracts or termination fees.

The Group's expected future revenue under its total contracted backlog at 31 March 2021 was as follows:

Period	
	(*U.S.$ thousand*)
2021 (1 April 2021 to 31 December 2021)	235,990
2022	265,216
2023	251,064
2024	269,743
2025	295,850
2026 and thereafter	856,911
Total	**2,174,772**

The table below provides a breakdown of the Group's contracted backlog value as at 31 March 2021 by key contract. The Group signed the T4-NGSA with the Government in June 2021. The table below includes T4-NGSA in the Group's contracted backlog as at 31 March 2021 for illustrative purposes.

Agreement	**Backlog Value as at 31 March 2021**	**2021 (Q2-Q4)**	**2022**	**2023**	**2024**	**2025**	**2026+**
			(*U.S.$ thousand*)				
CSA	1,346,337	175,241	236,054	238,650	241,323	244,076	210,993
T4-NGSA[(1)]	708,441	—	—	—	23,615	47,229	637,597
Managed Solutions[(2)]	84,185	43,819	15,656	7,192	4,654	4,544	8,321
Mobility Solutions	28,201	11,236	11,592	5,222	152	—	—
Data Solutions	7,608	5,694	1,914	—	—	—	—

Agreement	Backlog Value as at 31 March 2021	2021 (Q2-Q4)	2022	2023	2024	2025	2026+
			(*U.S.$ thousand*)				
Total contract backlog	**2,174,772**	**235,990**	**265,216**	**251,064**	**269,743**	**295,849**	**856,911**
New O&M[(3)]	175,000	—	35,000	35,000	35,000	35,000	35,000

Notes:
(1) The Group signed the T4-NGSA with the Government on 17 June 2021.
(2) Includes extension of current O&M agreement until 31 December 2021.
(3) The Group is currently negotiating an O&M agreement with the Government, which the Group expects to result in U.S.$175 million of contracted backlog.

The table below provides a breakdown of the Group's contracted backlog as at 31 March 2021 by segment. The Group signed the T4-NGSA with the Government in June 2021. The table below includes T4-NGSA in the Group's contracted backlog as at 31 March 2021 for illustrative purposes.

Segment	Value	Period
	(*U.S.$ thousand*)	
Infrastructure	**2,054,778**	
CSA..	1,346,337	2021-2026
T4-NGS[(1)]...	708,441	June 2024-June 2039
Managed Solutions (until 2026)	**84,185**	
Government Contracts	69,524	2021-2026
Other Contracts	14,661	2022-2024
Mobility Solutions	**28,201**	2022-2024
Spectrum Capacity Lease Contract.....................	16,800	2021-2023
Other Contracts (mainly for Equipment)	11,401	2021-2024
Data Solutions – BCS	**7,608**	2021-2022

Note:
(1) The Group signed the T4-NGSA with the Government on 17 June 2021.

The COVID-19 pandemic

The COVID-19 pandemic continues to evolve and, to date, has resulted in the implementation of significant measures by governments globally, including lockdowns, closures, quarantines and travel bans intended to control the spread of the virus. As a result, the continuation of the COVID-19 pandemic may continue to have an impact on the Group's future revenues, in particular in the Data Solutions business line where the majority of revenues arise in Africa and where movement is restricted. The COVID-19 pandemic may also continue to have an impact to a lesser extent, in the Mobility Solutions business line where certain segments (such as maritime) rely on open borders and free flow and movement of people. It is also conceivable that an additional outbreak or wave of the COVID-19 pandemic or prolongation of the current epidemic could lead to further delays in the delivery of turnkey projects in the Managed Solutions business. Although timing remains uncertain, as the effects of the COVID-19 pandemic decrease, the Group expects a recovery in the Managed Solutions business line and a strong recovery in the Managed Solutions business line.

RELATED PARTY TRANSACTIONS

The Group's principal related party transactions are with the Government, although it has also entered into related party transactions with its shareholder, companies controlled by its shareholder, its associates and other related parties. These transactions include the CSA and other contracts entered into with the Government. See "*Related Party Transactions and Material Contracts*" for additional information. Further information on the Group's related party transactions in the three months ended 31 March 2021 and 2020 and the years ended 31 December 2020, 2019 and 2018 is set out in note 14 in the Interim Financial Statements, and set out in note 20 in the 2020 Financial Statements and the 2019 Financial Statements.

DESCRIPTION OF PRINCIPAL INCOME STATEMENT LINE ITEMS

Revenue

The Group's Annual Financial Statements did not include segment information in accordance with IFRS 8 Operating Segments as the scope of IFRS 8 Operating Segments did not apply to the Group prior to 2021. Prior to 2021, revenue was presented according to the nature of services rendered, namely infrastructure services, fixed satellite services, mobile satellite services and managed services. The Group's Interim Financial Statements apply IFRS 8 Operating Segments.

As required by IFRS 8, the comparative information for the Group's segments have also been provided for the three month period ended 31 March 2020.

Although no segmental data is presented in the Group's Annual Financial Statements, the Group has prepared breakdowns of revenue for the years ended 31 December 2020, 2019 and 2018 and for the three-month periods ended 31 March 2021 and 2020, presented in accordance with these segments and the Group's business lines. For additional information, see "*Presentation of Financial and Other Information—Segmental Information*".

Infrastructure

Infrastructure revenue represents the largest proportion of the Group's revenue and primarily includes revenue from leasing of satellite capacity and related services. As described above under "*Significant Factors Affecting Financial Condition and Results of Operations–Contracted backlog*", the Group's principal customer for capacity services is the Government, which has leased secure satellite transponders on the Group's Al Yah 1 and Al Yah 2 satellites. Revenue from the part of the Group's YahLink business that delivers C-band connectivity solutions to commercial customers is also reported under infrastructure revenue.

Managed Solutions

Managed Solutions revenue, which represents a significant proportion of the Group's revenue, is revenue from the provision of end-to-end integrated satellite communication and managed services to customers. This revenue is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the proportion of the services rendered. Revenue from turnkey contracts represented 11.2 per cent for Managed Solutions in the year ended 31 December 2020 (27.3 per cent in 2019 and 29.7 per cent in 2018).

Mobility Solutions

Mobility Solutions revenue is revenue from the provision of L-band based mobile satellite services (including voice and data) and from the supply of customer terminals (including satellite phones and broadband terminals). These services are provided across the EMEA and APAC regions to a variety of sectors including energy (oil and gas), government, broadcast media, maritime, military, aviation, enterprise, consumer, transportation and non-governmental organisations (**NGOs**). This revenue is generated through the Group's approximately 90 per cent.-owned subsidiary Thuraya, which owns a fleet of two satellites, Thuraya-2 and Thuraya-3. Mobility Solutions include provision of service and supply of customer terminals. Revenue is recognised when services are rendered and when terminals are supplied.

Data Solutions

Data Solutions revenue is revenue from the provision of satellite-based data solutions including broadband solutions, mainly through service providers, to end-users including consumers, enterprises and government customers, as well as high-speed data links for use by telecommunications companies, internet service providers and other satellite service providers. The services are provided using Ka-band capacity mainly using the Group's Al Yah 2 and Al Yah 3 satellites across Africa, Middle East and South West Asia. Data Solutions include provision of service and supply of customer terminals. Revenue is recognised when services are rendered and when terminals are supplied.

Operating expenses

Cost of revenue

The Group's cost of revenue mainly represents cost of services procured to fulfil the Group's obligations under its managed solutions customer contracts. Cost of revenue also includes the cost of customer terminals, equipment and accessories sold to the Group's customers of the data solutions and mobility solutions business lines.

The Group's cost of revenue relating to Managed Solutions varies based on the type of services procured from suppliers and service providers. These services are usually procured as a direct result of the requirements detailed in a contract with a customer for the provision of services from the Managed Services portfolio.

Staff costs

The Group's staff costs consist primarily of salaries and related employment costs. These costs fluctuate with the number of staff employed and changes in staff salaries and other benefits. The Group's staff costs will increase moderately in future years as the Group continues to expand its operational infrastructure and then plateau as it matures.

Other operating expenses

The Group's other operating expenses consist primarily of costs related to the operation and control of the Group's satellites, its communications network and engineering support, facility maintenance and in-orbit insurance premiums and, to a lesser extent, marketing, IT, consultancy, legal and advisory and other general administration. The Group's other operating expenses are expected to increase as the Group launches T4-NGS.

Other income

Other income includes income from insurance claims, liquidated damages, gains on transfer or disposal of assets/rights and other regular income such as rental income from investment property and income from services rendered to related parties.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment was the Group's single largest expense category in the periods under review reflecting the capital-intensive nature of the business. The Group's capital assets (property, plant and equipment) consist primarily of satellites and associated ground network infrastructure. Included in capitalised satellite costs are the costs for satellite construction, satellite launch services, insurance premiums for satellite launch and the in-orbit testing period and capitalised interest incurred during the satellite construction period. The date of satellite in-orbit testing and acceptance is usually the start date of depreciation for satellite and related ground infrastructure assets.

Capital assets are depreciated on a straight-line basis over their estimated useful lives. The Group's satellite systems are depreciated over their useful life, which is currently estimated to be 9 to 18 years. Management reviews the residual values and estimated useful lives of capital assets at the end of each annual reporting period. Management uses technical reports, which provide an estimate of the fuel life of the satellites. The Group is generally conservative in making upward adjustments to useful life, hence it also considers other factors including inputs from the satellite insurance markets on total insurable life. A revision to useful life is made prospectively by depreciating the carrying value of the satellite at the date of change in useful life, over the revised remaining useful life.

Net finance costs

Net finance costs consist of finance expense less finance income. The principal source of finance expense is the Group's indebtedness, mainly incurred to fund the construction and launch of the Group's satellites and related infrastructure. The Group generates finance income principally from interest on cash balances held at banks and financial institutions.

Share of results of equity-accounted investments

The Group has two equity-accounted investments, Al Maisan and HPE, which represent the Group's Broadcast segment and Data Solutions – BCS segment respectively.

Al Maisan is an equity partnership established in 2009 with SES Finance, in which the Group owns 65 per cent. Although the Group has a majority ownership of the share capital of Al Maisan, it does not control Al Maisan which is therefore accounted for as an equity-accounted investee (associate). As a result, Al Maisan's revenue is not consolidated and instead the Group recognises its share of the profit or loss recorded by Al Maisan under share of results of an associate. Al Maisan provides broadcasting services under the brand name YahLive, using Ku band transponders of Al Yah 1 satellite, which were contributed by the Group to Al Maisan subsequent to its formation.

HPE is a Brazilian equity partnership with Hughes, formed in 2019. As part of the equity partnership arrangement, the Group contributed its Brazilian business (mainly comprising Al Yah 3 Ka Band Brazilian payload, Ground infrastructure and licences) by transferring its 100 per cent. holdings in Brazilian subsidiaries to HPE, in return for a 20 per cent. interest in HPE in a non-cash exchange. HPE provides data solutions in Brazil using Ka-band capacity on the Al Yah 3 Brazilian payload and other leased satellites. HPE operates under the brand Hughes do Brasil (HdB). The Group has determined that by virtue of its shareholding and representation of the Board, it has significant influence, but not control or joint control, over HPE. As a result, the Group accounts for its investment in HPE as investment in an associate.

RESULTS OF OPERATIONS

Comparison of the three months ended 31 March 2021 and 31 March 2020

Revenue

The table below provides a breakdown of the Group's revenue for the business lines for the three-month periods ended 31 March 2021 and 2020, presented in accordance with the Group's segments, except for revenue from the Group's investments in HPE and Al Maisan, which are not consolidated by the Group.

	Three months ended 31 March			
	2021		2020	
	(*U.S.$ thousand*)	(*% of total*)	(*U.S.$ thousand*)	(*% of total*)
Revenue:				
Infrastructure	59,956	66.5%	59,339	61.0%
Managed Solutions	12,053	13.4%	15,726	16.2%
Mobility Solutions	12,702	14.0%	15,547	15.9%
Data Solutions:				
BCS[(1)]	5,504	6.1%	6,703	6.9%
Total revenue	**90,215**	**100.0%**	**97,315**	**100.0%**

Note:
(1) Revenue for consolidated entity (BCS)

The Group's total revenue for the three months ended 31 March 2021 amounted to U.S.$90,215 thousand compared to U.S.$97,315 thousand for the three months ended 31 March 2020. The decrease of U.S.$7,100 thousand resulted from a reduction in revenue in the Managed Solutions and Mobility Solutions businesses. While certain programmes ended in 2020, other projects continued to experience delays in 2021 due to logistical disruptions as a result of the COVID-19 pandemic, resulting in lower revenue in Managed Solutions. Mobility Solutions revenue declined as a result of lower service revenue from prepaid cards and intercarriers.

Cost of revenue, staff costs and other operating expenses

The table below shows the Group's cost of revenue, staff costs and other operating expenses for the three months ended 31 March 2021 and 31 March 2020.

	Three months ended 31 March			
	2021		2020	
	(*U.S.$ thousand*)	(*% of total*)	(*U.S.$ thousand*)	(*% of total*)
Cost of revenue	4,911	13.5%	6,110	15.0%
Staff costs	19,992	55.2%	23,769	58.4%
Other operating expenses	11,330	31.3%	10,855	26.6%
Total	**36,233**	**100.0%**	**40,734**	**100.0%**

The total cost of revenue, staff costs and other operating expenses for the three months ended 31 March 2021 amounted to U.S.$36,233 thousand compared to U.S.$40,734 thousand for the three months ended 31 March 2020. The Group's cost of revenue generally relates to Managed Solutions and Mobility Solutions, which fluctuate in line with revenue. The Group's principal operating expenses are its staff costs. The decrease of U.S.$4,501 thousand in the three months ended 31 March 2021, compared to the three months ended 31 March 2020, reflected the impact of a restructuring exercise that was undertaken during the three months ended 31 March 2020.

The Group's cost of revenue decreased by U.S.$1,199 thousand, or 20 per cent., in the three months ended 31 March 2021 to U.S.$4,911 thousand from U.S.$6,110 thousand in the three months ended 31 March 2020, broadly reflecting the reduction in revenue in Managed Solutions and Mobility Solutions over the same period.

The Group's staff costs decreased by U.S.$3,777 thousand, or 16 per cent., in the three months ended 31 March 2021 to U.S.$19,992 thousand from U.S.$23,769 thousand in the three months ended 31 March 2020 reflecting the impact of the restructuring exercise that was undertaken during the three months ended 31 March 2020.

The Group's other operating expenses increased by U.S.$475 thousand, or 4 per cent., in the three months ended 31 March 2021 compared to the three months ended 31 March 2020. The increase of U.S.$475 thousand in the three months ended 31 March 2021 compared to the three months ended 31 March 2020 principally reflected an increase in the expected allowance for credit losses partially offset by a reduction in travel expenses.

Depreciation, amortisation and impairment

The Group's depreciation, amortisation and impairment charges were relatively unchanged at U.S.$37,011 thousand and U.S.$37,221 thousand in the three months ended 31 March 2021 and 2020, respectively.

Operating profit

The Group's operating profit was U.S.$17,399 thousand in the three months ended 31 March 2021 compared to operating profit of U.S.$19,774 thousand in the three months ended 31 March 2020. This reflects the decrease in revenue partially compensated by savings in operating expenses.

Net finance income/(costs)

The Group generates finance income from short-term cash deposits. The Group's finance income was U.S.$165 thousand and U.S.$1,468 thousand in three months ended 31 March 2021 and 2020, respectively. In the three months ended 31 March 2021, the Group withdrew short-term deposits of U.S.$100,000 thousand to partly fund the T4-NGS programme, which resulted in lower interest income.

The Group incurred finance cost on borrowings of U.S.$3,137 thousand and U.S.$6,248 thousand in the three months ended 31 March 2021 and 2020, respectively. The decrease in cost was primarily due to repayment of borrowings of U.S.$116,601 thousand (mainly Term Loan 1) in June 2020 and December 2020.

Share of results of equity-accounted investments

The Group's share of Al Maisan's profits in the three months ended 31 March 2021 was U.S.$260 thousand, compared to share of losses of U.S.$1,110 thousand in the three months ended 31 March 2020. This improvement was primarily due to stronger revenues, improved cash collections, business model rationalisation and lower cost of sales.

The Group's share of HPE's loss was U.S$566 thousand, a decrease of U.S.$3,861 thousand, or 87 per cent., in the three months ended 31 March 2021 from U.S.$4,427 thousand in the three months ended 31 March 2020. This primarily reflects the underlying growth in the business as the operation continues to scale, which the Group believes will results in profitability in the near to medium term.

Profit/(loss) for the period

Reflecting the above factors, the Group recorded a profit of U.S.$14,073 thousand in three months ended 31 March 2021 compared to a profit of U.S.$9,405 thousand in the three months ended 31 March 2020.

Adjusted EBITDA

The Group's Adjusted EBITDA was U.S.$54,410 thousand and U.S.$56,995 thousand for the three months ended 31 March 2021 and 2020, respectively.

Other comprehensive income/(loss)

The Group's other comprehensive income comprises changes in the fair value of an interest rate swap derivative financial instrument entered into by the Group to hedge its obligation to pay interest at variable rates under its term loans. This transaction is accounted for as a cash flow hedge. As a result, the effective portion of changes in the fair value of the derivative are recognised in other comprehensive income and presented in the hedging reserve in equity, whilst any ineffective portion is recognised in profit or loss. If the hedging instrument ceases to meet the criteria for hedge accounting, expires or otherwise is terminated, the balance in equity is required to be immediately reclassified to profit or loss.

In the three months ended 31 March 2021 and 31 March 2020, the Group incurred other comprehensive loss of U.S.$9,435 thousand and U.S.$32,261 thousand, respectively. The decrease of U.S.$22,826 thousand was due to (i) a significant decline of U.S.$18,766 thousand in currency translation losses resulting from a revaluation of the Group's investment in HPE (which was acquired in December 2019) and (ii) a decrease of U.S.$ 4,202 thousands in the fair value losses of the derivatives due to reduced notional values of debt.

Total comprehensive profit/(loss) for the three months ended 31 March 2021 and 31 March 2020

Reflecting the above factor and the Group's profit or loss for each year, the Group's total comprehensive income was U.S.$4,638 thousand in the three months ended 31 March 2021 compared to total comprehensive loss U.S.$22,856 thousand in the three months ended 31 March 2020.

Comparison of the years ended 31 December 2020, 2019 and 2018

Revenue

The table below provides a breakdown of the Group's revenue for the business lines for the years ended 31 December 2020, 2019 and 2018, presented in accordance with the Group's segments, except for revenue from the Group's investments in HPE and Al Maisan, which are not consolidated by the Group.

	Year ended 31 December					
	2020		2019		2018	
	(*U.S.$ thousand*)	(*% of total*)	(*U.S.$ thousand*)	(*% of total*)	(*U.S.$ thousand*)	(*% of total*)
Revenue:						
Infrastructure	238,496	58.5%	237,914	54.0%	235,923	60.1%
Managed Solutions	63,220	15.5%	89,068	20.2%	95,921	24.4%
Mobility Solutions	79,035	19.4%	87,805	19.9%	34,687	8.8%
Data Solutions:						
BCS[(1)]	26,756	6.6%	25,782	5.9%	25,988	6.6%
Total revenue	**407,507**	**100.0%**	**440,569**	**100.0%**	**392,519**	**100.0%**

Note:

(1) Revenue for consolidated entity (BCS)

The Group's total revenue for 2020 amounted to U.S.$407,507 thousand compared to U.S.$440,569 thousand for 2019 and U.S.$392,519 thousand for 2018.

The decrease of U.S.$33,062 thousand in 2020 compared to 2019 principally reflected a decrease in revenue from Mobility Solutions and Managed Solutions, resulting mainly from the termination of a project agreement in 2019 at the option of the customer. This decrease in revenue was partially offset by a slight increase in infrastructure services. The increase of U.S.$48,050 thousand in 2019 compared to 2018 principally reflected an increase in revenue from Mobility Solutions, which was attributable to the acquisition of Thuraya in August during the year ended 31 December 2018. The year ended 31 December 2019 incorporated twelve months of Thuraya revenue.

Cost of revenue, staff costs and other operating expenses

The table below shows Group's cost of revenue, staff costs and other operating expenses for each of 2020, 2019 and 2018.

	Year ended 31 December					
	2020		2019		2018	
	(*U.S.$ thousand*)	(*% of total*)	(*U.S.$ thousand*)	(*% of total*)	(*U.S.$ thousand*)	(*% of total*)
Cost of revenue	40,041	22.7%	53,792	27.2%	61,322	33.6%
Staff costs	84,208	47.8%	89,140	45.1%	77,448	42.4%
Other operating expenses	51,996	29.5%	54,642	27.7%	43,712	24.0%
Total	**176,245**	**100.0%**	**197,574**	**100.0%**	**182,482**	**100.0%**

The total cost of revenue, staff costs and other operating expenses for 2020 amounted to U.S.$176,245 thousand compared to U.S.$197,574 thousand for 2019 and U.S.$182,482 thousand for 2018. Cost of revenue was generally driven by costs incurred by Managed Solutions and Mobility Solutions which broadly fluctuate in line with revenue. Staff costs are principally driven by headcount numbers. The Thuraya business was acquired in August 2018 and as a result its related costs were incorporated for only five months of the year ended 31 December 2018.

The Group's cost of revenue decreased by U.S.$13,751 thousand, or 25.6 per cent., in 2020 to U.S.$40,041 thousand from U.S.$53,792 thousand in 2019, broadly reflecting the reduction in revenue in Managed Solutions and Mobility Solutions over the same period.

The Group's cost of revenue decreased by U.S.$7,530 thousand, or 12.3 per cent., in 2019 from US.$61,322 thousand in 2018, reflecting the reduction in cost of revenues from Managed Solutions primarily driven by synergies from insourcing the O&M contract.

The Group's staff costs decreased by U.S.$4,932 thousand, or 5.5 per cent., in 2020 to U.S.$84,208 thousand from U.S.$89,140 thousand in 2019 and increased by U.S.$11,692 thousand, or 15.1 per cent., in 2019 from U.S.$77,448 thousand in 2018. The decrease of U.S.$4,932 thousand in 2020 compared to 2019 principally reflected steps taken to optimise the impact of the restructuring exercise that was undertaken during the three months ended 31 March 2020. The increase of U.S.$11,692 thousand in 2019 compared to 2018 principally reflected increased staff head count in relation to the Thuraya acquisition which was made in August 2018.

The Group's other operating expenses decreased by U.S.$2,646 thousand, or 4.8 per cent., in 2020 compared to 2019 and increased by U.S.$10,930 thousand, or 25.0 per cent., in 2019 from U.S.$43,712 thousand in 2018. The decrease of U.S.$2,646 thousand in 2020 compared to 2019 principally reflected reduced business travel and marketing expenses as a result of the COVID-19 pandemic. The increase of U.S.$10,930 thousand in 2019 compared to 2018 principally reflected increase in allowance for expected credit losses and higher satellite services operations costs.

Other income

The table below shows the breakdown of the Group's other sources of income for each of 2020, 2019 and 2018.

	Year ended 31 December		
	2020	2019	2018
		(*U.S.$ thousand*)	
Gain on transfer of orbital rights	14,000	—	—
Rental income from investment property	1,091	1,940	928
Gain on disposal – discontinued operation	—	3,401	—
Income from services rendered to related parties	—	304	344
Income from insurance claims	—	—	101,153
Bargain purchase on acquisition of a subsidiary	—	—	1,686
Other	577	216	16
Total other income	**15,668**	**5,861**	**104,127**

Income from other sources increased by U.S.$9,807 thousand, in 2020 compared to 2019 and decreased by U.S.$98,266 thousand, in 2019 compared to 2018. Other income in 2018 primarily related to insurance proceeds received net of accelerated premiums resulting from the Group's claim against an anomaly relating to the Al Yah 3 satellite launch. Other income in 2020 primarily related to a transfer of orbital rights. The gain on disposal in 2019 related to the sale of the Group's investment in its Brazilian business in exchange for a 20 per cent. stake in HPE (the equity partnership formed between Star and Hughes in November 2019).

Depreciation, amortisation and impairment

The Group's depreciation, amortisation and impairment charges were U.S.$149,567 thousand, U.S.$150,657 thousand and U.S.$231,430 thousand in the years ended 31 December 2020, 2019 and 2018, respectively. The change between the year ended 31 December 2019 and 2018 was primarily due to the U.S.$100,431 thousand impairment charge in the year ended 31 December 2018 relating to the Al Yah 3 satellite launch issue.

Operating profit

Reflecting the above factors, the Group's operating profit was U.S.$95,333 thousand in 2020 compared to U.S.$97,362 thousand in 2019 and U.S.$82,734 thousand in 2018.

Net finance costs

The table below shows the breakdown of the Group's net finance costs for each of the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	2019	2018
		(*U.S.$ thousands*)	
Interest on short term deposits with a bank	432	4,828	2,783
Interest on deposits with related party	2,784	1,928	1,209
Finance income	**3,216**	**6,756**	**3,992**
Interest expense on borrowings – term loan	(8,225)	(19,636)	(22,680)
Interest expense on borrowings – lease liabilities	(1,216)	(1,352)	—
Fair value losses on derivative financial instruments transferred from equity	(11,148)	(10,040)	(14,820)
Finance costs	**(20,589)**	**(31,028)**	**(37,500)**
Net finance costs	**(17,373)**	**(24,272)**	**(33,508)**

The Group's net finance costs for 2020 amounted to U.S.$17,373 thousand compared to U.S.$24,272 thousand for 2019 and net finance costs of U.S.$33,508 thousand for 2018, primarily due to year-on-year reductions in outstanding borrowings under Term Loan 1.

Share of results of equity-accounted investments

The Group's share of Al Maisan's loss was U.S.$2,053 thousand in 2020, U.S.$14,203 thousand in 2019 and U.S.$7,084 thousand in 2018. The losses in the year ended 31 December 2019 were higher due to the impairment of satellite payload. The losses in the year ended 31 December 2020 decreased primarily due to the implementation of a strategy to integrate day-to-day operations, management and back-office services with the shared services of the controlling shareholder, resulting in a reduction in staff and running costs in 2020.

The Group's share of HPE's loss was U.S.$14,307 thousand in 2020 and U.S.$1,927 thousand in 2019. The share of HPE's loss for the year ended 31 December 2019 only included the share of one month's results (as the Group's investment in HPE was acquired at the end of November 2019), whereas the share of loss for the year ended 31 December 2020 includes the share of the full year results of HPE.

Profit for the year

Reflecting the above factors, the Group recorded a profit of U.S.$61,400 thousand in 2020 compared to a profit of U.S.$22,873 thousand in 2019 and a profit of U.S.$25,270 thousand in 2018.

Adjusted EBITDA

The Group's Adjusted EBITDA was U.S.$246,930 thousand, U.S.$248,856 thousand and U.S.$314,164 thousand for the years ended 31 December 2020, 2019 and 2018, respectively. For the year ended 31 December 2020, the Group had an Adjusted EBITDA Margin of 60.6 per cent., which it expects to maintain, (as compared to an Adjusted EBITDA Margin of 56.5 per cent. as at 31 December 2019 and 80.0 per cent. as at 31 December 2018). The margin improvements were a result of cost synergies due to integration of Thuraya operations with the Group, savings in staff costs due to restructuring exercise completed in the three months ended 2020 and curtailment of discretionary spend on marketing and business travel expenses as a response to the COVID-19 pandemic. The Group also expects to maintain its Adjusted EBITDA Margin of around 80 per cent. for its Infrastructure business line.

Other comprehensive income/(loss)

In 2020, 2019 and 2018, the Group incurred other comprehensive loss of U.S.$21,831 thousand, other comprehensive income of U.S.$9,610 thousand and other comprehensive income of U.S.$17,193 thousand, respectively, as a result of changes in the fair value of the derivative financial instrument and currency translation differences resulting from the revaluation of the Group's investment in HPE.

Total comprehensive income for the years ended 31 December 2020, 2019 and 2018

Reflecting the above factor and the Group's profit or loss for each year, the Group's total comprehensive income was U.S.$39,569 thousand in 2020 compared to total comprehensive income of U.S.$32,483 thousand in 2019 and U.S.$42,463 thousand in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's contractual obligations, commitments and debt service requirements over the next several years are significant. At 31 March 2021 and 31 December 2020, the Group's total borrowings were U.S.$270,348 thousand and U.S.$272,769 thousand. The Group's contractual capital commitments at 31 March 2021 amounted to U.S.$233,853 thousand. The Group also expects to incur significant capital expenditures in 2021 and future years. See "*—Capital expenditure and other commitments*" below.

The Group's primary source of liquidity is and is expected to continue to be cash generated from operations as well as existing cash. At 31 March 2021, the Group's cash and cash equivalents were U.S.$261,381 thousand.

The Group's total capital expenditures for the years 2020 to 2024, which mainly relate to T4-NGS, are detailed further in the sections "*—Capital expenditure and other commitments"* and *"Cash outflows relating to capital expenditure*" below.

The Group currently expects to use existing cash resources and cash flows from operations to fund its most significant cash outlays, including debt service requirements, in the next 12 months. Capital expenditure relating to T4-NGS will be funded by a combination of internally generated cash flow and drawdowns from the ECA Facility, as outlined in the section "*—Borrowings*" and advances from the Government under the T4-NGSA. The borrowing anticipated under of the ECA Facility (to be covered by BPI France) is up to U.S.$300.5 million. The Group expects to maintain a strong cash conversion rate in line with historical levels.

Cash flow

Three months ended 31 March 2021 and 2020

The table below summarises the Group's cash flow from operating activities, investing activities and financing activities for each of the three month periods ended 31 March 2021 and 31 March 2020.

	Three months ended 31 March	
	2021	**2020**
	(U.S.$ thousand)	
Net cash from/ operating activities	95,248	121,501
Net cash from/(used in) investing activities	66,659	(9,597)
Net cash used in financing activities	(5,559)	(28,830)
Net increase in cash and cash equivalents	156,348	83,074
Cash and cash equivalents at 31 March	261,381	230,395

Net cash from operating activities in the three months ended 31 March 2021 was U.S.$95,248 thousand compared to net cash from operating activities in the three months ended 31 March 2020 of U.S.$121,501 thousand. The decrease versus prior period is primarily attributable to an increase in receivables as at 31 March 2021.

Net cash used in investing activities in the three months ended 31 March 2021 was U.S.$66,659 thousand (inflow) compared to U.S.$9,597 thousand (outflow) in the three months ended 31 March 2020. The net cash inflow in 2021 reflects the withdrawal of a short-term deposit to bridge the funding for the T4-NGS satellite programme. This inflow was partly offset by vendor payments towards the T4-NGS programme.

Net cash used in financing activities in the three months ended 31 March 2021 was in outflows of U.S.$5,559 thousand and U.S.$28,830 thousand in the three months ended 31 March 2020. In 2020, net cash used in financing activities principally reflected the payment of a dividend to the shareholder of U.S.$15,000 thousand and the balance reflects interest payments and repayments of principal of the borrowings.

The years ended 31 December 2020, 2019 and 2018

The table below summarises the Group's cash flow from operating activities, investing activities and financing activities for each of the years ended 2020, 2019 and 2018.

	Year ended 31 December		
	2020	**2019**	**2018**
		(U.S.$ thousand)	
Net cash from operating activities	228,929	218,017	305,533
Net cash used in investing activities	(71,110)	(161,054)	(108,985)
Net cash used in financing activities	(200,081)	(147,284)	(38,888)
Net (decrease)/increase in cash and cash equivalents	(42,262)	(90,321)	157,660
Cash and cash equivalents as at 31 December	104,915	147,432	237,296

Net cash from operating activities in 2020 was U.S.$228,929 thousand compared to U.S.$218,017 thousand in 2019 and U.S.$305,533 thousand in 2018. Working capital adjustments decreased the Group's operating cash flow in the years ended 31 December 2020 and 2019 and increased the Group's operating cash flow in the year ended 31 December 2018.

Net cash used in investing activities in 2020 was U.S.$71,110 thousand compared to U.S.$161,054 thousand in 2019 and U.S.$108,985 thousand in 2018. The investment cash outflows in 2020 were primarily towards the T4-NGS satellite programme. In 2019, the Group placed its surplus cash as short-term deposits with a related party and also made investments in routine capital expenditure. In 2018 cash was utilised to fund Group's acquisition of Thuraya and to fund the remaining capital expenditure of the Group's Al Yah 3 satellite programme.

Net cash used in financing activities in 2020 was U.S.$200,081 thousand compared to U.S.$147,284 thousand in 2019 and U.S.$38,888 thousand in 2018. In all three years, net cash used in financing activities principally reflected payment of interest and repayment of principal amounts of the borrowings. See "—*Borrowings*" below. Further, dividend payments to shareholders of U.S.$55,000 thousand and U.S.$5,000 thousand were made in the years 2020 and 2019. The 2018 cash flows from financing activities also included U.S.$103,500 thousand received from the shareholder to fund the Group's acquisition of Thuraya and U.S.$.100,000 thousand proceeds received from Hughes who invested 20 per cent. equity in the Group's Middle East and Africa controlled equity partnership, BCS.

Borrowings

The table below shows the calculation of the Group's gearing ratio as at 31 March 2021, 31 December 2020 and 2019.

	As at 31 March	As at 31 December	
	2021	2020	2019
	(*U.S.$ thousand, except percentages*)		
Interest bearing borrowings (term loans)[(1)]	254,653	255,716	372,317
Less: cash and short-term deposits	(281,381	(224,915)	(287,432)
Net debt	(26,728)	30,801	84,885
Equity attributable to Yahsat Owner[(2)]	902,979	896,524	904,442
Equity attributable to Yahsat Owner[(2)] and net debt	**876,251**	**927,325**	**989,327**
Gearing ratio[(3)]	**Negative**	**3.3%**	**8.6%**

Notes:

(1) Covering Term Loan 1 and Term Loan 4. This line item is labelled as "Borrowings – Term Loans" in the Interim Financial Statements for the three months ended 31 March 2021.

(2) This line item is labelled as "Equity attributable to the Shareholder" in the Interim Financial Statements for the three months ended 31 March 2021.

(3) Gearing ratio is net debt divided by equity attributable to Yahsat Owner/the Shareholder plus net debt.

Term Loan 1

Al Yah Advanced Satellite Communications Services PrJSC, a Group subsidiary, is the **borrower** on a project finance basis which was originally established by a syndicate of banks in 2008 (**Term Loan 1**). The purpose of the term loan was to enable the Group to finance the construction of its first two satellite systems (Al Yah 1 and Al Yah 2), ground segments and related infrastructure. The amount of the term loan drawn down was U.S.$984 million at the end of the availability period in 2012.

Term Loan 1 is repayable in 21 semi-annual instalments, commencing 31 December 2012 and ending on 29 December 2022 and is required to be repaid earlier in certain limited circumstances. Term Loan 1 bears interest at floating rates calculated by reference to LIBOR plus a margin ranging from 1.10 per cent. to 1.40 per cent. over the term of the loan.

Term Loan 1 includes a range of covenants including limitations on certain disposals by certain Group companies related to the first two satellites (not including the transponders leased to Al Maisan on Al Yah 1 and to BCS on Al Yah 2), the incurrence of further indebtedness by the borrower and the Company and the ability of certain Group companies to enter into material contracts. The term loan also contains comprehensive insurance requirements and distribution covenants linked to the historical and projected debt service coverage ratio and receipt of the next period's capacity charges invoiced in advance pursuant to the CSA.

There is a wide range of events of default under Term Loan 1, including an event of default if either of a projected or historic debt service coverage ratio is 1.05:1 or less on a calculation date. The debt service coverage ratios are determined by reference to the borrower's cash flow available for debt service (as defined in the Term Loan 1 credit agreement) divided by its debt service obligations (essentially principal and interest under Term Loan 1 plus any related hedging costs). The borrower has been in compliance with these ratios at all times and, at the most recent calculation date, its projected and historic debt service coverage ratios were 1.37:1 and 1.43:1, respectively.

On 14 June 2021, the outstanding commitments under Term Loan 1 were acquired by Yahsat Treasury, a wholly-owned subsidiary of the Company, at which point Yahsat Treasury became the sole lender under the Term Loan 1 facility. Yahsat Treasury funded the transaction using a portion of the borrowings under the New Term Loan Facility (as discussed below). All but one of the existing interest rate swaps under

Term Loan 1 have been terminated and the borrower has novated the remaining existing interest rate swap to Yahsat Treasury in its capacity as the borrower under the New Term Loan Facility.

Term Loan 4

Thuraya obtained this facility in 2016, before the Group's acquisition of Thuraya in 2018, for a total available commitment of U.S.$17.7 million (AED 65 million), of which Thuraya drew down U.S.$5.4 million in 2016 and U.S.$12.2 million during February 2018, all prior to Group's acquisition of Thuraya. The loan is repayable in equal monthly instalments over five years at the Emirates Interbank Offered Rate plus 4 per cent., with a minimum rate of 5.75 per cent. The loan is structured as an Ijarah ("lease to own") facility related to Thuraya's primary gateway and ground segment assets and business expansion. It is secured by a commercial mortgage on the assets, assignment of receivables, pledge over the bank account maintained with the bank, assignment of insurance over the financed assets and promissory note. During 2020, Thuraya repaid U.S.$4.3 million (2019: U.S.$4.3 million).

Under the terms of the facility Thuraya is required to maintain a minimum tangible net worth of U.S.$95 million (AED 350 million). At 31 December 2020, Thuraya's tangible net worth, as defined in the agreement, amounted to U.S.$123.9 million.

New Term Loan Facility

On 14 June 2021, Yahsat Treasury (as borrower) entered into the New Term Loan Facility on a corporate finance basis with a syndicate of banks. The amount of the new term loan is U.S.$400 million with a tenor of 5 years and an availability period of 180 days starting after the date of the New Term Loan Facility, of which the full amount has been drawn as at the date of this Prospectus. The New Term Loan is repayable semi-annually but is subject to an 18-months grace period starting from the date of the New Term Loan Facility. The upfront financing fee on the New Term Loan Facility is 0.75 per cent. and has been deducted in full upon initial drawdown on 22 June 2021 and is expected to be accreted over the tenor of the New Term Loan Facility.

Borrowings under the New Term Loan Facility may be applied towards (i) funding the purchase of the outstanding commitments of the lenders under Term Loan 1, (ii) payment of financing costs related to the New Term Loan Facility; and (iii) general corporate purposes. The Company intends to use part of the borrowings under the New Term Loan Facility to pay a dividend to the Selling Shareholder before the Closing Date of the Global Offering. The rationale behind the New Term Loan Facility is to offer the flexibility to utilise the under leveraged cash flows derived from contracted backlog to accommodate enhanced shareholder returns and further growth plans. The obligors under the New Term Loan Facility are the borrower, Star and the Company.

The lenders under the New Term Loan Facility and hedging banks (under the New Term Loan Facility and the ECA Facility) (as discussed below) benefit from an English law assignment (by way of security) by the borrower over the proceeds of Term Loan 1 and corporate guarantees to be provided by Star and the Company.

The New Term Loan Facility bears interest at floating rates calculated by reference to LIBOR plus a margin of 1.30 per cent. per annum over the term of the New Term Loan Facility. The borrowings under the New Term Loan are fully hedged against variable interest rate risk exposure by entering into an interest rate swap in order to convert its floating rate interest payments under the new term loan into fixed rate interest. In addition, the borrower pays a quarterly commitment fee equal to 30 per cent. of the applicable margin per annum on the New Term Loan Facility until the end of availability period or full drawdown, whichever is earlier.

Borrowings under the New Term Loan Facility may be prepaid without penalty or premium (other than customary breakage costs). However, the borrower must mandatorily prepay outstanding borrowings under the New Term Loan Facility if (i) it receives (A) any mandatory prepayments in the form of compensation under the Term Loan 1 credit agreement, (B) any voluntary prepayments under the Term Loan 1 credit agreement or (C) any payments following acceleration of any outstanding loans under the Term Loan 1 credit agreement, and (ii) at any time, the Government of Abu Dhabi ceases to control directly or indirectly 50.1 per cent. or more of the share capital of the borrower.

The New Term Loan Facility contains customary representations, warranties, covenants and undertakings including limitations on incurrence of financial indebtedness, mergers, acquisitions, disposals and negative pledge in relation to certain assets of the Group save, in each case, as permitted under the terms of the New Term Loan Facility documents. The borrower is required to maintain an interest cover ratio of not less than 4.00:1 and a net leverage ratio of no more than 3.00:1, in each case on a calculation date (which occurs on 30 June and 31 December in each financial year).

Events of default under the New Term Loan Facility include non-payment (subject to a five-day grace period), breach of other obligations under the finance documents (subject to a grace period for remediable breach of 20 business days), misrepresentation, cross acceleration, insolvency events, the borrower ceasing to carry on business, unlawfulness or ineffectiveness of any finance document, and repudiation or rescission of the finance documents, in each case, subject to customary qualifications and baskets.

ECA Facility

On 14 June 2021, Yahsat Treasury (as borrower) entered into the ECA Facility on a corporate finance basis with a syndicate of banks. The amount of the ECA Facility is up to U.S.$300.5 million with a tenor of 8.5 years and an availability period starting from 14 June 2021 for the ECA Facility until the date falling 5 months after the starting point of credit (as defined below). As of the date of this Prospectus, the ECA Facility is undrawn. The starting point of credit will occur on the earlier of (a) date of in-orbit acceptance of the T4-NGS satellite; (b) 36 months from the date of the ECA Facility and (c) 27 June 2024 (being 9 months after the currently planned date of launch). The ECA Facility consists of insured and reinsured loans which, in each case, will be drawn on floating rate basis. The upfront financing fee on the ECA Facility is 4.39 per cent. and is expected to be deducted in full upon initial drawdown and accreted over 11.5 years. The estimated ECA Facility profile has been hedged partially up to 50 per cent. during the first six months of the construction period from the date of entering into the arrangement and thereafter, capped at up to 75 per cent. The hedging strategy aims to ensure no over hedging during the construction period, while keeping a minimum amount open to market movement.

Borrowings under the ECA Facility can be applied towards (i) payment of insurance premium for the ECA cover, (ii) reinsurance premium for the reinsurance cover in respect of the reinsured loans, (iii) reimbursement of amounts paid by Star, the buyer of T4-NGS, to Airbus, the supplier under the contract for the construction and supply of T4-NGS satellite in excess of the designated "down-payment" amount, (iv) direct payment of milestone invoices owed to the supplier and (v) payment of interests owed by Yahsat Treasury, during construction. In connection with the commitments relating to the contract with Airbus and subject to the relevant milestones being reached, the drawdowns under the ECA Facility are expected to be U.S.$84,480 thousand in the second quarter of 2021, U.S.$29,043 thousand in the third quarter of 2021, U.S.$29,462 thousand in the fourth quarter of 2021 and U.S.$76,274 thousand in 2022. The lenders under the ECA Facility benefit from an English law assignment (by way of security) by Star of all its rights and interests (i) under the launch and in-orbit insurance in respect of the T4-NGS satellite and corporate guarantees to be provided by Star and the Company and (ii) any amount (including liquidated damages) due and payable to Star from Airbus under the contract for the construction and supply of T4-NGS satellite in connection with, or as a result of, any export ban imposed on Airbus by or on behalf of any government or regulatory body.

The ECA Facility bears interest at floating rates calculated by reference to LIBOR plus a margin of 0.60 per cent. per annum over the term of the ECA Facility. In addition, the borrower pays a quarterly commitment fee equal to 30 per cent. of the floating rate margin per annum on the ECA Facility until the end of availability period or full drawdown, whichever is earlier.

Borrowings under the ECA Facility may be prepaid without penalty or premium (other than customary breakage costs). However, the borrower must mandatorily prepay outstanding borrowings under the ECA Facility if (i) it loses the ECA insurance cover, (ii) BPI refunds all or part of any of the BPI insurance or reinsurance premium financed by the ECA Facility or (iii) at any time, the Government of Abu Dhabi ceases to control directly or indirectly 50.1 per cent. or more of the share capital of the borrower and the guarantors. The lenders under the ECA Facility are entitled to directly receive from Airbus (A) any export ban proceeds (including liquidated damages paid in relation to such export ban) and (B) any launch and in-orbit insurance proceeds.

The ECA Facility contains customary representations, warranties, covenants and undertakings for ECA financings, including limitations on incurrence of financial indebtedness, mergers, acquisitions, disposals and upon cancellation, suspension or termination of certain key contracts save, in each case, as permitted under the terms of the ECA Facility documents. The borrower is required to maintain an interest cover ratio of not less than 4.00:1 and a net leverage ratio of no more than 3.00:1, as determined on each calculation date (i.e. 30 June and 31 December in each financial year).

Events of default under the ECA Facility include non-payment (subject to a five-day grace period), breach of other obligations under the finance documents (subject to a grace period for remediable breach of 20 business days), misrepresentation, cross acceleration, insolvency events, the Company ceasing to carry on business, unlawfulness or ineffectiveness of any finance document, and repudiation or rescission of the finance documents, in each case, subject to customary qualifications and baskets.

Maturity profile of the Group's borrowings

Of the Group's U.S.$254,653 thousand principal amounts of term loans outstanding as at 31 March 2021, 49 per cent. was scheduled to mature within 12 months. The table below summarises the maturity profile of the Group's borrowings as at 31 March 2021.

	As at 31 March 2021	
	(*U.S.$ thousand*)	(*per cent.*)
Repayable within 12 months	124,420	49%
Repayable between 1 and 2 years	130,233	51%
Total	**254,653**	**100%**

On 22 June 2021, using a portion of the funds drawn under the New Term Loan, the outstanding borrowings of U.S.$251,461 thousand under on the Term Loan 1 were acquired by Yahsat Treasury, at which point Yahsat Treasury became the sole lender under the Term Loan 1 facility. Yahsat Treasury used the proceeds from the New Term Loan to buy-out the existing lenders in Term Loan 1.

The Group expects the New Term Loan to be amortised and fully repaid by June 2026 and expects that the repayment of the New Term Loan will commence in 2022. Repayments are expected to vary year-on-year, from U.S.$60 million a year to U.S.$120 million a year. Moreover, the Group expects to draw down between U.S.150 million and U.S.$200 million in 2021, on a cumulative basis, and approximately U.S.$250 million in 2022 of the ECA Facility. As of the date of this Prospectus, the ECA Facility is undrawn. The all in cost of financing across both the New Term Loan and the ECA Facility, including upfront fees and the ECA insurance premium, is expected to be in the region of approximately 2.76 per cent. and 3 per cent. per annum.

Capital expenditure and other commitments

The Group's capital expenditure depends on its business strategies and reflects its commercial responses to opportunities and trends in its industry. The Group's actual capital expenditure may differ from its expected capital expenditure if, among other things, it enters into any currently unplanned strategic transactions. Levels of capital spending from one year to the next are also influenced by the nature of the satellite life cycle and by the capital-intensive nature of the satellite industry. For example, the Group incurs significant capital expenditure during years in which satellites are under construction. The Group is currently establishing a sixth satellite (T4-NGS) and, in future years, it may also need to procure new satellites that can be deployed sufficiently in advance of the end of the service life of satellites that it will need to replace.

The Group typically spreads a satellite's expected capital expenditure, including its ground equipment, across three or four years. Such ground equipment usually represents between 15 and 20 per cent. of the total capital expenditure in any given satellite programme. The Group estimates the total capital expenditure in relation to the T4-NGS satellite programme (including procurement of satellite, ground segment assets, launch costs, launch insurance and capitalised financing costs) to be U.S.$580,000 thousand.

The Group currently does not have any commitments related to any additional satellite launches and any such commitments and funding strategy will be determined at the relevant time. As a result, the Group has experienced and expects to continue to experience significant variances in its capital expenditure from year to year.

The following table shows the Group's capital expenditure (additions to capital assets such as property, plant and equipment, capital work in progress, intangible assets and right of use assets, excluding assets acquired through business combinations) incurred in each of the five years ended 31 December. Expenditure incurred represents the amounts recognised, whether these amounts were paid or not.

	For the year ended 31 December
	(U.S.$ thousand)
2016	82,189
2017	56,943
2018[(1)]	55,936
2019	34,372
2020	92,190
Total	**321,630**

Note:

(1) Non-recurring capital expenditures for 2018 of U.S.$7,400 thousand relate to the initial set-up costs for the Brazilian entity, which was later merged into the HPE equity partnership with Hughes where the Company is a minority shareholder.

The Group's capital expenditure incurred in the three months ended 31 March 2021 was U.S.$35,403 thousand, most of which related to the T4-NGS satellite programme.

As at 31 March 2021, the Group had total capital commitments of U.S.$233,853 thousand, including the commitments relating to the contract with Airbus for the T4-NGS satellite programme, the majority of which is expected to be incurred by 2024.

Cash outflows relating to capital expenditure

The following table provides a breakdown of the Group's cash outflows relating to capital expenditures by category for the years ended 2020, 2019 and 2018:

	For the year ended 31 December		
	2020	**2019**	**2018**
	(U.S.$ thousand)		
Maintenance capital expenditure[(1)]	13,255	14,100	11,710
Development capital expenditure[(2)]	1,084	3,562	—
New Satellite Programme capital expenditure[(3)]	61,429	2,500	36,929
Non-recurring capital expenditure[(4)]	—	—	7,400
Total	**75,768**	**20,162**	**56,039**

Notes:

(1) Maintenance capital expenditure represents cost of spares, gateway equipment hardware and software upgrades. Maintenance capital expenditure is expected to moderately increase going forward due to the acceleration of direct-to-market model in the Data Solutions business line, which may result in higher subscriber acquisition cost (**SAC**) capital expenditure. SAC comprises primarily which comprises primarily of the cost of a CPE (consumer premises equipment) and installation thereof.

(2) Development capital expenditure represents customer terminal development costs. The Group plans to upgrade the Thuraya platform from 2.5G to 4G to enhance IoT/M2M capabilities. The Group expects this to result in approximately U.S.$20–U.S.$30 million of capital expenditure over 2021-2023.

(3) New Satellite Programme capital expenditure represents the cost of new satellites and related ground infrastructure. Of the total capital expenditure in relation to the T4-NGS satellite programme of U.S.$580 million (including capitalised financing costs), U.S.$110.5 million has been incurred as at 31 March 2021. The Group expects the capital expenditure to be partly funded using the U.S.$300 million advance payment from the Government expected to be made during the construction phase pursuant to the T4-NGS contract and from borrowings under the ECA Facility. Moreover, the Group's satellite fleet is relatively healthy and there is currently no planned or committed replacement capital expenditure before 2026. The Group expects to incur U.S.$600 million between 2026 and 2029 in capacity replacement capital expenditure as Al Yah 1 and Al Yah 2 reach the end of their life.

(4) Non-recurring capital expenditure represents costs relating to discontinued operations.

The Group's remaining expected cash outflows relating to capital expenditure for the T4-NGS satellite programme as at 31 March 2021 is U.S.$483,115 thousand. The following table shows the Group's remaining estimated range of capital expenditure from 1 April 2021 to 2024:

	As at 31 March 2021
	(*U.S.$ thousand*)
2021(1)	190,000-200,000
2022	110,000-120,000
2023	100,000-110,000
2024	50,000-60,000
Total	**483,115**

Note:
(1) From 1 April 2021.

The contract with Airbus for T4-NGS was awarded in 2020 for an amount of U.S.$325,200 thousand. As at 31 March 2021, an amount of U.S.$103,795 thousand has been recognised as capital expenditure. The remaining committed contract amount of U.S.$221,405 thousand is expected to be incurred in the remaining three quarters of 2021 and in the years 2022 to 2024. The commitments relating to the contract with Airbus are expected to be funded by borrowings under the ECA Facility with drawdowns under the ECA Facility expected to be U.S.$84,480 thousand in the second quarter of 2021, U.S.$29,043 thousand in the third quarter of 2021 and U.S.$29,462 thousand in the fourth quarter of 2021. In 2022, the Group expects to drawdown U.S$76,274 thousand under the ECA Facility. Please see "*Related Party Transactions and Material Contracts—Purchase Agreements—Airbus Agreement*" for additional information on the Group's contract with Airbus.

The Group's remaining expected cash-flows in relation to the contract with Airbus as at 31 March 2021 is U.S.$230,121 thousand. The following table shows the Group's remaining estimated range of cash-flows from 1 April 2021 to 2024:

	As at 31 March 2021
	(*U.S.$ thousand*)
2021(1)	
second quarter of 2021	29,465
third quarter of 2021	29,043
fourth quarter of 2021	29,462
Total 2021(1)	87,970
2022	76,274
2023	37,411
2024	28,466
Total	**230,121**

Note:
(1) From 1 April 2021.

Although the Group is considering commissioning one or more new satellites in the future in addition to its sixth satellite, no firm decision has yet been taken on any future satellite other than its sixth satellite. Accordingly, these numbers exclude any capital expenditure associated with new satellite programmes other than T4-NGS. Should the Group take a decision to commission one or more new satellites, the associated capital expenditures would be significant and would potentially require the Group to obtain further debt and/or equity financing.

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.

OFF BALANCE SHEET TRANSACTION

The Government has also provided the right to use a plot of land to the Company. This plot, which is in Al Ain in the Emirate of Abu Dhabi, has been used for the construction of the Group's backup satellite ground control station. Title to the plot has not been transferred to the Company and it is, accordingly, not recognised in the financial statements.

Other than the foregoing, the Group has no off balance sheet assets or liabilities.

FINANCIAL RISK MANAGEMENT

The Group's principal financial risk exposures are to credit risk, liquidity risk and market risk as described below. The Board has overall responsibility for establishing and monitoring the Group's risk management framework and developing and monitoring the Group's risk management policies.

Credit risk

Credit risk is the risk that the Group may experience a financial loss if one or more of its counterparties fail to meet a contractual obligation that it owes to the Group. Credit risk principally arises from obligations owed to the Group by related parties and through its cash balances held with banks. In addition, the Group also has trade and other receivables which expose it to limited credit risk.

The table below shows the Group's maximum exposure to credit risk as at 31 March in 2021 and 31 December in each of 2020, 2019 and 2018.

	Three months ended 31 March	**Year ended 31 December**		
	2021	**2020**	**2019**	**2018**
	(*U.S.$ thousand*)	(*U.S.$ thousand*)		
Cash and short-term deposits	281,381	224,915	287,432	237,296
Trade receivables and contract assets	140,925	114,275	119,981	111,857
Other receivables	5,656	6,253	7,878	5,594
Maximum exposure to credit risk	**427,962**	**345,443**	**415,291**	**354,747**

Trade receivables and contract assets include receivables from related parties. An impairment analysis is performed at each reporting date using the expected credit loss model and appropriate provisions are made. Management believes that its credit risk related to trade receivables and contract assets is substantially mitigated by the financial stability of its customers, of which 47 per cent. are related parties or government-related entities (**GREs**) as at 31 December 2020. There are no significant impairments of the related party receivables at 31 December 2020. The Group seeks to mitigate its credit risk in relation to its cash balances with banks by only dealing with reputable banks with a sound credit standing.

The Group also has potential exposure to credit risk from derivatives used for hedging when these derivatives have a positive fair value which implies that amounts would be owed to the Group should the derivatives need to be closed out at that time. As at 31 March 2021, the net position of the Group's derivatives had a negative fair value.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due. The Group's liquidity risk management policy seeks to ensure that the Group always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Currently, the Group's principal liability is its interest and repayment commitments under its New Term Loan and ECA Facility, see "*—Liquidity and capital resources—Borrowings—Maturity profile of the Group's borrowings*" above. The Group also has trade and other payables (excluding advances from customers and accruals) outstanding from time to time, the amount of which was U.S.$45,147 thousand at 31 March 2021 and all of which were due within one year.

The Group also had significant capital commitments (see "*—Liquidity and capital resources—Capital expenditure and other commitments*" above) and a derivative exposure with a negative fair value at 31 March 2021.

The Group aims to manage its liquidity risk by ensuring that it has sufficient cash and liquid assets on demand to meet its expected operational expenses.

Market risk

Market risk is the risk that changes in market prices, such as interest and exchange rates, affect the Group's income. The Group's market risk policy is to seek to manage and control its market risk exposures within acceptable parameters through entering appropriate derivative contracts.

Currency risk

The Group is exposed to currency risk in respect of transactions denominated in currencies other than U.S.$. In respect of transactions denominated in the AED, the Group is currently not exposed to currency risk as the AED is pegged to the U.S.$. For significant transactions denominated in currency other than U.S.$ and AED, the Group utilises forward exchange contracts to reduce its currency risk exposure.

The Group is also exposed to currency risk in respect of its investments in its Brazilian associate, HPE. The Group regularly monitors the movement in exchange rates to assess impact on the Group's results.

Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is minimal. This is achieved by entering into interest rate swaps. Short-term deposits earn fixed rates of interest.

ACCOUNTING POLICIES

The Annual Financial Statements have been prepared in accordance with IFRS. For a discussion of the accounting policies applied by the Group generally, see note 2 to the 2020 Financial Statements.

The Group has entered into certain borrowing arrangements, please see "*—Borrowings*" for more detail.

Management applied IFRS 8 Operating Segments in the Group's financial statements for the three months ended 31 March 2021.

For more detail please see note 2 to the 2020 Financial Statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Group's financial statements, management is required to make certain estimates, judgements 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 judgement. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements.

Management believes that its most significant accounting estimates and judgements are as follows.

Impairment of non-financial assets

At the end of each reporting period, management applies the guidance in IAS 36 Impairment of Assets to identify whether there is any objective evidence of impairment of its non-financial assets. In such instances, the assets are subject to an impairment test by comparing their carrying amounts at the balance sheet date to their recoverable amounts. The recoverable amount for an individual asset is estimated and is the higher of its fair value less costs of disposal and its value in use. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets the recoverable amount of the cash-generating unit (**CGU**) to which the asset belongs is determined. An estimate of fair value less cost of disposal or the value in use of the CGU (or asset) is made, using estimated future cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (asset). The assumptions and judgements made in assessing the recoverable value include expectations of contract renewals, price increases on existing contracts and inflation rates.

Useful lives of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over the estimated useful life of each item of property, plant and equipment. Land is not depreciated.

The estimated useful lives currently used by the Group are:

Asset	Useful life (years)
Buildings	15 to 40
Leasehold improvements (included in buildings)	5 to 10
Satellite systems	9 to 18
Plant and machinery	15 to 40
Furniture and fixtures	3 to 4
Office equipment and vehicles	3 to 5
Computers and software	3

Management reviews the residual values and estimated useful lives of capital assets at the end of each annual reporting period. Management uses technical reports, which provide an estimate of the fuel life of the satellites. The Group is generally conservative in making upward adjustments to useful life, hence it also considers other factors including inputs from the satellite insurance markets on total insurable life. A revision to useful life is made prospectively by depreciating the carrying value of the satellite at the date of change in useful life, over the revised remaining useful life. In 2012, management carried out a review of the useful life of Al Yah 1 and Al Yah 2 satellites based on the outcome of its successful launches, the known performance of similar satellites and its satellites' orbital design lives and estimated service lives. The orbital design life of a satellite is the length of time that its manufacturer has contractually committed that the satellite's hardware will remain operational under normal operating conditions. A satellite's service life is the length of time the satellite is expected to remain operational as determined by remaining fuel levels and consumption rates and is usually longer than its orbital design life. The useful depreciable life of a satellite is generally somewhere between its orbital design life and expected service life. On the basis of its review and, in particular, the fact that the launches had used materially less propellant than originally anticipated, management determined that the useful life of Al Yah 1 and Al Yah 2 should be revised from 15 years to 18 years. This change was applied prospectively with effect from 1 January 2012. Subsequent reviews of useful life for Al Yah 1 and Al Yah 2, up to the recent annual year-end 31 December 2020, did not necessitate a change in useful life. In 2018, the launch anomaly of the Al Yah 3 Satellite resulted in a reduction to the originally planned life time from 15 years to 8.74 years. In 2019, the Group conducted an operational efficiency review of the Thuraya-2 and Thuraya-3 satellites and determined that a reduction in useful lives was necessary. Accordingly, the useful lives of Thuraya-2 and Thuraya-3 were revised to 18.4 years (previously 23 years) and 14.8 years (21.5 years).

Impairment losses on receivables and contract assets

The Group reviews its receivables and contract assets to assess impairment on a regular basis. In determining whether impairment losses should be recorded in the consolidated statement of profit or loss and other comprehensive income, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables.

Fair value of derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. The fair value of derivative financial instruments is based on their quoted price, if available. Where the fair value of such instruments cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

Classification of leases

The Group's principal leases are the CSA and the T4-NGSA under which the Group has leased satellite capacity to the Government for 15-year terms. The capacity charges payable under the terms of the CSA and T4-NGSA includes a lease element and a service element which corresponds to the capacity lease and provision of services respectively.

The Group has made various judgements in the process of determining (a) whether this arrangement contains a lease, (b) whether it is an operating lease or a finance lease and (c) how the capacity charges relating to the lease element and service element will be accounted.

In making its judgements, the Group's management considered the terms and conditions of the CSA, the requirements of relevant standards and the relevant industry practice. Based on these matters the Group's management has determined that:

(a) each of the CSA and T4-NGSA contains a lease, as it conveys a right to use the asset and the fulfilment of the CSA is dependent on the use of a specified asset;

(b) the lease element of each of the CSA and T4-NGSA will be accounted as an operating lease as the Group does not transfer substantially risks and rewards of ownership of the assets to the Government; and

(c) the service element of each of the CSA and T4-NGSA will be accounted as revenue in proportion to the stage of completion at the reporting date.

DESCRIPTION OF THE GROUP

Investors should read this section of this Prospectus in conjunction with the more detailed information contained in this Prospectus, including the financial and other information appearing in "Operating and Financial Review". Where stated, financial information in this section of this Prospectus has been extracted from the Historical Financial Information.

OVERVIEW

The Group is one of the largest providers of multi-mission (government and commercial) satellite communications services in the world (in terms of annual revenues) as at 31 December 2020 according to management estimates. The Group is based in the Middle East and through its critical satellite infrastructure provides both government and commercial satellite capacity and solutions, including government networks, enterprise networks, broadband, mobility (voice and narrowband data) and television broadcast, through a fleet currently comprising five geostationary satellites covering EMEA, APAC and Brazil. The Group has a high-quality satellite fleet that provides services using a wide selection of spectral bands (Ka-band, Ku-band, C-band and L-band). Its first two satellites, Al Yah 1 and Al Yah 2, were launched in April 2011 and April 2012, respectively. The Group's third satellite, Al Yah 3, was launched in January 2018. The Group also added two satellites, Thuraya-2 and Thuraya-3, to its fleet through the acquisition of Thuraya in 2018, with these satellites launched in June 2003 and January 2008, respectively. The Group expects to launch its new satellite, T4-NGS, in the second half of 2023, with commercial operations scheduled to commence in the second half of 2024.

The Group has five business lines, which are organised as follows:

- **Infrastructure**: The Group's largest revenue line is the leasing of secure satellite capacity on Al Yah 1 and Al Yah 2, principally to the Government. The Group provides critical and secure Ka-band satellite capacity to the Government on Al Yah 1 and Al Yah 2 under a 15-year contract expiring in 2026, with a new 15-year agreement on a replacement fleet beyond 2026 already being discussed with the Government. The Group also entered into a 15-year contract in 2021 with the Government for capacity and associated services on T4-NGS. This T4-NGS capacity contract will expire in 2039. As at 31 March 2021, the Group's total contracted backlog for infrastructure contracts amounted to U.S.$2.1 billion, the vast majority of which relates to the Government. The Group has a C-band payload on the Al Yah 1 satellite covering the EMEA region, capacity on which is leased to satellite service providers and telecoms operators for use in corporate or telecommunications networks, marketed under the YahLink brand. The Group also provides infrastructure and related support services, such as satellite and payload control and monitoring services including TT&C to companies within the Group. Additionally, from time to time the Group enters into spectrum-related agreements with other satellite operators, in order to generate revenues.

- **Managed Solutions**: Managed Solutions is principally comprised of YGS, which delivers critical, secure, defence-focused, value added solutions primarily to the Government and other UAE and international governmental entities. YGS also provides O&M services to the Government, related to supporting the infrastructure capacity contracted to the customer, which is based on multi-year engagements. As the O&M services are critical to Government operations, the current O&M agreement was extended until 31 December 2021. The Group is negotiating a new O&M agreement with the Government, which will ensure continuity of the current O&M services with options for additional services, expected to be signed by the end of 2021. The new O&M agreement is expected to expire at the end of 2026 and is expected to result in U.S.$175 million of additional contracted backlog for Managed Solutions. See "*Related Party Transactions and Material Contracts—Operation and Maintenance Agreement*" for additional information. As a trusted partner of the Government for satellite system delivery skills, YGS also provides consultancy or programme management support to the Government from time to time. In addition to YGS, the Group also provides managed satellite connectivity solutions to commercial customers, principally in the UAE, such as ADNOC, ENEC, Dubai Petroleum and Abu Dhabi Ship Building, either using its own capacity or that leased from third parties, including oil and gas as well as other sectors.

- **Mobility Solutions (MSS)**: The Group provides MSS through its approximately 90 per cent.-owned subsidiary Thuraya, a UAE based company providing MSS services using L-band capacity on its two satellites, Thuraya-2 and Thuraya-3. Thuraya is a leading MSS operator for L-band based voice and data services, covering more than two thirds of the world's population across the EMEA and APAC regions. According to NSR, in 2019, Thuraya was the second largest operator for global MSS operators handheld market share by subscribers. Thuraya offers innovative communications solutions to a variety of sectors including energy (oil and gas), government, broadcast media, maritime, military, aviation, enterprise, consumer, transportation and NGOs. Thuraya is a leading MSS operator with respect to the land voice (handheld) segment since the beginning of its commercial operations in 2001. Providing advanced communication solutions in more than 150 countries, as at the date of this document, Thuraya delivers GSM roaming capabilities with over 390 active roaming partners globally. Thuraya's portfolio of integrated solutions, satellite phones, broadband terminals and IoT and M2M services are recognised for reliability, flexibility and resilience on land, at sea and in the air. Thuraya has over 240,000 subscribers (as of the end of 2020).

- **Data Solutions**: The Group offers satellite-based broadband data solutions using Ka-band to end-users including consumers, enterprises and government customers, as well as high-speed data links for use by telecommunications companies, internet service providers and other satellite service providers. The Ka-band capacity and related business on Al Yah 2 (excluding that reserved for use by the Government) and Al Yah 3 forms part of two equity partnerships the Group has with Hughes as follows:

  - *BCS:* The first equity partnership, BCS, which operates its business under the YahClick brand, offers Ka-band capacity in Africa, the Middle East and in Southwest Asia on both Al Yah 2 and Al Yah 3. The Group controls 80 per cent. of this equity partnership. BCS provides commercial broadband and data solutions to consumers, enterprises, MNOs and governments across its footprint using the "YahClick (powered by Hughes)" brand. The Ka-band capacity on Al Yah 2 (excluding that reserved for use by the Government) and the Africa payload of Al Yah 3 is dedicated to, and owned by, BCS and covers 45 countries. As of 31 March 2021, BCS had launched in 34 of the 45 countries covered. In addition to broadband satellite services, BCS also provided raw wholesale capacity to Eutelsat from 2017 to 2021. BCS has grown significantly from 12,571 subscribers as at 31 December 2019, to over 15,000 subscribers as at 31 March 2021, and was using approximately 8.5 of approximately 37 Gbps of the aggregate Ka-band capacity on its payloads. BCS also provides services in Africa using capacity from Avanti, a third party, to cater to capacity demands in specific markets not available on Al Yah 2 or Al Yah 3. BCS also utilises the YahLink brand as needed for higher-end solutions, typically for enterprise and MNOs.

  - *HPE:* The second equity partnership, HPE, operating under the brand HdB, offers Ka-band capacity on the Brazil payload of Al Yah 3, along with capacity from other leased satellites. The Group owns 20 per cent. of HPE and accounts its investments as an associate. HPE provides commercial broadband and data solutions to consumers, enterprises, MNOs and government entities within Brazil. The Ka-band capacity over Brazil on Al Yah 3 is dedicated to, and owned by, HPE. HPE leases Ka-band, Ku-band and L-band capacity from other satellite operators to operate its business. As of 31 March 2021, HPE had over 275,000 subscribers for its consumer satellite broadband offering and was delivering enterprise and carrier solutions to numerous customers.

- **Broadcast**: The Group has a 65 per cent. shareholding in Al Maisan, the equity partnership with a member of the SES Finance operating under the brand "YahLive". SES Finance controls the business, which provides capacity to DTH television broadcasters using Ku-band capacity on the Al Yah 1 satellite, principally in the MENA region and Southwest Asia.

The table below provides a breakdown of the Group's revenue for the business lines for the three months ended 31 March 2021 and the year ended 31 December 2020, presented in accordance with the Group's segments, except for revenue from the Group's investments in HPE and Al Maisan, which are not consolidated by the Group.

	Revenue			
	For the three months ended 31 March 2021	**(% of total)**	**For the year ended 31 December 2020**	**(% of total)**
	(Amounts in U.S.$ thousands, except percentages)			
Infrastructure	59,956	66.5%	238,496	58.5%
Managed Solutions	12,053	13.4%	63,220	15.5%
Mobility Solutions	12,702	14.0%	79,035	19.4%
Data Solutions				
BCS[(1)]	5,504	6.1%	26,756	6.6%
Total	**90,215**	**100.0%**	**407,507**	**100.0%**

Note:

(1) Revenue for consolidated entity (BCS)

Mubadala Investment Company PJSC

The Company is currently 100 per cent. owned by Mubadala. Following completion of the Global Offering, Mubadala will own not less than 60 per cent. of the Company's shares. Reflecting its proposed post-Global Offering ownership level, Mubadala will retain representation on the Company's Board. Whilst Mubadala's day-to-day operational involvement in the Company is limited, Mubadala has been supportive of the Group's growth objectives and the Company expects the two to share a close working relationship to explore further growth opportunities.

Mubadala is a sovereign investor managing a global portfolio, aimed at generating sustainable financial returns for the Government of Abu Dhabi. Mubadala's U.S.$243.4 billion (AED 894 billion) portfolio spans six continents with interests in multiple sectors and asset classes. It leverages deep sectoral expertise and long-standing partnerships to drive sustainable growth and profit, while supporting the continued diversification and global integration of the economy of the United Arab Emirates. Headquartered in Abu Dhabi, Mubadala has offices in London, Rio de Janeiro, Moscow, New York, San Francisco and Beijing.

STRENGTHS

Leading satellite operator providing critical connectivity solutions through a differentiated fixed (FSS) and mobile (MSS) services infrastructure

The Group is a leading player in the provision of connectivity solutions that fill an important gap in the critical communications infrastructure needs of its customers across the markets in which it operates, with unique offerings that combine both FSS and MSS. The Group's FSS offering is comprised of its infrastructure, managed solutions, data solutions and broadcast business line offerings, while its MSS offering is comprised of the Group's mobility solutions business line offering. The Group offers a wide range of such critical satellite-based solutions to both governmental and commercial customers in the UAE and the rest of the Middle East as well as in Africa, Asia, Australasia and Latin America, through its controlled operations and associates. The Group has been expanding rapidly in its core markets, and was the fastest growing FSS satellite operator between 2012 and 2020, ranked eighth among all FSS and MSS satellite operators in the world by revenue based on management estimates.

In addition to its strong position in the UAE, the Group has established expertise and technical capabilities in working in diverse emerging markets, having launched broadband services under the YahClick brand in 34 markets since 2013. YahClick's markets typically have significant gaps in terrestrial (e.g. fibre, 4G) broadband coverage and access for its government, enterprise and consumer users to high-speed internet is a critical component to national socio-economic advancement. Bridging this digital divide by using terrestrial means is often too costly or operationally challenging, hence the need for affordable satellite-based internet connectivity solutions using Ka-band.

In addition to the growth of its Ka-band commercial broadband service, the Group has achieved strong commercial utilisation of its C-band capacity through its wholesale YahLink connectivity service, with a high utilisation (also referred to as the fill rate) on its C-band payload of 51 per cent. as at 31 March 2021. The C-band payload, through intermediaries who lease C-band capacity from the Group, is currently being used to service customers in more than 47 countries in MEA.

The Group's MSS business, offered through Thuraya, has over 240,000 subscribers (as of the end of 2020), using various products including handheld voice terminals, narrowband and broadband data terminals and data, IoT/M2M terminals adapted for use on land (mobile, transportable and fixed), at sea as well in air. In 2020, Thuraya sold over 37,000 terminals, with a blended average price per terminal of U.S.$718. Thuraya has over 390 active roaming partners globally. The Thuraya business has an estimated 7 per cent. market share within the MSS industry and is ranked fourth amongst MSS players globally as of 2019 according to NSR.

Thuraya is a pioneer MSS operator with respect to the land voice (handheld) segment, with an estimated global market share of over 30 per cent., and over 50 per cent. in MEA (its core market). Historically, Thuraya was established to serve the land voice market and address the infrastructure gaps in terrestrial networks, hence the interoperability with GSM. Subsequently, Thuraya expanded into the land data, maritime, M2M/IoT and aero segments and has lower, but growing, market share in these segments compared to its land voice business. In general, such satellite based narrowband solutions with the ability to connect to small mobile user terminals helps close a gap in the critical infrastructure needs of government and commercial users across the world that are increasingly dependent on ubiquitous coverage and redundancy or failover for continuous operations in case of terrestrial infrastructure outages. Furthermore, Thuraya is growing rapidly in APAC and building its regional market share, a result of the favourable market dynamics in APAC as well as the five-year timing gap between the launch of Thuraya-2 over EMEA and Thuraya-3 over Asia. While market share is growing in several segments, growth in the APAC maritime market has been particularly strong in recent years with 46 per cent. growth in gross revenues in 2018-2020, despite some headwinds faced in 2020 revenues due to pandemic related supply chain disruptions.

In addition, the Group has coverage in a number of regional markets that are currently restricted due to legal, regulatory or political factors, including India, Saudi Arabia, Egypt and Iran. Further, the Group's broad range of offerings combines both FSS and MSS infrastructure, which differentiates it from other separate FSS and MSS competitors. The Group believes that these factors provide additional opportunities for future growth.

The Government's preferred partner in space for essential satellite solutions with significant contracted revenue

Since its inception, the Group has enjoyed a long-term and strong relationship with the Government, providing highly secure and reliable essential satellite services, including military and civil communication services over land, sea and air. In particular, the Group is a trusted partner to the Government, with total contracted backlog for government contracts amounting to U.S.$2.1 billion as of 31 March 2021 (which is 98 per cent. of the Group's total backlog), more than 5x of the Group's 2020 revenue of U.S.$407,507 thousand. In 2020, 70.3 per cent of the Group's revenue (approximately 72 per cent. in 2019 and 81 per cent. in 2018) and 97.3 per cent. Group's backlog was attributable to the Government. In addition, the Group is negotiating a new O&M agreement with the Government, which is expected to result in U.S.$175 million of additional contracted backlog. The Group's existing contracts with the Government, a highly rated counterparty (rated "Aa2" by Moody's and "AA" by S&P and Fitch), provide clear earnings visibility for the Group, with committed revenue streams until 2039. As at 31 March 2021, the ratio of the Group's total backlog, the vast majority of which relates to Government contracts, to its revenue for the 12 months ended 31 December 2020 was more than 5x. The Group believes that its strong and long-term relationship with the Government, as well as its track record in delivering critical solutions to the Government, gives the Group significant insight into future government satellite service needs and positions it strongly to capitalise on such opportunities going forward. Based on management's preliminary discussions with the Government, the Government's secure satellite communications capacity requirements are expected to exceed the capacity currently provided by Al Yah 1 and Al Yah 2, and extend well beyond the current capacity services agreement that is due to expire in 2026. Accordingly, the Group is currently in preliminary discussion and planning stages with the Government and, should those discussions result in an agreement, may launch additional FSS satellites in the medium term. Although the funding, services to be provided and timing of launch are still being discussed, the Group expects to follow the same approach as with Al Yah 1 and Al Yah 2, whereby the Government would take capacity on a long-term, committed basis, further increasing the Group's contracted backlog. Additionally, the construction of the Group's sixth satellite, T4-NGS, is underway with a significant up-front advance payment of U.S.$300 million from the Government to be made during the construction phase, and a managed capacity services contract for the provision of services on T4-NGS to the Government expected to generate revenue of over U.S.$700 million (inclusive of the U.S.$300 million advanced payment) over a 15-year period following commencement of commercial operations, which is currently expected in the second half of 2024. The Group believes that its relationship with the Government in particular benefits from the Group being based in Abu Dhabi and positions the Group to continue being the main provider of critical satellite infrastructure, solutions and capacity going forward.

The Group's relationship with the Government has evolved from solely providing communications services to being a key partner of the Government across the full satellite solutions value chain. For example, the Group was awarded a mandate of over U.S.$50 million to manage the multi-year, end-to-end programme delivery of the Government's FalconEye programme, a high-performance optical Earth-observation satellite system manufactured by Airbus for the Government, which launched in December 2020. It is anticipated that this relationship will lead to more scale and scope over the coming years, already evident in the pipeline of discussions ongoing with various Government entities, and that the ability to serve their needs is expected to be further accentuated and differentiated with the Group's involvement in the "made in the UAE" technology platform that the potential equity partnership with Tawazun Economic Council (**Tawazun**), which is the defence and security acquisitions authority for the Government and Abu Dhabi Police, or one of its group entities, offers. The Group entered into an Memorandum of Understanding (**MoU**) in February 2021 to form the equity partnership to develop critical in-country capabilities in relation to the development and manufacture of advanced SATCOM solutions within the UAE. The Company is expected to own a minority stake of the equity partnership with the majority owned by Tawazun. The collaboration is specifically expected to focus on the production of critical aeronautical modem and other advanced SATCOM technologies in the UAE. Moreover, the equity partnership will aim to harness local knowledge, manufacturing capabilities and technology leadership and is expected to be the first UAE project to develop an advanced satellite modem and bespoke waveform for government and defence.

Furthermore, as a trusted partner of the Government, the Group believes it is well positioned within the UAE to serve other Government entities and industry leaders. For example, the Group has secured contracts with ADNOC, Abu Dhabi Ship Building and ENEC to which it provides satellite communications services. In addition, the Group also believes that it is well placed to leverage its government experience in the wider Middle East to serve other regional governments, GREs and the rapidly growing private sector. Current examples of such contracts include the provision of customised services and hardware to the Bahrain Defence Force and the services provided to the Secretariat General of the Gulf Cooperation Council.

Industry pioneer in fast-growing emerging markets benefiting from first-mover advantage and strong distribution networks

The Group has been an industry pioneer in both its FSS and MSS businesses. As a relatively young player, it has had to pursue gaps in the market using pioneering technologies and business models that were viewed as less crucial by its competitors. Overall, the Group's approach in this respect has become a key differentiating factor and the Group intends to continue building upon this approach.

In many of the emerging markets in which it operates, the Group has been a first-mover in satellite broadband and Internet Protocol (**IP**) connectivity. These markets typically have fast-growing middle classes and significant high-speed internet requirements, but lack the necessary terrestrial communications infrastructure, bringing about opportunities to bridge the gap in infrastructure to meet such increasing broadband demand. Similarly, the HPE business in Brazil is a key growth opportunity for the Group given the similar dynamics in the market.

From a technology standpoint, the Group has been a pioneer in delivering Ka-band services, both to governmental and commercial customers. Ka-band systems today are widely accepted as a more effective option for higher throughput solutions for land-, sea- and air-based communications. The band is now widely used for a variety of critical applications that were traditionally in either C-band or Ku-band, including consumer broadband, enterprise networks, and defence and civil government connectivity.

In MSS, Thuraya has been an industry-leading operator and a global telecommunications provider offering innovative solutions to a variety of sectors. Thuraya's choice of a complex and innovative satellite system design, including capabilities like digital signal processing and beam forming to allow in-orbit configuration of capacity to follow demand, coupled with a clear wholesale business model allowed its regional focus to tap into a new market segment that did not exist before. Personal communications in the form of handheld terminals combining terrestrial (Global System for Mobile (**GSM**) communication) and satellite (dual mode) led to Thuraya becoming the pioneer in the Middle East and Africa for satellite handheld telephony services.

Thuraya's advanced and dynamic technology choice for its space and ground segments has proved itself over the years as it allowed it to launch innovative services and products and has enabled it to compete in additional markets such as land data and maritime. This has led to a number of firsts achieved by Thuraya, including being the first to introduce a dual mode satellite and GSM phone in 2001, the first to launch the lightest satellite phones in 2006 and the first to introduce the bring-your-own-device (**BYOD**) concept in the MSS with its Sat Sleeve product in 2013, enabling smartphones to connect with Thuraya's satellites.

In addition to the Group's early mover advantage in new technology, the Group believes that its choice of markets has also been key to its success. The Group was, in most cases, the first operator to bring Ka-band solutions to many of its markets in Africa and amongst the first in Brazil. The Group sought to maximise its first-mover advantage through a differentiated go-to-market model which is tailored to its specific markets, rather than relying on a "one size fits all" traditional wholesale distribution model used by other satellite operators.

In particular, the Group has developed a differentiated go-to-market model for YahClick and for Thuraya in the Middle East, Africa, Asia and Australasia. Although these markets provide attractive characteristics for satellite operators, they also require capabilities and market presence that many satellite operators have not typically developed due to a historical focus on selling raw capacity, with such market facing components being performed by specialised satellite service providers focused on higher-end market needs. By contrast, the Group has been proactive in pushing its offerings further downstream across the value chain, delivering value added solutions along with deeper partnership or go-to-market models. This has created a differentiation and overall value proposition that is often difficult to match for other players resulting in relatively limited competition.

In these markets, the Group has adopted a hybrid-channel approach with each market adopting one or more "go-to-market" models, including:

- Direct-to-market (or retail) model, where the Group develops local operational eco-systems to complement the distribution value chain, such as call centres, licensed installer networks and tropicalised billing systems, using a combination of in-house and outsourced resources. This approach was used successfully in Brazil, prior to the merger of the business with HPE, which continues to use the same model for its consumer satellite broadband business, and is also being rolled out in specific high-potential and scalable markets in Africa, including South Africa and Nigeria;

- Service partner model, where the Group's managed satellite broadband products or mobile satellite solutions are sold via international service partners and/or in-country licensed operators. The model has been used successfully in many markets by YahClick, such as with Emirates Telecommunications Company PJSC (**Etisalat**) in Afghanistan, Redtone in Pakistan and Telkom in South Africa, which has a large-scale deal to provide YahClick terminals to ensure broadband services for underserved customers who were previously only able to use asymmetric digital subscriber line (**ADSL**). Similarly, Thuraya leverages international service partners such as Cygnus, IEC and Comsat, who typically target specific verticals, and national service partners such as Softbank in Japan and SMART in the Philippines, and multi-country partners such as Bharti Airtel Limited (**Airtel**);

- Virtual Network Operator (**VNO**) model, where the Group's managed capacity (including the ground network and platform capabilities) is sold in bulk and the capacity is distributed by a specialised partner within one or more markets for various uses (e.g. enterprise networks, cellular backhaul). The model was successfully used by the Group to sign a multi-year deal with Telespazio in 2016, a leading satellite solutions integrator in Brazil (prior to the equity partnership with Hughes). Similarly, the Group recently signed a multi-year deal with Hotspot and with Global Communications Extension Services (**GCES**), integrators of backhaul solutions that will be connecting over 2,000 rural cellular sites for two MNOs in Nigeria; and

- Raw capacity, where the resources are limited to the satellite capacity and termination to the ground only and where the customer will build their own network, with no involvement from the Group. This has been widely used as a model for its C-band capacity with long-term contracts initially with Emerging Markets Communications, Inc. (a subsidiary of Global Eagle Entertainment) and now with Marlink, but has also been adopted for Ka-band with a multi-year large scale supply of Ka-band capacity in Africa to Eutelsat in recent years.

This hybrid-channel approach enables the Group to effectively manage and scale-up its distribution without significant capital investment or, in most cases, the need to be directly licensed in the country in which its services are being made available. The Group engages extensively with its service providers to prepare them for the launch of their services, and provides training to ensure the quality of service delivered to its end customers. The Group believes that, by virtue of having robust capacity and a range of service offerings, it is able to attract national and international service providers in each of those markets, which are able to access a wide range of end customers across different sectors. As at 31 March 2021, the Group had 91 service providers that market and sell YahClick, across 34 countries. At the same point in time, Thuraya had over 100 channel partners across its footprint.

An important outcome of this first-mover advantage and differentiated market presence and distribution model is that, as the Group grows these segments, it not only has the opportunity to pursue more infrastructure programmes to underpin the growing capacity needs but, in cases where capacity is available, it also has the opportunity to enter into agreements to lease capacity from other operators. This ultimately offers the Group a flexible and scalable capacity model that blends pay-as-you-grow with larger long-term capex investments, but preserves the opportunity to leverage its in-market depth and differentiation to incorporate newer technologies as they come along, possibly using NGSO constellation capacity in the future.

Sizeable and well-identified areas of growth

As a result of the Group's strong links with the Government, its significant contracted revenue base, its wide technology platform and its presence in rapidly growing markets, the Group not only believes it has significant growth opportunities within its current markets and business lines, but also believes there is a strong platform to further grow its geographical presence and potentially its business lines using future capacity investments and partnerships. In particular, the Group expects strong growth opportunities in four areas:

- *Infrastructure*: As a result of its strong relationship with the Government, the Group expects that it will have further opportunities to develop new services and capabilities for the Government and its related entities as their satellite-related needs develop based on upcoming and new requirements.

The Group is currently pursuing a number of opportunities related to the need for additional satellite capacity for the Government and other government entities and expects that further opportunities will develop. This has been recently demonstrated by the signing of a 15-year capacity contract to provide L-band services on T4-NGS to the Government. Based on management's latest discussions with the Government, the Government's capacity requirements are expected to exceed the capacity currently provided by Al Yah 1 and Al Yah 2 and will extend well beyond the current capacity services agreement that is due to expire in 2026. It is also understood that the Government will aim to augment capacity, as well as other key technical capabilities, with these collectively being a key motivation in securing a new long-term infrastructure agreement with the Group. Accordingly, the Group is currently in preliminary discussions and planning stages with the Government to identify the needs for the next generation of longer term FSS satellite needs, coverage and capacity.

- *Managed Solutions*: YGS' strategy is to deepen its participation both up and down the value chain, providing richer solutions by utilising improved in-house capabilities, and yielding higher margins. It anticipates expanding its offerings both within the UAE to other civil and defence-related government entities, such as the Ministry of Foreign Affairs, the Ministry of Interior, Federal Police and Homeland Security, and to regional and international government users, either directly or in partnership with international service providers. Moreover, the Group anticipates expanding satellite communications solutions to businesses with large national enterprises, leveraging local presence, its network and expertise. Additionally, the Group expects there will be further opportunities to provide O&M services to complement the leased infrastructure, including on T4-NGS.

- *Mobility Solutions*: The Group believes that it is well positioned to capture more of the growing MSS market, across EMEA and APAC. Since acquiring Thuraya in 2018, the Group has been focused on updating and renewing the space and ground infrastructure while ensuring the company is given the operational support it needs to be competitive. As such, the Group is able to roll out new products to capture MSS growth areas, including maritime, government and IoT/M2M. The Group believes it is also well-positioned to further penetrate the Asian market where the MSS growth is expected to be the highest globally in the coming decade. The expected commencement of operation of T4-NGS in 2024 is expected to strengthen Thuraya's value proposition and portfolio, allowing it to capture greater market share in existing segments and to enter into new high-growth verticals such as transportation and logistics, smart agriculture and autonomous vehicles.

- *Data Solutions*: Since the launch of Al Yah 3 and the formation of the HPE and BCS equity partnerships in Brazil and MEA, respectively, with Hughes, the leading company globally for Ka-band broadband solutions, the Group believes that its ability to expand its Data Solutions business has increased significantly. The Group believes that several markets continue to present a key opportunity for satellite broadband services due to characteristics such as a widely spread population, a lack of terrestrial broadband infrastructure and high demand for reliable internet services from consumers, enterprises and government users, resulting in a large underserved or unserved addressable market. For example, according to the Datareportal – Digital 2021 Global Overview Report, in Nigeria it is estimated broadband penetration is still approximately 50 per cent., with a large number of small and medium enterprises (**SMEs**) and households remaining un-served or underserved, with less than 1 per cent. of premises connected directly to fibre (**FTTx**). Similarly, in South Africa, while access to 3G and 4G is expanding according to the Datareportal Digital 2021 Global Overview Report, the penetration of high-quality broadband access remains at approximately 65 per cent. Across Africa, broadband penetration is approximately 40 per cent., with significantly lower speeds offered than in markets with higher proliferation of FTTx, providing a potentially significant opportunity for affordable satellite-based solutions across the continent. Furthermore, there is an increasing migration from legacy C-band and Ku-band data solutions to Ka-band, driving more affordable satellite broadband solutions. There is also a broader acceptance of the reliability of Ka-band for higher-end users and applications, including by providing cellular backhaul solutions to mobile network operators, allowing them to expand their own 3G, 4G and 5G reach beyond areas connected via fibre. In order to capture this opportunity, YahClick is implementing a number of new channel models, to allow it to expand its reach and increase sales across all segments, whilst further optimising margins. Although a number of markets remain currently closed due to regulatory and/or legal restrictions (such as export control and sanctions), the Group is working on resolving these bottlenecks, where possible, through dialogue with national regulators and international governments, whilst always strictly respecting and observing such restrictions. As an example, the Group has been granted the benefit of a specific licence from OFAC to sell its YahClick service in Iran via an approved distributor and is in the process of getting final approvals from the local regulator to roll out these services.

High quality asset base incorporating a wide range of technologies

The Group has a high-quality asset base that incorporates a wide range of technologies, including satellite systems enabling Ka-band, Ku-band, C-band and L-band frequency transmissions in its target markets, along with strategically positioned orbital slots. The Group's current fleet of five satellites enables it to offer high-throughput satellite (**HTS**) services using the Ka-band on Al Yah 1, Al Yah 2 and Al Yah 3 and also narrowband satellite services using the L-band on Thuraya-2 and Thuraya-3. T4-NGS is expected to greatly enhance the narrowband services and increase the capacity available once it becomes operational. The Group has a relatively healthy satellite fleet, with a replacement currently underway for the Thuraya-2 satellite, which is fully operational with sufficient propellant for another 8 years of operation, but has seen some degradation to its power and propellant subsystems, and options being explored to extend the life of Al Yah 3 by approximately six years (which had its estimated life reduced to 8.74 years due to a launch anomaly) using a mission extension solution.

Ka-band capacity is commercially more competitive for the Group's satellite broadband service compared to the more expensive technologies prevailing in the market (such as Ku-band and C-band), primarily as a result of greater available bandwidth and the use of small spot beams whereby satellite spectrum can be reused several times to maximise capacity. The L-band services on the Thuraya satellites offer superior capabilities and features, including higher power levels compared to other MSS operators, enabling unique offerings such as smaller terminals and higher link availability. Despite being launched more than 10 years ago, Thuraya's satellites also employ multi-spot beam and frequency reuse schemes in addition to in-orbit coverage reconfiguration and dynamic resource allocation allowing the system to cope with varying market requirements whether from coverage, technology or demand perspectives.

The Group's strong orbital slots portfolio also provides a platform for future growth, containing over 170 ITU filings located strategically worldwide. Over the medium to longer term, the Group intends to develop its business through strategic use of its orbital slots and by expanding its satellite fleet, subject to sufficient customer demand. The Group's orbital filing strategy is to maintain a significant portfolio of filings with high priority in good standing to permit coverage across its target regions and to ensure it possesses a platform of orbital assets that supports growth in capacity and in line with evolving technologies. Furthermore, the Group's L-band spectrum rights at 33E, 44E and 98.5E form part of an MSS spectrum rights portfolio that is only shared with two other commercial MSS operations in its region of operations, namely Inmarsat and Iridium, and is an asset that has been strengthening over the years both in terms of amount of spectrum and coverage rights.

The Group believes that its current asset base and technology provide a strong platform to build market share further in all of its focus strategic segments, namely government, data and mobility.

Highly attractive financial profile underpinned by a strong backlog with a highly rated counterparty in the Government, supporting robust and growing dividend capacity

The Group has highly attractive financial characteristics with strong cash flow generation and a low level of net debt. For the year ended 31 December 2020, the Group generated profit for the year and Adjusted EBITDA (U.S.$61,400 thousand and U.S.$246,930 thousand respectively), corresponding to an Adjusted EBITDA Margin of 60.6 per cent. (as compared to an Adjusted EBITDA Margin of 56.5 per cent. as at 31 December 2019 and 80.0 per cent. as at 31 December 2018). As at 31 December 2020, the Group's net debt to Adjusted EBITDA ratio was 0.1x and net cash flow from operating activities of U.S.$228,929 thousand, representing a high conversion of Adjusted EBITDA. Moreover, the Group's Leverage ratio for the year ended 31 December 2020 was 0.2x and is expected to be around 1.1x at the end of 2021.

All of the Group's satellites are fully operational. The construction of the Group's sixth satellite, T4-NGS, is underway with a significant up-front advance payment of U.S.$300 million from the Government to be made during the construction phase, and a managed capacity services contract for the provision of services on T4-NGS to the Government expected to generate revenue of over U.S.$700 million (inclusive of the U.S.$300 million advanced payment) over a 15-year period following commencement of commercial operations, which is currently expected in the second half of 2024. The Group's contracted backlog as at 31 March 2021, the vast majority of which relates to the Government, totalled U.S.$2.2 billion, more than five times its annualised revenues, which is significantly higher than the sector average (backlog to annualised revenues in 2019 of Eutelsat, SES Group and Viasat and were 3.5x and 3.3x and 1.1x respectively, according to their respective annual reports for the financial year ended 31 December 2020). In addition, the Group is negotiating a new O&M agreement with the Government, which is expected to result in U.S.$175 million of additional contracted backlog.

In June 2021, the Group completed a refinancing, entering into the Group's New Term Loan Facility and the ECA Facility. The ECA Facility will provide funding of up to 85 per cent. of the eligible costs of the satellite construction, launch insurance and associated costs in relation to the T4-NGS contract with Airbus and 100 per cent. of the interest during the construction period. These Facilities have been obtained to optimise the Group's capital structure and has been secured at competitive rates.

In recent years, the Group has successfully managed its cost base by pursuing operational expenditure optimisation and capital expenditure savings on an ongoing basis, and has found significant cost synergies with Thuraya since the acquisition in 2018, to the benefit of Thuraya and the wider Group. All of these factors have helped the Group generate strong profitability and cash flow. In the year ended 31 December 2020 and the three months ended 31 March 2021, the Group's profit was U.S.$61,400 thousand and U.S.$14,073 thousand, respectively, the Group's Adjusted EBITDA was U.S.$246,930 thousand and U.S.$54,410 thousand, respectively, and its net cash from operating activities was U.S.$228,929 thousand and U.S.$95,248 thousand, respectively. The Group believes that its highly attractive financial characteristics, with strong cash flow generation and a low level of net debt, are supportive of the Group's robust and growing dividend capacity.

The Group also currently benefits from a favourable tax regime in the UAE, where it currently derives the majority of its revenue.

Highly experienced management team with proven track record, benefiting from the continued backing of the Government and controlling shareholder Mubadala

The Group has an experienced and strong management team with complementary skills and functional expertise across the satellite, communications, technology and other key areas. For more information please see "*Management*". Following the Global Offering, Mubadala will remain the Group's majority shareholder and the Group expects that Mubadala will continue to be supportive of the Group's growth objectives and in building relationships in the UAE and globally.

STRATEGY

Grow government and government-related revenues in the UAE, the GCC and the wider Middle East region

A key component of the Group's strategy is to continue building its Government business by leveraging its existing relationships to provide a broad range of government communications solutions. For example, the Group's strategic priority for its YGS business line in particular is to remain focused on its high-value customers, including the Government, as well as expanding its role to become the primary supplier for all the Government's critical space infrastructure needs. A prime example of this is the Group's ongoing discussions with the Government for the provision of additional secure military capacity and services, which would increase the contracted backlog on its secure government capacity beyond the current capacity services agreement for Al Yah 1 and Al Yah 2, due to expire in 2026, whilst increasing the amount of capacity and coverage available. The Group also intends to broaden its relationship across the Government, in particular with local and federal government entities such as the Ministry of Foreign Affairs, emergency services and the Ministry of Interior, which have communications needs that can be served by satellite-based services. The Group believes that its relationship with the Government benefits from the Group being based in Abu Dhabi and positions the Group to continue being the main provider of critical satellite infrastructure, solutions and capacity going forward. In line with broader global trends, the Government continues to require additional use of satellite solutions to support its critical communications infrastructure. Examples of this are the increasing needs of communications-on-the-move terminals, on land, at sea and in the air, typically requiring smaller terminals and with higher throughput, both increasing the Government's need for satellite capacity and capabilities offered by the Group.

In addition, the Group believes that there is an opportunity to expand its satellite communications solutions business with large national enterprises, such as ADNOC, which is already a customer, leveraging its UAE presence, network and expertise. Other potential customers include government entities across the GCC and MENA region, as well as large international companies with operations in the UAE, which require FSS or MSS solutions for their international networks or operations, which the Group believes it is well-positioned to provide as a result of its currently available satellite capacity, ground network and technical expertise.

Continue developing broadband business

The Group intends to grow YahClick by continuing to expand its distribution network in underserved and/or growing markets with strong economic and demographic fundamentals, such as Nigeria and South Africa, whilst further penetrating existing markets.

Maximise penetration and uptake in existing markets

The markets where the Group offers its satellite broadband solutions typically have a large population of home, enterprise and government users that are unserved or underserved by terrestrial alternatives to connect to the internet with a reliable, high-speed connection, yet have the means to be able to afford a satellite broadband subscription. According to NSR, it is estimated that the total number of consumers connected to the internet via satellite broadband across MEA is approximately 110,000 and is expected to increase by a factor of four or five in the next 5 years. In terms of VSATs in service across the region, 200,000 are estimated to be in current use, with high-throughput geostationary Earth orbit (**GEO**) capacity, such as the Group's Ka-band solution, is fulfilling around two thirds, at around 20 Gbps of the current throughput demand, and expected to grow by 400 per cent. to around 83 Gbps by 2025. The Group intends to continue to focus on building upon its strengths as a leading satellite provider through ownership and operation of GEO satellites. At the same time, the Group expects to continuously assess the overall satellite space for upcoming technological developments and to be in a position to benefit from any third-party non-GEO satellite capacity such as LEO and MEO where economically viable. Furthermore, the general trend is for enterprise users, mobile network operators or government users towards higher throughput and speed when using IP or internet connection and therefore are looking for faster and better value alternatives, such as those offered using Ka-band, versus those provided by legacy C-band and Ku-band. For additional examples please see "*—Strengths— Sizeable and well-identified areas of growth*" above.

Continue to build out existing businesses

The Group intends to continue developing YahClick as follows:

- *Active management of transponder capacity*. The Group intends to continue seeking opportunities to actively manage its customer base, especially where there is higher demand relative to supply of its capacity whereby it seeks to accommodate more customers and improve yield (i.e. the dollar amount per megabits per second (**Mbps**) sold), reducing the proportion of "low value" customers. The Group also intends to increase the amount of capacity being sold to enterprise, government or

MNO users, which generally have high average revenue per user, reduced price sensitivity, lower credit risk and higher margins. Whilst the Group does not control or operate the HPE equity partnership in Brazil, a similar approach has been implemented in that business with respect to active management of the customer base whilst awaiting additional capacity to become available on the ultra-HTS, EchoStar XXIV, which offers significant growth capacity in Ka-band over Brazil.

- *Develop distribution channels*. The Group intends to continue strengthening its distribution capabilities and flexibility through a variety of means, including by expanding and diversifying its network of partners and service providers, and continuously enhancing its business model in a value-adding way.

- *Opportunistically expand coverage*. The Group expects to have increased transponder capacity that it can opportunistically deploy in its existing markets, such as Africa, where the Group has existing knowledge of the market. According to NSR, demand is expected to increase driven by market and consumer dynamics.

Further opportunistic expansion

The Group expects that substantial further expansion opportunities may exist both for services provided by Al Yah 2 and Al Yah 3. The Group expects that, subject to gaining regulatory approval, Iran, Oman, Saudi Arabia and Egypt could provide strong growth opportunities for Al Yah 2, whilst Algeria or Morocco could allow for much of the capacity in North Africa to be put into use on a long-term basis. The Group has entered into short to medium term lease agreements with Avanti to augment or enhance the capacity where it is accretive to the current business where possible on Al Yah 2 and Al Yah 3, and is exploring options to do the same with other operators that have complementary capacity offerings. The Group also expects to closely monitor other markets in Africa, such as Ethiopia, that are currently not sufficiently developed to warrant expansion of the Group's services, with a view to becoming the first-mover in those markets once they are considered to be commercially viable.

Diversify products and markets

The Group is seeking to broaden its appeal to existing and new customers, through the rollout of products and services that capitalise on the Group's technical base.

In particular, the Group expects to continue developing products and services from YahClick, such as:

- VNO or managed capacity service, which allows its wholesale customers to configure and manage their own products on a dedicated pool of capacity. The Group has had significant success in this area in the past, for example with Telespazio, a leading satellite solutions integrator in Brazil, and more recently with iSAT Africa and CAMTEL in Cameroon;

- Cost-effective internet trunking and backhaul solutions on Ka-band for MNOs and internet service providers. In 2021, the Group signed a multi-year backhaul capacity deal with Hotspot in Nigeria, which is a leading network infrastructure aggregator and integrator for mobile network operators;

- WiFi hotspot service that enables multiple users to connect to the internet for a limited period of time or limited amount of data, via the same WiFi access point and using prepaid vouchers. For example, over 160 taxi rank locations in South Africa have a WiFi hotspot offering in conjunction with YahClick, where the quality and price are competitive or better than the cellular alternative. Additionally, in Ghana approximately 250 schools have a similar service available. These hotspot solutions are operated in conjunction with the Facebook Express WiFi eco-system and platform, allowing service providers to partner with local communities and local entrepreneurs to extend WiFi coverage; and

- Mobility services, including high-speed broadband on commercial aircrafts, which are increasingly tapping into Ka-band capacity from a broader set of FSS operators as an alternative and/or complement to Ku-band capacity or capacity on mobility-focused FSS satellites. In the past, the Group has engaged in discussions with major airlines, including Etihad, as well as in-flight connectivity (**IFC**) and entertainment integrators and, whilst the airline industry is in a current negative cycle due to the pandemic, the Group believes that its presence in the UAE which is a major hub for regional and global airlines may open up more opportunities on this front again in the future. For further detail on the Group's mobility solutions strategy, please see "*—Business Lines—Mobility Solutions (MSS)—Mobility Solutions Strategy*" below.

The Group expects significant opportunities to materialise for renewing growth in its mobile satellite solutions business with Thuraya beyond the UAE. The Group believes that Thuraya is well positioned to capitalise on the growing MSS market, both in EMEA and APAC. Additionally, the Group believes that MSS will be required for mission critical IoT and M2M applications driven by operational efficiency and automation requirements, which will benefit MSS growth. With multiple new platforms and products being developed for the Government, the Group expects that Thuraya will also be able to deploy its MSS solutions to additional customers in order to capture projected market growth, particularly as Thuraya already has a base of additional government customers in addition to the UAE such as Saudi Arabia and United States. The MSS market is expected by NSR to grow at a CAGR of 2 per cent. between 2020 and 2025, with the several customer segments where Thuraya is active, such as government, maritime and IoT, also growing at a significant pace. Furthermore, the Group believes that there will be strong growth opportunity for Thuraya in Asia, which, according to NSR, is forecast to be the fastest growing region for MSS for years to come, with particularly high growth in demand expected in the maritime (regional vessels) and IoT segments. Thuraya has several advantages, which are expected to support this acceleration in the coming years, including:

- Access to finite pool of L-band spectrum, which is difficult for new entrants to obtain, and has specialised characteristics that cannot be replicated easily by other bands allocated for use via satellite;

- Order and announcement of T4-NGS, ensuring business continuity of Thuraya's fleet into the future;

- Ownership of Thuraya ultimately by Mubadala and the Government of Abu Dhabi, which has strong and open trade and government relations with the vast majority of Thuraya's key markets (e.g. India, China and Indonesia), providing support for access to such markets;

- Investment in next generation space, ground and product technology, offering differentiation and in some areas superiority relative to competitors, including with respect to:

    - availability of high-speed data terminals (>1Mbps);

    - support for smaller terminals (handhelds, small transportable data terminals);

    - higher link availability and network resiliency;

    - high power and capacity system supporting high demand traffic areas and large number of subscribers;

    - wider product portfolio and specialised solutions for enterprise verticals;

    - new advanced platform and products for IoT services; and

    - open architecture to support third party technologies over the satellite system;

- A flexible go-to-market approach that supports value creation both up- and down-stream across the value chain for Thuraya's partner; and

- Strong brand equity, recognised for high quality MSS services with coverage of more than 150 countries and servicing approximately 240,000 customers.

For additional information, please also see "—*Business Lines—Mobility Solutions (MSS)—Mobility Solutions Strategy*".

Further grow demand for YahLive's broadcast services

YahLive's strategy is to increase the attractiveness of the broadcast channels that it carries to potential advertisers, in particular across the Middle East and important communities in Pakistan, Afghanistan, Tajikistan and Farsi-speaking regions. Increased advertising creates additional revenue for the channel providers that lease capacity from YahLive and, in turn, should enable YahLive to increase the capacity lease rates that it charges these providers. The Group believes that this strategy, when combined with a recent optimisation of its cost base undertaken in 2019-2020 and the development of data services, should improve YahLive's profitability. The Group currently has a strong programming base of more than 180 broadcast and 25 radio channels (more than 115 of which are exclusive to YahLive). In 2020, channels broadcast using the capacity provided by YahLive recorded 110+ million viewers and held leading positions (in terms of viewer numbers) in Afghanistan, Tajikistan and in Farsi- and Kurdish-speaking communities across the region. YahLive had a capacity utilisation rate of more than 80 per cent. at 31 December 2020.

HISTORY

The Company was incorporated in Abu Dhabi on 23 January 2007 as a private joint stock company (**PrJSC**) by its sole shareholder, Mubadala, in order to meet the UAE's satellite requirements. The Company was incorporated under Federal Law No. (8) of 1984 in respect of Commercial Companies and is registered in the Commercial Register with commercial licence number 1005700 issued by the Department of Economic Development in Abu Dhabi. On 17 June 2021, the Company was re-registered as a public joint stock company (**PJSC**).

In 2007, the Company selected EADS Astrium and TAS as its contractors to construct two satellites and the related ground network and control systems for U.S.$1.7 billion, financed through shareholder loans and a U.S.$1.2 billion project financing style loan from commercial banks.

In March 2008, the Group entered into the CSA with the Government to provide satellite capacity for military purposes. The contract commenced in 2011, with the acceptance into orbit of the Group's first satellite, Al Yah 1. Under the CSA, the Government made an advance payment of U.S.$300 million of which U.S.$291 million would be offset against the satellite capacity lease charges payable by the Government in the last four years of the CSA term. The Group also entered into a five-year operations and maintenance contract in respect of the network with the Government, for which services commenced on 1 October 2011 and has been successively renewed, most recently for a further five years in 2021.

In 2009, the Group entered into the Al Maisan equity partnership with SES Finance to launch YahLive, utilising 23 of the 25 Ku-band transponders on Al Yah 1. The other two transponders are utilised by YGS for its customers.

In April 2011, the Group successfully launched Al Yah 1 with Arianespace, and in April 2012 it successfully launched its second satellite, Al Yah 2, with ILS Proton. In September 2012, the Company was named "Best Newcomer Satellite Operator" in the Awards for Excellence in Satellite Communications, organised by *Euroconsult*.

In September 2012, the Group also launched YahClick, which delivers the Group's broadband services to commercial service providers utilising the Ka-band capacity on Al Yah 2 (excluding that reserved for use by the Government). In May 2013, YahClick was awarded the SatCom Star Award for the "Most Innovative Product/Service for Africa", the second consecutive year in which the Group won this award. In May 2014, the Company was awarded the SatCom Star Award for the "Satellite Operator of the Year".

In September 2014, the Group commenced the construction of its third satellite, Al Yah 3, which was launched in January 2018 by Arianespace, allowing the Group to expand its YahClick offering to 17 more countries across Africa, whilst also enabling its first entry into Brazil.

In 2019, the Group entered into the BCS equity partnership with Hughes, a member of the Echostar group, to take over the Ka-band capacity on Al Yah 2 (excluding that reserved for use by the Government) and 60 per cent. of the capacity of Al Yah 3 and its related ground assets along with the existing business over this capacity.

In August 2018, the Group acquired a stake of approximately 90 per cent. in Thuraya for U.S.$119 million, allowing the Group to provide MSS services using L-band capacity on its two satellites, Thuraya-2 and Thuraya-3. The Group acquired its stake in Thuraya at approximately 4.6x Thuraya's 2018 EBITDA. Thuraya is a leading MSS operator for L-band based voice and data services, covering more than two thirds of the world's population across the EMEA and APAC regions. The minority shareholders of Thuraya are a broad mix of individuals, corporates, financial investors and one non-Government ministry. One of these shareholders holds 3.82 per cent., another holds 1.53 per cent., and the others hold less than 1 per cent. each. Thuraya was established in 1997 as the UAE's first satellite operator and launched the region's first mobile telecom satellite in 2000.

In 2019, the Group entered into a second equity partnership with Hughes, HPE, to combine the Group's Brazilian business, including the remaining 40 per cent. capacity on Al Yah 3 over Brazil, related ground assets and customer base, with the Hughes satellite broadband business in Brazil, which offered a range of satellite solutions to consumers, enterprises, government and MNO users in Brazil using a variety of satellite technologies.

The construction of the Group's sixth satellite, T4-NGS, is currently underway with a significant up-front advance payment of U.S.$300 million from the Government to be made during the construction phase, and a managed capacity services contract for the provision of services on T4-NGS to the Government expected to generate revenue of over U.S.$700 million (inclusive of the U.S.$300 million advanced payment) over a 15 year period following commencement of commercial operations, which is currently expected in the second half of 2024.

BUSINESS LINES

The Group has five business lines:

- **Infrastructure**
  - Supply of capacity to the Government on a long-term basis under the CSA, which was the Group's original business and the principal reason for which it was established;
  - 15-year T4-NGS contract executed in 2021 with the Government for capacity and services on T4-NGS, a satellite that is currently under construction and expected to launch in late 2023, with operations starting in mid-2024;
  - C-band services, using capacity on Al Yah 1, are provisioned to telecommunications companies, internet service providers and other satellite service providers through the Group's YahLink brand; and
  - Infrastructure related and other support services, such as TT&C, on an inter-company basis to companies within the Group.
- **Managed Solutions**
  - Critical, secure, defence-focused, value added solutions primarily to the Government, but also to other UAE and international governmental entities;

- Operations and maintenance services to the Government, related to supporting the infrastructure capacity contracted to the customer;
- Consultancy or programme management support; and
- Managed industry satellite connectivity solutions to select customers, either using its own capacity or that leased from third parties.

- **Mobility Solutions (MSS)**
  - Mobile satellite solutions for voice and data applications across EMEA and APAC regions.

- **Data Solutions**
  - Ka-band capacity and related business on Al Yah 2 (excluding that reserved for use by the Government) and Al Yah 3 via two equity partnerships the Group has with Hughes:
    - YahClick (powered by Hughes), which is the provision of satellite-based broadband data services in Africa, the Middle East and Southwest Asia (through BCS); and
    - HPE, which provides satellite-based broadband data services and managed enterprise and carrier solutions in Brazil.

- **Broadcast**
  - Provision of DTH television broadcast capacity and services (through Al Maisan, an equity accounted partnership with SES operating under the brand YahLive).

For accounting purposes, the CSA and the C-band connectivity solutions provided by YahLink are reported in its infrastructure business line, YahService is reported in its Managed Solutions business line and YahClick and the YahLink Ka-band connectivity solutions are reported in its satellite services business line. As an equity accounted partnership, the Group records its share of the profit or loss generated by YahLive and HPE as a separate line item in its income statement.

The table below provides a breakdown of the Group's revenue for the business lines, for the three months ended 31 March 2021 and for the years ended 31 December 2020, 2019 and 2018, presented in accordance with the Group's segments, except for revenue from the Group's investments in HPE and Al Maisan, which are not consolidated by the Group.

	Three months ended 31 March	Year ended 31 December		
	2021	2020	2019	2018
		(*U.S.$ thousands*)		
Revenue[(1)]				
Infrastructure	59,956	238,496	237,914	235,923
Managed Solutions	12,053	63,220	89,068	95,921
Mobility Solutions[(2)]	12,702	79,035	87,805	34,687
Data Solutions[(3)]:				
BCS[(4)]	5,504	26,756	25,782	25,988
Total revenue[(1)]	**90,215**	**407,507**	**440,569**	**392,519**
		(*per cent.*)		
Infrastructure	66.5%	58.5%	54.0%	60.1%
Managed Solutions	13.4%	15.5%	20.2%	24.4%
Mobility Solutions[(2)]	14.0%	19.4%	19.9%	8.8%
Data Solutions[(3)]:				
BCS[(4)]	6.1%	6.6%	5.9%	6.6%

	Three months ended 31 March	Year ended 31 December		
	2021	2020	2019	2018
		(*U.S.$ thousands*)		
Total revenue(1)	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Notes:

(1) Revenues from associates (HPE and Al Maisan) are not consolidated and hence not included in this table. This line item is labelled as "External revenue" in the Interim Financial Statements for the three months ended 31 March 2021.

(2) Thuraya, which is included under Mobility Solutions, was consolidated from 1 August 2018.

(3) Data Solutions (YahClick) was carved out in December 2018 to form BCS. For comparison purposes, all of YahClick revenue for 2018 is included under Data Solutions.

(4) Revenue for consolidated entity (Broadband Connectivity Solutions).

Infrastructure

The infrastructure business line principally comprises three key capacity leasing areas, two of which are active as of today (excluding any T4-NGS revenues which are expected to commence once T4-NGS is operational in 2024):

Ka-band Capacity Services Agreement (CSA) with the Government

Under the CSA, the Group leases secure Ka-band, and to a lesser extent Ku-band, capacity on its Al Yah 1 and Al Yah 2 satellites to the Group's principal customer, the Government. The services the Group offers the Government include continuous communication to in-motion and stationary personnel, aircrafts, vessels and vehicles as well as providing secure access to applications. These services are provided under the CSA, which is a 15-year contract that commenced in 2011 with the acceptance into orbit of Al Yah 1 and expires in 2026, which was aligned to the originally anticipated useful life of Al Yah 1. The CSA provides the Group with a material and stable source of revenue. As at 31 March 2021, the backlog under the CSA represented approximately 62 per cent. of the Group's total backlog of U.S.$2.2 billion. In addition, the Group is negotiating a new O&M agreement with the Government, which is expected to result in U.S.$175 million of additional contracted backlog. See "*Risk Factors—Risks Relating to the Group's Business and Industry—Amounts included in the Group's backlog may not result in actual revenue or translate into profits, and the Group's backlog is subject to contractual performance and may not therefore be an accurate indicator of its future operating results*". In the event of an anomaly or failure of either satellite, the CSA provides for a readjustment of capacity charges. For additional information on the CSA, please see "*Related Party Transactions and Material Contracts—Government Agreements—Capacity Services Agreement*".

The Group believes it is well-positioned to capitalise on additional UAE military-driven demand if the Government requires services that expand beyond those currently provided by Al Yah 1 and Al Yah 2, as well as future commercial demand using Ka-band to support BCS growth. As at 31 March 2021, the Group had over 170 usable ITU filings, of which ten have been brought into use. Accordingly, the Group has the ability to expand its coverage, subject to demand, and plans to continue seeking opportunities to add capacity, particularly for its strategic government customers, which provide a consistent and long-term revenue base.

C-band Capacity Leasing

C-band space-segment capacity (i.e. unmanaged, space-segment only) is leased to telecommunications operators, internet service providers, business enterprises, and government agencies in the Middle East, Africa, Europe and Asia. The Group believes that C-band is an ideal solution for traditional satellite applications such as backhauling of data or voice traffic to a gateway connected to a private or public communications network due to the bent-pipe nature of the beam, which means the customer can connect any end-user terminal to any other gateway location of its choosing (e.g. its headquarters or data processing centre) in the same C-band beam coverage, as compared to a specific gateway beam in a fixed and predetermined location avoiding a potential double hop or backhauling over fibre which in some cases may not be ideal. The Group believes that C-band also provides ideal solutions for oil and gas exploration, specifically with regards to production connectivity, as well as solutions for remote government sites and military camps and backup for undersea fibre links. Whilst C-band has certain limitations compared to higher frequency bands, such as requiring larger antennas and having less frequency reuse, it does benefit from certain advantages, including better link performance (i.e. the link can be maintained through heavy rainfall, ideal for critical communications), wider proliferation of terminals and equipment and an extensive satellite footprint. As such, many inter-governmental organisations, governments, multinationals and broadcasters still make extensive use of C-band for its coverage and reliability, even under extreme conditions.

The Group's C-band business is reported separately in the infrastructure business line. This business generated capacity lease revenue of approximately U.S.$8,459 thousand, U.S.$5,184 thousand and U.S.$5,366 thousand in 2018, 2019 and 2020, respectively.

Under its YahLink brand, the Group leases C-band transponder capacity on Al Yah 1 for periods that typically range from three to five years to a range of clients, typically commercial or enterprise satellite service providers. This service leverages high power C-band coverage over 85 countries in the Middle East, Africa and parts of Europe with a single beam and, reflecting the nature of the service provided, is reported in the infrastructure business line.

Competition

The Group benefits from a strong competitive position with respect to the provision of Ka-band, and future L-band, capacity to the Government due to the specialised capabilities offered by the Group, including the provision of capacity on satellites operating under ITU filings held by the UAE, UAE-based ground infrastructure at secure sites within the country, and personnel with security clearances in line with Government rules. Moreover, the Group's specialised capabilities could provide for additional partnership opportunities with providers of complementary infrastructure or service to serve the needs of the Government. See "*—Managed Solutions*".

In respect of C-band, capacity over Africa has historically been in high demand and the Group had several offtake agreements in the past for all of the capacity available. However, in recent years there has been a softening in demand for C-band capacity as more efficient Ku-band and Ka-band capacity is increasingly used, offering higher throughput and acceptable levels of availability for most applications. This has resulted in an over-supply of C-band capacity from traditional providers and new entrants in the last decade, and this has been reflected in a corresponding decline in price. However, YahLink's C-band capacity utilisation (or fill rate) remains high at 51 per cent. at 31 March 2021. The Group is exploring various options to increase YahLink sales of capacity, both in the C-band and the Ka-band. See "*—Strategy—Diversify products and markets*" above.

Managed Solutions

The Managed Solutions business line comprises the Group's YGS offering, which has evolved out of the Group's original business of providing capacity to the Government. Under its YGS brand, the Group now provides a range of managed solutions to both government and commercial customers, including:

- consultancy, design, procurement and implementation solutions for satellite-based military networks, including operations and maintenance if required;
- consultancy and delivery of managed private network solutions for UAE and other governmental entities; and
- connectivity and managed private satellite network solutions for commercial enterprises, including those operating in the oil and gas industry.

The Group's principal customer is the Government. Among other contracts, the Group has an O&M contract for running a secured network operations centre for the Government and has also contracted with the Government to provide satellite equipment procurement services. The O&M services provided by YahService support the leases by the Group to the Government of secured capacity on its Al Yah 1 and Al Yah 2 satellites. For example, the Group was awarded a mandate to manage the multi-year, end-to-end programme delivery of the Government's FalconEye programme, a high-performance optical Earth-observation satellite system manufactured by Airbus for the Government, which launched in December 2020. The satellites offer high-resolution optical capabilities and a ground system for monitoring, receiving and processing images, providing an exceptional observation capability to the Government. The Managed Solutions business line specifically enables critical government and defence applications, in particular Communications-on-the-move (**COTM**), Communications-on-the-pause (**COTP**), shipborne secure communications, handheld secure communications, intelligence, surveillance and reconnaissance, command and control and situation awareness, asset and personnel tracking, command and control services, boarder control and video surveillance, encryption, voice over IP and troop welfare communications.

Under the Managed Solutions business line, the Group also provides secure military and commercial services to other Middle East governmental customers and commercial communication-based services to GREs such as ADNOC group companies. It has also in the past provided services to other Government related entities, including the UAE's National Emergency Crisis and Disasters Management Authority (**NCEMA**), Ministry of the Interior and Abu Dhabi Police, Ministry of Education (**MoE**) and the Federal Transport Authority. The Group has also signed MoUs with NIMR, the leading UAE manufacturer of combat-proven wheeled military vehicles and with L3Harris Technologies, the global aerospace and defence technology innovator. The Group's collaboration with NIMR integrates pioneering SATCOM solutions on wheeled military vehicles and its partnership with L3Harris Technologies delivers high performance end-to-end solutions to enable critical on-the-ground applications. Both these partnerships enhance the Group's communication on the move offerings for defence users. The Managed Solutions business line accounted for 24 per cent., 20 per cent., 16 per cent. and 13 per cent. of the Group's total revenue in each of the years ended 31 December 2018, 2019 and 2020 and in the three months ended 31 March 2021, respectively. As at 31 March 2021, the Managed Solutions business line was undertaking around 26 contracts with remaining terms ranging from 1 to 8 years and a total contracted backlog of U.S.$239 million.

YGS operates with five teams, who closely coordinate to meet client requirements. The business development team maintains a regular dialogue with customers and potential customers to understand their needs and coordinates with the YGS delivery team to ensure that those needs are fulfilled by the systems' engineering and service delivery team. In the event that an operations contract is in place following the implementation of a solution, the operations and maintenance team provides operations and maintenance services through dedicated employees. The project and performance team ensures proper programme management oversight as well as contract management and key performance indicator (**KPI**) monitoring across all engagements. Finally, special projects teams are deployed on an as-needed basis for any major undertakings, such as the FalconEye programme.

The Group believes that its YGS business line offers strong potential both for future growth and improved margins as it matures its capabilities to deliver more value added services across consultancy, programme management, systems integration and operations and maintenance to Government and select commercial clients, primarily in the UAE. See "*—Strategy—The Government's preferred partner in space for essential satellite solutions with significant contracted revenue*".

Competition

Although there are other entities in the UAE that could compete with YGS, such as other UAE and international entities that provide satellite-related services to government entities, the Group believes that YGS' proven platform of people, process and technology will continue to position the Group well in government tenders due to:

- its specialised satellite communications knowledge specific to the customers' environment and needs;

- strong relationship and track record spanning over 10 years;
- in-country expertise with security cleared personnel; and
- one-stop-shop potential, including capacity, technology and integration capabilities.

Mobility Solutions (MSS)

Overview

The Group provides MSS through its approximately 90 per cent.-owned subsidiary Thuraya, a UAE based company providing MSS services using L-band capacity on its two satellites, Thuraya-2 and Thuraya-3. Thuraya provides MSS L-band services and products mainly through a wholesale service partner model using two satellites, Thuraya-2 and Thuraya-3, which are currently owned by Thuraya. Thuraya's third satellite, T4-NGS, is an L-band satellite that is currently under construction by Airbus and it is expected that this will replace Thuraya-2 in 2024 and offer increased capacity and support more advanced products and services.

Thuraya provides advanced mobile satellite solutions to over 150 countries. In 2020, the geographic breakdown of Mobility Solutions revenue was as follows: Middle East and Central Asia 51.5 per cent.; Europe 23.3 per cent.; Northeast Asia 14.1 per cent.; Africa and South Asia 8.2 per cent.; and Southeast Asia 2.8 per cent. It has a portfolio of land data, land voice, maritime, M2M/IoT, capacity leasing services and aeronautical solutions for multiple segments including energy (oil and gas), government, broadcast media, maritime, military, aviation, enterprise, consumer, transportation and NGOs. Thuraya’s services are primarily sold using a wholesale model whereby it relies on service partners, that are generally national or international approved service partners who buy equipment and airtime (minutes or data packages) from Thuraya and resell the products into their respective markets, either directly to the end customers, or indirectly via local dealers or value-added resellers. Thuraya’s service partners include Cygnus, IEC, Comsat, Airtel, Softbank (Japan) and SMART (Philippines). Alternatively, for specific opportunities where the service partner prefers to use its ground and product technology, Thuraya engages in more limited capacity leasing arrangements whereby it only provides power and bandwidth, as well as certain limited ground or network components, and the partner is responsible for operating and delivering the service to its customer as opposed to receiving managed services from Thuraya.

Thuraya principally operates from its headquarters in the UAE as well as a regional office in Singapore.

Mobility Solutions Strategy

The Group believes that Thuraya is well positioned to capitalise on the growing MSS market, both in EMEA and APAC. As set forth in “*Industry Overview—MSS Trends*”, MSS within Thuraya’s area of operations is expected to witness the highest growth in percentage terms compared to other regions, whilst the MEA region is one of the highest regions in terms of satellite communications traffic and demand in particular for government, NGOs and energy segments (*source: NSR*). Access to a robust and finite pool of L-band spectrum, which is highly difficult for new entrants to obtain, provides further advantages to Thuraya in this area as Thuraya is only one of four operators globally to have access to L-band, of which only three are within Thuraya’s area of operation. T4-NGS is designed to ensure continuity in the satellite fleet, bring next generation features and capabilities, and provide a foundation for growth of MSS for the Group beyond the 15-year managed capacity services contract with the Government. This growth strategy includes the following key aspects:

- *IoT & M2M*: IoT and M2M via satellite is expected to grow at a CAGR or 10 per cent. per year for the next 10 years (*source: NSR*). Satellites are expected play a key role in the mass adoption of IoT and M2M for various consumer, enterprise and government applications due to the inherent wide coverage of MSS systems and innate ability to reach locations where terrestrial (e.g. remote regions, offshore) technologies do not usually reach, as well as the resilience offered by a satellite backup. In particular, the Group believes that MSS will be required for mission critical IoT and M2M applications driven by operational efficiency and automation requirements. Examples of new IoT applications already being explored include autonomous cars, offshore monitoring, livestock tracking and smart agriculture. These complement the more traditional uses of satellite for monitoring such as supervisory control and data acquisition (**SCADA**) or pipeline monitoring. Importantly, whilst all satellites are capable of data communications with remote terminals, L-band allows for smaller, lower powered devices with omni-directional antennas, which do not need any pointing. These features support the ease of integration with terrestrial technologies (e.g. NB-IoT) and hence the robust offering of a hybrid service and technology agnostic device that can support always-on service whether indoor or outdoor. Specifically, Thuraya's higher power MSS satellite enhances the opportunity of IoT, compared to other L-band players, given its ability to minimise the terminal size and complexity. Key to success here will be to acquire the right ground service platform and product, which are planned to be available and operational even before the launch of T4-NGS, as well as the ability to partner with the application service providers who will integrate and verticalise Thuraya's terminals into their eco-system.

- *Government MSS*: With multiple new platforms and products being developed for the Government, the Group expects that Thuraya will be able to deploy its MSS solutions to additional customers in order to capture projected market growth, particularly as Thuraya already has a base of additional government customers in addition to the UAE such as Saudi Arabia and United States. The Group believes that it is currently underrepresented in the MSS segment compared to its peers, with T4-NGS providing the necessary technological base to increase its market share.

- *Regional maritime*: As set forth in "*Industry Overview—MSS Trends*", maritime is still a growing segment for MSS, in particular the lower end of the segment. Specifically, the growth in MSS use for smaller regional merchant, fisheries and offshore vessels is increasing and the Group believes that Thuraya is well positioned in this segment. It already has an established customer base and product set differentiated from the competition who have historically focused on the high end of the segment, such as larger oceanic vessels. For example, Thuraya provides voice and narrowband data service to a number of Vietnam fisheries to support the regulatory requirement for Vessel Monitoring Solution (**VMS**) and provision of fish catch reports. VMS is increasingly becoming a mandatory regulatory requirement worldwide and is a principal growth driver for satellite services in the maritime segment.

- *Penetration in key strategic markets*: Historically, Thuraya has had limited success in certain key markets, mainly in Asia, where the regulator has limited access, or the country has had its own national programme aspirations that limited the attractiveness for Thuraya in the longer term. Some of these markets are now opening up and present significant upside opportunities. Examples of key markets where new partnerships have been concluded or are being explored include China, Vietnam, Thailand, India and Indonesia.

- *Channel enhancements*: Thuraya is implementing key changes in its distribution model, which are expected to reduce channel conflicts, decrease dependency on a small number of large service providers, gain revenue commitment traction, open up new markets and verticals and streamline service delivery. For example, to drive maritime broadband, it is engaging early on with global service partners to seek commitments ahead of the T4-NGS launch, whilst, in parallel, developing relationships with smaller regional or country level partners that can drive local demand for narrowband needs on Thuraya-2 and Thuraya-3. Additionally, it is seeking to partner with a range of value-added system integrators that have deeper relationships with specific government users and can augment the overall value proposition, integrating Thuraya's products and capacity into the mix. For the government segment, Thuraya and YGS intend to work in a complementary fashion to maximise potential opportunities available, with YGS focusing on UAE opportunities and Thuraya focusing on international government business, with the ability to lean on YGS in case capabilities and relationships can be augmented. Lastly, for IoT it is developing an extensive ecosystem of partners and integrators to incorporate Thuraya's modules and products as part of their solutions to the end customers, often verticalising the solutions in the process. This is expected to include both upstream (e.g. original equipment manufacturers) and downstream (e.g. application service providers and system integrators) players. The Group is also exploring additional enhancements such as new incentive plans, prioritisation and tiering of service partner relationships to drive longer term and more focused partnerships, and increased back and front office support from Thuraya to work alongside partners to drive opportunities.

- *Shift of voice towards pre-committed and private networks*: Thuraya has historically been a leader in the MSS land voice business, with over 200,000 subscribers (2019: approximately 270,000; 2018: approximately 266,000), although this business has been steadily declining over the years given GSM proliferation. As a result, Thuraya is refocusing from pre-paid pay-as-you-go (**PAYG**) to contracted post-paid voice revenues, which are typically entered into with governments or enterprises, including alternative voice services and products to serve requirements for closed voice networks such as push-to-talk capabilities. Another initiative is to broaden market access through the development of lower cost products and services to increase the adoption of Thuraya's land voice portfolio.

On a longer-term scale, Thuraya plans to explore opportunities to offer a global service, which is currently limited to roaming abilities on GSM partner networks, potentially through partnerships with other L-band operators or by trying to gain access to L-band spectrum in other regions. Acquiring sufficient spectrum rights is likely to be a fairly long-term effort, and may require Thuraya-2 or Thuraya-3 to be relocated once a replacement satellite is operational, and subject to satellite health and remaining fuel.

Thuraya has reached a multi-year agreement with Astrocast, a LEO IoT start-up, that allows its operations to take place in L-band spectrum assigned to Thuraya in a manner that does not disrupt Thuraya operations. Thuraya is currently charging Astrocast an annual fee as an offset for its operational constraints, obligations and support.

As the T4-NGS programme is rolled out, it is anticipated that there will be a significant increase in demand for next generation terminals from all segments for a period of time. The T4-NGS will be a GEO satellite based on the high power, all-electric Airbus Eurostar Neo platform, it incorporates a large 12 metre L-band antenna and a payload with onboard processing, it will have a launch mass of over 5 tonnes and spacecraft power of over 12 kW. The new system is expected to offer advanced capabilities such as higher capacity, terminal data rates above 1 Mbps (vs. c. 0.4 Mbps available in the current system), spacecraft flexibility to dynamically support surge in hotspot areas, payload capacity that supports approximately three times the number of users as compared to traditional MSS satellites, advanced routing flexibility of up to 3,200 channels, and higher security and resiliency network. The new system is also expected to provide new product opportunities and solutions, including the flexibility to support a diverse portfolio of products (very small IoT devices, handheld terminals, transportable data terminals) with robust connectivity and high mobility, the flexibility for a wide range of existing and future services (voice, PTT, data, streaming, short burst messaging) and the capability to develop vertical-specific products, solutions and applications.

Thuraya's spectrum rights throughout the L-band (40 megahertz (**MHz**) in each direction) are valuable as there is limited bandwidth, very few satellites that can be deployed to make effective use of the spectrum and a highly competitive spectrum allocation process is in place making it difficult to obtain gain additional spectrum access. Thuraya has:

- rights to approximately one third of the L-band spectrum over MENA, Europe, and Asia;
- strong ITU rights in extended L-band; and
- a satellite fleet that is well positioned to establish spectrum rights in other regions.

Competition

Outside of the Americas, the MSS industry includes three other operators besides Thuraya, namely Inmarsat, Iridium and Globalstar.[1]

[1] Iridium and Globalstar access different parts of the L-band that are accessible to non-geostationary satellite systems.

Inmarsat

Inmarsat has been the incumbent MSS operator and was established originally to serve the safety of life services for the maritime and aviation segments. Inmarsat currently operates a constellation of L-band satellites to deliver global (except for the polar regions) MSS services for different business lines. Historically, the main business lines for Inmarsat have been maritime (with primary focus on the high end), government and enterprise (land data). Inmarsat currently leverages on its partnership with Orbcomm for its M2M/IoT capabilities. Since launching its own voice service and product (handheld), Inmarsat has generally focused on capturing substantial market share in this segment as its I4 satellite configuration favours coverage over performance, with the delivery of data services to large terminals requiring a sacrifice in terms of the capability to deliver reliable and high-quality voice services over handheld terminals.

In response to the challenges to its market share in maritime due to competition from FSS and HTS operator, Inmarsat decided in 2010 to develop and launch a global Ka-band system (Global Express or GX). As at the date of this document Inmarsat operated 5 GX satellites. The current focus for Inmarsat is in three segments mainly, maritime, government and aviation.

Iridium

Iridium is the second largest MSS operator by revenue at present based on an NGSO system of 66 LEO satellites (additional 11 spare satellites are part of the in-orbit constellation).

Iridium is competitive on the handheld voice market given its global coverage and low-latency, as well as its historic focus in this service line. Beyond the handheld voice market, Iridium is active in the M2M/IoT, maritime and aeronautical segments. As of 2018, the M2M market generated at least 15 per cent. of Iridium revenues, whilst the government segment, supported by substantial long-term U.S. Department of Defense contracts, generated at least 20 per cent. It is also observed that around 50 per cent. of its revenue is generated from the North America region.

Iridium replaced its 1st Gen system with the 2nd Gen (Iridium NEXT) between 2017 to 2019, with an investment of around U.S.$3 billion, delivering enhanced capabilities including higher terminal data rates.

In 2019, Iridium was certified by the International Maritime Organization to be the second system (other than Inmarsat) to offer Global Maritime Distress and Safety Service (**GMDSS**). The global coverage, higher data rate services and GMDSS will allow Iridium to compete heavily with Inmarsat for the high-end maritime market segment and to some extent with Thuraya for the land data segment.

The Group believes that Iridium is focused on three main segments for the future, government, maritime and M2M/IoT.

Globalstar

Globalstar is a provider of NGSO satellite solutions offering IoT, connectivity for mobile and field personnel, fleet asset tracking and equipment monitoring. Globalstar coverage is limited to select regions based on the deployment of its regional ground segment gateways with a focus on the Americas and Europe.

Globalstar is heavily dependent on the Americas for the vast majority of its revenues. In terms of product lines, around 50 per cent. of Globalstar revenue is generated from its M2M/IoT products with the consumer segment being the dominant contributor. The land voice and data services generate around 30 per cent. of its revenue. It is understood based on recent regulatory filings that Globalstar has been pursuing initiatives to repurpose its spectrum for use in a terrestrial service, suggesting an alternative strategy to traditional MSS.

Data Solutions

Data Solutions principally comprises the Group's YahClick business and also includes the Ka-band satellite connectivity services provided by its YahLink business. The satellite services business accounted for 7 per cent., 6 per cent., 7 per cent. and 6 per cent. of the Group's total revenue from services in each of the years ended 31 December 2018, 2019 and 2020 and in the three months ended 31 March 2021, respectively, attributable to the YahClick business. Approximately 40 per cent. of Data Solutions revenue is derived from retail customers. This area of the business is designed to offer affordable, higher throughput satellite solutions, which are key to ensuring a ubiquitous critical communications infrastructure in the markets it serves, whether to households and consumers, enterprises or governments.

YahClick (Powered by Hughes) – BCS

Launched in August 2012, YahClick is the brand name adopted by the Group for its broadband via satellite internet service, the first such service to be delivered via Ka-band into many of the Group's markets. Upon creation of the BCS equity partnership with Hughes in 2018, the brand was updated to "YahClick (powered by Hughes)". This service is currently delivered using the Ka-band on Al Yah 2 (excluding that reserved for use by the Government) and Al Yah 3 and reaches nearly 40 countries in the Middle East, Africa and Southwest Asia. Given the economics and design of Ka-band satellites, the Group believes that the service offering is far more competitive commercially than the services previously available in the market, which typically use more expensive Ku-band technology. Of the countries covered by the Ka-band beams of Al Yah 2 and Al Yah 3, YahClick is currently being marketed in 23 of these countries. The principal markets for YahClick are South Africa, Nigeria, Democratic Republic of the Congo, UAE, and Yemen, which together accounted for over 60 per cent. of YahClick's total revenue at 31 December 2020.

The Group has over 90 distributors (which it refers to as service providers) to market and sell YahClick, typically with at least two service providers being appointed to cover each country.

Since February 2011, the Group has used Hughes to supply the ground-based broadband platform and customer premises equipment (**CPEs**, essentially comprising a satellite dish and a modem) which the Group sells or provides to its service providers. These service providers are typically corporates offering a range of technology and communications services within a relevant country. They vary from mobile operators (e.g. Etisalat in Afghanistan) to internet service providers (e.g. Hyperia in Nigeria) to retail distribution partners (e.g. Morvest in South Africa). Although each country has multiple options for service providers, the Group has sought to select the best possible ones to deliver the YahClick service. The service providers market a standardised range of service plans which provide defined volumes of capacity and varying connection speeds. The pricing of each plan also varies depending on customer type and the country in which the service is being provided, with customised enterprise plans typically being more expensive than consumer plans. The service providers are responsible for installation, billing and first-level customer support and the Group invoices each service provider on a monthly basis, for the fee for each active user procured by them based on active service plans.

Given that the Group's contracts with its service providers only relate to the supply of capacity and the provision of CPEs, the Group does not typically need to secure regulatory approval or licences in most countries in which its service is available. Instead, each of the Group's service providers, which directly contract with the end customer to provide the broadband service, is required to hold the appropriate authorisations for this purpose. In select markets, the Group may choose to obtain authorisations directly rather than rely on service providers, and such options are being explored in markets such as Nigeria where the regulatory landscape is advanced and where the scale of the market potential warrants the additional operational overhead of operating as a service provider in the country, or in South Africa where, whilst the licence remains with the national distribution partner, the retail value chain is managed by YahClick. This latter involved model has been adopted successfully in Brazil and in the UAE.

The Group believes that, by virtue of being the first satellite-based broadband provider in many of its countries of operation, it has been able to select leading service providers in each of those countries.

Management believes that YahClick currently enjoys a number of significant competitive advantages, which incentivise its service providers to sell its services:

- *Affordable terminals and bandwidth*. The cost of the customer Ka-band terminals sold or provided by the Group to its service providers is approximately U.S.$275 per terminal, which is significantly less expensive than the equivalent equipment required to receive Ku-band delivered internet access. This enables service providers, if they so elect, to supply terminals to their customers on the basis that the terminal cost is recovered in monthly subscription fees based on a defined service period. The average monthly wholesale price for a consumer internet package supplied by the Group to its service providers is around U.S.$50 per month (for a consumer in South Africa purchasing a 20 Mbps package with unlimited data usage). Prices are often comparable to the pricing of terrestrial solutions (such as ADSL, 3G and 4G), albeit typically prices may carry a premium given that customers usually opt for satellite-based services where the terrestrial alternative is poor or non-existent.

- *No in-country investment*. The Group has invested in all necessary satellite and ground infrastructure, meaning that there is no need for its service providers to invest capital in infrastructure.

- *Instant availability*. YahClick provides instant availability once the customer has signed an agreement with a service provider and their satellite dish has been installed. There is no need for the customer to wait a potentially lengthy period for a terrestrial roll-out.

- *Cost-effective coverage*. The Group believes that YahClick provides a cost-effective solution for providing broadband internet access to remotely located customers and significantly supports governments' universal service aspirations. YahClick is ideally suited for providing broadband to schools (e-education) and for use in other e-government applications, including in the health sector, and remote installations and communications. For example, YahClick is currently being used in Kenya's micro-clinic programme where over 30 health clinics across Kiambu gain real-time access to patient information, and in Ghana's e-learning initiative where connectivity is being provided to over 300 remote schools. YahClick can also be used as a resilience or backup solutions for critical connectivity needs, across the public and private sector (including, for example, in banks and oil companies) and plans are tailored to charge only on the basis of capacity used. YahClick can also be used for SCADA.

- *Transportable terminals*. Service providers also offer transportable terminals designed to establish secure data communications virtually anywhere in the YahClick coverage area. These terminals address the needs of businesses needing mobile internet connectivity.

- *Suitable for multiple uses*. YahClick's differentiated go-to-market model and Ka-band capacity can be packaged in many different ways in terms of what is offered to customers, at the terminal, capacity and service level, to deliver the necessary value proposition to multiple segments. For example:

  - Consumer/SME broadband internet: A pre-packaged internet connection with defined speeds and data usage caps via satellite on a monthly subscription to end-users;

  - WiFi hotspots: Connectivity to a central community hotspot with a customer provisioning and billing toolkit for a community distributor to sublet the capacity to local last-mile users connecting via a WiFi connection to the community hub;

  - VNO: Satellite capacity, including network management, leased in bulk to a satellite service provider that will design its own end-user products, usually with value added solutions or as part of a broader network offering, typically to enterprise or government users;

  - Backhaul: Satellite capacity, including network management, leased in bulk or charged by site to a MNO or internet service provider to provide the IP trunk where a reliable alternative is lacking (e.g. fibre) to a mobile network node or local internet service provider hub in order for the last mile connectivity to be fulfilled using a wireless (e.g. 3G, 4G) or wired (fibre) technology; and

- Raw capacity: Whilst not as common, from time to time, another satellite operator can lease raw (MHz) capacity, including radio frequency gateway termination in order to connect to their own platform at the gateway. Eutelsat entered into a multi-year deal on this basis, but this is due to expire in 2021.

When the Group launches YahClick in a new country, it typically initiates a marketing campaign around the launch. Marketing campaigns thereafter are undertaken on an ongoing basis by the Group's service providers in each jurisdiction at their own cost, although the Group continues to provide limited ongoing marketing support.

As at 31 December 2020, the Group had launched YahClick in 23 countries, delivering approximately 75,000 terminals and registering more than 15,000 subscribers, approximately 60 per cent. of whom were in Africa, 17 per cent. in the Middle East and the balance mainly in Afghanistan and Pakistan. In both 2019 and 2018, YahClick had over 12,000 subscribers.

The Group continues to evolve its YahClick distribution model. In particular, in South Africa and Nigeria, the Group intends to target consumers through a call centre or the internet and a more direct distribution model where service providers initiate sales and receive incentives in the form of upfront commissions and ongoing revenue share for generating the sale.

Another potentially significant market which the Group aims to enter is Iran, where the Company has the benefit of a specific OFAC licence to sell certain services through designated service providers.

The Group is also in discussions with local partners and is evaluating entry options for Saudi Arabia, Egypt and Algeria, which may necessitate applications for local licences. As a matter of policy, the Group does not expect to launch YahClick in any country where appropriate licences have not been obtained either by the Group or its service providers or in any country where to do so would involve the Group contravening an embargo or other international sanctions programme.

Ka-band is increasingly being used for a multitude of applications, including consumer broadband, WiFi enabled hotspots, enterprise and government networks and cellular backhaul for mobile network operators. Whilst consumer (or SME) broadband was the primary target market in the past, the Group's BCS equity partnership is currently active in all of these areas and is benefiting from an increasingly wider acceptance for Ka-band solutions, offering higher throughput and sufficient service availability making it a more economical alternative to historically used Ku-band and C-band technology solutions. On occasion, BCS makes use of the YahLink go-to-market brand, which is differentiated for higher-end solutions compared to YahClick, which was geared towards internet users. BCS is constantly evolving its product mix and, over the medium term, the Group intends to invest in additional capacity in key markets and to expand to additional markets on an opportunistic basis as these markets allow new entrants and become more attractive. See "*—Strategy—Continue developing broadband business*".

Competition

Competition varies in the different markets served by the Group. In several African markets, the Group has faced competition from Avanti, which also offers a high-throughput service. BCS currently contracts wholesale capacity (including the use of its compatible Hughes platform) to support its Africa business from Avanti in cases where extra capacity is needed or there are unique features such as an in-country gateway which is needed for some of the BCS segments. Avanti does maintain a competitive advantage in Turkey through its gateway in the country. The Group has begun to experience competition from Eutelsat's Konnect Ka-band service following the launch last year, with the current competition being felt most in the Democratic Republic of the Congo, and gradually increasing in other market such as South Africa and Nigeria. The Group expects competition to increase in the future as additional operators launch Ka-band coverage in Africa. However, it also believes that because of its first-mover advantage, its established relations with leading service providers in many countries, drive to adapt its business model to drive deeper down the value chain in certain key markets, including Nigeria and South Africa where the conditions for such a business model are ideal including, but not limited to, a vast market potential with affordability, a mature SME environment and advanced telecoms regulations. Furthermore, with its broad-reaching beam coverage with resilience offered by having two satellites providing coverage over many of its key YahClick markets, the Group will be well placed to compete with new entrants in those markets.

The Group does not currently experience any material competition in Nigeria, which is its third major African market. The Group expects competition to increase in the future as additional operators launch Ka-band coverage in Africa. However, it also believes that because of its first mover advantage, its established relations with leading service providers in many countries, its broad geographic coverage and the resilience offered by having two satellites providing coverage over many of its key YahClick markets, the Group will be well placed to compete with new entrants in those markets.

Hughes do Brasil

HPE, operating under the brand HdB, is an equity partnership between the Group and Hughes in November 2019, in which the Group owns 20 per cent. HPE provides a range of satellite solutions to consumers, enterprises, government and telecommunications companies. Whilst under Hughes' exclusive ownership, HPE had been operational in Brazil for over 25 years and, in the three years prior to the equity partnership, was competing with the Group's Al Yah 3 in the Ka-band market using Ka-band capacity it leases on a long-term basis from Telesat and Eutelsat. HPE also leases Ku-band and L-band capacity to incorporate into managed and value-added solutions for end customers. Today, HPE is the leader in Brazil for managed satellite solutions. The fastest growing area of HPE is the consumer Ka-band business where it has long-term Ka-band capacity on three satellites, Telstar 19 VANTAGE, Eutelsat 65 West A and Al Yah 3, with rights to additional capacity on EchoStar XXIV, an ultra-HTS, expected to be launched in the second half of 2022. As at 31 December 2020, Hughes had over 280,000 subscribers (growing from approximately 196,400 as at 31 December 2019) using Ka-band services and coverage of over 95 per cent. of Brazil's population. The advantages of Ka-band for HPE are similar to those of BCS, but with the added advantage of an in-country gateway in Brazil. The enterprise business is the oldest and most established business within HPE. It offers managed services to many sectors, including industry, utilities, telecommunications and retail. Whilst much of the business still utilises Ku-band capacity leased from third party operators, there is an increasing demand for Ka-band to serve these segments, especially on Al Yah 3 which offers an in-country gateway that some of these verticals need for security, regulatory or operational reasons.

Broadcast

YahLive

YahLive is the brand name under which Al Maisan, an equity partnership formed in 2009 by Star, a subsidiary of the Company, and SES Finance, offers DTH television broadcast capacity and services across the MENA region and Southwest Asia. The YahLive equity partnership is 65 per cent. owned by the Group and 35 per cent. owned by SES Finance. By contractual agreement, the Group does not control the day-to-day financial and/or operating policies of the equity partnership which is, accordingly, accounted for as an associate in the Group's consolidated financial statements.

YahLive harnesses three inter-connected beams with 23 Ku-band transponders on the Al Yah 1 satellite to provide DTH satellite services primarily to free-to-air (**FTA**) broadcasters. These transponders formed the major part of the Group's contribution to the equity partnership, with SES Finance providing a cash contribution of approximately U.S.$45 million and constructing a 20-channel playout centre and teleport facility for YahLive. The three beams cover the Middle East, North Africa, South West Asia and Europe.

YahLive has been loss-making since it was established, reflecting the typical lower lease rates needed to attract channels to a new satellite at a non-established orbital location in early years. The Group's share of the losses recorded by YahLive was U.S.$7,084 thousand in 2018, U.S.$14,203 thousand in 2019, U.S.$2,053 thousand in 2020 and share of profits of U.S.$260 thousand in the three months as at 31 March 2021.

Currently, more than 180 broadcast and 25 radio channels are broadcast, with around one third in high-definition quality, and 24 radio channels, using the capacity provided by YahLive. These channels are broadcast over two of its three Ku-band beams, one covering the MENA region where the principal competition is from Arabsat and Nilesat and an East beam covering Pakistan, Afghanistan, Tajikistan, Iran and the GCC. In 2020, channels broadcast using the capacity provided by YahLive recorded 110+ million viewers and has a strong presence in Afghanistan, Tajikistan and in Farsi- and Kurdish-speaking communities across the region. YahLive had a capacity utilisation rate of more than 80 per cent. at 31 December 2020.

YahLive's strategy is to continue to focus on increasing the attractiveness of the channels that it carries to potential advertisers, in particular across the Middle East and important communities in Pakistan, Afghanistan and Farsi-speaking regions whilst the same time optimising its cost base in order to improve its underlying profitability. YahLive has limited regional competitors within its markets of operation, which provides an additional opportunity to attract further demand.

YahLive also offers broadcasters and telecom partners a range of services, including distribution services (provides dedicated segment capacity), contribution services (allows a fast and flexible provisioning of television channels' capacity to broadcasters to dispose of the content for diffusion on various platforms), telecom services (provides reach from either YahLive satellite beams or from SES fleets), teleport services (YahLive offers complete end-to-end channel delivery signal with full uplink and downlink focused solutions from the customer's centre to its satellite beams) and playout service and support (network of playout partners include a wide-range of add-ons which support a tailored solution to suit all payout needs).

The equity partnership is governed by a shareholders' agreement dated 1 October 2011. Under the agreement, as subsequently amended, SES Finance has the right to appoint three of the company's five board members. The control arising under such right may not be transferred by SES Finance to any other party. However, the control shall transfer to the Company in the event of a change of control in relation to SES Group, cessation of satellite operations business by SES Finance or if SES Finance's shareholding in Al Maisan falls below 25 per cent.

In the event that financing is needed for any payments or expenditure contemplated in Al Maisan's investment plan, and one party does not agree to third-party financing, both parties are required to contribute the required amounts in the form of shareholder loans in proportion to their shareholdings in the equity partnership.

SATELLITE SYSTEMS

The Group's satellite systems network currently comprises five satellites (Al Yah 1, Al Yah 2, Al Yah 3, Thuraya-2 and Thuraya-3) as well as ground facilities that include gateways and a network of beacons to support the Group's services and the operation and control of its satellites. The Group expects to launch its sixth satellite, T4-NGS, in late 2023, to be in operation by mid-2024.

The Group is discussing the needs of the Government for additional capacity which would be provided on new missions. The Group is also exploring the potential of exercising its option with Airbus for a second satellite in addition to T4-NGS, known as Thuraya-5 or T5-NGS, which would allow the next generation capabilities to be expanded into Asia sooner than the latest estimated end of life of Thuraya-3 in 2030 (estimate based on remaining fuel life, latest health reports, and assuming no significant anomalies occur), also providing a potential backup in case of any T4-NGS launch or in-orbit failure.

Fleet Profile

The Group's current satellite fleet comprises five satellites. Al Yah 1 provides capacity using the C-band, the Ku-band and the Ka-band. Al Yah 2 and Al Yah 3 provide only high throughput Ka-band capacity. Thuraya-2 and Thuraya-3 are L-band satellites that use a C-band feeder link to connect the L-band user traffic to the gateway.

All of the Al Yah 1 Ka-band capacity, and part of the Al Yah 2 Ka-band capacity, is dedicated for the use of the Government. The remaining Ka-band payload on Al Yah 2 comprises 56 spot beams covering 28 countries principally in the Middle East, Africa and Southwest Asia. Al Yah 3 has 58 spot beams, of which 53 can be active at any one time, and provides coverage in over 17 countries in Africa and in Brazil.

The capacity on Thuraya-2 and Thuraya-3 is mainly commercialised on a PAYG basis through pre- and post-paid voice and data telecommunications services, however, some (less than 10 per cent.) of it is contracted on a longer-term, fixed price basis.

The Al Yah 1, 2 and 3 satellites use Ka-band to offer high throughput satellite services and expanded bandwidth by virtue of frequency reuse, a method whereby spectrum can be re-utilised several times, resulting in multiplication of capacity at a similar cost. These satellites are geostationary (or station-kept) meaning that they operate within a tight range of an assigned segment of the geostationary arc, which is designated by a specific range of latitudes and longitudes. Geo-stationary satellites revolve around the Earth at an angular speed that corresponds to that of the Earth's rotation and thus appear to stay above a fixed point on the Earth's surface at all times, permanently within the view of the ground station.

Similarly, Thuraya-2 and Thuraya-3 also adopt frequency reuse, digital signal processing and beam forming technologies to adapt the resource allocation to the demand, constrained by power and spectrum availability factors. Whilst narrowband, and overall lower throughput compared to Ka-band, Thuraya-2 and Thuraya-3 are still considered to be advanced satellites with modern payloads.

Construction of the Group's sixth satellite, T4-NGS, is currently underway. The Group expects to launch T4-NGS in the second half of 2023, with commercial operations scheduled to commence in the second half of 2024.

The table below summarises the orbital location, frequency, launch date, manufacturer, end of design life, coverage and licensing authority of both of the Group's satellites that are in orbit, and the Al Yah 3 satellite.

	Al Yah 1	**Al Yah 2**	**Al Yah 3**	**Thuraya-2**	**Thuraya-3**	**T4-NGS**(3)
Orbital location	52.5º East	47.6º East	20.1º West	44.0º East	98.5º East	—
Nominal capacity	C-band: 8 X 36MHz and 6 X 54 MHz transponders Ku-band: 25 X 33MHz transponders Ka-band secure	Ka-band commercial: 56 x 110MHz spot beams Ka-band secure	Ka-band commercial: 58 spot beams ranging from 110 MHz to 440 MHz	13,750 voice channels (L-band)	13,750 voice channels (L-band)	up to 1.3 Gbps (L-band)
Launch date	April 2011	April 2012	January 2018	June 2003	January 2008	—
Contractor	EADS Astrium & TAS	EADS Astrium & TAS	Orbital ATK Inc.	Boeing	Boeing	Airbus
Platform Type	EuroStar 3000	EuroStar 3000	GeoStar 3	GEO-Mobile model	GEO-Mobile model	Eurostar NEO EOR
End-of-design-life(1)	2026	2027	2040	2015	2020	—
Estimated end-of-life(2)	2029	2030	2027 without life extension, 2033 with life extension	2026	2031	2039
Coverage	Southeast Europe, Middle East, Africa and Southwest Asia	Middle East, Africa and Southwest Asia	Africa and Brazil(4)	Europe, Africa, Middle East, Asia	Europe, Africa, Middle East, Asia	Europe, Africa, Middle East, Asia

Notes:

(1) Each of the satellites has a design life of 12 years for Thuraya-2 and Thuraya-3 and 15 years for Al Yah 1, Al Yah 2 and Al Yah 3. The actual useful life of a satellite may be longer or, in the event of a serious anomaly, shorter, see "—*End of Useful Life*" below.

(2) Estimated based on the latest health reports and estimated remaining fuel life, assuming typical degradation in coming years and no significant anomalies occur.

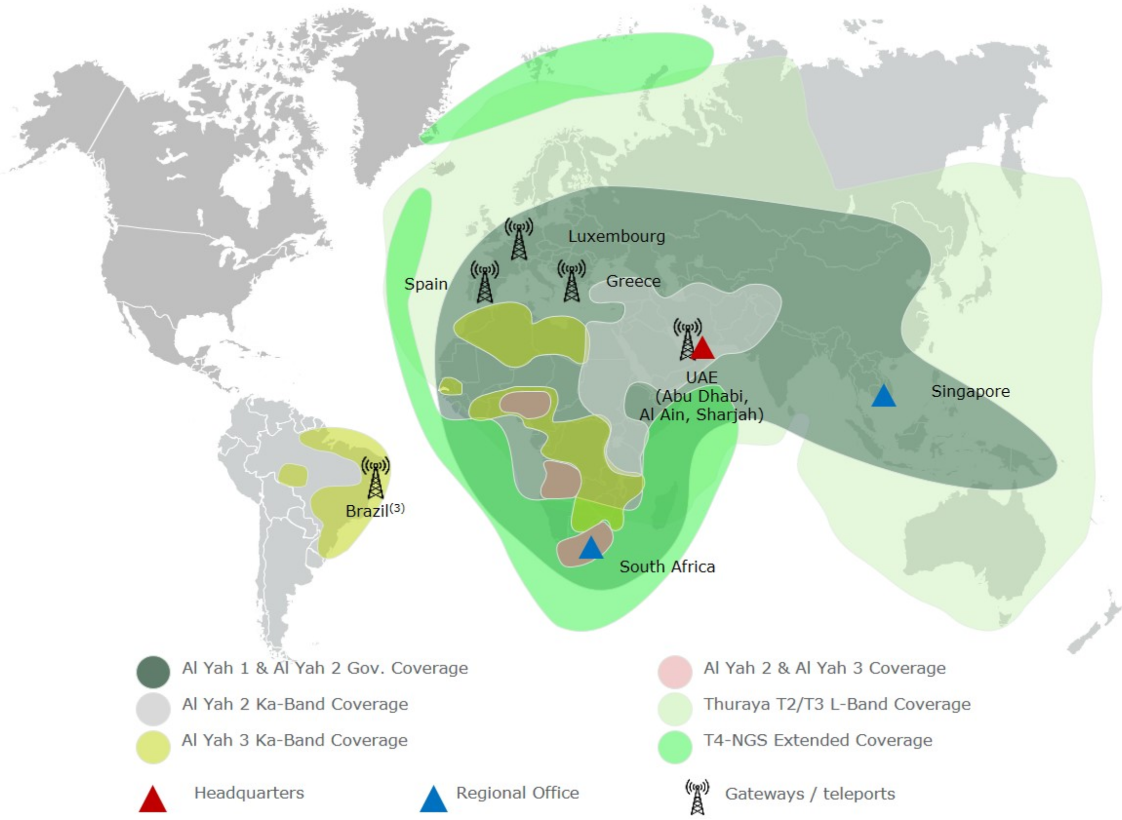
(3) Construction of the Group's sixth satellite, T4-NGS, is currently underway. The Group expects to launch T4-NGS in the second half of 2023, with commercial operations scheduled to commence in the second half of 2024.

(4) The Group is exploring options to extend the life of Al Yah 3 by approximately six years using a mission extension vehicle. This type of extension will require additional funding from the Group, along with approval and funding by Hughes as the other shareholder in the equity partnerships which own the payload of Al Yah 3.

Furthermore, the Company owns a commercial Ka-band hosted payload on DirecTV "Sky B1" satellite located at 43°W. This payload is capable of providing limited services in parts of Brazil. Moreover, with the secured spectrum rights, a future satellite can also be implemented to support coverage in the Americas.

It is important to note that the estimated life based on remaining fuel or power margins, which assumes no degradation or life-reducing anomalies, is stated above, the Company adopts a more prudent approach, which is consistent with industry norms:

- by depreciating the satellites over estimated useful life on a more prudent basis; and
- assumes a shorter life for business and fleet planning purposes to ensure replacements are launched in time.



As of 31 March 2021, the C-band payload fill rate, which is the percentage of the available capacity under contract, for the Al Yah 1 satellite was 51 per cent. As of the same date, the Ku-band payload fill rate for the Al Yah 1 satellite was 85 per cent. The Ka-band fill rate on Al Yah 2 (excluding that reserved for use by the Government) and Al Yah 3 was 27 per cent. For Thuraya-2 and Thuraya-3, the fill rate is not calculated in the same way, given the complexity of the payload but it could be inferred based on the data available that Thuraya-2 could roughly double the amount of traffic carried over it, assuming a typical mix and spread of terminals, and that Thuraya-3 could triple the amount of traffic.

End of Useful Life

Manufacturers are typically required to design spacecraft to ensure a 50 per cent. margin with respect to the specified mission life, which, in the case of satellites, is typically 15 years. Various elements are considered in satellite design, such as the length of the mission, equipment reliability and redundancy schemes, limited life terms, impacts of the space environment, as well as required power generation levels. In many instances, satellites are launched with enough on-board propellant to enable station-keeping beyond their design lives, in which case they may remain operational for a longer period. Once satellites have reached the end of their propellant life, they must be de-orbited and placed in a graveyard orbit above the geostationary orbit. Certain technologies are available which can be used to extend the useful life of satellites that remain in general good health and continue to have sufficient fuel. Any such technologies will be considered by the Company, when and if appropriate.

Network Operations and Ground Facilities

The Group has its primary satellite operations centre at the Group's headquarters in Al Falah, about 50 kilometres from Abu Dhabi city. The Group maintains a backup centre in Al Ain which is linked to the primary centre by fibre optic cable and is capable of assuming control instantaneously should the need arise. Both systems are highly secure and can only be accessed through on-site terminals. The Group also has an alternative backup solution available (in the form of an arrangement with Inmarsat, another satellite company, to use its network, in case the Company's antennas are unavailable, to continue telemetry, tracking and command services for the Company's satellites). The Al Ain backup system is tested on a regular basis to ensure seamless transition in the event of any disruption to the primary system. There have not been any disruptions to the Group's primary satellite operations centre requiring transition to the backup since the inception of the Group's satellite services. The Thuraya satellites are operated via an operations centre in Sharjah, however the TT&C is performed from Abu Dhabi.

The Group's satellite broadband services currently utilise a network of ground facilities, including gateways located in Luxembourg, Madrid, Athens and São Paulo, in addition to Abu Dhabi, and uplink beacon stations located in the UAE, Saudi Arabia and Qatar, which allow the Al Yah 2 satellite broadband antennas to maintain their orientation with a very high degree of accuracy. The Group is currently considering the elimination of the uplink beacon station in Saudi Arabia with a view to operating under a different model, without any impact on system performance. The other two beacon stations are expected to remain for the life of the Al Yah 2 satellite. The gateway in São Paolo for Al Yah 3, which is owned and operated by HPE, is used to perform the TT&C in conjunction with the Abu Dhabi operation. No uplink beacons are required for Al Yah 3, which uses a different orientation system.

Through its ground facilities, the Group continually monitors signal quality, endeavours to protect bandwidth from any interference and analyses telemetry from the satellites in order to monitor their status and track their location. The Group worked closely with its satellite manufacturers to test and implement its ground facilities and continues to work closely with them to resolve technical problems as they arise.

The Group monitors its satellites and communications 24 hours per day, 365 days per year. The Group's engineers regularly make minor positioning adjustments on its satellites by performing east-west and north-south station-keeping manoeuvres. Daily operations on the satellites, including configuration of the payload and management of electrical power and propulsion systems, are controlled from the Group's satellite operations centre.

Orbital Locations

The Group has a portfolio of over 170 satellite network filings which have been submitted to the ITU by the TDRA and the Brazilian regulator, ANATEL.

Geostationary satellite operators submit to the ITU filings which aim to secure spectrum rights at specific orbital locations. Each filing is valid for a limited time unless it is brought into use within that period, in which case it remains valid for as long as it is in use. Where use of a filing ceases due to the satellite vacating the orbital location or ceasing to be capable of transmitting on/receiving the frequencies covered by the filing, such filing is suspended but may be brought back into use at any time during a three-year period from the point of cessation, failing which the filing lapses. Among other technical characteristics, an ITU filing specifies both the frequency bands and the orbital location to be used by the satellite. Once an operator has made a new ITU filing, it is reviewed by the ITU and a list of impacted, or potentially impacted, operational satellites, including more senior ITU filings that have not yet been used, are identified. The list may also contain terrestrial networks that could be impacted. The owner of the new filing must then undertake negotiations with each party identified on the list, a process which is referred to as coordination. The coordination process is critical in establishing the viability of new filings. In many cases, more senior filings may require such severe concessions from the new entrant as to make the new filing unusable. To the extent that more senior filings are not used and expire, it is also possible that a previously unusable filing may become usable as it gains seniority. Consequently, filings vary significantly in value, with the value varying also over time. Filings deemed of value are occasionally traded or sold among satellite operators.

The Group's orbital filing strategy is to maintain a significant portfolio of filings in good standing and with high priority that permit coverage across its target regions to ensure a platform for growth and support of evolving applications, including the rights needed to pursue future missions. As at 31 January 2021, the Group has secured long-term orbital rights at ten geostationary orbital locations. Of these, three are operational and brought into use by the Company, being the 52.5º East, 47.6 East and 20.1º West by the Al Yah 1, Al Yah 2 and Al Yah 3 satellites. The 44.0º East and 98.5º East locations have been brought into use by Thuraya using the Thuraya-2 and Thuraya-3 satellites. Other arrangements have allowed the Group to bring into use the 160º East, 60º East, 43º West, 17.5º West and 63º East orbital locations.

In addition to the above, the Group participates in a multilateral coordination process between mobile satellite operators that aims to ensure the efficient usage of a shared portion of the L-band spectrum. As part of this annual process, the Group has been able to secure spectrum rights for the use of this portion of the L-band throughout Europe, Africa, the Middle East, Asia, Australasia and Oceania regions. These rights must be annually defended based on actual usage made by operators, and as such the amount of the spectrum available in each geographic area will vary from year-to-year.

See also "—*Regulation*", below, for a discussion of the regulatory framework governing the filing of orbital slots with the ITU and recording use in the Master International Frequency Register (**MIFR**).

Satellite Health

The Group's satellites have performed above the Group's expectations. To date, the Group has experienced only four service impacting anomalies.

In November 2011, Thuraya-2 experienced an anomaly on the master oscillator that resulted in an outage that lasted approximately 37 hours. The anomalous master oscillator did not recover and a redundant master oscillator was selected for operation. Thuraya-2 has three master oscillators in total (one failed, one active, and one redundant).

In January 2013, Al Yah 1 experienced a failure of a component that automatically reconfigures the satellite's electrical system in the event of low voltage during the twice yearly eclipses where the Earth comes between the satellite and the sun. The redundant system has been activated and is working satisfactorily. If that system fails, reconfiguration can still be done manually. The anomaly related to an on-board circuit triggering the satellite safe mode once the component had failed. The anomaly resulted in a short outage, which was restored using on-board backup facilities. As a result of the anomaly, the satellite manufacturer made available a software patch to all existing Eurostar 3000 satellites in order to prevent any similar occurrence. The anomaly had no impact on the useful life, ongoing performance or operation of the satellite or the Group's insurance cover. However, it did result in the Group making a relatively minor service level adjustment under the CSA. See "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group may experience in-orbit satellite failures or degradations that could impair the performance of its satellites, which could lead to lost revenue, an increase in cash operating expenses and impaired relationships with customers*".

In August 2020, Al Yah 1 experienced a temporary glitch on a sensor that is used to detect the position of the Earth relative to the satellite. The on-board computer detected a temporary anomalous output of the sensor and performed an automatic restart, after which the output of the sensor was restored. The anomaly resulted in a short outage. As a result of the anomaly and in conjunction with the satellite manufacturer, operational processes have been updated to ensure the same situation is not encountered again.

On 20 March 2021, Thuraya-3 experienced a local oscillator central power supply (**CPS**) shutdown, causing a short outage of services on Thuraya-3. The probable cause was a single event upset with elevated space weather being an additional contributor. CPS A was restarted and showed nominal performance. During the recovery it was decided to switch to CPS B as the primary unit for operation. There are a total of 3 CPS units A, B, and C. There is no indication that Thuraya-3 has less than full CPS redundancy.

Various non-service outage-related anomalies have been experienced across the fleet. These anomalies have occurred in the communication payloads, the electrical power subsystems the thermal subsystems, and the propulsion subsystems.

The Group's satellites have been designed to withstand an expected rate of equipment failure with adequate redundancy to meet or exceed their orbital design lives whilst still delivering full capacity with a probability of 75 per cent. or more. The Group has contingency plans in place that are tailored to a number of factors, including the mission, the strategic importance of the satellite, the location of the satellite and the type of anomaly that the contingency is designed to address. Al Yah 3, Thuraya-2, and Thuraya-3 have been designed with a high level of hardware redundancy, performance latitude and backup that should enable the spacecraft to provide target performance.

Enterprise Risk Management & Internal Control

The Group's RMIC function is responsible for implementation of the integrated approach to enterprise risk management and internal control, the RMIC framework. This framework is objective centric and aims to ensure the effective management of risks that have the potential to obstruct the Group from achieving its strategic objective.

The RMIC function works closely with business functions and other risk, control and compliance functions in the Group, in accordance with the Three Lines Model of the Institute for Internal Auditors (**IIA**). The Group's Board is ultimately responsible for risk management, internal control, governance and compliance, it is business management's duty to effectively identify, assess and manage the main risks of the company ('first line'). The risk and compliance functions are responsible for the design of the risk management and compliance policies, and to support and challenge business management in their assessment and management of top risks ('second line'). Finally, the Group's internal audit function provides independent objective assurance over the Group's RMIC framework ('third line').

A risk report is presented to the Group's Audit Committee on a quarterly basis. The risk report is based on the key risk factors and a quarterly evaluation with each head of department. It provides an overview of the main uncertainties affecting the Group's strategic priorities and the countermeasures implemented.

Furthermore, the Group has successfully implemented an internal control over financial reporting (**ICOFR**) framework in line with ADAA resolution 1 of 2017. This ICOFR framework includes the Group's entity level controls, IT general controls over the Group's accounting and financial reporting system and financial reporting controls. The effectiveness and efficiency of the ICOFR framework is monitored by the RMIC function.

SALES, MARKETING AND DISTRIBUTION

Given its diverse range of services, customer segments and geographies, the Group adopts a variety of sales, marketing and distribution models across its product lines. As at 31 March 2021, the Group employed around 100 persons full-time in sales and marketing across four offices (Abu Dhabi, Dubai, South Africa and Singapore) and has salesperson presence in several other markets across its operating regions. These figures do not include any employees or offices of the YahLive equity partnership or of the HPE equity partnership. In addition, the Group has contracts with 90 service partners acting as service providers for BCS (YahClick) and 100 for Thuraya.

A standard wholesale distribution model is used for YahLink and YahLive, whilst YGS Ka-band capacity is already pre-sold to the Government. Capacity is leased on a contract basis to lessees who own and manage their own ground operations, with the Group providing only the space segment. The only exception to this is the Ka-band trunking services sold by BCS, whereby an IP-based trunking service is delivered which factors in ground and network components.

For YahClick, given the range of geographies currently serviced by the Group, capacity is managed in-house and managed network services and products are sold to end consumers through select service providers in each of the Group's markets. These services and products are managed closely by product management and marketing teams that manage YahClick's marketing mix. In general, these teams focus on identifying the needs of the market and deploying products to serve those needs, whilst maintaining a price point that supports the expected yield and profitability of the Group. The Group invests in a centralised marketing and advertising platform for YahClick that includes television, internet, print and social media-based advertising which is deployed in coordination with service providers in the Group's markets. The Group's precise YahClick distribution model varies by market and, in South Africa and Nigeria, the Group expects to vary this model further by having more involvement in the downstream sales and marketing to retail customers. See further "*—Business Lines—Data Solutions—YahClick (Powered by Hughes) – BCS*" above.

The appointment of YahClick service providers is currently driven by the Group's assessment of the capabilities of candidate partners to serve the market segments (consumer, enterprise, and government) that are deemed key drivers of demand for YahClick's Ka-band services. Service providers, when selected, may then contract with customers directly or through local resellers that they may choose to appoint. The Group maintains close supervision over sales activities and strategies employed by each service provider through its country managers, who not only supervise the work of service providers but also work to broker large enterprise and government contracts in conjunction with the product management team.

YGS' marketing strategy is based on a business-to-business approach whereby customised services and capacity sales are made directly to enterprises and government bodies through networking and referrals.

The Group has established an overarching corporate branding architecture and the Group's product areas and subsidiaries adhere to brand guidelines within this framework.

INSURANCE

The Group obtains in-orbit insurance for its satellites and launch insurance when launching new satellites. The Group does not obtain pre-launch insurance as its policy is to ensure that its satellite manufacturers are contractually responsible for all risks up to the point at which a satellite is launched. Moreover, the Group does not obtain insurance for lost revenues in case of failure of a satellite and the ground segment costs are typically also not insured.

Upon the execution of a satellite and launch contract for a new satellite, the Group typically initiates an insurance market review via an appointed insurance broker and after a competitive process, the Group enters into an insurance cover policy. The Group is required to have an insurance policy in place at least six months prior to the launch of the new satellite. In 2020, the Group's insurance expenses increased mainly as a result of the substantial increase in in-orbit premium rates as compared to 2019. This increase was due to external market factors such as satellite launch failures, certain underwriters not willing to underwrite risks and lower risk appetite amongst other underwriters. The insurance premiums in 2021 are similar to the ones from 2020.

Launch insurance

The Group typically obtains launch insurance for any satellite and can be exercised under certain conditions. This insurance covers, upon intentional ignition of the launch vehicle (attachment of risk), the period of coverage is typically one year after the launch of the satellite. See "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group may experience a launch failure in relation to Thuraya 4 Next*

Generation System satellite (T4-NGS) or damage to or destruction of T4-NGS during launch, which could result in a total or partial satellite loss. T4-NGS could also fail to achieve its designated orbital location after launch and could experience other implementation failures following launch. Any such event could result in increased costs and reduced revenue. The T4-NGS programme could face delays due to issues faced by the manufacturer or the satellite or ground components, or due to launcher schedules".

In-orbit insurance

In-orbit insurance provides coverage for total and/or partial losses during the operating phase of a satellite. Premium rates are dependent on the operating condition of the satellite and other satellites of the same design or using the same components, as well as prevailing insurance market conditions at the time of entering into the policy (i.e. how much satellite insurance capacity is available) and whether there are negative or positive net premiums (i.e. whether premium incomes are higher than claims). Typically, in-orbit insurance policies include both deductibles and exclusions, see "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group's satellites may be subject to damage or loss from events that may not be covered by its insurance policies*". The Group's term loan facilities require the Group to maintain comprehensive satellite insurance for its in-orbit satellites for so long as the term loans remain outstanding. Required insurance includes in-orbit insurance and third party liability insurance against claims arising out of the in-orbit operations of the satellites, as well as the operation of satellite, payload and network ground control functions, property risks insurance against damage to the ground control functions and insurance against losses to ground segments caused by an act of terrorism. The Group's in-orbit insurance policies meet these requirements. These policies expire annually, with the next expiration scheduled for December 2021, at which point the Group intends to renew for another year.

REGULATION

As an operator of a privately owned global satellite system, the Group is subject to Government regulation, regulation by foreign national telecommunications authorities in countries in which the Group operates and the ITU frequency coordination process and regulations. The regulation of the Group's business primarily relates to the operation of its satellite system and, in particular, rules governing:

- the operation of its satellites;
- the allocation and licensing of space orbital locations and associated electromagnetic spectrum; and
- the licensing of ground infrastructure.

UAE regulations

Within the UAE, the Group is regulated by two regulatory agencies, the UAESA and the TDRA.

UAE Space Agency

The UAESA has oversight over the Group. The organisation was created under UAE Federal Decree #1 of 2014 and has the mandate to advance and regulate space-related activities in the UAE. The work of the UAESA in regulating the Group is guided by the following four international agreements which the UAE has ratified. These are:

- the UN Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, including the Moon and other Celestial Bodies (1967);
- the UN Conventions on International Liability for Damage Caused by Space Objects (1972);
- the UN Conventions on Registration of Objects Launched into Outer Space (1975); and
- the Artemis Accords (2020).

On 19 December 2019, UAE Space Law was issued, giving the UAESA statutory authority to regulate space activities in the UAE. The UAESA is in the process of establishing rules, guidelines and procedures that will govern the granting of authorisations and oversight of UAE persons for the conduct of space-related activities. The rules, when approved, will address applicant qualifications, best-practices in the conduct of space activities, compliance with international conventions and agreements, and the attribution of third-party liability. The UAE Space Law and the resulting regulations are expected to require the Group to obtain authorisations for the launch, operations and de-orbit of its present and future space objects. Until the approval of specific regulations, the Group does not require an authorisation from the UAE Space Agency for its space activities. In anticipation of future regulations, the Group aim to ensure that all space activities comply with current best practices as established by the UN Committee on the Peaceful Use of Outer Space.

The UAE Telecommunication and Digital Government Regulatory Authority

The TDRA has regulatory authority over the Group in two core areas consisting of:

- the use of spectrum by the Group's satellites and stations operating in the UAE; and
- the offering of telecommunication services within the UAE.

With regards to spectrum rights, the Group has obtained five licences that encompass its operations in the UAE, with one licence for each of its business lines listed previously. Once a corporate telecommunication licence is granted by the TDRA, the Group does not require further licences for each satellite that it places into service. The TDRA does, however, require that additional licences be obtained by the Group for any Earth stations located in the UAE. In compliance with these rules, all gateway terminals operated by the Group that are within the territory of the UAE are individually licensed by the TDRA.

Moreover, prior to provisioning new telecommunication services, or in changing the pricing of telecommunication services presently offered within the UAE, the Group must seek approval from the TDRA by means of a Price Control Request application. By this mechanism, the TDRA ensures consistency in pricing to UAE customers for comparable services. The TDRA may occasionally require an approval from UAE security organisations, by means of a process called a New Service Request (**NSR**) when a novel telecommunication service is offered or when a material technical change has taken place to the architecture of an existing service. The objective of the NSR is to ensure compliance with legal interception and content filtering of telecommunication services offered in the UAE.

As satellites operate in space, they are physically positioned in an environment that is deemed to be a common resource available to all nations. Furthermore, the transmissions from space inevitably result in the coverage of many countries, which stand to be impacted by these transmissions. As such, the responsibility for the joint management of satellite spectrum for the benefit of all has been assigned to the ITU. ITU rules apply to nations and, as a result, the Group has to rely on the TDRA to submit satellite network filings, ratify agreements between operators and to lead on dispute resolution. For further information on the ITU filing process, please see "*—International regulations—The ITU frequency coordination process and orbital location registration*". As a consequence, the Group may face unexpected national political or policy issues in the treatment of formal disputes between operators. See "*Risk Factors—Risks Relating to Regulatory and Legal Matters*" for a discussion on how the international regulatory environment may affect the Group's revenues.

Foreign national regulations

Provision of services outside the UAE

Outside the UAE, the Group is required to comply with the rules and regulations of each country within which it operates. With few exceptions, the Group uses local service providers which it then obligates under its contract to obtain all required licences in the country or countries in which they offer service.

Telecommunication regulations in many of the countries in which the Group operates are subject to frequent and significant change. The Group continues to monitor and respond, as necessary, to consultations and proceedings of national telecommunication authorities to ensure compliance with local regulatory requirements, safeguard the Group's spectrum and assure continuity of service to the Group's customers.

Satellite network infrastructure outside the UAE

The Group has multiple Earth stations located outside the UAE which are key infrastructure needed to enable the provision of service. These installations are hosted on leased property owned by third parties. The owner of the leased facility is responsible under the agreement to obtain any authorisations required under national regulations.

International regulations

The ITU frequency coordination process and orbital location registration

The RR set out the processes that national administrations must follow to secure rights to use orbital locations and the obligations and restrictions that govern such use. The treaty is amended every four years through the WRC, the results of which are then ratified by member nations. The day-to-day implementation of the rules is done by the Radiocommunications Bureau (**BR**), which is part of the ITU Secretary General's staff.

As only member states have full standing as ITU members, the Group relies on governments to represent its interests before the ITU, including obtaining new rights to use orbital locations and resolving disputes relating to the ITU's regulations. The UAE's TDRA and Brazil's ANATEL have filed rights to use certain orbital locations and frequencies with the ITU on behalf of the Group, including those used by its current satellites. Under the RR, national telecommunications administrative bodies must bring the frequencies at the orbital locations filed with the ITU into use within a fixed period or lose their priority rights in those frequencies. Where national regulators fail to bring into use the frequencies in respect of which they have submitted ITU filings within the specified time, the rights to use those frequencies lapse, leaving an opportunity for more junior filings to progress. An ITU filing grants rights to the member state based on the chronological order of submission, as well as other complex rules set in the RR. The Group presently has access to over 170 such ITU filings and continuously updates its portfolio as new opportunities become available. While the TDRA maintains ownership of these spectrum rights, it has obtained them for the benefit and use of the Group.

The RR also govern the process used by national telecommunications administrative bodies and satellite operators to coordinate their operations with satellite operators in other jurisdictions so as to avoid harmful interference with each other's systems. In order to protect satellite networks from harmful radio frequency interference from other satellite networks, the ITU maintains the MIFR of radio frequency assignments and their associated orbital locations. Each ITU notifying administration is required by treaty to give notice of, coordinate and record its proposed use of radio frequency assignments and associated orbital locations with the BR. Once a national administrative body has submitted a ITU filing to the BR containing the proposed frequency assignments at a given orbital location, other national administrative bodies can notify the BR and the body that submitted the filing of any potential for harmful interference with their operating and planned satellite networks. The concerned administrative bodies, along with their respective satellite operators, are then required to negotiate with each other in an effort to achieve an agreement that will ensure operational compatibility and resolve any potential interference concerns. Once coordination between potentially affected national administrative bodies is complete, the body which submitted the original filing will notify the BR of the successful completion of the coordination process and will submit a request for the frequency assignments to be entered into the ITU's MIFR. Frequency assignments registered in the MIFR are entitled to international recognition and protected from interference from subsequent or non-conforming uses.

Under the RR, a national administrative body that places a satellite or any ground station into operation without completing the coordination and notification process is not protected from interference by other systems and may be required to cease operations if the ITU determines that its satellite is causing harmful interference with other systems whose frequency assignments are registered in the MIFR.

The frequency assignments of the Group's five satellites have been brought into use and are registered in the MIFR and therefore generally enjoy protection from all later-filed requests for coordination and any non-conforming uses.

UN Office of Outer Space Affairs

As mentioned above, the UAE has ratified the UN Convention on the Registration of Objects Launched into Outer Space, which requires a satellite's launching state to register the satellite as a space object. The act of registration carries liability for the registering country in the event that the satellite causes third party damage. The five satellites operated by the Group have been registered with the UN Office for Outer Space Affairs in Vienna.

PROPERTY

In addition to its satellites, the Group's material owned properties comprise:

- **Al Falah Primary Satellite Control Centre and Group Headquarters** – with a land area of 1.1 square kilometres and facilities covering 21,315 square metres, the Al Falah Satellite Control Centre and Headquarters serves as the Group's primary satellite control facility. The plot of land on which the facility has been built has been granted to the Company by the Government of Abu Dhabi.

- **Al Ain Back Up Satellite Control Centre** – with a land area of 200,312 square metres and facilities covering 4,020 square metres, the Al Ain Satellite Control Centre is owned by the General Headquarters of the UAE Armed Forces (**UAEAF**) and serves as the Group's control centre in respect of the work it undertakes for the UAEAF. The Group has full use rights in respect of this property.

- **Office Building in Dubai** – the Company also owns a freehold interest in a commercial property, Barsha Heights, located in Dubai in the Dubai Technology, E-Commerce and Media Free Zone with a net leasable area of 126,969 square feet. The property comprises 19 floors of which one is occupied by Thuraya whilst the remainder are, from time to time, leased to third party tenants.

EMPLOYEES

As at 31 March 2021, the Group had 439 full-time employees, split between 85 contractors and 354 permanent Company employees. The table below provides a breakdown of employees by department.

Departments	Nationals	Expatriates	Total
CEO	3	9	12
Strategy	8	13	21
Finance and corporate affairs	5	20	25
Technical	41	63	104
Operations	78	67	145
Human Capital	14	9	23
Thuraya	4	28	32
YGS	18	10	28
Commercial	3	26	29
Other	0	20	20
Total	**174**	**265**	**439**

The Group has an experienced and strong management team with complementary skills and functional expertise across the satellite, communications, technology and other key areas. All of the Group's ten member senior management team have more than 15 years of experience in the satellite and telecommunications industries.

Competition for skilled employees in the satellite industry is intense. The Group has programmes in place in relation to training, career progression and leadership. It also has an established succession policy and several formal programmes in place to develop and upskill leaders at all levels of management. Specifically, the following programmes are in place:

- ***Project "Grow"***: In effect for the last five years, the programme provides highly experienced and high-potential employees with training for potential executive roles.

- ***Senior Leadership Programme***: The programme specifically focuses on setting challenging targets with clear objectives and challenging targets to drive certain potential senior leaders to enhance their skills and competencies. This is supplemented through development opportunities such as tailored training delivery, higher-education sponsorships, conference participation and individualised executive coaching.

- ***Talent Management Programme***: The Group has developed an integrated talent management programme that encompasses end-to-end management of talent identification, talent development and succession planning. This three-step approach is expected to be formally integrated and aligned with the Group's broader people and performance management processes. The Group is in the phase of assessing and identifying a new cohort of top talent within the organisation to develop combining challenging on-the job placements, formal training and higher education programmes.

In 2020, despite the challenges faced due to COVID-19, the Group was able to diversify its training strategy and focus on e-learning and virtual options to maintain the level of training capabilities. These courses covered technical skills (e.g. Excel, Cisco, Data Mining), behavioural or managerial skills (e.g. change management, leadership, decision making) and general skills (e.g. programme management, presentation skills). Nearly 300 courses were completed using the Coursera e-learning platform during 2020. In general, the Group places significant emphasis on ensuring skills are developed through external trainings and through on-the-job training and internal knowledge transfer.

The Group continues to focus on employee retention. Its remuneration policy is to benchmark its pay in the second quartile based on a bi-annual survey of the UAE and regional markets. Employee compensation includes a base salary, bonus, benefits and allowances. Bonuses are paid by reference to performance indicators measured against individual, team and corporate performance, although the relative weighting of each varies with seniority. None of the Group's employees is represented by a union or covered by a collective bargaining agreement. The Group is currently in compliance with all applicable Emiratisation requirements. Emiratisation is an initiative by the UAE government to employ its citizens in a meaningful and efficient manner in the public and private sectors and to reduce its reliance on foreign workers. Under the initiative, companies are encouraged to employ Emiratis in management, administrative and technical positions.

See "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group may suffer the departure of key employees or be unable to hire the skilled operational staff needed for its operations*".

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

As a core business element and strategic imperative, the Group is committed to the health and safety of all employees, the environment and the communities in which the Group operates. As such, the Group's Health, Safety and Environment (**HSE**) performance makes up part of the Group's core values. The UAE Labour Law, along with several regulations, regulates health and safety requirements. In Abu Dhabi, the Abu Dhabi Occupational Safety and Health Center (**OSHAD**) regulates health and safety matters in Abu Dhabi. OSHAD delegates some authorities to specific government departments, called Sector Regulatory Authorities, which have the power to issue licences or no objection to entities within its concerned sector. Currently, there are ten Sector Regulatory Authorities under OSHAD, including industry, building and construction, energy, transport, tourism and culture, health, education, food, waste and commercial activities sectors. The HSE Department is responsible for monitoring and ensuring compliance with federal and state regulations such as OSHAD as well as the Environmental Agency, the Abu Dhabi Monitoring and Control Centre, the TDRA and the Private Security Company Organization Department (**PSCOD**). The HSE is also responsible for monitoring environmental conditions and correcting hazards when they are identified, as well as ensuring a safe working environment for employees.

As a signatory of the UN Crisis Connectivity Charter, the Group aims to stand by the global community during crises. Through Thuraya, the Group is working with organisations such as the ITU and the Emergency Telecommunications Cluster (**ETC**) to resolve the communication challenges faced by first responders and health missions in impoverished regions of the world, by offering satellite. Connected by the Group's satellite network, drones are able to deliver high-grade medical diagnostic tools to emergency sites, enabling non-medically trained individuals to administer basic medical procedures under supervision by doctors connected wirelessly from hospitals, remotely executing life-saving decisions in real-time.

In recognition of these efforts, in 2012, Thuraya won the ITU Humanitarian Award for its contributions to the ITU's global efforts to save lives during emergencies and, in 2016, Thuraya received the Satellite Humanitarian of the Year – Satellite Industry Leader Award for its effective use of satellite communications technology to accelerate the growth of nations and serving communities in the aftermath of disasters.

During the COVID-19 pandemic, the Group has worked with the MoE and the Abu Dhabi Department of Education and Knowledge to enable e-learning for students within the UAE. The Group provided free high-speed satellite broadband in multiple locations where internet connectivity was urgently required. Furthermore the Group made a significant donation of satellite communications equipment and airtime to the NCEMA, consisting of 50 satellite phones, 100 satellite broadband solutions and two vehicular broadband terminals to deliver on-the-move voice and data services to over a thousand front line responders. The Group's satellite technology helped NCEMA's response teams track and analyse data on the spread of COVID-19 and the equipment speeded up relief assistance in remote locations through telemedicine solutions, enabling remote diagnosis and primary care.

Thuraya has also donated a number of its latest generation X5-Touch Android-enabled satellite smartphones and airtime to the Dubai Corporation for Ambulance Services. These handsets are currently being used on dozens of ambulances and mobile clinics. The connectivity provided by Thuraya ensures that paramedics remain connected while on duty in remote areas.

Moreover, the Group is committed to improving the lives of people everywhere it operates. Through YahClick, it assists governments and humanitarian organisations address global challenges such as education, quality healthcare, water scarcity, energy efficiency. For example, in South Africa, the YahClick team, in partnership with VOX (a local service partner) and the National Library, has equipped over 200 public libraries with reliable and cost-effective broadband connectivity reaching over 6 million people, expanding the possibilities of e-learning solutions to reach underserved communities. The Group has also sponsored a group of schools in remote parts of Durban province and Government agencies (e.g. Pension Administration Agency) across the country. In Kenya, YahClick has been providing connectivity to more than 45 schools (e.g. Kanzai School) and e-clinics across the country (e.g. Massai Wilderness Conservation Trust). YahClick has also been used by key aid agencies in South Sudan, Syria and Afghanistan to support operation.

In March 2021, through YahClick, the Group signed a memorandum of understanding with the Emirates Red Crescent Authority (**ERCA**) to allow them to use the YahClick satellite broadband service to enable remote education and humanitarian relief programmes for disadvantaged students and vulnerable communities affected by disasters and calamities. The partnership is expected to bolster the quality of education offered to refugees and displaced persons in their host countries. The partnership is also intended to provide critical communications infrastructure to bridge the digital gap wherever terrestrial telecommunication services are not available, yet are critical to the well-being and re-development of communities. The service is expected to be used across many countries globally where the ERCA is present.

Beyond humanitarian initiatives, the Group is committed to support the development of the UAE space sector and is an important component of the UAE's National Space Strategy, which aims to diversify economic growth, develop local know-how and attract foreign investment. With this objective in mind, the Group has contributed to the creation of the Yahsat Space Lab at Khalifa University in cooperation with international universities (NYU and MIT) and Northrop Grumman. The Yahsat Space Lab is the first certified CubeSat testing facility in the region providing capabilities to build bigger and more complex CubeSats. The lab currently serves as an incubator for four CubeSat programmes in the UAE following the Company's successful launch of MySat-1 CubeSat. The successful launch of the CubeSat to the International Space Station (**ISS**) marked success of 19 UAE students at Yahsat Space Lab in Abu Dhabi that designed, integrated and tested (built) the CubeSat to perform basic Earth observation mission. In February 2021, a second student-built a CubeSat named "DhabiSat" which lifted off to the ISS. Previously known as MYSat-2, DhabiSat will collect data for space research and can capture high-resolution images from an altitude of 450 kilometres.

For detail on the Group's corporate governance, please see "*Management—Corporate Governance*".

BUSINESS CONTINUITY MANAGEMENT

The Group established a Business Continuity Management System in 2014, which is sponsored by a C-level steering committee. It is aligned to international (ISO 22301) and national (NCEMA and TDRA) standards and includes the framework and plans focused on preparing for, and responding to crises and major service disruptions. The Group's Disaster Recovery solution for all critical systems and data is managed in-house and is hosted at an alternate secure location, which also doubles as the Group's backup Operations Centre. Managed by the Group's Business Continuity Management team, the BCMS methodologies are subject to continual review and improvement. All elements are periodically validated and audited by Mubadala BCM division and expert third party consultants.

INDUSTRY OVERVIEW

The satellite industry represents a complex value chain enabling ubiquitous communications globally for enterprise, consumer, government and military users.

INTRODUCTION TO SATELLITE COMMUNICATIONS

Satellites are artificial objects placed into specific orbits in space to perform various functions including observation, communication, geolocation services or weather services.

Satellites are placed into different orbits, mainly GEO, MEO and LEO. Higher orbits require fewer satellites for the same coverage (three GEO satellites can cover the entire Earth), typically with longer useful life (fewer manoeuvers to maintain orbit) at the expense of higher latency.

	LEO (Low Earth orbit)	**MEO** (Medium Earth orbit)	**GEO** (Geosynchronous equatorial orbit)
Coverage	Global	Global	Regional (fixed position)
Orbit (km)	160 – 1,000	1,000 – ~36,000	~36,000
# satellites (global coverage)	40 – 80	8 - 20	3
Typical lifespan (years)	<5	5 – 10	>15
Typical latency (ms)	25 – 75	100 – 150	400 – 600
Typical applications	Commercial BB Time sensitive apps Low latency backhaul Enterprise VSAT (Very Small Aperture Terminal)	Navigation Communications Lower latency broadband and backhaul	Broadcasting Communications Broadband Trunking Backhaul
Competitive positioning	Fibre-like latency More onerous economics and technology challenges as of today	Compromise between latency and economics	High availability and reliability, but high latency Highly competitive economics

Communications satellites allow users to transmit and receive data from various points on Earth to and from the satellite and traditionally operated using wide-beams (i.e. large coverage usually covering at least a full country or region). In recent years, newer satellites have increasingly become HTSs with multiple smaller beams. These satellites reuse spectrum, or frequencies available for use between space and Earth for such services, and allocate it across these narrower beams, which cover a wider regional area, providing significantly higher throughput for the same amount of spectrum, thus significantly reducing the cost per unit of information transmitted (e.g. cost per bit).

GEO satellites use various frequency bands depending on the application they are designed to serve (in order of increasing frequency range): L-band and S-band (typically used for mobile services), C-band (traditionally used for video transmission or for enterprise networks), X-band (primarily used in radar applications as well as certain military communications), Ku-band (used for data communications or video transmission) and Ka-band (used for higher bandwidth data communications).

Complementarity of orbit types is expected to lead to development of hybrid networks leveraging the strengths of each, by combining assets in different orbits. For example, through the combination of GEO and MEO connectivity, certain terminals are able to achieve handover between the different orbits seamlessly. Furthermore, backhauling of LEO satellite data has been achieved through satellites in higher orbits.

Historically there have been two primary categories of communication satellite operators:

- FSS operators provide communications links between fixed points on the Earth's surface, referred to as point-to-point services, and from one point to multiple points, referred to as point-to-multipoint services. FSS operators rely on higher frequencies to provide video and broadband data connections using directional fixed antennas (i.e. pointed to the satellite). FSS operators typically operate in Ka-band, Ku-band and C-band, and historically have focused on video and data communications for governmental, corporate, consumer, telecoms and media segments.

- MSS operators use lower frequencies (L-band or S-band) and focus on narrowband data and voice communications for mobility applications using smaller mobile user terminals via non-directional antennas (i.e. no need for pointing to the satellite). Lower frequency signals are less susceptible to atmospheric conditions such as rain attenuation compared to higher frequencies. The lower frequency and power requirements also generally result in much smaller antenna or power requirements for the ground terminal, with form factors as small as or smaller than a handheld phone.

The lines between FSS and MSS and blurring. FSS operators have increasingly started to target certain mobility segments where a larger and complex antenna may be deployed such as ships, larger aircraft and land mobile equipment – which were typically served by MSS (see below) – to provide higher throughput services suitable for data-intensive applications such as IFC or maritime broadband connectivity. Similarly MSS operators have started to adopt usage of the higher frequency bands.

Satellite services can be used for a variety of content distribution, data communications and other applications including:

- **Government/Military Services**: main services include "bulk" leasing of capacity and mobile-focused use cases such as capacity used for unmanned aerial vehicles, maritime, aeronautical, COTP and COTM, as well as civil government applications (i.e. border control, embassies communications, etc.). Satellite operators are increasingly offering managed and end-to-end solutions in addition to capacity leasing. Governments seeking efficiencies and flexibility are increasingly relying on private companies to address their satellite communication needs with value added and tailor-made solutions. Government services tend to be highly sticky given long-term contracts and highly embedded satellite communications (satcom) equipment.

- **Commercial Mobility Services**: used on commercially-owned mobile platforms. Typical examples include handheld device satellite phone and data, as well as connectivity of airplane cockpits or in-flight connectivity, fishing or commercial maritime vessels, cruise ships, oil platforms, and temporary land-based locations such as a mining exploration sites.

- **Consumer Broadband Services**: typically a substitute for terrestrial broadband access services like ADSL, cable or fibre in unserved or underserved location. Other applications include backhaul, trunking, Wi-Fi hotspots, as well as business-to-consumer (**B2C**) and business-to-business (**B2B**) fixed mobility services (i.e. IFC, maritime).

- **Enterprise Data Services**: connectivity for enterprise data networks.

- **Backhaul and Trunking (sub-segment of Enterprise VSAT)**: backbone and middle-mile connectivity for Mobile Network Operators, Internet Service Providers, Telcos and other connectivity providers.

- **M2M / IoT Services**: mobility communications for connected machines or objects (e.g. used for tracking and monitoring, smart metering or smart agriculture).

- **Broadcast**: includes video distribution services (transport of television channels and radio channels) and video contribution (capacity purchased by media companies to move video and other content from one location to another prior to distribution to the television viewer).

Satellite communications uniquely provide ubiquitous connectivity on the ground, on the sea or in the air. For mobility applications such as aero, maritime and land mobile, satellite is the only technology offering reliable ubiquitous connectivity. It cannot be replicated with terrestrial networks and as such has no substitution risk. Similarly, fixed satellite services geared toward mobility (e.g. IFC or maritime broadband) also benefit from very low or non-existent substitution risk, particularly at sea or in the air. Other fixed satellite services are generally considered to have low risk of substitution when operating in lower density areas and/or emerging markets, where fixed networks are underdeveloped and impractical or uneconomic to develop. The use of HTS satellites further reduces substitution risk given highly attractive economics.

	Ubiquitous Coverage	FSS / MSS Value Add	Terrestrial Substitution Risk	LEO Substitution Risk
Government / Military Services		✓ Reliability and high availability ✓ Dependable connectivity solution in any potential terrain of operations	Low	Low - sovereignty and stringent security requirements
Mobility Services		✓ Dependable solution in unserved / underserved areas ✓ Only connectivity solution at sea and in the air (above sea)	Low	Low - limited to latency critical applications
Commercial Broadband and Data		✓ Dependable solution in unserved / underserved areas ✓ High bandwidth and highly attractive economics delivered by HTS	Low - mobility Medium - services where terrestrial can continue expansion (i.e. backhaul, DTC broadband)	Medium - LEO to overcome technology challenges first
M2M / IoT		✓ Dependable and secure connectivity ✓ Alternative economics	Low - limited to terrestrial expansion but usually economics not met for terrestrial	Low to medium - limited to M2M latency critical applications (i.e. connected cars)
Broadcast		✓ Broadcast high quality media in rural / low density areas ✓ Requires limited ground infrastructure investment	Medium / High - linear habits evolving	None

KEY TECHNOLOGY TRENDS

The satellite industry continues to evolve along with developments in the telecommunications ecosystem targeting end-users with technology innovation to drive future growth. Key developments include:

- **High Throughput Satellites**: HTS provide significantly more throughput for the same amount of allocated orbital spectrum, allocating it across narrower beams, thus significantly reducing cost-per-bit. This enables an expansion of throughput delivered by traditional widebeam satellites, typically by a factor of 20 or more. Narrower beams also result in increased power enabling the use of smaller user terminals and permit the use of higher order modulation, further boosting throughput. Certain HTS also feature moveable spotbeams offering the ability to direct capacity to areas of greater demand. HTS also provide significantly increased flexibility. They are compatible with any topology and frequency band, provide potential for different technologies and applications in one network (e.g. Al Yah 1 shares HTS and TV functionalities), and feature software-definable functionality.

  Vastly improved economics help support new usages for both fixed users (e.g. home broadband, WiFi hotspots, backhaul, enterprise networks), offering high-speed connectivity, as well as for mobile users (e.g. IFC or maritime VSAT, M2M/IoT). GEO HTS are expected to capture the largest part of demand for high bandwidth satellite data connectivity on the back of highly attractive economics and increasing demand.

- **LEO and MEO Satellite Constellations**: Ka-band and Ku-band LEO (SpaceX, OneWeb, Amazon, Telesat) and MEO systems (SES O3b) will offer lower latency connectivity for B2C broadband and certain M2M/IoT applications (e.g. self-driving cars). Commercial rollout of LEO services is expected to start 2021-2022 (Starlink beta testing already live), however there are still a number of hurdles to be cleared to reach large scale success including cost of equipment and distribution.

- **Software Defined Satellites:** Software defined satellites will help ensure the optimised usage of in-orbit capacities by delivering greater capabilities to customers and end-users. Operators will be able configure payloads to various usages and/or to direct capacity to a certain coverage area, subject to limitations (e.g. spectrum available), offering more flexibility once in space. These technology advances will particularly benefit GEO satellites which tend to have a longer lifespan.

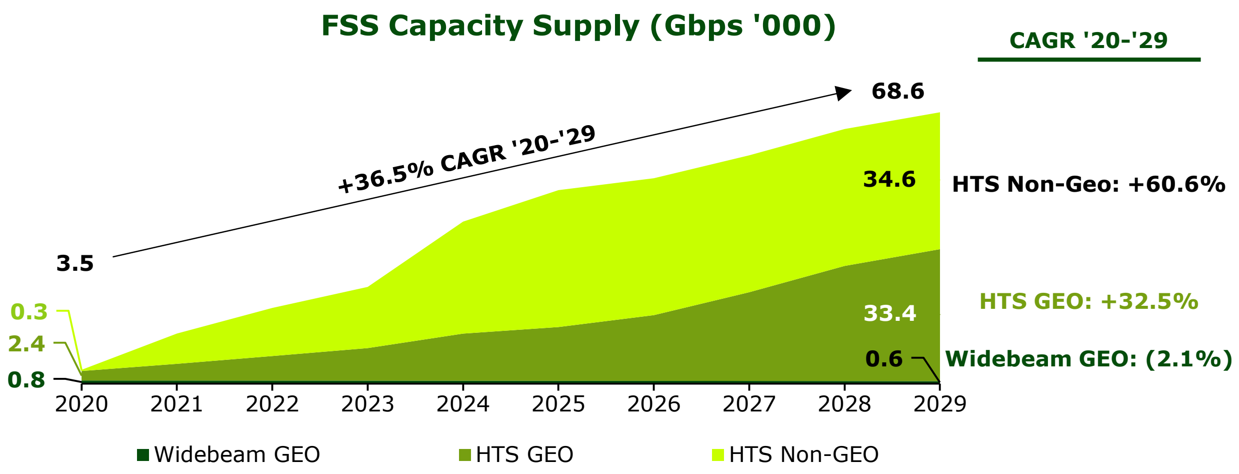
- **Satellite Life Extension**: The useful life of satellites tends to be limited by fuel supplies to maintain the satellite in orbit, however robotic technologies have already been successfully used on GEO satellites to refuel or to extend the life of a satellite through a compatible life extension module, promising longer usable in-orbit lives in the future where such technologies are compatible. These services also offer the perspective to revive certain satellites that were damaged or suffered failed launches.

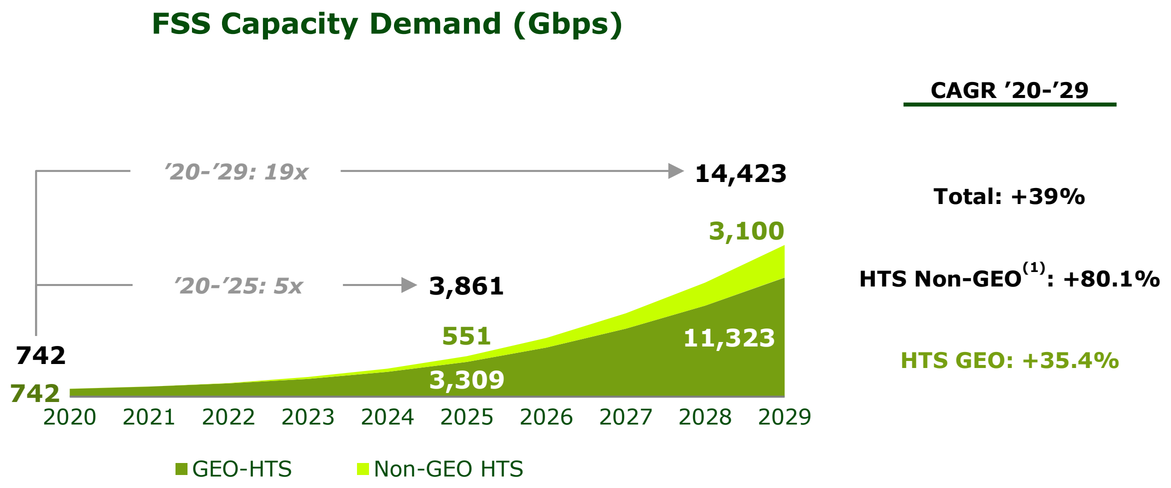
- **Ground System Advancements**: HTS is enabling use of smaller user terminals and/or vastly improved performance for similarly-sized antennas. LEO/MEO players are focusing on driving down the cost of easier to deploy flat panel antennas which currently remain out-of-reach for the consumer broadband customers (and/or require high levels of subsidies). Virtualisation of the network is also underway (e.g. integration with terrestrial, partnership with cloud players).

- **Launcher Advancements**: Evolution and improvements on launch economics driving more cost-effective solutions (lower cost structure, reuse of rockets, etc.) which have significantly reduced the cost of launching satellites. Increasing competition (e.g. Blue Origin, Virgin Orbit) expected to further increase efficiencies and reduce prices

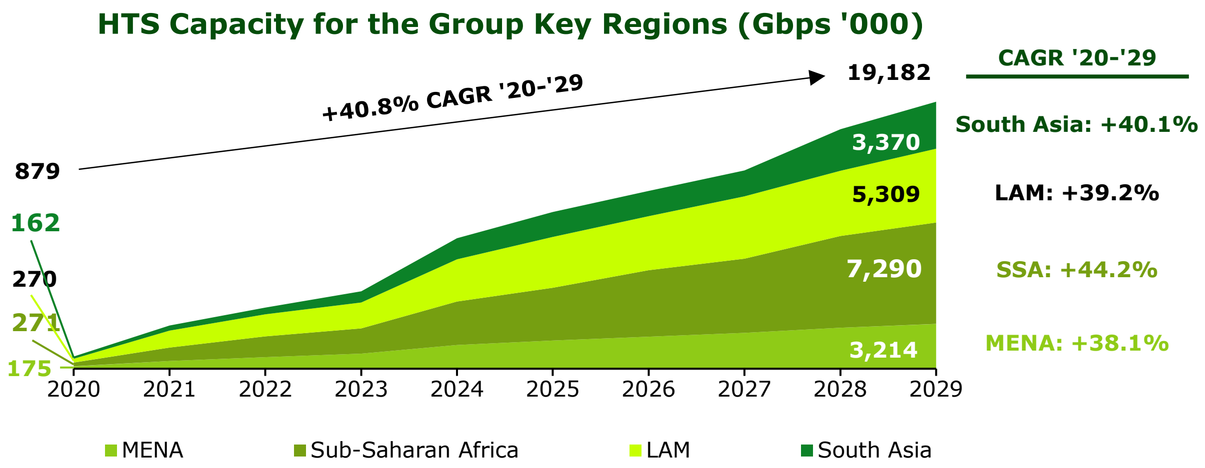
FSS TRENDS

FSS supply is expected increase 14-fold from 2020 to 2025, reaching approximately 49,000 Gbps (and 20x increase from 2020 and 2029 to approximately 69,000 Gbps). HTS (dominantly Ka-band) is a key ongoing development expected to drive growth over the medium-term bandwidth and usage. COVID-19 has marginally impacted deployment pace, having shifted (but not cancelled) projected satellite capacity increases.





MENA, Sub-Saharan Africa, South America (LAM in the graph below) and South Asia in particular are expected to see particularly strong increases in satcom capacity, mainly resulting from lower competition from fixed networks and fast decreasing satellite cost per bit thanks to HTS supporting economics of satellite broadband.



Significant ongoing investments in non-GEO constellations (LEO and to a lesser extent MEO e.g. SpaceX, OneWeb) are expected to further grow the market rather than cannibalise existing players. LEO/MEO and GEO are expected to remain largely complementary in the foreseeable future, and this could lead to the use of hybrid networks, where bandwidth demand and usage growth will be dominated by GEO-HTS. LEO/MEO will provide ubiquitous coverage and low latency while GEO will offer high capacity at low cost (capacity and terminal economics being critical for unserved/underserved areas) and 100 per cent. availability. GEO is also expected to remain critical for government use in the foreseeable future as most governments will not be able to gain the same combined security and economic benefits that GEO offers through LEO/MEO constellations.

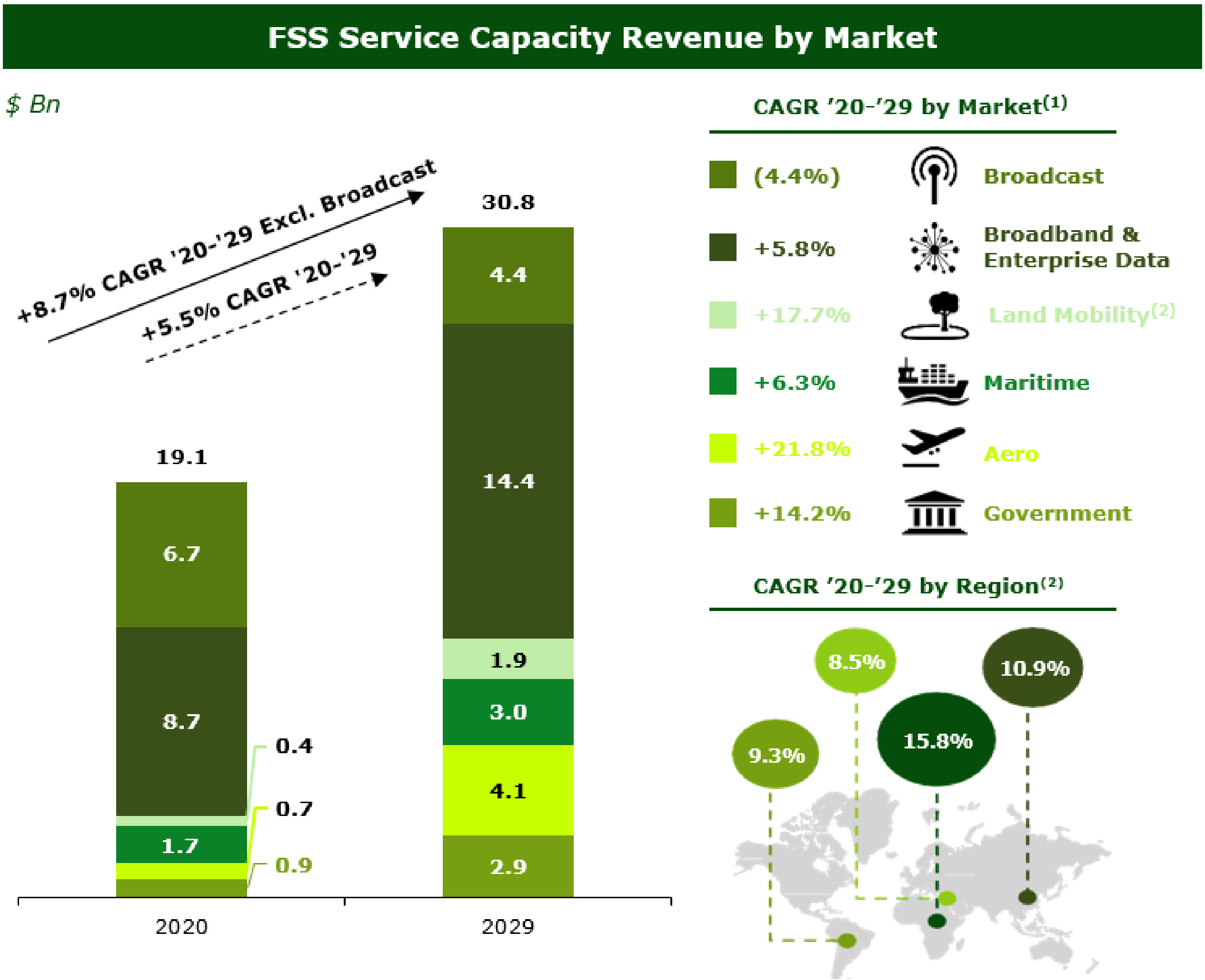
Government and military needs are expected to drive demand for additional capacity and bandwidth. In particular, governments seeking efficiencies, improved economies and flexibility are increasingly relying on private companies for their satcom needs. For example, the U.S. Congress added military satcoms in the 2018 budget, resulting in large new contracts with Iridium and Inmarsat.

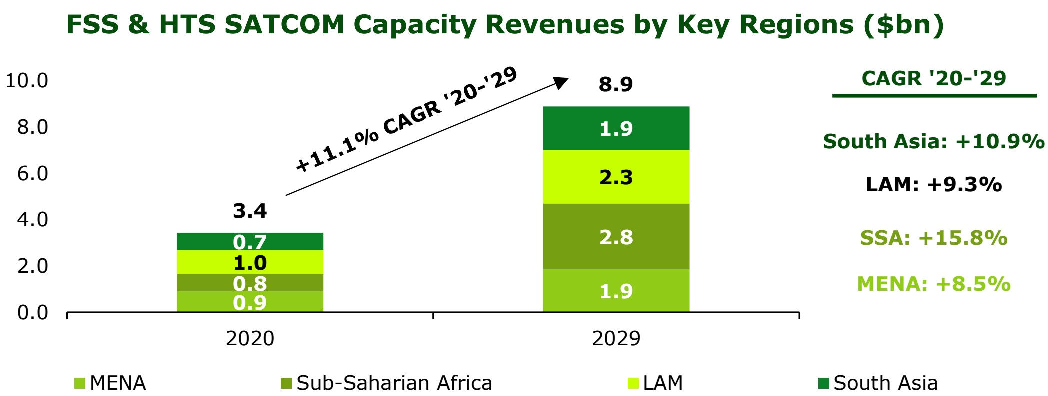
Attractive HTS economics are also expected to drive increased uptake and usage across B2B markets (e.g. IFC, maritime broadband, enterprise data and backhaul) and B2C (e.g. consumer broadband, Wi-Fi hotspots, etc.) and unlock certain business models which had economic challenges, in particular data heavy applications.

The rollout of 4G and 5G networks throughout the world represents a particularly attractive opportunity for satellite networks. Mobile network operators will be able to complete their 4G and 5G services with satellite connectivity by using a satellite for backhaul where fibre connectivity to the cell site is lacking. They will be able to take advantage of the satellite's inherent multicasting/broadcast functionality for new use cases, such as M2M / IoT services (e.g. connected cars and other objects), while preserving high-value wireless spectrum for latency-sensitive services. Alternatively, they could use the satellite's longer range to complement the build out of 5G in remote areas where building terrestrial networks for enhanced broadband services is cost prohibitive. GEO HTS are expected to particularly benefit from these trends given highly attractive economics.

Capacity prices are expected to continue to decline as a result of rapid satellite technology advancements leading to decreasing cost per bit of new satellites and large amounts of capacity being deployed in the coming years. This price pressure for operators to maintain their growth rates is something to be managed but the market has demonstrated elasticity with price decreases also driving strong growth in usage and incremental capacity demand. Satellite economics are further supported by a number of technology disruptions including launcher cost reduction and satellite life extension services, however, while the supply and demand of capacity is a key factor in pricing trends, the direct relationship is less linear for operators who provide managed services, including the network management, operations support system / business support system and other key components needed to efficiently complete the product and take it to market. Many in the industry (such as the Group and Hughes among other) have taken this approach and have avoided selling only satellite capacity, which can become commoditised, instead, offering richer solutions where capacity is a key enabler but not the only value proposition.

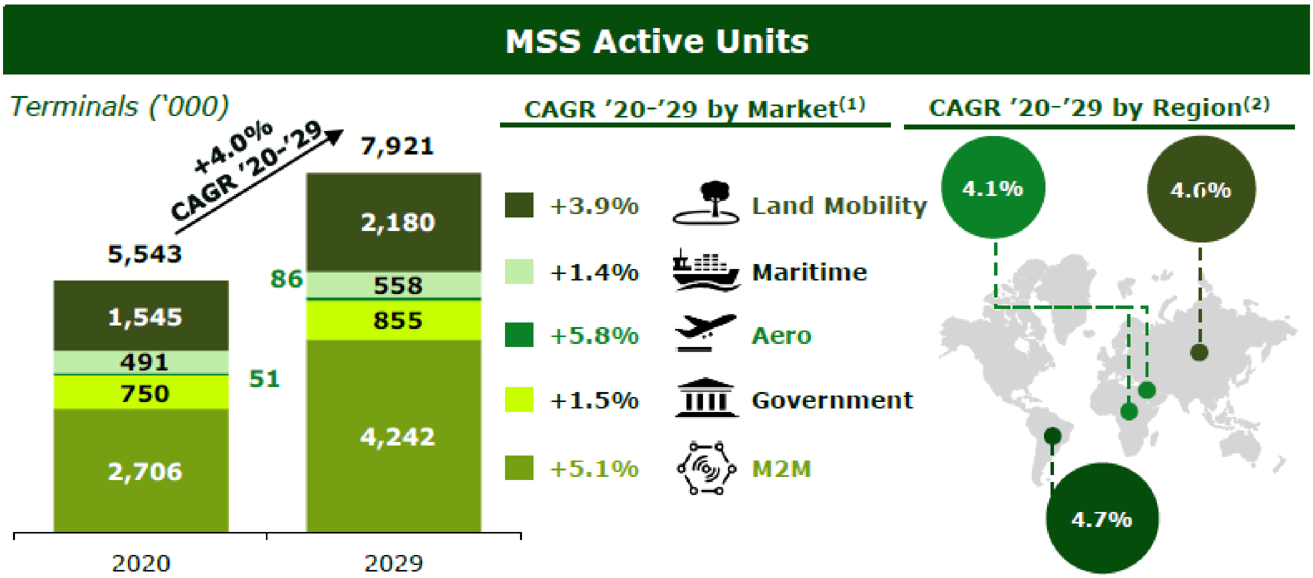
As a result, FSS service revenues (GEO and non-GEO excluding broadcast) are expected to grow from an estimated U.S.$12.4 billion in 2020 to U.S.$17.5 billion in 2025 and U.S.$26.3 billion in 2029, an approximately 9 per cent. CAGR over the period. Including broadcast, FSS service revenues will grow from U.S.$19.1 billion in 2020 to U.S.$30.8 billion in 2029, 5.5 per cent. CAGR over the period. Government revenues are set to increase approximately 3x over 2020-29 driven by the fast development of data intensive applications. Strong and sustained growth is expected across B2C and B2B data verticals, particularly strong growth in emerging markets as HTS economics enable new verticals, namely consumer broadband and hotspots.



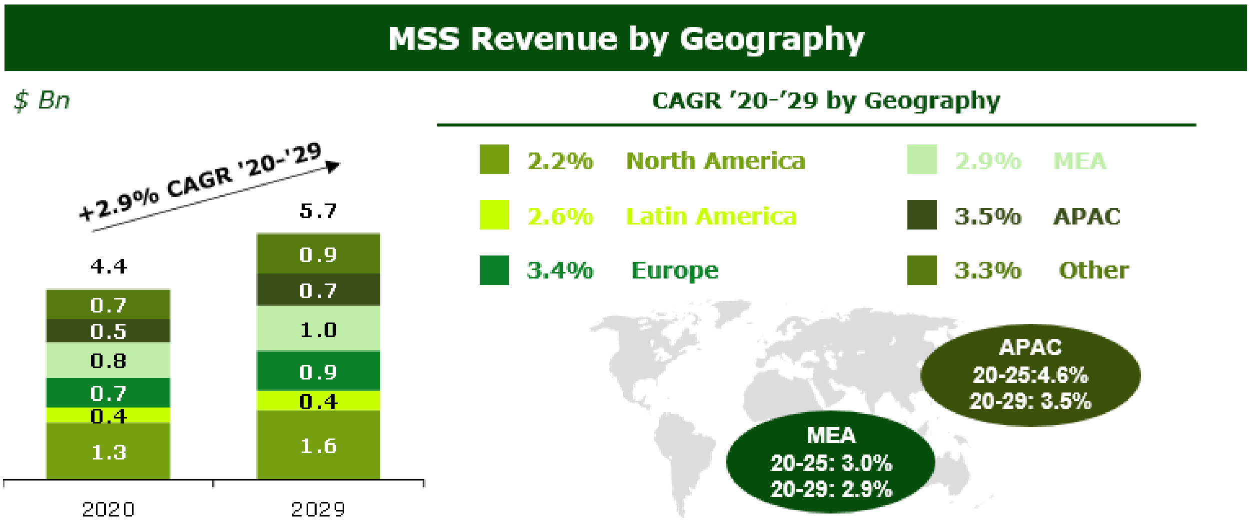


MSS TRENDS

Just as the FSS markets are moving rapidly to capture the increase in demand, MSS markets are adapting to better address growing usage across all applications. As enhancements occurred in satellite technology, MSS systems were deployed using smaller user terminals across land, aero and maritime applications. Particularly, the growth of data and the Internet has proved a key catalyst for the market, leading MSS operators to introduce new capabilities including improved data and multimedia access. Government & military, despite experiencing slower growth, remains a cornerstone for MSS. Maritime continues to grow spurred by offshore and smaller vessels (shipping, fishing, and yachting). Aircraft cockpit connectivity also continues to grow as the number of aircraft – both business jets and commercial – continues to increase steadily. Global Maritime Distress and Safety System (**GMDSS**) and cockpit safety connectivity have both benefited from more stringent regulation requiring a greater number of vessels and aircraft to be connected (in certain cases to more than one connectivity provider). Lastly, MSS are particularly well suited to fast developing M2M and IoT usages, providing ubiquitous, reliable and safe connectivity.



MSS service revenues are expected to grow from an estimated U.S.$4.4 billion in 2020 to U.S.$5.2 billion in 2025 and U.S.$5.7 billion in 2029, a 2.9 per cent. CAGR over 2020-29.



On a regional basis, nearly 18 per cent. of the cumulative equipment and services revenue opportunity over 2020-2029 is within the Middle East and Africa markets. These markets account for a growing share of the number of In-Service Units with over 800 thousand terminals in 2019 expected to reach 1.18 million by 2029, according to research from NSR.

END MARKETS

Military / Government Grade Access

Demand for connectivity by government and military users continues to increase. Governments seeking efficiencies, improved economies and flexibility are increasingly relying on private companies to address their incremental satcom needs.

Government customers are augmenting or even replacing their proprietary military communications systems with fungible satellite capabilities offered by commercial satellite operators as they face increasing requirements to support applications such as COTM and airborne intelligence, surveillance and reconnaissance, which drive demand for ubiquitous, consistent coverage, and high-performance global satellite services.

Services provided by private satellite operators frequently extend beyond connectivity into managing dedicated government and military assets or payloads. Across the satellite industry, government and military markets continue to be a core consumer of connectivity, and a customer of the unique skills the commercial sector can offer to end-users.

Given their unmatched dependability, 100 per cent. availability and security, GEO MSS L-band as well as GEO FSS remain core pillars of connectivity for broadband, narrowband, and handheld government applications.

Government and military satcom equipment are typically highly embedded in land, sea or air equipment which combined with long-term contracts results in extremely high stickiness levels. This provides satellite operators with very strong visibility on future revenue as well as high contracted backlog levels.

Service revenues for commercial satellite connectivity in the government and military sector were approximately U.S.$7.7 billion in 2020 increasing to approximately U.S.$14.0 billion by 2029 for equipment and services, a 6.8 per cent. CAGR over the period.

Many governments are increasing satcom spend, a significant opportunity for players such as the Group in the UAE as well as internationally. Current managed solutions provided by the Group to the Government include operations and maintenance services related to supporting infrastructure capacity and consultancy, design and programme management. The Group is uniquely positioned, being based in the UAE, to capitalise on upcoming growth opportunities and further deepen its existing relationship with the Government and regional entities across value chain (e.g. system integration). This has already resulted in a current backlog of US$2.2 billion for the Group, predominantly underpinned by contracts supported by the Government.

Commercial Broadband and Data

Satellite broadband and data markets are set for rapid topline growth both in B2B and B2C markets, driven by the massive capacity supply increase, vastly improved economics from HTS, and rapid evolution of antennae and terminals; all factors contributing to the reduction in total cost of ownership. These evolutions make broadband services accessible to all markets, whether developed or emerging, and widen total addressable markets for satellite operators and service providers. Governments around the world are easing regulatory and market entry barriers, which is expected to further boost growth. GEO HTS are expected to capture the largest part of demand for high bandwidth satellite data connectivity on the back of highly attractive economics. Commercial broadband and data present low terrestrial substitution risk on mobility usage, and medium risk on services where terrestrial can continue expansion (i.e. backhaul and DTC broadband).

Demand for broadband connectivity at sea and in the air has been increasing at a very fast pace over the past years and is expected to continue to grow at a sustained high pace, supported by continued investments HTS offering high bandwidth and very attractive economics. The provision of IFC in Commercial Aviation will be a major growth opportunity for connectivity providers in the coming years as HTS will allow for a much improved user experience with attractive economics and the number of connected aircrafts worldwide is expected to increase from approximately 9.2 thousand to approximately 17.4 thousand by 2027 according to data by NSR. Maritime broadband penetration continues to increase at a fast pace. Euroconsult estimates the number of maritime VSAT connections to increase from 28.2 thousand in 2019 to 40.6 thousand in 2026, at 5.3 per cent. CAGR over the period. Demand is driven by increasingly data intensive applications such as crew welfare and smart ship applications.

Commercial and B2C business models are evolving, encompassing both direct to premise and community connectivity (e.g. WiFi hotspots). A large part of the broadband connectivity market remains un/under addressed. Cumulative Global Active Sites are projected to reach 15.2 million by 2029 illustrating the huge room for further growth. Viasat, Hughes and the Group are some examples of operators that have achieved high levels of success in capturing this demand across their various regions of operation.

Satellite broadband access has the capacity to bridge the digital divide globally. According to UNESCO, 87 per cent. of developed world households are connected to broadband compared with 47 per cent. in developing nations and just 19 per cent. in the least developed countries. Fast decreasing equipment costs will support the market expansion towards emerging markets. In emerging markets, strong distribution networks (either direct or third-party) that some of the satellite operators (such as the Group which has been a pioneer in Africa and Brazil in particular) will be highly differentiating and create strong barriers to entry.

As a result broadband and data service revenues[2] were approximately U.S.$4.9 billion in 2020 increasing to approximately U.S.$19.0 billion by 2029, a 16.3 per cent. CAGR over the period.

Commercial Mobility

Commercial mobility services have experienced significant growth historically on the back of increasing demand for mobility communications on land, at sea and in the air driving more equipment sales, capacity demand, and greater revenues for service providers.

Mobility markets have faced headwinds in 2020 and 2021 due to the COVID-19 pandemic being at odds with longer-term market dynamics. As such, 2020 should not be an indicator of a systemic decline in market potential. Instead, most end-users in these sectors are using 2020 and 2021 as a way to redesign, refocus, and evaluate future plans for deploying connectivity across their own assets.

More stringent regulation is driving increased demand for GMDSS and cockpit safety services as more ships and aircraft are required to have satellite safety systems and an increasing proportion of operators is opting for multiple connectivity providers.

MSS-enabled connectivity service revenues globally were approximately U.S.$2.4 billion in 2020, expected to increase to U.S.$3.4 billion by 2029, an approximately 3.8 per cent. CAGR over the period.

M2M & IoT

The emergence of IoT, which is extending the requirement for ubiquitous and reliable connectivity, is contributing to the acceleration of demand for mobile data via satellite. The increase in demand will be supported by increased affordability on the back of continued technology evolution.

According to Valuates, the global satellite M2M segments is projected to grow at a compound annual growth rate of approximately 30 per cent. from 2018 to 2025. According to Cisco, the number of devices connected to IP networks is expected to exceed 29 billion by 2023 and represent approximately 3.6 times the world's population. M2M connections will represent half of the global connected devices and connections by 2023.

These devices are supported by an exponentially-growing number of solutions, services and capabilities, increasingly hosted remotely, often in the cloud. Both devices and applications are driving strong growth in mobile data traffic, estimated by Ericsson Mobility to increase by grow by a factor of 4.5 to reach 226 exabytes per month in 2026.

With over 4 million in-service units forecasted by 2029, M2M/IoT satcom revenues are expected to see strong growth with significant room for further growth thereafter as penetration of satellite services increases. LEO/MEO are expected to cater to latency-sensitive applications (e.g. self-driving cars) while

[2] Calculated as FSS Revenues minus broadband and FSS Government

GEO (and in particular GEO HTS) will provide high bandwidth connectivity with very attractive economics therefore expected to capture most of the rest of the demand.

M2M/IoT connectivity-related service revenues globally were approximately U.S.$0.6 billion in 2020, expected to increase to U.S.$0.9 billion by 2029, a 4.5 per cent. CAGR over the period.

Broadcast

Satellite broadcast has been under pressure in the past years driven by cord cutting / growth of over-the-top platforms, increased levels of compression and channel rationalisation by DTH Pay-TV operators.

The decline of broadcast revenues is expected to be steady in the coming years but without falling sharply as DTH remains a key distribution channel for Pay-TV globally, particularly in rural areas of developed markets and in emerging markets.

In the medium term, broadband decline will be alleviated by the growth of HD channels which are becoming increasingly mainstream and/or demanded by Pay-TV customers across markets as well as the development of replay, video-on-demand and catch-up TV-like services on DTH. Regionally, Asia will see the strongest growth, with new HD and UltraHD channels in East Asia coming online. However, the mature markets of North America have almost reached saturation with available offerings, limiting long term growth.

Broadcast service revenues globally were approximately U.S.$6.7 billion in 2020, expected to decrease to U.S.$4.4 billion by 2029, a compound average annual decline of 4.4 per cent. over the period.

ASSESSMENT OF THE COMPETITIVE LANDSCAPE

The competitive landscape of satellite operators has heated up in recent years as part of a marked, global trend towards higher volumes of satellite capacity driven by high-throughput network architectures and well as MSS being players increasingly active in FSS to complement mobility services.

Key FSS competitors include Intelsat, Viasat, SES (including through O3b Networks), Telesat and Eutelsat as well as smaller regional and national FSS operators.

Existing and new satellite operators, including SpaceX, OneWeb, Amazon, Telesat and SES (O3b) are in the process of rolling out LEO and MEO constellations which may compete with existing FSS players in certain segments. However it will take time for all of these operators to ramp up their services and reach large scale success.

Key MSS competitors include Inmarsat and Iridium as well as other regional and multi-regional MSS operators, including Globalstar, who all have over time gained access to the frequencies needed to support such services.

The Group is one of the few players globally able to offer a complete set of FSS and MSS services combined which is highly differentiating, particularly with government, aero, maritime and enterprise customers.

MANAGEMENT

MANAGEMENT STRUCTURE

The chart below illustrates the management structure.

BOARD OF DIRECTORS

The principal duties of the Board are to provide the Company's strategic leadership, to determine the fundamental management policies of the Company and to oversee the performance of the Company's business. The Board is the principal decision making body for all matters that are significant to the Company, whether in terms of their strategic, financial or reputational implications. The Board has final authority to decide on all issues, save for those which are specifically reserved to the general meeting of shareholders by law or by the Articles of Association.

The key responsibilities of the Board include:

- determining the Company's strategy, budget and structure;
- approving the fundamental policies of the Company;
- implementing and overseeing appropriate financial reporting procedures, risk management policies and other internal and financial controls;
- proposing the issuance of new shares and any restructuring of the Company;
- appointing executive management;
- determining the remuneration policies of the Company and ensuring the independence of Directors and that potential conflicts of interest are managed; and
- calling shareholder meetings and ensuring appropriate communication with shareholders.

Members of the Board are appointed by the shareholders for three-year terms. Board members may serve any number of consecutive terms.

The Board is expected to consist of the nine members listed below from the date of Admission.

Name	Year of birth	Nationality	Position (All directors are non-executive)	Year appointed
Musabbeh Helal Musabbeh Ali Al Kaabi*	1971	United Arab Emirates	Chairman	2021
Rashed Ahmed Salem Alghanah Al Ghafri*	1971	United Arab Emirates	Director	2013
Tareq Abdulraheem Ahmed Rashed Al Hosani*	1974	United Arab Emirates	Director	2013
Masood Mohamed Mohamed Sharif Mahmood	1977	United Arab Emirates	Director	2021
Badr Salim Ahmad Sultan Alolama*	1980	United Arab Emirates	Director	2021
Peng Xiao*	1973	United Arab Emirates	Director	2021
Gaston Urda*	1974	Argentina	Director	2021
HE Maryam Eid Khamis AlMheiri*	1974	United Arab Emirates	Director	2021
Adrian Georges Steckel*	1967	United States, Mexico and France	Director	2021

*Denotes that the Director is considered independent under the SCA's Board Resolution No. (03/R.M) of 2020 concerning adopting the Corporate Governance Guide for Public Joint-Stock Companies.

The business address of each of the Directors is Yahsat Headquarters, Sweihan Road, Al Falah, P.O. Box 93693, Abu Dhabi, UAE.

The management expertise and experience of each of the Directors is set out below:

Musabbeh Helal Musabbeh Ali Al Kaabi — *Chairman*

Mr. Al Kaabi is the Chief Executive Officer of the UAE Investments Platform and an Investment Committee Member at Mubadala. The UAE Investments Platform is a portfolio that supports the UAE's continued acceleration and transformation by building national champions, fostering vibrant industrial and commercial clusters, and engaging with world-class partners. He previously held the position of CEO of Mubadala Petroleum, Mubadala's wholly owned exploration and production company, from 2014 to 2017. In addition to his roles at Mubadala, Mr. Al Kaabi is the Chairman of Mubadala Petroleum and the Vice Chairman of Masdar, Cleveland Clinic Abu Dhabi and Mubadala Health. He is also the Vice Chairman of the Supervisory Board of Borealis and is a Board Member of Dolphin Energy, CEPSA, NOVA Chemicals and Emirates Global Aluminium. Mr. Al Kaabi holds a Bachelor of Science degree in Geophysical Engineering from Colorado School of Mines and a Master of Sciences in Petroleum Geoscience from Imperial College, London.

Rashed Ahmed Salem Alghanah Al Ghafri — *Director*

Mr. Al Ghafri is the President of Strategic Projects at EDGE Group, with more than 30 years' experience in the electrical engineering field. Prior to joining EDGE Group, Mr. Al Ghafri was a representative on the UAE's Supreme Council of National Security and the Director General at the National Electronic Security Authority (**NESA**, now known as the Signals Intelligence Agency), a Government agency tasked with protecting the UAE's critical information infrastructure improving national cybersecurity. Prior to these roles, Mr. Al Ghafri was the General Manager of the Company's YahService division (now YGS) and the Company's Senior Manager for Business Development. Earlier in his career, Mr. Al Ghafri held numerous leadership positions in the the UAEAF, notably Head of the Security and Monitoring division, Head of the Network Management Centre for Fibre Optic Network and Head of the Fibre Optic division. Mr. Al Ghafri holds a Bachelor's degree in electrical engineering from the University of Miami and a Master's degree in computer engineering from Yarmouk University in Jordan.

Tareq Abdulraheem Ahmed Rashed Al Hosani — *Director*

Mr. Al Hosani is the Chief Executive Officer of Tawazun Economic Council, an industry enabler responsible for the creation and development of a sustainable defense and security industry in the UAE. Prior to joining Tawazun, Mr. Al Hosani served as the Chief Executive Officer at the Company, having previously occupied the roles of Deputy Chief Technical Officer and Executive Director for Strategy & Business Development at the Company. Prior to joining the Company, Mr. Al Hosani was Deputy Director General of NESA, and also held the position of Associate Director at Mubadala Investment Company. Mr. Al Hosani sat on the Boards of several UAE strategic entities, such as UAE Space Agency and Bayanat. He currently is the Vice Chairman at Abu Dhabi Airports, and sits on the boards of the National Health Insurance Company, Abu Dhabi Health Services Co., International Golden Group, Higher Colleges of Technology, GAL, Al Forsan Club and Sorbonne University – Abu Dhabi. Mr. Al Hosani holds a Bachelor's degree in aeronautics from Parks College Saint Louis University and a Master's degree in electronics and communication engineering from University Pierre et Marie Curie in France. He also completed the Accelerated Executive Development programme at IMD in Switzerland.

Masood Mohamed Mohamed Sharif Mahmood — *Director*

Mr. Mahmood is a Director General at the Department of Finance of the Government of Abu Dhabi. Prior to taking this role in April 2021, Mr. Mahmood served as the Chief Executive Officer of the Company for nearly nine years. Mr. Mahmood has well over 20 years of experience in investment management, telecommunications and the space sector. Prior to joining the Company, Mr. Mahmood was Vice President at Mubadala's Information and Communications Technology (**ICT**) Unit. In his position, he was responsible for corporate strategy, as well as the asset management of ICT's strategic portfolio. Prior to that Mr. Mahmood worked at Dubai Investment Group and the Executive Office of H.H Sheikh Mohammed bin Rashid Al Maktoum. Mr. Mahmood serves on the boards of Etihad Aviation Group, the UAE Space Agency, the EMEA Satellite Operators Association, SHUAA Capital, 1 Maisan (YahLive), the satellite broadcasting venture between the Company and SES Finance as well as HPE, the Group's equity partnership with Hughes in Brazil. He holds a Master's Degree in Finance from McGill University in Canada and a Bachelor's Degree in Computer Systems Engineering from Boston University in the United States.

Badr Salim Ahmad Sultan Alolama — *Director*

Mr. Alolama is the Executive Director of the UAE Clusters unit within Mubadala's UAE Investments platform. Mr. Alolama previously held the position of CEO of Strata Manufacturing PrJSC, Mubadala's wholly owned composite aero structure manufacturing company based in Al Ain. Mr. Alolama is the Chairman of Strata Manufacturing PrJSC and Sanad Service Group LLC. Mr. Alolama is also a board member of Mubadala Health, Oumolat Security Printing and TASIAP GmbH. In addition to his external appointments, he heads the organising committee for the Global Manufacturing and Industrialization Summit where he oversees the Mohammed Bin Rashid Initiative for Global Prosperity, an open innovation platform that seeks to solve real-world challenges by fore-fronting the corporate social responsibility of global manufacturers. Mr. Alolama holds a Bachelor's Degree in Shari'a and Law from the UAE University and Master of Law Degree from Harvard University and was nominated as a Young Global Leader for the MENA region by the World Economic Forum in 2016.

Peng Xiao — *Director*

Mr. Xiao is the Chief Executive Officer of Group 42 Ltd. (**G42**), where his responsibilities include shaping G42's business and product strategies, and overseeing G42's operating companies across numerous industry verticals, including smart city, healthcare, energy, finance and education. Prior to this, he served as Senior Executive Vice President, Chief Technology Officer and Chief Information Officer of MicroStrategy, where he was responsible for the management of over 1,000 engineers and led the R&D function of MicroStrategy's entire product portfolio, including Business Intelligence, Secure Identity, and Mobile Commerce. He also serves as a member of the Board of Trustees of the Mohamed bin Zayed University of Artificial Intelligence. Mr. Xiao earned his Master's Degree in International Affairs from the George Washington University and his Bachelor's Degree in Computer Science and International Business from Hawaii Pacific University.

Gaston Urda — *Director*

Mr. Urda is the Head of Investments and M&A of the UAE investment platform at Mubadala. Since Joining Mubadala in 2008, Mr. Urda's primary responsibilities have been to oversee and manage investments across different geographies and sectors including logistics, transportation, mining, aerospace services, real estate investment management, renewables and utilities. Prior to joining Mubadala, Mr. Urda worked in the private equity industry, gaining in-depth knowledge in several sectors. Mr. Urda began his 24 year career as an accountant, working at one of the "Big 4" accountancy firms. He currently serves as a board and/or investment committee member of a number of companies in the Americas, Europe and Asia. Mr. Urda earned his M.B.A. from Columbia Business School in New York and his B.S. in accounting from the University Argentina de la Empresa.

HE Maryam Eid Khamis AlMheiri — *Director*

HE Maryam AlMheiri is a member of the Abu Dhabi Executive Committee, Director General of the Abu Dhabi Government Media Office, Vice Chairwoman of both the UAE Special Olympics and Abu Dhabi School of Government's Board of Trustees. She also serves as a board member of Mohamed bin Zayed University for Humanities, the Emirates Red Crescent and the Fatima Bint Mubarak Ladies Sports Academy. She was previously CEO of the Media Zone Authority – Abu Dhabi and both CEO and Vice-Chair of Twofour54. HE Maryam AlMheiri holds a TRIUM Global Executive MBA (jointly issued by New York University Stern School of Business, London School of Economics and Political Science and HEC Paris School of Management). She also holds a Master of Strategy and National Security Studies from the National Defence College of Abu Dhabi and completed her undergraduate studies in accounting and business administration at the UAE's Higher Colleges of Technology.

Adrian Georges Steckel — *Director*

Adrian Steckel has been focused on technology and connectivity for the last 20 years. He was the CEO of OneWeb from September 2018 until November 2020, upon its emergence from Chapter 11, with investment from the UK government and Bharti Global. Prior to OneWeb, Mr. Steckel was the CEO of Grupo Iusacell, a mobile company which was acquired by AT&T in 2015. Mr. Steckel is a director and member of the audit committee of CONX and is also a board member of Uphold Ltd. Mr. Steckel is a graduate of Yale University.

SENIOR MANAGEMENT

In addition to the members of the Board, the day-to-day management of the Company's operations is conducted by the senior management team, as follows:

Name	Year of birth	Nationality	Position	Date of appointment
Ali Al Hashemi	1981	United Arab Emirates	Chief Executive Officer	2021
Andrew Francis Cole	1973	United Kingdom	Chief Financial Officer	2020
Adnan Al Muhairi	1986	United Arab Emirates	Chief Technology Officer	2021
Farhad Khan	1968	South Africa	Chief Commercial Officer	2016, 2018
Amit Somani	1972	United Kingdom	Chief Strategy Officer	2015
Muna Al Muhairi	1971	United Arab Emirates	Chief Human Capital and Administration Officer	2016
Khalid Al Kaf	1981	United Arab Emirates	Chief Operations Officer	2021
Eisa Al Shamsi	1983	United Arab Emirates	General Manager, YGS	2021
Sulaiman Al Ali	1979	United Arab Emirates	Thuraya Chief Executive Officer	2021
Paul David Andrews	1975	United Kingdom	General Counsel	2019

The management expertise and experience of each of the senior management team is set out below.

Ali Al Hashemi — *Chief Executive Officer*

Mr. Al Hashemi was appointed as Chief Executive Officer with effect from 18 April 2021 (and as Chief Executive Officer Designate from 4 February 2021 up to 18 April 2021), having previously served in concurrent roles as the General Manager of YGS and Chief Executive Officer of Thuraya. He joined the Company in 2013. Mr. Al Hashemi has over 20 years of experience and a proven executive management track record of driving sales growth in the satellite industry, having developed the Company's managed services capability in the UAE and other key regional markets and spearheaded the establishment of systems and infrastructure to successfully transform YGS from a small business unit to a fully functional regional government business. He has been instrumental in securing and/or maintaining key backlog contracts for the Group, including the Al Yah 1 and Al Yah 2 CSA and the associated O&M contract and the T4-NGS managed capacity services agreement with the Government. As CEO of Thuraya, he oversaw the integration of Thuraya's technical, financial, human resources and strategy functions with the Group following the acquisition of Thuraya in August 2018, and has directed the turn-around of the Thuraya business. Mr. Al Hashemi holds an MBA from the London Business School.

Andrew Francis Cole — *Chief Financial Officer*

Mr. Cole was appointed as Chief Financial Officer in July 2020 and is responsible for the overall financial management of the Company. He joined the Company in 2020. Mr. Cole has over 25 years of cross-sector experience in senior finance, operational and advisory roles. From 2015 to 2019, he was the Group Financial Controller at SES, a company with a constellation of Geostationary and Medium Earth Satellites. His primary functions covered all aspects of Finance including Financial Planning, Governance, Risk (including satellite insurance) and Compliance, Accounting and Global Controlling operations. He has also worked for EY and KPMG London as an external auditor and business adviser to many global enterprises. His experience during his years with the external auditors includes M&A and Financing, Corporate Restructuring, Commercial Planning, Tax, Treasury, Audit & Accounting as well as Risk Management. Mr. Cole is a Fellow of the Institute of Chartered Accountants in England and Wales. He has an Executive MBA degree from Ecole Nationale des Ponts et Chaussées and a postgraduate certificate in International Business from the University of Edinburgh.

Adnan Al Muhairi — *Chief Technical Officer*

Mr. Al Muhairi was appointed as Chief Technical Officer in June 2021, having fulfilled the role of Deputy Chief Technical Officer since January 2020. He joined the Company in 2009. He is responsible for the Company's satellite fleet, as well as designing and developing end-to-end space systems solutions to better serve the Company and Thuraya customers. He was part of the development programme in South Korea as a research and development engineer on the UAE's first successful remote sensing spacecraft, Dubaisat-1 and Dubaisat-2. He has also worked on the UAE's first communication spacecraft, Al Yah 1 and Al Yah 2, and was the Programme Director of the Al Yah 3 space communications system, a highly advanced space network that expanded the Group's services into Brazil, and he has worked on several Government space projects. Mr. Al Muhairi has over 15 years of experience. Mr. Al Muhairi obtained a BSc. in Avionics/Engineering Management from the Higher College of Technology. He then completed an intensive course in satellite systems engineering in South Korea, before he earned an MBA from the McDonough School of Business from Georgetown University in Washington, D.C.

Farhad Khan — *Chief Commercial Officer and Chief Executive Officer, YahClick*

Mr. Khan is the Chief Executive Officer of the BCS equity partnership with Hughes (doing business under the YahClick (*powered by Hughes*) brand) and the Chief Commercial Officer of the Group. He joined the Company in 2016. With over 25 years' experience in the telecommunications industry in Africa and Asia, including at Airtel and MTN Group, Mr. Khan has a proven record of accomplishment and successfully leading commercial functions across several countries and executing new business strategies. Through continued efforts towards creating global and regional partnerships, developing in-house talent and achieving the UAE's Economic Vision, Mr. Khan's leadership has impacted the way the Group's services enable economies through pioneering satellite services. Mr. Khan is a Chartered Marketer, holds an MBA from the University of Cape Town and a diploma in Electrical Engineering from M.L. Sultan Technical College.

Amit Somani — *Chief Strategy Officer*

Mr. Somani was appointed as Chief Strategy Officer in January 2015 and leads the Company's Strategy, Regulatory and Corporate Communications departments. He joined the Company in 2010. Mr. Somani worked as a consultant at Booz and Company, as well as other leading consulting firms, advising clients in the information and communication technology sector across the globe.

Mr. Somani was a director at Yah Telecomunicações Limitada and Yahsat Latam Holding SA, the Company's Brazilian subsidiaries before their contribution to the HdB equity partnership with Hughes, and currently serves on the board of the BCS equity partnership with Hughes. He holds a Master's degree in Electronic Engineering with French from the University of Nottingham and an MBA from the London Business School.

Muna Al Muhairi — *Chief Human Capital and Administration Officer*

Ms. Al Muhairi joined the Group in 2007, prior to which she was Manager of Employee Services at Thuraya. In her current role, Ms. Al Muhairi is responsible for leading the Group's overall human capital strategy, talent acquisition, learning and development and leadership development, Emiratisation, organisational design and culture development, compensation and benefits, human resource operations, employee relations and administration. Under her leadership, the Group was awarded the prestigious Emiratisation Award from Tawteen for 2018 in three out of four categories: Best Emiratisation Supporting

Entity; Emiratisation Pioneer and Best Emirati Employee. Ms. Al Muhairi holds a BA in Business Administration from the United Arab Emirates University.

Khalid Al Kaf — *Chief Operations Officer*

Mr. Al Kaf was appointed as Chief Operations Officer in June 2021, having fulfilled the role of Deputy Chief Operations Officer since January 2020, and is focused on addressing strategic operational issues that influence business performance and efficiencies of cost. Prior to his new appointment, he held the posts of Executive Vice President and Deputy Chief Operations Officer within the Group. Mr. Al Kaf joined the Company in 2017 to merge and lead the Yahsat Operations team. Before joining the Company, he was Infrastructure and Operations Director at Etisalat, managing IT infrastructure and operations for applications, hardware, network, business-to-business, software, and IT capacity management. He has more than 17 years of experience, working in the regional and international telecommunications sector across the MENA region. He holds a BSc in computer engineering from Khalifa University (formerly Etisalat College of Engineering) and also has an Executive MBA from INSEAD Business School, France.

Eisa Al Shamsi — *General Manager, Yahsat Government Solutions*

Mr. Al Shamsi is responsible for the Company's Government Business involving the engineering and delivery of state of the art turnkey solutions to meet the strategic and tactical needs of various UAE and regional government entities. With his extensive technical and commercial expertise, Mr. Al Shamsi drives the YGS business, delivering both growth through expanding the Company's footprint in the region, and value through widening the presence across the value chain. He joined the Company in 2010. Prior to his roles as General Manager and Deputy Manager of YGS, he was the Executive Vice President of Engineering and Program Management at YGS, responsible to deliver YGS projects and the design of the Yahsat Military network. Mr. Al Shamsi has over 16 years of experience. Mr. Al Shamsi previously trained at UAEAF Signal Corps and was part of the Al Yah 1 and Al Yah 2 development programmes in France. Mr. Al Shamsi holds an Executive MBA from INSEAD and a Bachelor of Science in Electrical and Electronics Engineering.

Sulaiman Al Ali — *Chief Executive Officer, Thuraya*

Sulaiman Al Ali has more than 18 years of experience, working in the regional and international telecommunications sector across the UAE, Nigeria, Pakistan and Ivory Coast, including at Etisalat and Pakistan Telecommunication Company Ltd. (**PTCL**). He became Executive Vice President of the Commercial Division within YGS in January 2018, and was appointed as Deputy Chief Executive Officer of Thuraya at the beginning of 2020. He was then promoted to Chief Executive Officer of Thuraya in June 2021, having fulfilled the role of Deputy Chief Executive Officer of Thuraya since January 2020. He joined the Company in 2014. He holds an Executive MBA from INSEAD Business School, France and a Master's in Management of Entrepreneurial Leadership from Hamdan Bin Mohamed Smart University. He also has a BS in Communication Engineering from Khalifa University.

Paul David Andrews — *General Counsel*

Mr. Andrews is responsible for management of the Group's legal department, corporate governance function and compliance function. He joined the Company in 2019. He has over 20 years' experience as legal counsel, specialising in mergers and acquisitions, corporate law and telecommunications. Prior to joining the Company on secondment from Mubadala. Mr. Andrews occupied senior corporate legal roles with Vodafone Group PLC and Etisalat. Mr. Andrews holds a LLB degree in Law with German from the University of Liverpool.

DIRECTORS AND MANAGEMENT COMPENSATION

The aggregate compensation payable to the members of the Board and the members of senior management listed above was AED17,895,830 in the 12 months ended 31 December 2020 and is expected to be AED18,450,732 in 2021. The Company currently does not offer any share-based compensation schemes for its directors and members of senior management, although following the Global Offering, the Company is considering introducing a new employee incentive scheme that will benefit members of the senior management as part of the eligible pool of employees. Further details of the employee incentive scheme are set out below.

Guaranteed pay

In line with local UAE market norms, fixed pay arrangements comprise several different components. These include a blend of basic salary and a range of non-consolidated cash allowances.

- ***Supplemental Allowance***: additional component to basic salary, paid as a monthly lump sum based on grade level to both UAE nationals and non-UAE nationals.

- ***General Allowance***: intended to encompass a number of other allowances typically paid separately in other organisations (utility, vacation, furniture maintenance, annual leave airfare), paid as a monthly lump sum based on grade level to both UAE nationals and non-UAE nationals.

- ***Social Allowance***: paid to all UAE nationals in accordance with the Cabinet Resolution No. 5 of 1981, paid monthly as a lump sum based on grade level.

- ***Child Allowance***: flat monthly lump sum paid to UAE nationals for each eligible child.

- ***Child Education Assistance***: an annual reimbursement up to a maximum value based on grade level paid to both UAE nationals and non-UAE nationals to support eligible employees with children attending school in the UAE.

- ***Housing Financial Assistance***: paid to both UAE nationals and non-UAE nationals to support employees in obtaining suitable unfurnished accommodation.

Salaries and allowance are periodically reviewed according to Company policy. Adjustments are made as required to ensure market competitiveness.

Benefits and pension

The Company provides all employees and eligible resident dependents with health insurance coverage.

UAE national employees are automatically enrolled in the Pension Scheme of the Emirate of Abu Dhabi in accordance with Law No. 2 of 2000. The employee contribution is 5 per cent. of pensionable monthly salary with an employer contribution of 15 per cent. of pensionable monthly salary.

For other GCC nationals, the Company contributes to the GCC Pension Scheme in accordance with the provisions of Law No.18 of 2007.

Non-UAE national employees are also provided with an end-of-service payment, which is calculated on the length of service as a Company employee.

Annual bonus

Annual bonuses are payable at the sole discretion of the Board. Bonuses are based on the achievement of metrics measured over a one-year performance period.

For the most senior executives, the potential bonus opportunity is capped in any financial year. Performance measures and targets will be based on an appropriate combination of corporate, departmental and individual performance.

Employee Incentive Scheme

The Company does not currently offer any share-based compensation schemes for its Directors and members of senior management, although following the Global Offering, the Company is considering introducing a new employee incentive scheme that will benefit members of the senior management as part of the eligible pool of employees.

CORPORATE GOVERNANCE

Directors must represent the best interests of the Company and the shareholders, must act professionally and exhibit high standards of integrity, commitment and independence of thought, and must devote sufficient time to ensure the diligent performance of their respective duties. Directors are also, among other matters, under a duty to maintain confidentiality of sensitive information and avoid conflicts of interest, and there are restrictions regarding securities trading, including a ban on trading with inside information, and responsibilities with regards to whistleblowing.

Code of Ethics

The Group has adopted the Mubadala Code of Ethics, a comprehensive statement of ethics and conduct requirements that all of the Group's employees and officers (including Directors) are required to comply with. Prior to the Global Offering, the Company will adopt its own version of the Mubadala Code of Ethics (the **Code of Ethics**) that aligns to the standards contained therein.

The Code of Ethics is intended to enable the Group to achieve its commercial goals while operating with the highest levels of integrity. It contains provisions requiring the employees and officers to act ethically and in compliance with all applicable laws and regulations, specifically addressing the following areas:

- ***Integrity***. The Group is committed to a culture of ethics and compliance by which it conducts the global business with integrity and in accordance with applicable laws, rules and regulations.

- ***Speaking up.*** The Group's management encourages people to speak up when they see or suspect violations of the law, rules, regulations, policies or the Code of Ethics.

- ***Respect and Fairness.*** Everyone shall be treated with respect and unfair treatment, harassment, discrimination, abuse or retaliation within the workplace will not be tolerated.

- ***Conflicts of Interest.*** Conflicts of interest, or perceived conflicts of interest, must be disclosed, in order that appropriate action or safeguards can be effected to eliminate any inference of, or actual, impact or prejudice resulting therefrom.

- ***Confidentiality and Data Privacy.*** Sensitive, confidential and material confidential information and personal data, as defined under the Code of Ethics, is protected.

- ***Business Partners.*** Customers, partners and suppliers are carefully selected and must conduct their business activities professionally, ethically, and in compliance with applicable laws, rules and regulations.

- ***Anti-Bribery and Corruption.*** Only gifts and hospitality that are reasonable and appropriate may be accepted, following global anti-bribery and corruption laws, and to avoid the appearance of any conflict of interest that might violate applicable laws or harm relationships or reputations.

- ***Working with Governments.*** The Group is mindful in forming strategic partnerships with governments and of the special risks and responsibilities those relationships carry.

- ***Asset Management and Controls***. Assets and reputation are protected by observing internal controls and recognised financial and accounting practices.

- ***Insider Trading, Fair Competition, Commercial Information and International Trade.*** The Group follows international commercial laws and standards, including intellectual property protections, prohibitions on insider trading and anti-competitive conduct, and provisions governing imports, exports, and international trade.

Governance Rules

The Board is committed to standards of corporate governance that are in line with international best practice. As at the date of this Prospectus, and on and following Admission, the Board complies and intends to continue complying with the corporate governance requirements applicable to joint stock companies listed on the ADX as set out in the Securities and Commodities Authority (**SCA**) Board Resolution No. (3/R.M) of 2020 concerning adopting the Corporate Governance Guide for Public Joint-Stock Companies (the **Governance Rules**). The Company will report to its shareholders and to the SCA on its compliance with the Governance Rules, in accordance with the provisions of thereof.

The Board operates in accordance with a charter (the **Charter**), which is aligned to the principles detailed in the Governance Rules.

Board Composition

The Governance Rules require that the majority of the Board must comprise non-executive independent directors in accordance with the criteria set out in the Governance Rules.

Under the Companies Law, a majority of the Board must be Emirati citizens and, pursuant to the Governance Rules, at least one member of the Board should be female. Furthermore, the members of the Board shall, collectively, have the appropriate skills, knowledge, competencies, experience, diversity and independence to perform their role, in addition to individually fulfilling the nomination criteria detailed in the Governance Rules.

From the date of Admission, the Board is expected to consist entirely of Non-Executive Directors (including the Chairman. All of the Non-Executive Directors, with the exception of Masood Mahmood, who served as the Group's CEO until April 2021, are "independent members of the Board" within the meaning of the Governance Rules and free from any personal business or other relationship that could materially interfere with the exercise of their independent judgement.

The Governance Rules also require that the Board meet at least once every 3 months.

Board Committees

For several years prior to Admission, the Board has operated an Audit, Risk and Compliance Committee and a Human Capital Committee (equivalent to a Nomination and Remuneration Committee). As envisaged by the Governance Rules, with effect from Admission, the Board will rename the Human Capital Committee as the Nomination and Remuneration Committee. The Chairman is not permitted to be a member of either the Audit Committee or the Nomination and Remuneration Committee. If necessary, the Board may establish additional committees as appropriate.

A high-level overview of the mandate of each of these committees, as at Admission, is set out below.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee gives due consideration to the applicable laws and regulations of the UAE, the SCA and the ADX, including the provisions of the Governance Rules.

From an audit perspective, the Audit, Risk and Compliance Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Company's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the relationship with the external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the internal audit function. The ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board. The Audit, Risk and Compliance Committee has taken appropriate steps to ensure that the Company's external auditors are independent of the Company as required by the Governance Rules and has obtained written confirmation from the Company's auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

From a risk and compliance perspective, the Audit, Risk and Compliance Committee assists the Board in discharging its responsibilities relating to the evaluation of current and potential future risk and compliance exposure of the Group. It is responsible for: (i) development and implementation of the Group's governance, risk management, internal control and compliance framework; (ii) development of risk management tools and monitoring the effectiveness of such tools; (iii) development and implementation of risk management strategies; (iv) compliance with regulatory requirements relating to risk management; (v) public reporting on risk management matters; (vi) overseeing the independence and effectiveness of the Risk Management and Internal Control department; and (vii) overseeing the development and implementation of the Group's business plan and strategic priorities and providing recommendations to the Board. The Audit, Risk and Compliance Committee is also tasked with promoting a risk and compliance awareness culture throughout the Group.

The Governance Rules require that the Audit, Risk and Compliance Committee must comprise at least three members who are non-executive Directors (**Non-Executive Directors**) and have knowledge and expertise in financial and accounting matters, and at least two members must be independent. One of the independent members must be appointed as the Chairperson of the Audit, Risk and Compliance Committee. In addition, at least one member is required to have recent and relevant audit and accounting experience. The current members of the Audit, Risk and Compliance Committee are Badr Alolama (Chairman and independent Non-Executive Director), Gaston Urda (independent Non-Executive Director), Adrian Steckel (independent Non-Executive Director), Amal Al Ameri (non-Board member) and Madian Al Hajji (non-Board member). The Audit, Risk and Compliance Committee is required to meet at least four times a year.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board and, in particular, for monitoring the independent status of the independent Non-Executive Directors. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise. In addition, the Nomination and Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, setting the over-arching principles, parameters and governance framework of the remuneration policy and determining the individual remuneration and benefits package of each of the Company's Directors and senior management.

The Governance Rules require the Nomination and Remuneration Committee to be comprised of at least three Non-Executive Directors, of whom at least two must be independent. The chairperson of the Nomination and Remuneration Committee must be chosen from amongst the independent committee members. The current members of the Nomination and Remuneration Committee are Masood Mahmood (Non-Executive Director), Maryam Al Mheiri (independent Non-Executive Director), Rashed Al Ghafri (Chairman and independent Non-Executive Director) and Muna Al Muhairi (non-Board member). The Nomination and Remuneration Committee is required to meet not less than once a year.

Internal Audit

The Group has an independent internal audit function, which reports to the Audit, Risk and Compliance Committee and operates in compliance with the Governances Rules. The internal audit function assesses the design and effectiveness of the Group's Risk Management and Internal Control (**RMIC**) systems and provides assurance to the Audit Committee and senior management.

Moreover, the internal audit function conducts ad hoc financial, information technology, strategic and operational audits and special investigations. Internal Audit conducts its activities based on an annual Internal Audit Master Plan, which is discussed with and approved by the Audit, Risk and Compliance Committee. In order to conduct its duties it has full and unrestricted access to all activities, documents, records, properties and staff.

Quarterly audit reports are submitted to and discussed with the Group's Audit Committee. The Internal Audit function liaises extensively with other governance, risk management, internal control and compliance functions.

Compliance Officer

The Group's Compliance Officer leads the Group's independent ethics and compliance function (the **E&C Office**), which is primarily responsible for overseeing compliance within the organisation and ensuring compliance with laws, regulatory requirements, policies and procedures. The E&C Office provides assurance to the Company's Audit, Risk and Compliance Committee on compliance and integrity in the day-to-day business of the Group. The E&C Office is responsible for ensuring the necessary level of knowledge regarding the existing and potential regulatory compliance requirements of the Group. Additionally, it develops an annual compliance plan that reflects the Group's unique characteristics, providing guidance, training and educational programmes to improve the Group's understanding of relevant compliance topics and requirements. The E&C Office provides strategic guidance to the Group's management regarding compliance and submits compliance reports to the Board. It is also responsible for communicating with regulatory authorities on compliance matters, coordinating internal compliance audit and oversight activities, establishing policies and programmes that encourage employees to report suspected fraud and other inappropriate conduct, and acting upon compliance-related issues.

Risk Management Officer

The Group's Risk Management Officer supports the Group's management by developing and implementing the RMIC framework, and advising on general governance and best practices to ensure effective risk management in order to meet the Group's strategic objectives. This includes integration of risk management in decision-making processes (i.e. business plans, transactions), core business processes and in the overall culture of the organisation.

RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

The Company is and has been a party to various agreements and other arrangements with related parties, comprising of the Government and the Selling Shareholder. Except as set out below, all such transactions are entered into at fair value and there are no contracts, except those entered into in the ordinary course of business, that are or may be material. For information on existing credit facilities and other indebtedness of the Group, see "*Operating and Financial Review—Liquidity and capital resources—Borrowings*". Certain capitalised terms used in this "*Related Party Transactions and Material Contracts*" section may have different definitions from the same terms used in other sections of this Prospectus.

Government Agreements

Capacity Services Agreement

Al Yah Advanced Satellite Communications Services PJSC (the **Supplier**), a wholly owned subsidiary of the Company, entered into a capacity services agreement with the Government (the **Customer**) dated 27 March 2008, as amended on 27 February 2009 and 30 October 2011 (together, the **CSA**). Under the CSA, the Supplier provides to the Customer (and certain other Government customers) certain satellite capacity services (the **Services**) through a satellite system procured, owned, operated and maintained by the Company (the **Satellite System**). The Satellite System comprises two geostationary satellites (respectively Al Yah 1A and 1B, now renamed Al Yah 1 and 2) and associated infrastructure. The Satellite System also includes military ground user terminals and a military network control centre (the **Military Ground Segment**), which have been procured by the Company on behalf of the Customer.

The Services primarily comprise satellite communications capacity on Al Yah 1 (21 Ka band transponders and 2 Ku band transponders) and Al Yah 2 (21 Ka band transponders). The Customer contracted for Services for a period of 15 years, ending on 8 November 2026. In addition to the provision of the Services in accordance with prescribed service levels, the Supplier must (inter alia) comply with strict security requirements and maintain certain prescribed insurances.

The charges in respect of the Services (**Capacity Charges**) are based on the availability of the Services, irrespective of actual usage by the Customer, as the capacity is dedicated to the Customer. Where capacity is not already in use, it may be marketed to third parties, including government customers in the region, with third party sale revenues shared between the Supplier and the Customer.

Capacity Charges were initially set at approximately U.S.$214 million per annum, with 30 per cent. of the Capacity Charges increased at a fixed compounded growth rate of 3 per cent. per annum. Payment is in US Dollars on a semi-annual basis in advance. The Capacity Charges include fixed and variable costs and have been sized to cover amounts required by the Supplier to cover its debt service under the project finance facility used for the construction and development of the Satellite System (such debt originally being provided by a syndicate of banks under Term Loan 1 but subsequently acquired by Yahsat Treasury Sole Proprietorship LLC, a wholly-owned subsidiary of the Company). After discharge of all liabilities under the project financing facility relating to the Satellite System (expected to occur in December 2022), the Supplier shall subsequently set-off in each payment period an amount received by it as a down payment from the Customer (being U.S.$291 million) against the subsequent payment of Capacity Charges and lease charges (if applicable) by the Customer, until the amounts deducted in aggregate equal the down payment received as at that date. The Customer is required to maintain a letter of credit covering six months of the Capacity Charges, as security for their payment obligations.

Capacity Charges may be reduced to a limited extent by service credits, which will be applied if the Supplier is unable to provide the Services to the Customer in accordance with the agreed service levels. Service credits may not reduce the Capacity Charges by more than 13 per cent. or 50 per cent. (before or after repayment of the project financing, respectively) in any given six month period.

The Supplier may terminate the CSA in limited circumstances for Customer default, including unremedied payment default, failure to maintain the prescribed revolving letter of credit or certain expropriation events.

The Customer may terminate the CSA in certain circumstances, including (without limitation) material breach by the Supplier, failure to comply with prescribed security requirements, permanent service level failure beyond an agreed threshold, force majeure and change of control (broadly the Government ceasing to hold 51 per cent. of the Supplier).

In all cases of termination (including Supplier default, Customer default and termination by Customer for convenience), the Customer is required to make a termination payment to the Supplier, with such termination payment varying depending on the situation giving rise to the termination.

Both parties indemnify each other against all claims in respect of any injury or death caused to or suffered by any member of the other party and any third party, and loss of or damage to any property of the other party, as a result of performance by, negligence or wilful default of the indemnifying party. The Supplier also indemnifies for the Contractor under a related supply agreememt. Such liabilities are limited as detailed in the CSA.

T4-NGS Capacity Services Agreement

Star Satellite Communications Company PrJSC (**Star**), a wholly owned subsidiary of the Company, and the Government are party to a contract dated 17 June 2021 for the provision of L-Band Satellite Communication Services.

The contract is expressed to be divided into two phases, being:

(a) an integration phase during which Star will be responsible for the construction of a satellite, ground station, networks systems and the provision of service equipment to the Government; and

(b) an operational phase during which Star will provide managed L-band capacity services to the Government on the terms of this agreement.

The term of the contract is a maximum of 20 years, with the integration phase lasting for a duration of up to five years and the operational phase lasting for 15 years thereafter. Star shall propose renewal terms at least 24 months prior to end of the term of the contract, at the lowest possible price based on reasonable commercial considerations, and within prescribed upper and lower limits. The Government has the discretion to reject the renewal proposals.

The total value of the contract is AED 2,601,900,000 exclusive of VAT, to be paid as follows:

(a) an advance payment of AED 1,101,900,000 to be paid in two equal instalments during the integration phase (in 2022 and 2023). The advance payment will be set off against service charges over 60 quarters during the operational phase (approximately AED 18.3 million per quarter); and

(b) a total amount of AED 1,500,000,000 (after setting off the advance payment) for operating services to be paid in quarterly instalments in arrears during the operational phase, representing a net amount of AED 25,000,000 per quarter.

In the event that the Government requests additional capacity during the term of the contract, Star undertakes to provide such additional capacity depending on availability at prescribed prices. The Government or Star may request to resell some of the Government's dedicated capacity based on a profit share basis and subject to certain limitations and conditions.

Service credits apply quarterly to specified services and are limited to 10 per cent. of the quarterly gross service charge. However, if the space segment availability rate over a given quarter falls below 70 per cent., the corresponding quarterly service charge is forfeited entirely.

During the integration phase, liquidated damages for delay in launch and commencement of services may become due and accrue on a daily basis up to a maximum of 10 per cent. of the value of the advance payment. If the relevant delay is caused by another contractor, Star will be responsible for a portion of such liquidated damages only.

During the operational phase, if Star fails to provide a service and the Government is unable to implement the service credits, liquidated damages will accrue on a weekly basis up to 10 per cent. of the value of that service. The Government also has a risk purchase right at Star's expense (including a 5 per cent. uplift).

The Government may terminate the contract, if (inter alia) (i) Star fails to perform the contract or commits a breach, which has not been remedied within two months of its occurence; (ii) service levels fall below 70 per cent. for three consecutive or 10 non-consecutive quarters; (iii) Star engages in corruption or fraud; (iv) Star becomes insolvent; (v) a force majeure event occurs for more than 90 days; or (vi) Star assigns the contract whether fully or partially without the consent of the Government. In general, upon termination by the Government, Star must reimburse the remaining unamortized amount of the advance payment.

The Government may also terminate for convenience by giving three months' notice at any time during the operational phase, upon payment of 100 per cent. of the remaining service charges up to 8th anniversary of service commencement (if terminating before the 8th anniversary), plus 50 per cent. of the service charges that would have applied from the 8th anniversary until the end of the term of the contract (less the unamortized amount of the Government's advance payment).

Either party may terminate the contract where (i) the T4 satellite manufacturing contract terminates or (ii) there is a capacity failure. Financial consequences of termination will depend on whether the Government is in default of its obligations under the contract at time of such termination. Where the Government is in default, it forfeits its right to the return of the advance payment, and where it is not in default, the Government will be reimbursed on a "rateable refund" basis.

Operation and Maintenance Agreement

Star and the Government are party to an operations, maintenance and training contract dated 16 April 2019 pursuant to which Star agrees to provide certain services relating to satellite communications, operations, maintenance and training (**O&M Agreement**).

The performance by Star of its obligations is assessed against certain key performance indicators (**KPIs**) every three months pursuant to a schedule specified in the O&M Agreement. The total value of the O&M Agreement is AED 236,000,000 and covers the period up to 15 September 2020. Payment for the services are to be made in quarterly instalments in accordance with the invoicing process set out in the O&M Agreement.

If there is a delay by Star in providing any of the services, a penalty ranging from 1 per cent. up to a maximum of 10 per cent. of the price of the relevant services will be levied, depending on the duration of the delay. The Government also has the right to engage another service provider, at Star's cost, to provide any service that Star fails to provide, or to terminate the relevant part of the O&M Agreement which relates to that service and make deductions in relation to the price of such services from the performance bond provided by Star under the O&M Agreement.

Star agrees provide certain indemnities to the Government, including an indemnity against all claims in respect of injury or death caused to or suffered by any personnel of the Government or any third party, and loss of or damage to any property of the Government. The maximum liability of Star under such indemnities shall not be exceed the value of the O&M Agreement.

A performance bond for 10 per cent. of the value of the O&M Agreement is provided by Star to the Government, and which is to remain in place until expiry of the warranty period under the O&M Agreement (being the period ending three months after the last final acceptance certificate given by the Government).

The Government may terminate the O&M Agreement in circumstances which include failure to meet the prescribed KPIs for certain durations, negligence or wilful misconduct in the provision of services, fraud or refusal or failure by Star to comply with the Government's instructions without justification. In all cases of termination by the Government, the Government may enforce the performance bond and reserves its right to any damages it may be entitled to.

Star may terminate the O&M Agreement in limited circumstances only such as the occurrence of force majeure events that last longer than 3 months.

The O&M Agreement had a term which expired on 15 September 2020, but was renewed until 15 March 2021. Star has been requested by the Government to extend the O&M Agreement for a further term expiring on 31 December 2021 and on the same terms and conditions in the O&M Agreement. Pursuant to both extensions, fees are payable on a quarterly basis at the same rates already in the O&M Agreement (but pro rated for the relevant extension periods). A new O&M contract is expected to be signed at the end of 2021. The new O&M contract is expected to expire at the end of 2026 and may add up to a further U.S.$175 million to the Group's existing contracted backlog for Managed Solutions.

Purchase Agreements

Airbus Agreement

Star entered into an agreement dated 20 August 2020 with Airbus Defence and Space SAS (**Airbus**), as amended on 20 December 2020 (the **Airbus Agreement**), for the construction and supply of a next generation communications satellite known as Thuraya 4-NGS (**Thuraya 4** or the **Satellite**), and the option to procure an additional satellite designated as Thuraya 5-NGS (**Thuraya 5**).

Under the Airbus Agreement, the key elements of the work to be performed by Airbus are the provision of: Spacecraft; a dynamic software simulator for the Satellite; launch support services; training; and procurement of launch and on-orbit insurance.

Star's main responsibilities under the Airbus Agreement include, but are not limited to, providing reasonable assistance to Airbus in obtaining necessary UAE government approvals, obtaining and maintaining necessary orbital location, frequency spectrum and other approvals, identifying and liaising directly with the designated launch agency in relation to the launch of Thuraya 4, making payments to Airbus and providing Airbus with access to staff and premises in order to install ground equipment.

Star is required to pay, on an instalment basis, a fixed price for the purchase of the Satellite and the other elements of the work under the Airbus Agreement. Payment is due upon the full, satisfactory and timely completion and delivery of the items of the work for each payment milestone (as per the payment plans set out in Amendment No. 1) and upon acceptance by Star. The total contract price is U.S.$301,325,200, payable in accordance with the payment schedule set out in Amendment No. 1. The last invoice submission date is 27 May 2024, with payment due within 45 days of receipt of the relevant invoice.

Star has the benefit of an advance payment guarantee and/or a performance bond if Airbus' credit rating is reduced to BBB. Airbus may be required to refund a certain amount of the price in the event of sub-standard or degradation of performance of the Satellite during its service life (within certain parameters described in the Airbus Agreement).

The Airbus Agreement contains a schedule for delivery of the Satellite / works, and liquidated damages accrue to reflect the cumulative delay in the delivery schedule and only become due and payable by Airbus following achievement of a specified milestone.

Star has the option to purchase additional equipment and/or services from Airbus. Such option relates specifically to the procurement of Thuraya 5, an additional satellite (Thuraya 6) in case Thuraya 4 is not successfully deployed, additional satellite storage for up to four and a half years, additional fuel life, additional support, and an extension to Airbus' operation of the Satellite. Airbus has opted to integrate increased power features (additional solar array and thrusters) which may be deployed to reduce orbit raising time in case of delay in the programme.

Star may terminate the Airbus Agreement for convenience at any time before the launch of the Satellite (as defined in the Airbus Agreement) upon written notice to Airbus, in which case Airbus will be entitled to receive certain liquidated damages to be calculated in accordance with the Airbus Agreement. If Star terminates as a result of Airbus' default, Star is entitled to a refund of any payments relating to the terminated portion of the work plus additional amounts as liquidated damages.

Airbus has a termination right under the Airbus Agreement upon the occurrence of certain events, limited to the insolvency of Star or upon a breach by Star of its payment obligations.

Under the Airbus Agreement, Airbus grants to Star certain non-exclusive, royalty free, worldwide licences to use certain software and other intellectual property rights provided by Airbus to Star as part of the deliverables under the Airbus Agreement. Airbus also agrees to indemnify Star, its affiliates and consultants, and any key customer of Star from all liability resulting from any third party infringement claim in relation to the intellectual property rights in respect of the work, including the Satellite and ground segment items. Star indemnifies Airbus against any liability arising out of any infringement claim in relation to any patent, registered design, copyright, trade mark or trade name, resulting solely from the use or possession by Airbus of Star proprietary materials supplied under the Airbus Agreement.

Equity Partnership Agreements

BCS Equity Partnership

Star, the Company, Hughes Network Systems Holdings (UK) Ltd (**Hughes**), Hughes Network Systems LLC (**Hughes Parent**) and Broadband Connectivity Solutions (Restricted) Limited (**BCS**) entered into a joint venture agreement dated 6 December 2018 in relation to BCS, a restricted scope company established in the Abu Dhabi Global Market owned by Star (80 per cent.) and Hughes (20 per cent.) (the **BCS JVA**). In return for shares in BCS, Star contributed to BCS certain identified assets to enable BCS to carry on its business and certain insurance monies (representing loss of use on the satellite Al Yah 3 due to an anomaly experienced by Al Yah 3), and Hughes contributed an amount of U.S.$100 million.

Under the terms of the BCS JVA, BCS shall provide commercial geostationary Ka-band satellite broadband services in Africa, the Middle East and South West Asia, both directly and indirectly to end-users, for the purposes of providing broadband internet and other connectivity solutions (the **BCS Business**).

Star, as majority holder of BCS, may appoint up to three directors, and Hughes, as minority holder of BCS may appoint up to two directors. All decisions of the board of directors are to be approved by a majority of votes cast. Certain material decisions are reserved to the unanimous approval of the shareholders.

Hughes may, under certain circumstances, within the first three years of the term of the BCS JVA, elect to subscribe for additional shares (which may be such number of shares determined by Hughes that does not result in Hughes holding more than 40 per cent. of the entire issued share capital of BCS on a fully diluted basis) at fair value by serving written notice on Star and BCS.

Either Star or Hughes may require BCS to proceed with a proposed capacity expansion plan (**Capacity Expansion Plan**). The cost of any Capacity Expansion Plan must not exceed U.S.$500 million and should be funded by BCS cash before any new debt or equity is raised. If it is determined that equity investment is required for the Capacity Expansion Plan, the first U.S.$60 million of the required funding shall be funded through an issue of shares in BCS to Hughes at a subscription price per share of U.S.$0.90 (assuming Hughes wishes to participate in the Capacity Expansion Plan). The balance of the required funding shall be funded through an issue of shares in BCS at a subscription price per share of U.S.$1 (assuming each of Hughes and Star wish to participate in the Capacity Expansion Plan).

The BCS JVA contains a number of events of default resulting in the termination of the joint venture, which include (without limitation) (i) a change of control of a shareholder without the prior written consent of the other shareholder; or (ii) if a shareholder's holding in BSC falls below 10 per cent. of the issued share capital of BCS. Upon the occurrence of an event of default, the non-defaulting shareholder may have the right to purchase the defaulting shareholder's shares in BCS at fair value and, in certain limited circumstances, may have the right to require the defaulting shareholder to purchase its shares in BCS.

In addition to the BCS JVA, Star, Hughes and BCS Investments LLC (**BCS LLC**, an operating company established pursuant to the BCS JVA and wholly owned by BCS) entered into a deed of contribution and associated ancillary documents dated 6 December 2018 (the **BCS Contribution Deed**) under which Star contributed certain assets, liabilities and employees as a going concern (the **BCS Contributed Assets**) to BCS LLC to enable it to carry out the BCS Business. The transfer of the BCS Contributed Assets was structured as a contribution to the capital of BCS, which in turn contributed such assets to BCS LLC. Star may also be required to contribute other assets held by its group that are identified as being exclusively used in the BCS Business. Except as required under the BCS Contribution Deed, no shareholder of BCS is obliged to contribute any funds or assets or give any security or guarantee on behalf, or for the benefit, of BCS or any group company.

Hughes do Brasil

Star, the Company, Hughes Network Systems LLC (**HNS LLC**) and HNS Participações e Emrpeendimentos S.A. (**HPE**) entered into a joint venture agreement dated 29 November 2019 in relation to HPE, a corporation established under the laws of Brazil (the **Brazil JVA**). Star was issued a number of shares equivalent to a 20 per cent. shareholding in HPE in return for its contribution to HPE of the company Yah Latam Holding SA in order to enable HPE to carry on certain business in Brazil. HNS LLC (which was already a shareholder in HPE) retained a shareholding equivalent to 80 per cent in HPE in consideration for retaining in HPE its contribution of the business that was then currently operated by HPE in Brazil.

Under the terms of the Brazil JVA, HPE shall provide (a) commercial broadband services and (b) enterprise solutions in Brazil, both directly and indirectly to end-users, for the purposes of providing broadband internet and other connectivity solutions (the **Brazil Business**).

HNS LLC, as majority holder of HPE, may appoint up to three directors, and Star, as minority holder of HPE, may appoint up to two directors. All decisions of the board of directors are to be approved by a majority of votes cast. Certain material decisions are reserved to the unanimous approval of the shareholders.

Star may, at any time within the first three years of the term of the Brazil JVA, subscribe for additional shares in HPE at fair value, up to a maximum number of shares equal to 10 per cent. of the fully diluted share capital as at the date of the Brazil JVA.

Each shareholder agreed to provide HPE further funding in accordance with its equity proportion, such funding to be subject to annual cumulative caps between 2019 to 2021, and which from 2021 onwards may not exceed U.S.$200 million in aggregate. The full amount has now been funded by the shareholders.

Either of HNS LLC or Star may, at any time, propose to the HPE board a capacity expansion plan regarding additional Brazilian capacity (**Follow-On Capacity**). The cost of any such Follow-On Capacity must not exceed U.S.$500 million and must comprise of at least 30 per cent. debt financing, with the remaining portion funded by HNS LLC and Star. If the board of HNE determines that additional equity funding from HNS LLC and Star is required for the Follow-On Capacity then HNE shall offer shares to both HNS LLC and Star at fair value. Each of HNS LLC and Star may choose to subscribe for further shares, opt-out of the option or defer the option for 24 months.

The Brazil JVA contains a number of events of default resulting in the termination of the joint venture, which include (without limitation) (i) a change of control of a shareholder without the prior written consent of the other shareholder; or (ii) if a shareholder's holding in HPE falls below 10 per cent. of the issued share capital of HPE. Upon the occurrence of an event of default, the non-defaulting shareholder will have the right to purchase the defaulting shareholder's shares at fair value and, in certain limited circumstances, may have the right to require the defaulting shareholder to purchase its shares in HPE.

In addition to the Brazil JVA, Star, HNS LLC and HPE entered into a deed of contribution and associated ancillary documents dated 29 November 2019 (the **Brazil Contribution Deed**) under which Star contributed certain assets, liabilities and employees (the **Brazil Contributed Assets**) to HPE (which holds and operates HNS' existing business in Brazil) to enable it to carry out the Brazil Business. Star contributed its wholly-owned subsidiary operating in Brazil. If any other assets held by a member of Star's or HNS LLC's group are identified as being exclusively used in the Brazil Business, then Star and HNS LLC are obligated to procure that such assets be transferred to HPE. Except as required under the Brazil Contribution Deed, or as stated above, no shareholder of HPE is obliged to contribute any funds or assets or give any security or guarantee on behalf or for the benefit of HPE or any group company.

Principal and Selling Shareholder

The following table sets forth information regarding the ownership of the Shares (i) as at the date of this Prospectus, with a total share capital of 2,439,770,265 shares of AED 1.00 each, and (ii) immediately following the Global Offering, assuming that the Selling Shareholder sells all of the Shares being offered. For more information, see "*Summary—Overview*".

	As at the date of this Prospectus		Immediately following the Global Offering[(1)]	
	Number of Shares	**Percentage**	**Number of Shares**	**Percentage**
Shareholder				
Mamoura Diversified Global Holding PJSC	2,439,770,265	100%	1,463,862,159	60%

Note:
(1) Assumes that the maximum number of Shares offered in the Global Offering are sold. A minimum of 731,931,080 and a maximum of 975,908,106 Shares are being offered in the Global Offering.

No holder of Shares has voting rights that differ from those of any other holders of Shares. As of the date of this Prospectus, the Company is not aware of any arrangements that may result in a change in control of the Company.

DESCRIPTION OF SHARE CAPITAL

History and Conversion

The Company was established on 23 January 2007 by the Selling Shareholder as a private joint stock company in the Emirate of Abu Dhabi, UAE.

On 17 June 2021, the Company converted to a public joint stock company established in the Emirate of Abu Dhabi.

Share Capital

Set out below is a summary of certain information concerning the shares, certain provisions of the Articles of Association to be adopted with effect from, and conditional upon, Admission, and certain requirements of applicable laws and regulations in effect as at the date hereof. This summary does not purport to be complete.

On incorporation as a private joint stock company, the Company's share capital was AED 10 million divided into 10,000,000 shares of AED 1.00 each.

After conversion of the Company from a private joint stock company to a public joint stock company, the Company's share capital increased to AED2,439,770,265, divided into 2,439,770,265 Shares of AED 1.00 each, which will have been subscribed by the Selling Shareholder in full. This process was completed on 17 June 2021. As at the date of this Prospectus, the Company's share capital consists of 2,439,770,265 Shares, each with a nominal value of AED 1.00.

The Selling Shareholder will offer a minimum of 30 per cent. and a maximum of 40 per cent. of the Company's share capital for sale as part of the Global Offering.

Memorandum and Articles of Association

The rights and responsibilities of the shareholders are set out in the Companies Law and the Articles of Association. A summary of such key rights and responsibilities is set out below:

General

- The right to dividend distributions.
- The right to a proportionate share of the net assets of the Company upon liquidation.
- The right to attend and vote at the general assembly of the Company (the **General Assembly**) and receive a copy of the Company's financial statements.
- The right to appoint the auditors of the Company through the General Assembly and determine their remuneration.
- The liability of each shareholder is limited to the payment of the unpaid amount (if any) of the subscription value of the shares held. The subscription monies on all Shares being offered in the Global Offering are fully paid.

Shares

All Shares carry equal voting rights and rank *pari passu* in all other rights (including dividend rights) and obligations.

Voting rights

Each shareholder has the right to attend the General Assembly and has a number of votes equal to the number of their Shares.

Share register

Upon listing on the ADX, the Shares will be dematerialised and the share register will be maintained by the ADX.

Rights attaching to Shares

The Shares are indivisible. In the event that ownership of a Share devolves by inheritance upon several heirs, or was held by several persons, those persons are to select one of them to represent them towards the Company.

Each Share confers upon its owner an equal right to a share of the Company's assets at the time of liquidation and a share of profits, and to attend the General Assemblies and vote on any proposed resolution at a General Assembly.

Financial year

The financial year of the Company starts on 1 January and ends on 31 December of each year.

Dividends

Dividends due on Shares are to be paid to the owner of those Shares who is registered in the share register of the Company, in accordance with the regulations, resolutions and circulars issued by the Authority in this respect. Each shareholder has an exclusive right to such payments made on its share, in the form of a share in profits of the Company.

The General Assembly is to determine a percentage from the annual net profits of the Company (after allocation to the statutory reserve (where required) and deduction of costs and expenses) to be distributed to the shareholders, provided that during any year, if the net profit does not allow distribution of dividends, the shareholders may not demand to receive dividends from the profits of the subsequent years.

The members of the Board are to receive remuneration, to be specified by the General Assembly on an annual basis, provided that such remuneration does not exceed 10 per cent. of the net profits for the financial year after deducting depreciations and statutory reserve.

The remaining net profits of the Company are to be, upon recommendation from the Board, either distributed in whole or in part among the shareholders, or shall be carried over to the following year or shall be allocated to create a voluntary reserve.

Board of directors

The Board has broad authority to manage the Company's affairs and to perform all tasks that are not specifically reserved for the General Assembly.

Appointment

The Company is managed by a Board composed of nine members. The members of the Board are elected by the General Assembly by secret ballot using the Cumulative Voting Procedure. The Chairman and the majority of the Board must be UAE nationals.

Candidates proposed for election as members of the Board must satisfy the nomination conditions specified from time to time by the Nomination and Remuneration Committee of the Company.

Each member of the Board is appointed for a term of three years, and it is permissible for members of the Board whose tenure has expired to be re-appointed.

Appointment of the Chairman and the Powers of the Chairman

The Articles of Association provide that the Board is to elect, by secret ballot in the first meeting following the election of the members of the Board, from amongst their members, a Chairman and a Vice Chairman. The Chairman is the legal representative of the Company and represents the Company before the judiciary and third parties, and implements the resolutions adopted by the Board. The Vice Chairman shall assume the role of Chairman in the Chairman's absence or if the Chairman is unable to act.

It is not permissible for the same individual to contemporaneously hold the position of Chairman and managing director of, or any other executive function in, the Company.

In the event that there is an equality of votes by the members of the Board, then the Chairman (or his/her deputy) has a casting vote.

Liability of the Board

The Chairman and other members of the Board are liable towards the Company, the shareholders and third parties for all acts of fraud, abuse of power, violation of the Companies Law and violation of the Articles of Association, in addition to mismanagement.

The liability of the members of the Board is joint if the mismanagement resulted from a unanimous resolution of the Board. However, where the relevant resolution was adopted by a majority vote, the dissenting members of the Board will not be liable provided that they have recorded their objection in the minutes of the meeting. A member of the Board who was absent from the meeting in which the resolution was adopted will not be relieved from liability unless it can be proven that he/she had no knowledge of the resolution or that he/she knew about the resolution but had not been able to object to it.

The Company has the right to file a claim against the Board for errors that may result in damages to all the shareholders, pursuant to a resolution issued by the General Assembly to appoint a representative to initiate such a claim. Any shareholder may independently file a claim before the courts against the Company, the Board or the Company's executive management if they sustain damage as a result of an act performed by any of them in violation of the Companies Law.

Meetings of the Shareholders of the Company

The Board may call a General Assembly whenever it deems it necessary, at such time and location as it may determine (subject to the applicable notice period being observed), provided the General Assembly is convened in the Emirate of Abu Dhabi.

The General Assembly must convene at least once per year upon summons issued by the Board within four months following the end of the financial year. This annual General Assembly shall convene to: (i) discuss and review the Board's report on the Company's activities; (ii) discuss and review the Company's financial position during the year; (iii) discuss and review the auditor's report; (iv) approve the Company's financial statements; (v) approve the method for distributing profits; (vi) elect members to the Board, when necessary; (vii) appoint the Company's auditor and determine their fees; and (viii) release the members of the Board and the auditor from liability or decide to initiate proceedings against them, as the case may be.

The Board must invite the General Assembly to convene whenever requested by the Authority or by the Company's auditor or by shareholders holding at least 10 per cent. of the Company's share capital. The invitation to convene the General Assembly must, in all cases, be issued within five days of the date of the request. In such cases, the General Assembly meeting shall be held within a period not exceeding 30 days from the date of the invitation.

Invitation and notice period

A General Assembly is convened by a notice from the Board. After obtaining the Authority's approval, notice to the shareholders must be sent by registered mail, and published in two daily newspapers published in the UAE, at least one of which must be in the Arabic language, or as may be specified by the Authority, at least 15 days prior to the scheduled date of the General Assembly. The notice must include an agenda. Copies of the invitation and the agenda must also be sent to the Authority and the competent authority.

Agenda

The agenda of the General Assembly is to be set by the Board. However, in cases where the General Assembly is convened at the request of the shareholders, the auditors or the Authority, the agenda is to be set by the party requesting the convening of the General Assembly.

It is not permissible for the General Assembly to deal with matters other than those set out in the agenda. However, the General Assembly may be permitted to discuss important matters revealed during the meeting, matters requested by the Authority, or matters requested to be included by shareholders representing at least 5 per cent. of the share capital of the Company who ask at the start of the General Assembly.

Registration

A shareholder who wishes to attend a General Assembly must register their name in the electronic register kept for that purpose at the place of the General Assembly meeting prior to the convening of the General Assembly. Such register is to include the name of the shareholder, the number of Shares they own or represent, the names of the represented shareholders (if any), and the appropriate letters of authorisation and powers of attorney.

Quorum

Registration for attending a General Assembly shall be closed at the time determined in the notice to attend the relevant meeting. Immediately thereafter, the chairman of the meeting shall announce the existence or absence of a quorum.

There shall be a quorum present at a General Assembly if shareholders holding (or representing by proxy) at least 50 per cent. of the share capital of the Company are present. If quorum is not present at the first meeting of the General Assembly, the General Assembly shall be adjourned to another meeting to be held at least five days, but not in excess of 15 days, from the date of the first meeting. There will be a quorum present at the second meeting irrespective of the number of shareholders present.

Rights of Shareholders at General Assemblies

Every shareholder is entitled to attend the General Assemblies and vote on any proposed resolution at a General Assembly. Any shareholder may appoint a proxy, who must not be a member of the Board, to attend the General Assembly on their behalf. Such authorisation is to be considered valid if it is confirmed by a written proxy according to conditions set by the Board. In all cases, the proxy holder may not in such capacity hold more than 5 per cent. of the Shares of the Company. Incapacitated shareholders must be represented by their legal representatives. A corporate person may delegate the power to represent it in the General Assembly to its representative, or to those in charge of its management or any of its employees, pursuant to a resolution of its board of directors or equivalent.

Ordinary resolutions of the General Assembly are passed when the shareholders or proxies/representatives holding the majority of the Shares present at the meeting of the General Assembly vote in favour. Special resolutions of the General Assembly are passed when shareholders or proxies/representatives holding at least 75 per cent. of the Shares present at the meeting of the General Assembly vote in favour.

Chairing the General Assembly

The General Assembly is to be chaired by the Chairman of the Board or, in his/her absence, the Vice Chairman of the Board or, in the absence of both of them, by any Director so appointed by the Board for that purpose. If the Board does not choose a Director for such purposes, the meeting shall be chaired by a person elected by the General Assembly. The chairman of the General Assembly is to recommend the appointment of a secretary for the meeting and a vote collector to be approved by the General Assembly. In the event that the General Assembly considers a matter relating to the chairman of the General Assembly, it must select a shareholder to chair the meeting during such time.

The Company must record the minutes of meetings of the General Assembly, and confirm attendance in records maintained for this purpose. These minutes are to be signed by the chairman of the General Assembly, the secretary of the General Assembly, the vote collector and the Company's auditors. Signatories to the minutes shall be responsible for the accuracy of the information contained therein.

Transfer of Shares

The Articles of Association provide that, if the Shares are listed on a financial market, the Company must comply with the laws, regulations and decisions which are applicable to that financial market in relation to the issuance and registration of Shares, the transfer and trading of those Shares, and any rights arising therefrom. No transfer of, dealing in or pledging of shares in the Company is to be recognised if such transfer, dealing or pledge would result in contravention of the Articles of Association or any rules and regulations issued by the Board in this regard.

Unless the Board resolves otherwise and without prejudice to the related applicable laws and government resolutions in the UAE, ownership of Shares by UAE nationals and GCC nationals must not, at any time, fall below 51 per cent. of the Company's share capital.

Pre-emption rights

If the Company carries out an increase in share capital, all shareholders have a pre-emption right to subscribe for their proportionate share in such capital increase, save that such pre-emption right shall not apply in the following circumstances:

(a) the Company establishing and operating employee incentive schemes;

(b) a strategic partner becoming a shareholder;

(c) conversion of the Company's debts, sukuk or bonds into Shares;

(d) merger with another company; or

(e) the Company acquiring an existing company and issuing new shares in the Company to the partners or shareholders of that acquired company.

Winding-up

The Company is incorporated for a 100 year term, which is renewable automatically for consecutive similar terms unless a special resolution dissolving the Company is passed by the General Assembly.

The Company may be dissolved for any of the following causes: (i) the expiration of the term of the Company, unless it is renewed in accordance with the rules set out in the Articles of Association; (ii) the expiration of the objects for which the Company was established; (iii) the term of the Company is terminated by a special resolution passed by the General Assembly; or (iv) merging the Company with another company.

Related Party Transactions

The Company will comply with requirements prescribed under the Governance Rules for listed public joint stock companies and any other rules and regulations issued by the Authority concerning dealing with related party transactions.

Form of Notices and Communications

Unless the Articles of Association expressly require otherwise, any notice, document or information to be sent or supplied by the Company to shareholders (including forms of appointment of a proxy and copies of the Company's annual accounts) may be sent or supplied in hard copy form, in electronic form (for example, by email or facsimile) or by means of the Company's or another website.

TAXATION

Certain U.S. federal income tax consequences

The following discussion is a summary of certain U.S. federal income tax consequences to U.S. Holders and Non-U.S. Holders (each as defined herein) relating to the acquisition, ownership and disposition of the Shares. This summary does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to a particular person's decision to acquire the Shares. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**) and U.S. Treasury regulations promulgated thereunder, as well as judicial and administrative interpretations thereof, in each case as in effect as at the date of this Prospectus. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below, and there can be no assurance that the U.S. Internal Revenue Service (the **IRS**) or U.S. courts will agree with the tax consequences described in this summary.

This summary applies only to U.S. Holders and Non-U.S. Holders that purchase Shares in the Global Offering and hold the Shares as capital assets (generally, property held for investment). This summary does not address any U.S. federal estate and gift tax, alternative minimum tax or Medicare tax on net investment income consequences, or any U.S. state or local or non-US tax consequences.

This summary also does not address the tax considerations that may be relevant to certain types of investors subject to special treatment under U.S. federal income tax laws, such as banks and other financial institutions; insurance companies; regulated investment companies or real estate investment trusts; dealers or traders in securities or commodities that use a mark-to-market method of accounting; broker-dealers; tax-exempt organisations, retirement plans, individual retirement accounts and other tax-deferred accounts; persons holding the Shares as part of a straddle, hedging, conversion or integrated transaction for U.S. federal income tax purposes; U.S. Holders and Non-U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar; any entity or arrangement classified as a partnership for U.S. federal income tax purposes or investors therein; persons who own or are deemed to own, directly or indirectly, 10 per cent. or more of the total combined voting power of all classes of the Company's voting stock; or persons holding the Shares in connection with a trade or business conducted outside the U.S.

As used in this discussion, the term **U.S. Holder** means any beneficial owner of the Shares that is for U.S. federal income tax purposes:

- a citizen or individual resident of the U.S.;
- a corporation created or organised in the U.S. or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A **Non-U.S. Holder** is a beneficial owner of Shares that is neither a partnership nor a U.S. Holder.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds the Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships considering an investment in the Shares and partners in such partnership should consult their tax advisers regarding the specific U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the Shares.

THE DISCUSSION BELOW IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. PROSPECTIVE INVESTORS SHOULD

CONSULT THEIR OWN TAX ADVISERS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SHARES.

Dividends and Other Distributions

Subject to the passive foreign investment company (**PFIC**) rules discussed below, the gross amount of any distribution made by the Company to a U.S. Holder with respect to the Shares generally will be included in such holder's gross income as non-U.S. source dividend income to the extent that the distribution is paid out of the Company's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that any distributions generally will be reported to U.S. Holders as dividends. Any dividends the Company pays will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations. The Company does not expect that distributions will be eligible for the reduced qualified dividend income rate.

The amount of any distribution paid in UAE dirhams will be included in income in an amount equal to the U.S. dollar value of such UAE dirhams on the date the distribution is actually or constructively received by a U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. The U.S. Holder will have a basis in such UAE dirhams received equal to such U.S. dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includable in the income of the U.S. Holder to the date such payment is converted into U.S. dollars (or the U.S. Holder otherwise disposes of the UAE dirhams) will be foreign currency exchange gain or loss and will be treated as U.S. source ordinary income or loss for foreign tax credit limitation purposes. If all UAE dirhams are converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognise foreign currency gain or loss in respect of the distribution.

Any dividends the Company pays to U.S. Holders generally will constitute non-U.S. source "passive category" income for foreign tax credit limitation purposes.

Sale, Exchange or Other Taxable Dispositions of Shares

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognise taxable gain or loss on any sale, exchange or other taxable disposition of a Share in an amount equal to the difference between the amount realised for the Share and the holder's tax basis in the Share. The gain or loss generally will be capital gain or loss, and generally will be a long-term capital gain or loss if the U.S. Holder has held the Share for more than one year at the time of disposition. For certain non-corporate taxpayers (including individuals), long-term capital gains are subject to tax at favourable rates. The deductibility of capital losses is subject to limitations.

If upon the sale, exchange or other taxable disposition, a U.S. Holder receives consideration for the Shares in a currency other than the U.S. dollar, the amount realised generally will be the U.S. dollar value of the amount received determined by reference to the spot rate of exchange on the date of such sale or other disposition. However, if the Shares are traded on an "established securities market" (within the meaning of the applicable Treasury regulations) and the U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer that has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS), such holder will determine the U.S. dollar value of the amount realised in the foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. An accrual basis U.S. Holder that does not make the special election will recognise exchange gain or loss (taxable as ordinary income or loss) to the extent attributable to the difference between the exchange rates on the trade date and the settlement date. The U.S. Holder's tax basis in the Shares generally will equal the cost of the Shares to the U.S. Holder. If a U.S. Holder uses foreign currency to acquire Shares, the cost of the Shares to such holder generally will be the U.S. dollar value of the foreign currency purchase price determined by reference to the spot rate of exchange on the date of purchase. However, if the Shares are treated as traded on an established securities market and the U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer that has made the special election described above, such holder will determine the U.S. dollar value of the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. Any gain or loss that a U.S. Holder recognises on a disposition of a Share generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes. U.S. Holders should consult their tax advisers regarding the proper treatment of any gain or loss in their particular circumstances, including the effects of any applicable income tax treaties.

Passive Foreign Investment Company Considerations

Based on the present nature of its activities, including the Global Offering and the present composition of its assets and sources of income, the Company believes that it was not a PFIC for the taxable year ended 31 December 2020 and, based on the nature of its business, and the current and anticipated composition of its income and assets, the Company does not expect to be treated as a PFIC for U.S. federal income tax purposes in the current taxable year or any future taxable year. However, this is a factual determination made annually after the close of each taxable year, based on the Company's composition of income and assets. Accordingly, the Company cannot provide any assurance that it will not be a PFIC for the current or any future taxable year. A non-U.S. corporation will be classified as a PFIC for any taxable year if at least 75 per cent. of its gross income consists of passive income (such as dividends, interest, rents, royalties or the excess of gains over losses from the disposition of assets that produce passive income), or at least 50 per cent. of the average value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce, or are held for the production of, passive income (including for this purpose its pro rata share of the gross income and assets of any corporation in which it is considered to own at least 25 per cent. of the shares, by value). If the Company were characterised as a PFIC for any taxable year in which the U.S. Holder held the Shares, such U.S. Holder would suffer adverse tax consequences. These consequences may include having gains realised on the disposition of the Shares treated as ordinary income rather than capital gains, and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of the Shares. U.S. Holders also would be subject to annual information reporting requirements if the Company were a PFIC. U.S. Holders should consult their own tax advisers regarding the application of the PFIC rules to their ownership of the Shares, including whether certain elections may be available that would result in alternative treatments of the Shares.

A U.S. Holder subject to the PFIC rules is required to file IRS Form 8621 with respect to its investment in the Shares in the year such U.S. Holder receives any distribution upon, or makes any disposition of, such shares. In addition, a U.S. Holder subject to the PFIC rules may be required to file additional information with the IRS.

Non-U.S. Holders

Subject to the backup withholding rules described below, a Non-U.S. Holder generally should not be subject to United States federal income or withholding tax on any payments on the Shares or gain from the sale or other disposition of the Shares unless: (i) that payment and/or gain is effectively connected with the conduct by that Non- U.S. Holder of a trade or business in the United States, and if required by an applicable income tax treaty, that payment and/or gain is attributable to a permanent establishment or fixed base that such Non-U.S. Holder maintains in the United States; or (ii) in the case of any gain realised on the sale or other disposition of an Ordinary Share by an individual Non-U.S. Holder, that Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding

Payments of dividends and other proceeds with respect to the Shares, by a U.S. paying agent or other U.S. intermediary, or made into the U.S., will be reported to the IRS and to the U.S. Holder as may be required under applicable Treasury regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding or information reporting. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder will be refunded (or credited against such U.S. Holder's U.S. federal income tax liability, if any), provided the required information is timely furnished to the IRS.

Prospective investors should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Foreign Financial Asset Reporting

Certain U.S. Holders may be required to report to the IRS certain information relating to an interest in the Shares unless such Shares are held in accounts maintained by certain financial institutions. A U.S. Holder required to report such information must file a complete IRS Form 8938 (Statement of Specified Foreign Financial Assets) with its tax return for each year in which it holds an interest in the Shares. Penalties apply if a U.S. Holder is required to submit such information to the IRS and fails to do so. U.S. Holders should consult their tax advisers regarding the application of these rules in their particular circumstances.

UAE Taxation

The following comments are general in character and are based on the current applicable tax regime in the UAE and the current practice of the UAE authorities as at the date of this document. The comments do not purport to be a comprehensive analysis of all the tax consequences applicable to all types of shareholders and do not relate to any taxation regime outside the UAE. It is the responsibility of each investor to inform themselves as to any tax consequences which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of Shares in the Company. Shareholders should therefore seek their own separate tax advice in relation to their shareholding.

Taxation of the Company and Individuals

The UAE does not have a federal corporate income tax regime. Instead, corporate income tax is determined on a territorial basis under the respective Emiri tax decrees issued by the government of each individual Emirate. Several of the Emirates have enacted tax decrees. Under the decrees, corporate income tax is payable under a progressive rate system, with rates up to 55 per cent.

Notwithstanding the above, corporate income tax is currently only enforced on companies engaged in petroleum related activities under a concession agreement issued by the relevant Emirate in the UAE. Further, branches of foreign banks are subject to corporate income tax under a separate decree at a flat rate of 20 per cent.

In accordance with the above practice, the Company is currently not subject to corporate income tax and is not required to file corporate income tax returns in the UAE. However, it should be noted that there is no guarantee that tax will not be enforced on other corporate entities at some time in the future since there is no specific legislation that grants an income tax exemption to entities which are not oil companies or branches of foreign banks. Such exemption is currently only availed by corporate entities that are registered and perform their activities in a Free Trade Zone.

There is no federal or Emirate-level personal income tax in the UAE. As such, there are no individual tax registration or reporting obligations for individuals in the UAE.

Taxation of dividends and capital gains on sale

Based on the tax practice within the UAE outlined above, dividends received from Shares, and capital gains on the sale of Shares, should not be subject to income tax in the UAE, provided that the shareholder is not engaged in bank or petroleum related activities in the UAE.

Individuals or corporations that are non-UAE tax residents, or dual tax residents, may be subject to taxation in jurisdictions outside the UAE with respect to the ownership of, or income derived in connection with, the Shares based on local tax regulations. Shareholders should consult their own tax advisers as to the taxation of dividend income and gains on the future sale of the Shares under the relevant applicable local laws in those jurisdictions.

The UAE does not levy withholding taxes. As such, dividend payments made by the Company are not subject to withholding tax in the UAE, unless the applicable tax regime in the UAE changes.

UAE Value Added Tax

Value Added Tax (**VAT**) has been implemented in the UAE since January 2018. VAT is a tax on domestic consumption which is applied on the sale of goods and services in the UAE and on imports to the UAE at a rate of 5 per cent., unless the goods and services falls within a category that is specifically exempt or is subject to the zero rate of VAT.

Under the regulations, no VAT should be payable in respect to the acquisition or sale of Shares in the Company. However, investors should seek advice in relation to the impact of VAT in relation to their acquisition of Shares.

SUBSCRIPTION AND SALE

The Company, the Selling Shareholder and the Joint Bookrunners named below have entered into an Underwriting Agreement with respect to the Shares. Subject to the satisfaction of certain conditions set out in the Underwriting Agreement (described below), each Joint Bookrunner has agreed, severally but not jointly, to purchase or procure purchasers for such percentage of Shares as are set forth opposite its name in the following table.

Joint Bookrunner	**Percentage of Shares**
Merrill Lynch International	36.65%
Morgan Stanley & Co. International plc	36.65%
First Abu Dhabi Bank PJSC	8.90%
HSBC Bank Middle East Limited	8.90%
EFG Hermes UAE Limited	5.24%
Abu Dhabi Commercial Bank PJSC	3.66%
Total	**100%**

The Offer Price Range is AED 2.55 to AED 3.05 per Share. It is expected that the Offer Price will be within the Offer Price Range. The Offer Price Range is indicative only and may change during the course of the Global Offering, and the Offer Price may be set within, above or below the Offer Price Range. The initial offer price for the Shares will be agreed between the Company and the Joint Bookrunners following a bookbuilding process. The Selling Shareholder has agreed to pay the Joint Bookrunners an underwriting commission. In addition, the Joint Bookrunners may receive a discretionary fee up to 0.50 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Shares sold in the Global Offering.

All underwriting commissions and any discretionary fees will be paid by the Selling Shareholder. The expenses of the Global Offering will be borne by the Selling Shareholder.

Underwriting Agreement

In the Underwriting Agreement, the Company and the Selling Shareholder have made certain representations and warranties and agreed to indemnify the several Joint Bookrunners against certain liabilities, including liability under the Securities Act. The Joint Bookrunners are offering the Shares and when, as and if delivered to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Shares, and other conditions contained in the Underwriting Agreement, such as Admission and the receipt by the Joint Bookrunners of officers' certificates and legal opinions.

The Joint Bookrunners may terminate the Underwriting Agreement prior to the closing of the Global Offering under certain specified conditions that are typical for an agreement of this nature. If any of such conditions are not satisfied or waived, or the Underwriting Agreement is terminated prior to the closing of the Global Offering, then this Global Offering will lapse.

Pricing of the Global Offering

Prior to this Global Offering, there has been no public market for the Shares. The offer price will be determined by negotiations between the Joint Global Coordinators, the Joint Bookrunners, the Selling Shareholder and the Company. Among the factors considered in determining the offer price following the bookbuilding process will be the Company's future prospects and the prospects of its industry in general, the Company's revenue, net profit and certain other financial operating information with respect to the Company in recent periods, and the financial ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to the Company's.

Lock-up Arrangements

Pursuant to the terms of the Underwriting Agreement dated 27 June 2021, the Company and the Selling Shareholder, which held 100 per cent. of the Shares immediately prior to the Global Offering, have contractually agreed, for a period of 180 days after the Closing Date, not to (i) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant, or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company or request or demand that the Company file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing; or (ii) enter into any swap, or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, in each case, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed.

The foregoing restriction will not apply to:

(i) the sale of the Shares to be sold pursuant to the Global Offering;

(ii) any inter-company transfers of Shares by the Selling Shareholder in favour of its affiliates (‘‘**Transferees**’’);

(iii) accepting a general offer made to all holders of Shares then in issue (other than Shares held by the person making the offer or its affiliates) on terms which treat all holders of Shares alike, or executing and delivering an irrevocable commitment or undertaking to accept such a general offer (without any further agreement to transfer or dispose of any Shares or any interest therein);

(iv) taking up any rights granted in respect of a pre-emptive share offering by the Company in order to sell a sufficient number of its rights in order to acquire the balance of its rights;

(v) selling or otherwise disposing of Shares pursuant to any offer by the Company to purchase its own Shares which is made on identical terms to all holders of Shares in the Company;

(vi) any disposal by and/or allotment and issue of shares to the Selling Shareholder pursuant to any capital reorganisation in respect of any Shares beneficially owned, held or controlled by the Selling Shareholder, provided that any shares issued to or otherwise acquired by the Selling Shareholder pursuant to such capital reorganisation shall be subject to the lock-up restrictions; or

(vii) transferring or otherwise disposing of Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members of any class of them which is agreed to by the creditor or members and (where required) sanctioned by any applicable authority.

The Underwriting Agreement provides that the carve-out set in paragraph (ii) above is subject to the following conditions: (x) that any of such Transferees shall agree to be bound by the lock-up obligations of the Selling Shareholder; and (y) that any of such inter-company transfers of Shares shall be performed on terms and conditions that do not conflict with the Global Offering.

Allocation

The Global Offering comprises the Qualified Institutional Offering, the Exempt Offer and the UAE Offer. The allocation of Shares among the Qualified Institutional Offering, the Exempt Offer and the UAE Offer will be determined by the Joint Global Coordinators, the Joint Bookrunners, the Selling Shareholder and the Company.

Pursuant to the Companies Law, the Emirates Investment Authority has the right to purchase up to 5 per cent. of the Shares.

Factors that may be taken into account by the Joint Global Coordinators, the Joint Bookrunners, the Selling Shareholder and the Company when determining the allocations between prospective investors in the event of over-subscription may include participation in the marketing process for the Global Offering, holding behaviour in previous offerings, holdings in similar companies, pre-funding of indication of interest and other factors that the Company, the Joint Global Coordinators and the Selling Shareholder may deem relevant.

Other relationships

Subject to the terms and conditions of the Underwriting Agreement, each of the Joint Bookrunners and any affiliate, acting as an investor for its own account, in connection with the Global Offering, may take up Shares and in that capacity may retain, purchase or sell for its own account such Shares and any related investments and may offer or sell such Shares or other investments otherwise than in connection with the Global Offering. Accordingly, references in this Prospectus to the Shares being offered or placed should be read as including any offering or placement of Shares to the Joint Bookrunners and any affiliate acting as an investor for its own account.

None of the Joint Bookrunners intend to disclose the extent of any such investment or transactions otherwise than to the Company and the Selling Shareholder and in accordance with any legal or regulatory obligation to do so. In addition, in connection with the Global Offering, certain of the Joint Bookrunners may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements where securities are used as collateral, that could result in such Joint Bookrunners acquiring shares in the Company.

Selling Restrictions

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Shares or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, nor may this Prospectus or any other offering material or advertisement or other document or information in connection with the Shares be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

United States

The Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Shares are being offered and sold outside the United States in reliance on Regulation S. The Underwriting Agreement provides that certain of the Joint Bookrunners may, directly or through their respective U.S. broker-dealer affiliates, arrange for the offer and resale of the Shares within the United States only to a person who such Joint Bookrunner reasonably believes is a QIB purchasing for its own account or for the account of another QIB in reliance on Rule 144A.

In addition, until 40 days after the commencement of the Global Offering of the Shares, an offer or sale of Shares within the United States by a dealer (whether or not participating in the Global Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

European Economic Area

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

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

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

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

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

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

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

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

United Kingdom

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

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

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

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

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

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

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

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

United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre)

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. If you are in any doubt about the contents of this document, you should consult an authorised financial adviser.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that this Prospectus has not been approved by or filed with the UAE Central Bank, the SCA or any other authorities in the UAE, nor have the Joint Bookrunners received authorisation or licensing from the UAE Central Bank, SCA or any other authorities in the UAE to market or sell securities or other investments within the UAE. No marketing of any financial products or services has been or will be made from within the UAE other than in compliance with the laws of the UAE. It should not be assumed that any of the Joint Bookrunners is a licensed broker, dealer or investment advisor under the laws applicable in the UAE, or that any of them advise individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Shares offered pursuant to this Prospectus may not be offered or sold directly or indirectly to the public in the UAE and do not constitute a public offer of securities in the UAE in accordance with the Companies Law or otherwise.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Any person considering acquiring securities should consult with an appropriate professional for specific advice rendered based on their respective situation.

Abu Dhabi Global Market

This document relates to a Global Offering which is not subject to any form of regulation or approval by the Financial Services Regulatory Authority (**FSRA**) of the Abu Dhabi Global Market (**ADGM**). The FSRA has not approved this document nor has any responsibility for reviewing or verifying any document or other documents in connection with this the Global Offering. Accordingly, the FSRA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it.

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

(i) an "Exempt Offer" in accordance with the FSRA Financial Services and Markets Regulations and Markets Rules; and

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

The FSRA has not taken steps to verify the information set out in this document, and has no responsibility for it. If you do not understand the contents of this Global Offering or are unsure whether the securities to which the Global Offering relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

Dubai International Financial Centre

This document relates to a Global Offering which is not subject to any form of regulation or approval by the Dubai Financial Services Authority (**DFSA**). The DFSA has not approved this document nor has any responsibility for reviewing or verifying any document or other documents in connection with the Global Offering. Accordingly, the DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it.

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

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

(ii) made only to persons who meet the "Deemed Professional Client" criteria set out in the DFSA Rulebook, Conduct of Business Module, who are not natural persons.

This document must not, therefore, be delivered to, or relied on by, any other type of person. The Global Offering to which this document relates may be illiquid and/or subject to restrictions on its resale. Prospective purchasers should conduct their own due diligence on the Global Offering.

The DFSA has not taken steps to verify the information set out in this document, and has no responsibility for it. If you do not understand the contents of this Global Offering or are unsure whether the securities to which this the Global Offering relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

Kingdom of Saudi Arabia

This Prospectus may not be distributed in the Kingdom of Saudi Arabia (**Saudi Arabia**), except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations (the **Saudi Regulations**) issued by the Board of the Capital Market Authority (the **Capital Market Authority**) pursuant to resolution number 3-123-2017, dated 27 December 2017G, based on the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H (as amended by Resolution of the Board of the Capital Market Authority number 1-104-2019 dated 30 September 2019G (the **2019 Saudi Regulations**) and Resolution of the Board of the Capital Market Authority number 1-7-2021 dated 14 January 2021G (the **2021 Saudi Regulations**), noting that certain provisions of the 2021 Saudi Regulations only come into force on 1 January 2022G.

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

The Shares must not be advertised, offered or sold and no memorandum, information circular, brochure or any similar document has or will be distributed, directly or indirectly, to any person in Saudi Arabia other than as permitted by the Saudi Regulations.

The Global Offering of the Shares in Saudi Arabia shall not constitute a "public offer" pursuant to the Saudi Regulations. Prospective investors are informed that Article 15 of the 2019 Saudi Regulations and Article 14 of the 2021 Saudi Regulations place restrictions on secondary market activity with respect to the Shares. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the Saudi Regulations shall not be recognised by us.

Lebanon

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any Shares in the Company in the Lebanese territory, nor shall it (or any part of it), nor the fact of its distribution, form the basis of, or be relied on in connection with, any subscription.

The Company has not been, and will not be, authorised or licensed by the Central Bank of Lebanon and its Shares cannot be marketed and sold in Lebanon. No public offering of the Shares is being made in Lebanon and no mass-media means of contact are being employed. This Prospectus is aimed at institutions and sophisticated, high net worth individuals only, and this Prospectus will not be provided to any person in Lebanon except upon the written request of such person.

Recipients of this Prospectus should pay particular attention to the section titled "*Risk Factors*" in this Prospectus. Investment in the Shares is suitable only for sophisticated investors with the financial ability and willingness to accept the risks associated with such an investment, and said investors must be prepared to bear those risks.

Oman

This Prospectus does not constitute a public offer of securities in the Sultanate of Oman, as contemplated by the Commercial Companies Law of Oman (Royal Decree No. 4/1974) or the Capital Market Law of Oman (Royal Decree No. 80/1998) and Ministerial Decision No.1/2009 or an offer to sell or the solicitation of any offer to buy non-Omani securities in the Sultanate of Oman.

This document is strictly private and confidential. It is being provided to a limited number of sophisticated investors solely to enable them to decide whether or not to make an offer to the Company to enter into commitments to invest in the Shares outside of the Sultanate of Oman, upon the terms and subject to the restrictions set out herein and may not be reproduced or used for any other purpose or provided to any person other than the original recipient.

Additionally, this document is not intended to lead to the making of any contract within the territory or under the laws of the Sultanate of Oman.

The Company is incorporated and existing under the laws of the UAE. The Capital Market Authority and the Central Bank of Oman take no responsibility for the accuracy of the statements and information contained in this Prospectus or for the performance of the Company with respect to the Shares nor shall they have any liability to any person for damage or loss resulting from reliance on any statement or information contained herein.

Bahrain

The Shares have not been offered or sold, and will not be offered or sold to any person in the Kingdom of Bahrain except on a private placement basis to persons who are "accredited investors".

For this purpose, an **accredited investor** means:

(i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(ii) 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

(iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kuwait

The Shares have not been and will not be offered, sold, promoted or advertised in Kuwait except on the basis that an offer is made in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of the Shares is being made in Kuwait, and no agreement relating to the sale of the Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Shares in Kuwait.

Qatar

The Shares have not been offered or sold, and will not be offered or sold or delivered, directly or indirectly, in the State of Qatar including the Qatar Financial Centre, other than on the basis that an offer is made: (i) in compliance with all applicable laws and regulations of the State of Qatar including the Qatar Financial Centre; and (ii) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Jordan

Any marketing of the Shares to Jordanian investors shall be done by way of private placement only. The Shares are being offered in Jordan on a cross border basis based on one-on-one contacts to no more than 30 potential investors and accordingly the Shares will not be registered with the Jordanian Securities Commission and a local prospectus in Jordan will not be issued.

Japan

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the **FIEL**). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

The offering of the Shares in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act (**FinSA**) because the Shares are offered to less than 500 investors and the Shares will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Prospectus does not constitute a prospectus or a similar document pursuant to FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Shares.

Canada

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Global Offering.

Hong Kong

This Prospectus has not been approved by the Securities and Futures Commission in Hong Kong and, accordingly, (i) the Shares may not be offered or sold in Hong Kong by means of this Prospectus or any other document other than to "professional investors" as defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and 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 (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as set out above).

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Shares will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Shares, namely a person who is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Shares under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person or to any person pursuant to Section 275(1) and Section 275(1A) of the Securities and Futures Act, respectively and in accordance with the conditions specified in Section 275 of the Securities and Futures Act; or

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law; or

(iv) pursuant to Section 276(7) of the Securities and Futures Act; 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.

Notice to Investors in Singapore

Notification under Section 309B(1)(c) of the Securities and Futures Act

In connection with Section 309B of the Securities and Futures Act and CMP Regulations 2018, the Company has determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the Securities and Futures Act), that the Shares are prescribed 'capital markets products' (as defined in the CMP 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).

TRANSFER RESTRICTIONS

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

United States

The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and, subject to certain exceptions, may not be offered or sold within the United States.

Rule 144A

Each purchaser of the Shares within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(i) It is (a) a qualified institutional buyer within the meaning of Rule 144A (a **QIB**), (b) acquiring such Shares for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Shares has been advised, that the sale of such Shares to it is being made in reliance on Rule 144A.

(ii) It understands that such Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act provided, in each case in accordance with any applicable securities laws of any State of the United States.

(iii) It understands that such Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE **SECURITIES ACT**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT PROVIDED, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY.

(iv) The Company, the Selling Shareholder, the Joint Bookrunners, the UAE Recipient Banks and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S

Each purchaser of the Shares outside of the United States pursuant to Regulation S, by its acceptance of delivery of this Prospectus and the Shares, will be deemed to have represented, agreed and acknowledged as follows:

- The purchaser is, or at the time the Shares were purchased will be, the beneficial owner of such Shares and (i) is, and the person, if any, for whose account it is acquiring the Shares is, outside the United States, (ii) is not an affiliate of the company or a person acting on behalf of such an affiliate and (iii) is not in the business of buying or selling securities or, if it is in such business, it did not acquire such Shares from the company or an affiliate thereof in the initial distribution of such Shares.

- The purchaser (i) is aware that such Shares (a) have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction within the United States; and (b) are being sold in accordance with Rule 903 or 904 of Regulation S and is purchasing such Shares in an "offshore transaction" in reliance on Regulation S.

- The purchaser acknowledges that the Company, the Selling Shareholder, the Joint Global Coordinators, the Joint Bookrunners and the UAE Recipient Banks and their respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

SETTLEMENT AND DELIVERY

Trading of the Shares will take place through the trading system of the ADX. Shares will be held under National Investor Numbers (**NINs**) assigned by the ADX either to the holders directly or through custodian omnibus accounts and the ownership of the Shares will be evidenced by the holdings under each such NIN. Clearing and settlement of trades on the ADX by brokers or custodians may be performed only through members of the ADX that are Clearing Members. Settlement of securities trading on ADX is governed by the ADX's rules and regulations, which are available from its website www.adx.ae.

Investors will be required to complete an application form for the Shares and return such form to the Joint Bookrunners during the bookbuilding period. Application forms will be available from the Joint Bookrunners.

Investors who receive an allocation of Shares will be required to deliver to the Joint Bookrunners a signed trade confirmation on the business day following notice of its allocation. The form of trade confirmation will be provided to such investors when allocations are notified on or around 10 July 2021 to investors subscribing in the Global Offering.

Payment for the Shares purchased in connection with the Global Offering shall be made in either U.S.$ or AED, as specified by each purchaser to the Joint Bookrunners during the bookbuilding process. Purchasers will be required to make full payment for the Shares to the Joint Bookrunners for receipt by the Joint Bookrunners on the business day prior to the expected Closing Date. In the event of a failure to make timely payment, purchasers of Shares may incur significant charges.

Delivery of the Shares is expected to be made on the Closing Date to the accounts of purchasers through the book-entry facilities operated by the ADX. There can be no assurance that such Shares will be credited to the NIN account of the relevant investor during trading hours of the ADX on the Closing Date and such investor may not be able to deal in the relevant Shares comprising its allocation in the Global Offering until such time as they are in fact credited to its NIN account, which may be one or more business days following the Closing Date.

LEGAL MATTERS

Certain legal matters with respect to the Global Offering will be passed upon for the Company by Allen & Overy LLP, London, England and Allen & Overy LLP, Abu Dhabi, UAE. Certain legal matters with respect to the Global Offering will be passed upon for the Joint Bookrunners by Clifford Chance LLP London and Dubai, UAE.

INDEPENDENT AUDITORS

Ernst & Young Middle East (Abu Dhabi Branch) (**EY**), of Nation Tower 2, Corniche, Abu Dhabi, UAE, have audited the Company's consolidated financial statements as of and for the years ended 31 December 2019 and 2020 as stated in their respective reports appearing herein.

With respect to the unaudited interim financial information for the period ended 31 March 2021, included herein, KPMG Lower Gulf Limited (**KPMG**), of Corniche, Nation Tower 2, 19th Floor, PO Box 7613, Abu Dhabi, UAE, independent auditors, have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein, which contains an "other matter" paragraph which states that the consolidated financial statements of the Group as at and for the year ended 31 December 2020 were audited by another auditor, and that the condensed consolidated interim financial information of the Group for the three-month period ended 31 March 31 2020 was neither reviewed nor audited, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

GENERAL INFORMATION

1. It is expected that the Shares will be admitted to trading on the ADX on 14 July 2021.

2. The Company has obtained all consents, approvals and authorisations in the UAE in connection with the Global Offering.

3. Copies of the following documents are available for inspection during usual business hours on any weekday (Fridays, Saturdays and public holidays excepted) for the life of this Prospectus at the registered offices of the Company:

   - the Articles of Association;
   - the reports from EY and KPMG set out under the heading "*Historical Financial Information*"; and
   - this Prospectus.

4. The registered office of the Company is located at Yahsat Headquarters, Sweihan Road, Al Falah City, Abu Dhabi, UAE. The Company's website is https://www.yahsat.com/IPO.

5. There has been no significant change in the Company's financial or trading position since 31 March 2021, the date to which the Company's Interim Financial Statements were prepared.

6. The following table sets forth a list of the Company's subsidiaries:

Name	**Country of incorporation and registered office**	**Percentage of shares held as at the date of this Prospectus**
Al Yah Advanced Satellite Communication Services PrJSC	UAE	100%
Star Satellite Communications Company PrJSC	UAE	100%
Thuraya Telecommunications Company PJSC[1]	UAE	~90%
Thuraya Telecommunications Japan Co. Limited[2]	Japan	~90%
Broadband Connectivity Solutions (Restricted) Limited[3]	ADGM	80%
BCS Investments LLC[4]	UAE	80%
Star Network Marketing Services Company (Proprietary) Limited[5]	South Africa	80%
Al Najm Communications Company LLC[6]	UAE	80%
YaLa B.V.[7]	The Netherlands	80%
Yahsat Treasury Sole Proprietorship LLC[8]	UAE	100%
Al Maisan Satellite Communication Company LLC[9]	UAE	65%

Notes:
1. Owned ~90 per cent. by Star Satellite Communications Company LLC and ~10 per cent. by numerous UAE and other regional institutions, international institutional investors and private retail shareholders.
2. Wholly-owned subsidiary of Thuraya Telecommunications Company PJSC.
3. Owned 80 per cent. by Star and 20 per cent. by Hughes Networks Systems Holdings (UK) Limited.
4. Owned 99.9 per cent. by Broadband Connectivity Solutions (Restricted) Limited and 0.1 per cent. by Star.
5. Wholly-owned subsidiary of BCS Investments LLC.
6. Owned 99.34 per cent. by BCS Investments LLC and 0.66 per cent. by the Company.
7. Wholly-owned subsidiary of BCS Investments LLC.
8. This entity was renamed from Amwaj Communications LLC in May 2021 and is a wholly-owned subsidiary of the Company.
9. Owned 65 per cent. by Star Satellite Communications Company PJSC and 35 per cent. by SES Finance S.à r.l. Whilst the Company holds (indirectly) a 65 per cent. ownership stake in Al Maisan Satellite Communication Company LLC, the Group does not control the day-to-day financial and/or operating policies of Al Maisan Satellite Communication Company LLC which is, accordingly, accounted for as an associate in the Group's consolidated financial statements.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

Admission	the admission of the Shares to trading on the ADX
ADAA	the Abu Dhabi Accountability Authority
ADNOC	Abu Dhabi National Oil Company
ADMCC	Abu Dhabi Monitoring and Control Centre
ADX	Abu Dhabi Securities Exchange
Airbus	Airbus Defence
Airtel	Bharti Airtel Limited
Al Maisan	Al Maisan Satellite Communications Company LLC
Al Yah 1	the Group's first satellite
Al Yah 2	the Group's second satellite
Al Yah 3	the Group's third satellite
ANATEL	the Brazilian telecommunications regulator
APAC	Asia Pacific region
Australasia	Australia, New Zealand and neighbouring islands in the South Pacific Ocean
Avanti	Avanti Communications Group Plc
BCS	Broadband Connectivity Solutions (Restricted) Limited
Board or Board of Directors	the board of directors of the Company
BR	ITU Radiocommunication Bureau
CAGR	compounded annual growth rate
Company	Al Yah Satellite Communications Company PJSC
contracted backlog	the aggregate of the remaining contractually committed revenues across all business lines, including the T4-NGSA signed on 17 June 2021
CSA	the managed capacity services contract dated 27 March 2008 (as amended from time to time) between the General Headquarters of the UAE Armed Forces and Al Yah Advanced
Directors	the directors of the Company, a list of whom appears on page 146 of this Prospectus

EADS Astrium	a subsidiary of European Air Defence and Space which latterly became Airbus and Space SAS
ECA Facility	as defined on page 52
EMEA	Europe, the Middle East and Africa
ENEC	Emirates Nuclear Energy Corporation
ERCA	the Emirates Red Crescent Authority
ERM	enterprise risk management
ETC	Emergency Telecommunications Cluster
GCC	Gulf Cooperation Council
GCC-SC	Secretariat General of the Gulf Cooperation Council
Government	Unless otherwise specified, Government shall mean the Federal Government of the UAE, the Government of Abu Dhabi and any instrumentality or body of either of them, including the General Headquarters of the UAE Armed Forces
GRE	government-related entities
HdB	Hughes do Brasil, the brand name used by the HPE group of companies
HPE	the Group's equity partnership in Brazil, operating under the brand Hughes do Brasil
HSE	Health, Safety and Environment
Hughes	Hughes Network Systems LLC, USA
ICOFR	internal control over financial reporting
IFRS	International Financial Reporting Standards
IIA	the Institute for Internal Auditors
ISS	International Space Station
ITU	International Telecommunication Union, an agency of the UN specialising in radiocommunication matters
MEA	Middle East and Africa
MENA	the Middle East and North Africa
MIFR	Master International Frequency Register
MoE	the UAE's Ministry of Education
Mubadala	Mubadala Investment Company PJSC

NCEMA	the UAE's National Emergency Crisis and Disasters Management Authority
New Term Loan Facility	as defined on page 52
NSR	Northern Sky Research LLC
O&M	operations and maintenance
OFAC	the U.S. Office of Foreign Assets Control
OSHAD	Abu Dhabi Occupational Safety and Health Center
PJSC	public joint stock company
PrJSC	private joint stock company
RMIC	the Group's Risk Management & Internal Control function
SCA	the UAE's Securities and Commodities Authority
SES Finance	SES Finance S.à.r.l.
Shares	the shares of the Company, having the rights set out in the Articles of Association
Star	Star Satellite Communications Company PrJSC
T4-NGS	Thuraya 4 Next Generation System satellite
T5-NGS	Thuraya 5 Next Generation System satellite
Term Loan 1	as defined on page 83
TAS	Thales Alenia Space
Thuraya	Thuraya Telecommunications Company PJSC, a subsidiary of the Group providing MSS services using L-band capacity on its two satellites, Thuraya-2 and Thuraya-3
Thuraya-2	the Group's fourth satellite
Thuraya-3	the Group's fifth satellite
TT&C	telemetry, tracking and control
UAEAF	the General Headquarters of the UAE Armed Forces
UAE	the United Arab Emirates
UAE MoHRE/Tawteen	the UAE Ministry of Human Resources and Emiratisation
UAE Space Law	the UAE "Federal Law No. 12 on the Regulation of the Space Sector" issued on December 19, 2019
Underwriting Agreement	as defined on page 53

TDRA	UAE Telecommunication and Digital Government Regulatory Authority
UK	the United Kingdom
UN	United Nations
U.S.	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
YahClick (powered by Hughes) or YahClick	The brand name used by the BCS business
YahLink	the brand name under which the Group leases the C-band payload on the Al Yah 1 satellite covering EMEA to satellite service providers and telecoms operators for use in corporate or telecommunications networks as part of the Group's infrastructure business line
YahLive	the brand name under which Al Maisan offers DTH television broadcast capacity and services across the Middle East, North Africa and Southwest Asia
YahService	the collective brand name covering operations and maintenance services provided by the Group to support the leases by the Group to the Government of secured capacity on its Al Yah 1 and Al Yah 2 satellites
YGS	Yahsat Government Solutions, part of the Managed Solutions business line
WRC	the UN World Radiocommunication Conferences

GLOSSARY

The following technical terms (or variations thereof) apply throughout this Prospectus unless the context requires otherwise:

3G	third generation of wireless mobile telecommunications technology
4G	fourth generation of wireless mobile telecommunications technology
5G	fifth generation of wireless mobile telecommunications technology
active subscriber	a subscriber registered for a YahClick package that has used the service within the last 90 days
ADSL	asymmetric digital subscriber line
B2B	business-to-business
B2C	business-to-consumer
Backhaul	the transport network that connects, or the act of transporting cellular voice and data traffic to and from, the core network and the RAN (Radio Access Network) of the mobile network
BSS	Broadcast Satellite Service
BYOD	bring-your-own-device
C-band	a designation by the Institute of Electrical and Electronics Engineers (IEEE) for a portion of the electromagnetic spectrum in the microwave range of frequencies ranging from 4.0 to 8.0 gigahertz (GHz)
COTM	Communications-on-the-move
COTP	Communications–on-the-pause
CPE	customer premises equipment
DTH	direct-to-home
DSL	digital subscriber line
fill rate	the percentage of the payload that is utilised
FSS	fixed satellite services and refers to certain frequency bands where satellite operators can operate a satellite in conjunction with Earth stations that transmit and receive from a fixed point on the surface of the Earth
FTA	free-to-air
FTTC	fibre to the cabinet
FTTH	fibre to the home
FTTx	fibre
Gbps	billions of bits per second
GCES	Global Communications Extension Services

GMDSS	Global Maritime Distress and Safety System
GSM	Global System for Mobile communication
HD	High Definition
HDTV	high definition television
hotspot	an orbital slot has the highest or second highest number of TV satellite dishes in a certain viewership region or within a certain viewership demographic
HTS	high-throughput satellite
IoT	internet of things
Ka-band	a designation by the Institute of Electrical and Electronics Engineers (IEEE) for a portion of the electromagnetic spectrum in the microwave range of frequencies ranging from 26.5 to 40 gigahertz (GHz)
Ku-band	a designation by the Institute of Electrical and Electronics Engineers (IEEE) for a portion of the electromagnetic spectrum in the microwave range of frequencies ranging from 12 to 18 gigahertz (GHz)
L-band	a designation by the Institute of Electrical and Electronics Engineers (IEEE) for a portion of the electromagnetic spectrum in the microwave range of frequencies ranging from 1 to 2 gigahertz (GHz)
LTE	long term evolution
M2M	machine to machine
Mbps	megabit per second
MHz	megahertz
MNOs	mobile network operators
MSS	mobile satellite services and refers to certain frequency bands where satellite operators can operate a satellite in conjunction with Earth stations that transmit and receive while in motion
NB-IoT	narrowband internet of things
PAYG	pay-as-you-go
payload	the communications equipment placed upon a satellite, including (but not limited to) the antennae, the transmitters and the receivers
RR	ITU Radio Regulations
S-band	a designation by the Institute of Electrical and Electronics Engineers (IEEE) for a portion of the electromagnetic spectrum in the microwave range of frequencies ranging from 2 to 4 gigahertz (GHz)
SCADA	supervisory control and data acquisition

SD	Standard Definition
secure satellite capacity	services deployed on frequencies reserved for military and government applications
TPE	transponder
UHD	Ultra HD (4K)
UHF	ultrahigh frequency
VHF	very high frequency
VMS	Vessel Monitoring Solution
VNO	Virtual Network Operator
VSAT	very small aperture terminal
WiFi	wireless fidelity, a wireless network technology that allows devices to interface with the internet

HISTORICAL FINANCIAL INFORMATION

Index to Historical Financial Information

Unaudited condensed consolidated interim financial statements for the three months ended 31 March 2021

Audited consolidated financial statements for the year ended 31 December 2020

Audited consolidated financial statements for the year ended 31 December 2019

Al Yah Satellite Communications Company PJSC

Condensed consolidated interim financial statements

For the three months ended 31 March 2021

Al Yah Satellite Communications Company PJSC

Condensed consolidated interim financial statements

For the three months ended 31 March 2021

yahsat الياه سات
smart satellite solutions

Contents

Index to the notes to the condensed consolidated interim financial statements

Al Yah Satellite Communications Company PJSC
Board of Directors' Report
31 March 2021

The Directors have pleasure in presenting their report, together with the reviewed condensed consolidated interim financial statements of Al Yah Satellite Communications Company PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2021.

Principal activity

The Group's principal activities include leasing of satellite communication capacity, end-to-end integrated satellite communication and managed services, and providing fixed and mobile telecommunication services via satellites to customers.

Results and appropriations

The results of the Group for the three months ended 31 March 2021 are set out on page 5 of the condensed consolidated interim financial statements.

Going concern basis

The Board of Directors has reasonable expectation that the Group has adequate resources and support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the period ended 31 March 2021.

Transactions with related parties

The condensed consolidated interim financial statements disclose related party transactions and balances in note 14. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Directors

Musabbeh Al Kaabi
H.E. Tareq Abdul Raheem Al Hosani
H.E. Dr. Mohammed Al Ahbabi
H.E. Sara Musallam
H. E. Rashed Al Ghafri
H.E. Hisham Malak
Mounir Barakat
Amal Al Ameri
Badr Alolama
Masood M. Sharif Mahmood

Auditors

The condensed consolidated interim financial statements for the three months ended 31 March 2021 have been reviewed by M/s KPMG.

On behalf of the Board of Directors

DocuSigned by:
Musabbeh Al Kaabi
700A64D757D7407
Chairman of the Board
Musabbeh Al Kaabi

Date: 31 May 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 on Review of Condensed Consolidated Interim Financial Information

To the Shareholder of Al Yah Satellite Communication Company PJSC

Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial information of Al Yah Satellite Communication Company PJSC ("the Company") and its subsidiaries ("the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2021;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2021;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2021;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2021; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 31 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter – comparative information

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 were audited by another auditor, who expressed an unmodified audit opinion on those consolidated financial statements dated 4 April 2021 and that the condensed consolidated interim financial information for the three-month period ended 31 March 2020 was neither reviewed nor audited.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates
Date: 03 June 2021

Al Yah Satellite Communications Company PJSC

Condensed consolidated interim statement of profit or loss

for the three months ended 31 March

	Notes	2021 $ 000	2020 $ 000
Revenue	4	90,215	97,315
Cost of revenue		(4,911)	(6,110)
Staff costs		(19,992)	(23,769)
Other operating expenses [1]		(11,330)	(10,855)
Other income		428	414
Adjusted EBITDA [2]		**54,410**	**56,995**
Depreciation, amortisation and impairment		(37,011)	(37,221)
Operating profit		**17,399**	**19,774**
Finance income		165	1,468
Finance costs		(3,137)	(6,248)
Net Finance costs		**(2,972)**	**(4,780)**
Share of results of equity-accounted investments	7	(306)	(5,537)
Profit before income tax		**14,121**	**9,457**
Income tax expense		(48)	(52)
Profit for the period		**14,073**	**9,405**
Loss for the period attributable to non-controlling interests		(1,825)	(1,788)
Profit for the period attributable to the Shareholder		**15,898**	**11,193**
Earnings per share			
Basic and diluted (US$ per share)	17	1.59	1.12

[1] Other operating expenses include impairment loss on trade receivables and contract assets of US$ 1.4 million (2020: US$ 0.6 million).

[2] Earnings from continuing operations before interest, tax, depreciation, amortisation, impairment, fair value adjustments on investment property and share of results of equity-accounted investments. Refer to note 3 for a reconciliation of Adjusted EBITDA to profit for the period. Adjusted EBITDA is a non-GAAP measure.

Condensed consolidated interim statement of comprehensive income

for the three months ended 31 March

	Notes	2021 $ 000	2020 $ 000
Profit for the period		**14,073**	**9,405**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Cash flow hedge - effective portion of changes in fair value		(2,361)	(6,563)
Cash flow hedge - loss reclassified to profit or loss		2,380	2,522
Foreign operations - currency translation differences		(9,454)	(28,220)
Total comprehensive income for the period		**4,638**	**(22,856)**
Total comprehensive loss attributable to non-controlling interests		(1,817)	(1,831)
Total comprehensive income attributable to the Shareholder		**6,455**	**(21,025)**

The results for the period ended 31 March 2021 are reviewed. The comparatives for the period ended 31 March 2020 are neither reviewed nor audited.

The notes on pages 8 to 17 form part of these condensed consolidated interim financial statements.

The independent auditor's report is set out on pages 2 to 3.

Al Yah Satellite Communications Company PJSC

Condensed consolidated interim statement of financial position

	Notes	31 March 2021 $ 000	31 December 2020 $ 000
Assets			
Property, plant and equipment	5	984,833	1,018,003
Capital work in progress	6	132,301	98,531
Investment property		22,137	22,137
Right-of-use assets		19,301	20,645
Intangible assets		12,178	13,083
Equity-accounted investments	7	121,115	125,574
Trade and other receivables	8	11,389	11,227
Deferred income tax assets		98	94
Total non-current assets		**1,303,352**	**1,309,294**
Inventories		12,934	13,291
Trade and other receivables	8	132,675	127,296
Income tax assets		182	182
Cash and short-term deposits*	9	281,381	224,915
Total current assets		**427,172**	**365,684**
Total assets		**1,730,524**	**1,674,978**
Liabilities			
Trade and other payables	10	80,943	88,539
Borrowings	11	127,580	129,114
Derivative financial instruments		8,001	8,016
Deferred revenue	12	83,207	22,095
Income tax liabilities		250	288
Total current liabilities		**299,981**	**248,052**
Trade and other payables	10	291,000	291,000
Borrowings	11	142,768	143,655
Derivative financial instruments		1,637	1,641
Provision for employees' end of service benefits		10,385	10,515
Total non-current liabilities		**445,790**	**446,811**
Total liabilities		**745,771**	**694,863**
Net assets		**984,753**	**980,115**
Equity			
Share capital		2,722	2,722
Additional paid-in capital		661,612	661,612
Hedging reserve		(9,638)	(9,657)
Statutory reserve		4,103	4,103
Translation reserve		(31,664)	(22,202)
Retained earnings		275,844	259,946
Equity attributable to the Shareholder		**902,979**	**896,524**
Non-controlling interests		81,774	83,591
Total equity		**984,753**	**980,115**

*Cash and short term deposits include cash and cash equivalents of US$ 261.4 million (31 December 2020: US$ 104.9 million).

To the best of our knowledge, the financial information included in these condensed consolidated interim financial statements presents fairly, in all material respects, the financial position, results of operations and cash flows of the Group as of, and for, the periods presented therein.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 31 May 2021 and approved on their behalf by:

DocuSigned by: Musabbeh Al Kaabi 700A64D757D7407...	DocuSigned by: 13AA0BE7E75B451...	DocuSigned by: Andrew Francis Cole A6BF0B65FED14B7...
Chairman of the Board	**Chief Executive Officer**	**Chief Financial Officer**
Musabbeh Al Kaabi	**Ali Hashem Al Hashemi**	**Andrew Francis Cole**

The financial position as of 31 March 2021 is reviewed. The comparative financial position of as of 31 December 2020 is audited.

The notes on pages 8 to 17 form part of these condensed consolidated interim financial statements.

The independent auditor's report is set out on pages 2 to 3.

Al Yah Satellite Communications Company PJSC

Condensed consolidated interim statement of changes in equity

for the three months ended 31 March

	Attributable to the Shareholder							
	Share capital	**Additional paid-in capital**	**Hedging reserve**	**Other Reserves***	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
At 1 January 2020	**2,722**	**661,612**	**(15,839)**	**9,903**	**246,044**	**904,442**	**91,104**	**995,546**
Profit for the period	-	-	-	-	11,193	11,193	(1,788)	9,405
Other comprehensive income:								
Currency translation differences	-	-	-	(28,177)	-	(28,177)	(43)	(28,220)
Cash flow hedge - effective portion of changes in fair value	-	-	(6,563)	-	-	(6,563)	-	(6,563)
Cash flow hedge - loss reclassified to profit or loss	-	-	2,522	-	-	2,522	-	2,522
Other comprehensive income for the period	**-**	**-**	**(4,041)**	**(28,177)**	**-**	**(32,218)**	**(43)**	**(32,261)**
Total comprehensive income for the period	**-**	**-**	**(4,041)**	**(28,177)**	**11,193**	**(21,025)**	**(1,831)**	**(22,856)**
Transactions with the Shareholder:								
Dividends (Note 16)	-	-	-	-	(15,000)	(15,000)	-	(15,000)
At 31 March 2020	**2,722**	**661,612**	**(19,880)**	**(18,274)**	**242,237**	**868,417**	**89,273**	**957,690**
At 1 January 2021	**2,722**	**661,612**	**(9,657)**	**(18,099)**	**259,946**	**896,524**	**83,591**	**980,115**
Profit for the period	-	-	-	-	15,898	15,898	(1,825)	14,073
Other comprehensive income:								
Currency translation differences	-	-	-	(9,462)	-	(9,462)	8	(9,454)
Cash flow hedge - effective portion of changes in fair value	-	-	(2,361)	-	-	(2,361)	-	(2,361)
Cash flow hedge - loss reclassified to profit or loss	-	-	2,380	-	-	2,380	-	2,380
Other comprehensive income for the period	**-**	**-**	**19**	**(9,462)**	**-**	**(9,443)**	**8**	**(9,435)**
Total comprehensive income for the period	**-**	**-**	**19**	**(9,462)**	**15,898**	**6,455**	**(1,817)**	**4,638**
At 31 March 2021	**2,722**	**661,612**	**(9,638)**	**(27,561)**	**275,844**	**902,979**	**81,774**	**984,753**

*Other reserves include translation reserve and statutory reserve.

The changes in equity for the period ended 31 March 2021 are reviewed. The comparatives for the period ended 31 March 2020 are neither reviewed nor audited.

The notes on pages 8 to 17 form part of these condensed consolidated interim financial statements.

The independent auditor's report is set out on pages 2 to 3.

Al Yah Satellite Communications Company PJSC

Condensed consolidated interim statement of cash flows

for the three months ended 31 March

	Notes	2021 $ 000	2020 $ 000
Operating activities			
Profit before income tax		14,121	9,457
Adjustments for:			
Share of results of equity-accounted investments		306	5,537
Depreciation, amortisation and impairment		37,011	37,221
Allowance for expected credit losses		1,380	1,267
Loss allowance for inventories		202	60
Finance income		(165)	(1,468)
Finance costs		3,137	6,248
Gain on disposal of property, plant and equipment		(31)	-
Provision for employees' end of service benefits		473	485
Operating profit before working capital changes		**56,434**	**58,807**
Working capital changes:			
Trade and other receivables		(6,921)	9,995
Inventories		155	(725)
Trade and other payables		(14,844)	(3,152)
Deferred revenue		61,112	57,080
Employee end of service payments		(598)	(412)
Income tax paid		(90)	(92)
Net cash from operating activities		**95,248**	**121,501**
Investing activities			
Purchases of property, plant and equipment		(1,618)	(2,100)
Purchases of capital work in progress		(26,522)	(4,703)
Additions to intangible assets		(15)	(262)
Investment in an associate		(5,400)	(4,000)
Receipt of short-term deposits with original maturity of over three months		100,000	-
Proceeds on disposal of property, plant and equipment		49	-
Interest received		165	1,468
Net cash from/(used in) investing activities		**66,659**	**(9,597)**
Financing activities			
Repayment of borrowings		(3,144)	(8,349)
Interest paid on term loans		(2,415)	(5,481)
Dividend paid to the Shareholder	16	-	(15,000)
Net cash used in financing activities		**(5,559)**	**(28,830)**
Net increase in cash and cash equivalents		**156,348**	**83,074**
Net foreign exchange difference		118	(111)
Cash and cash equivalents at the beginning of the period/year		104,915	147,432
Cash and cash equivalents as at the end of the period/year		**261,381**	**230,395**

The cash flows for the period ended 31 March 2021 are reviewed. The comparatives for the period ended 31 March 2020 are neither reviewed nor audited.

The notes on pages 8 to 17 form part of these condensed consolidated interim financial statements.

The independent auditor's report is set out on pages 2 to 3.

1 General information

Al Yah Satellite Communications Company (the "Company"), registered as a private joint stock company in Abu Dhabi, United Arab Emirates (UAE), was incorporated on 23 January 2007. UAE Federal Law No. 2 of 2015 (Companies Law) is applicable to the Company and has come into effect on 1 July 2015.

The Company is a wholly owned subsidiary of Mubadala Investment Company PJSC (the "Parent Company" or "the Shareholder"), an entity wholly owned by the Government of Abu Dhabi.

This condensed consolidated interim financial statements include the financial performance and position of the Company, its subsidiaries (collectively referred to as the "Group") and the Group's interest in its equity-accounted investees.

The Group's principal activity is the leasing of satellite communication capacity and providing telecommunication services via satellite to customers.

2 Significant accounting policies

2.1 Basis of preparation

Statement of compliance
These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and comply where appropriate, with the Articles of Association and applicable requirements of the laws of the UAE and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The same accounting policies and methods of computation are followed in the condensed interim financial statements as compared with the most recent annual financial statements.

Basis of measurement
These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for derivative financial instruments and investment property, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency
These condensed consolidated interim financial statements are presented in United States Dollars ("USD" or "$"), the functional currency of the Company and the presentation currency of the Group. Subsidiaries and its equity-accounted investees determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency. All financial information presented in USD has been rounded to the nearest thousand ("$ 000"), unless stated otherwise.

Use of judgements and estimates
In preparing these condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

2.2 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
The amendments require additional disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks.

The amendments have no impact on the condensed consolidated interim financial statements of the Group as the existing interest rate swap (IRS) contracts (derivative used for hedging) will expire in 2022, much before 30 June 2023 when the USD LIBOR rates will no longer be published.

2 Significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. In March 2021, the IASB has extended, by one year, the May 2020 amendment. The amendment is effective for annual reporting periods beginning on or after 1 April 2021 with earlier adoption permitted. The amendments did not have a material impact on the Group.

2.3 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's condensed consolidated interim financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts
The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. The Group is assessing the potential impact of this amendment.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The Group is assessing the potential impact of these amendments.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendment is not expected to have a material impact on the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment is not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

3 Segment information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments.

Accounting policies

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM) who makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

Information on segments

The CODM monitors the operating results of the segments for the purpose of making decisions, allocating resources and assessing performance. The segments are based on lines of business as follows:

- Infrastructure segment, which primarily provides long-term satellite capacity leases, and satellite operation services. This is the largest operating segment.
- Managed Solutions segment includes end-to-end managed solutions provided mainly to government customers (Yahsat Government Solutions) and other industry solutions.
- Data Solutions (BCS) segment represents the group's Yahclick business providing broadband satellite solutions in Africa, Middle East and Asia.
- Mobility Solutions segment provides narrow-band satellite solutions under the trade name Thuraya.
- 'Others' include two segments: a) Data Solutions - Brazil representing the Group's Brazilian associate HPE and b) Broadcast segment representing the Group's associate Al Maisan.

Segment revenue is measured in a manner consistent with that in the condensed consolidated interim statement of profit or loss. The performance of the segments are evaluated on the following basis:

- Infrastructure and Managed Solutions segments are evaluated based on segment Adjusted EBITDA, a measure broadly consistent with Group Adjusted EBITDA.
- Data Solutions (BCS) and Mobility Solutions segments are evaluated based on segment Adjusted EBITDA and segment profit or loss which is measured consistently with profit for the year in the consolidated financial statements.
- Data solutions (Brazil) and Broadcast segments are evaluated based on the Group's share of results in the respective equity accounted investments (associates).

Elimination of inter-segment revenue and other consolidation adjustments, if any, are presented under the column 'reconciliations'.

Capital expenditure includes additions during the period to property, plant and equipment, capital work in progress, right-of-use assets and intangible assets.

The breakdown of revenue from external customers by nature of business activity is provided in Note 4.

The segment information for the three months ended 31 March 2021 is as follows:

	Infra-structure	Managed solutions	Data solutions (BCS)	Mobility solutions	Other	Recon-ciliation	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
External revenue	59,956	12,053	5,504	12,702	-	-	90,215
Inter-segment revenue	270	-	317	-	-	(587)	-
Total revenue	**60,226**	**12,053**	**5,821**	**12,702**	**-**	**(587)**	**90,215**
Adjusted EBITDA	**45,689**	**4,772**	**(582)**	**4,531**	**-**	**-**	**54,410**
Depreciation, amortisation and impairment	(22,842)	(26)	(8,290)	(5,853)	-	-	(37,011)
Finance income	133	-	655	2	-	(625)	165
Finance costs	(3,439)	-	(56)	(267)	-	625	(3,137)
Share of results - HPE	-	-	-	-	(566)	-	(566)
Share of results - Al Maisan	-	-	-	-	260	-	260
Income tax expense	-	-	(39)	(9)	-	-	(48)
Profit/(loss) for the period	**19,541**	**4,74**	**(8,312)**	**(1,596)**	**(306)**	**-**	**14,073**
Capital expenditure	34,262	-	1,003	138	-	-	35,403

3 Segment information (continued)

The segment information for the three months ended 31 March 2020 is as follows:

	Infra-structure	Managed solutions	Data solutions (BCS)	Mobility solutions	Other	Recon-ciliation	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
External revenue	59,339	15,726	6,703	15,547	-	-	97,315
Inter-segment revenue	325	-	162	-	-	(487)	-
Total revenue	**59,664**	**15,726**	**6,865**	**15,547**	**-**	**(487)**	**97,315**
Adjusted EBITDA	**44,942**	**7,614**	**(1,441)**	**5,880**	**-**	**-**	**56,995**
Depreciation, amortisation and impairment	(22,682)	(39)	(7,830)	(6,670)	-	-	(37,221)
Finance income	402	-	1,065	1	-	-	1,468
Finance costs	(5,814)	-	(127)	(307)	-	-	(6,248)
Share of results - HPE	-	-	-	-	(4,427)	-	(4,427)
Share of results - Al Maisan	-	-	-	-	(1,110)	-	(1,110)
Income tax expense	-	-	(51)	(1)	-	-	(52)
Profit/(loss) for the period	**16,848**	**7,575**	**(8,384)**	**(1,097)**	**(5,537)**	**-**	**9,405**
Capital expenditure	5,164	-	1,449	452	-	-	7,065

Geographical information

The information on Group's revenue by geography has been compiled based on the principal location of the customers. The Group's principal place of operations is the United Arab Emirates.

Information on significant revenues from a single customer is provided in Note 14.

	Three months ended 31 March	
	2021	2020
	US$'000	US$'000
United Arab Emirates	75,814	79,421
Europe	5,659	7,641
Asia	4,034	6,109
Africa	2,697	1,974
North America	1,813	1,967
Others	198	203
Revenue	**90,215**	**97,315**

4 Revenue

	Notes	Three months ended 31 March 2021 $ 000	2020 $ 000
Services rendered		89,258	94,911
Sale of equipment and accessories		957	2,404
	3	**90,215**	**97,315**

Revenue from related parties is disclosed in Note 14.

	2021 $ 000	2020 $ 000
Revenue includes:		
Revenue from contracts with customers	56,780	63,880
Income from operating leases	33,435	33,435
	90,215	**97,315**
Disaggregation of revenue by operating segment:		
Services rendered:		
Infrastructure	59,956	59,339
Managed solutions	12,053	15,726
Data solutions - BCS	5,461	6,378
Mobility solutions	11,788	13,468
Sale of equipment and accessories (recognised at a point in time)		
Data solutions - BCS	43	325
Mobility solutions	914	2,079
	90,215	**97,315**
Timing of recognition of revenue from contracts with customers:		
Over time	55,823	60,959
At a point in time	957	2,921
	56,780	**63,880**

Revenue by geography is disclosed in note 3.

Contract balances:	Notes	31 March 2021 $ 000	31 December 2020 $ 000
Trade receivables, net of loss allowance	8	88,807	94,448
Contract assets	8	25,964	19,827
Contract liabilities:			
Advances from a related party		128,040	128,040
Advances from other customers	10	5,487	5,999
Deferred revenue	12	83,207	22,095

5 Property, plant and equipment

	Notes	31 March 2021 $ 000	31 December 2020 $ 000
At the beginning of the period/year		1,018,003	1,146,331
Additions		1,618	8,644
Depreciation		(34,658)	(139,286)
Disposal/write-off		(18)	(7)
Exchange differences		(23)	132
Transfer from capital work in progress	6	-	2,665
Impairment		-	(213)
Other movements		(89)	(263)
At the end of the period/year		**984,833**	**1,018,003**

Additions to property, plant and equipment during the three-month period ended 31 March 2020 amounted to US$ 2.1 million.

6 Capital work in progress

	Notes	31 March 2021 $ 000	31 December 2020 $ 000
At the beginning of the period/year		98,531	19,180
Additions		33,770	82,016
Transfers to property, plant and equipment	5	-	(2,665)
At the end of the period/year		**132,301**	**98,531**

Additions during the period mainly relate to the Thuraya 4 satellite (T4) under construction. The cumulative cost of T4 as of 31 March 2021 amounted to US$ 110.5 million (31 December 2020: US$ 76.8 million). Additions to capital work in progress during the period ended 31 March 2020 amounted to US$ 4.7 million.

7 Equity-accounted investments

	31 March 2021 $ 000	31 December 2020 $ 000
At the beginning of the period/year	125,574	151,285
Contributions made during the period/year	5,400	18,558
Share of results for the period/year	(306)	(16,360)
Exchange differences	(9,553)	(27,909)
At the end of the period/year	**121,115**	**125,574**
of which Investment in HPE	100,486	105,205
of which Investment in Al Maisan	20,629	20,369

8 Trade and other receivables

	Notes	31 March 2021 $ 000	31 December 2020 $ 000
Trade receivables		114,961	119,312
Allowance for expected credit losses		(26,154)	(24,864)
Trade receivables, net of allowance		**88,807**	**94,448**
Contract assets - accrued income		25,964	19,827
Prepayments - orbital services		10,000	10,000
Prepayments - others		8,532	2,647
Advances		5,105	5,348
Other receivables		5,656	6,253
Total trade and other receivables		**144,064**	**138,523**
of which non-current		11,389	11,227
of which current		132,675	127,296

9 Cash and short term deposits

	Notes	31 March 2021 $ 000	31 December 2020 $ 000
Cash on hand and in banks		251,378	94,912
Short-term deposits with banks		3	3
Short-term deposits with related parties		30,000	130,000
Cash and short-term deposits		**281,381**	**224,915**
Less: Short-term deposits with original maturities of over three months		(20,000)	(120,000)
Cash and cash equivalents		**261,381**	**104,915**

During the period, the Group withdrew an amount of US$ 100 million from the US$ 130 million short-term deposits placed with related parties in the previous year.

10 Trade and other payables

	Notes	31 March 2021 $ 000	31 December 2020 $ 000
Trade payables		41,345	40,287
Accruals		30,309	32,197
Advance from a related party		291,000	291,000
Advances from other customers		5,487	5,999
Other payables		3,802	10,056
Total trade and other payables		**371,943**	**379,539**
of which non-current		291,000	291,000
of which current		80,943	88,539

11 Borrowings

	Notes	31 March 2021 $ 000	31 December 2020 $ 000
The carrying amount of borrowings are as follows:			
Term loans:			
Principal amounts		254,653	255,716
Unamortised transaction costs		(2,285)	(2,744)
Term loans - net of unamortised transaction costs		**252,368**	**252,972**
Lease liabilities		17,980	19,797
Total borrowings		**270,348**	**272,769**
of which current		127,580	129,114
of which non-current		142,768	143,655
The movements in borrowings are as follows:			
At the beginning of the period/year		272,769	399,238
Additions		-	446
Accretion of interest		723	3,052
Payments		(3,144)	(127,545)
Lease modification		-	(2,384)
Retirement		-	(38)
At the end of the period/year		**270,348**	**272,769**

Additions and repayments of borrowings during the three-month period ended 31 March 2020 amounted to US$ Nil and US$ 8.3 million, respectively.

12 Deferred revenue

	Notes	31 March 2021 $ 000	31 December 2020 $ 000
Deferred revenue relating to a capacity services contracts with a related party		58,293	-
Unutilized airtime balances from prepaid scratch cards		13,449	12,469
Others		11,465	9,626
Total deferred revenue		**83,207**	**22,095**

Deferred revenue from a related party pertains to amounts collected in advance relating to the Capacity Services Agreement with the UAE Armed Forces.

13 Capital commitments and contingent liabilities

	31 March 2021 $ 000	31 December 2020 $ 000
Capital commitments - committed and contracted	233,853	267,440
Contingent liabilities - performance bonds provided by banks in the normal course of business	31,907	31,479

During 2020, the Group entered into a contract for procurement of a next generation satellite known as Thuraya 4 (T4), with an option to procure an additional satellite known as Thuraya 5 (T5).

As at the reporting date the costs relating to T4 satellite is committed, hence included under capital commitments - committed and contracted.

14 Related party transactions

		Three months ended 31 March	
		2021	2020
Transaction with related parties	**Notes**	**$ 000**	**$ 000**
Revenue			
Entities under common control*		68,919	72,100
Associate		343	283
Total		**69,262**	**72,383**
* Revenue from entities under common control includes USD 67.8 million (three months ended 31 March 2020: USD 71.1 million) from a single customer. Revenue from such customer is recorded under infrastructure and managed solutions segments. There are no revenues from an individual customer, except as disclosed above, that represent 10 percent or more of the Group's total revenue.			
Interest income on short term deposits			
Entities under common control		161	1,065
Interest expense on term loans			
Entities under common control		911	1,395
Outsourced expenses, office lease rent, systems support			
Entities under common control		175	208
Parent Company		-	16
Total		**175**	**224**
Cost of sales			
Entities under common control		138	1,762
Associate		797	534
Total		**935**	**2,296**
Learning and development expenses			
Entities under common control		-	2
Key management personnel compensation			
Short term employment benefits		969	1,036
Post-employment benefits		71	81

15 Fair value disclosures

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes as explained below.

The fair value of the derivative financial instruments is based on broker quotes, which are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Derivatives fall into Level 2 of the fair value hierarchy.

The fair value measurement for the investment property is classified as Level 2. The fair value has been determined by an external valuer based on transactions observable in the market. There is no significant change in the fair value of investment property since the last evaluation carried out at 31 December 2020.

There were no transfers between Level 1 and Level 2 during current and previous periods.

The fair values of the Group's current financial assets and liabilities are equal to their carrying amounts. The fair values of the Group's borrowings, which bear interest at variable rates, approximate their carrying amounts. These are determined using discounted cash flows.

16 Dividends

The Company distributed and paid dividend of USD 15 million representing USD 1.50 per fully paid share during the period ended 31 March 2020. The Company did not distribute any dividend during the current period.

17 Earnings per share

	Three months ended 31 March	
	2021	**2020**
Profit for the period attributable to Yahsat Owner (in US$'000)	15,898	11,193
Weighted average number of ordinary shares outstanding ('000)	10,000	10,000
Basic and diluted earnings per share (US$)	1.59	1.12

18 Seasonality and cyclicality of interim operations

There are no items of seasonal or cyclical nature in the interim operations during the period ended 31 March 2021 and 2020.

19 Impact of COVID-19 pandemic

The outbreak of the novel coronavirus (COVID-19) pandemic continues to evolve and, to date, has resulted in the implementation of significant measures by governments globally, including lockdowns, closures, quarantines and travel bans intended to control the spread of the virus.

The Group's activity has demonstrated a certain resilience compared to other industries. The Group's major source of revenue is secured through long term contracts with governments. However, the Group's operations relating to Mobility Solutions and Managed Solutions were slightly affected mainly due to supply chain disruption. While COVID-19 does have an indirect exposure to customer segments on these operations, there is no evidence that there is a pervasive impact on the ability of the Group's customers to pay. On another note, the pandemic resulted to reduced business travel, marketing and other operating expenses.

Based on the overall assessment, the Group's business remains largely unaffected and significant changes are not required as of 31 March 2021 in its key accounting judgements and estimates from those applied in the last annual consolidated financial statements as of 31 December 2020.

The extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage. Notwithstanding, these developments could impact future financial results, cash flows and financial position.

20 Events after the reporting period

On 29 April 2021, the Company paid dividend of USD 36 million representing USD 3.60 per fully paid share.

Al Yah Satellite Communications Company PJSC

Reports and Consolidated Financial Statements

31 December 2020

Al Yah Satellite Communications Company PJSC

Reports and Consolidated Financial Statements

31 December 2020

Contents

Index to the notes to the consolidated financial statements

Al Yah Satellite Communications Company PJSC

Board of Directors' Report

31 December 2020

yahsat الياه سات
smart satellite solutions

The Directors have pleasure in presenting their report, together with the audited consolidated financial statements of Al Yah Satellite Communications Company PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020.

Principal activity

The Group's principal activities include leasing of satellite communication capacity, end-to-end integrated satellite communication and managed services, and providing fixed and mobile telecommunication services via satellites to customers.

Results and appropriations

The results of the Group for the year ended 31 December 2020 are set out on page 5 of the consolidated financial statements.

Directors

Musabbeh Al Kaabi (from 2 February 2021)
Khaled Al Qubaisi (until 2 February 2021)
H.E. Tareq Abdul Raheem Al Hosani
H.E. Dr. Mohammed Al Ahbabi
H.E. Sara Musallam
H. E. Rashed Al Ghafri
H.E. Hisham Malak
Mounir Barakat
Amal Al Ameri
Badr Alolama (from 2 February 2021)
Masood M. Sharif Mahmood (from 2 February 2021)

Auditors

The consolidated financial statements for the year ended 31 December 2020 have been audited by M/s Ernst & Young.

On behalf of the Board of Directors

DocuSigned by:
Musabbeh Al Kaabi
700A64D757D7407...

Chairman of the Board
Musabbeh Al Kaabi

Date: 02 April 2021

Ernst & Young Middle East
(Abu Dhabi Branch)
P.O. Box 136
27th Floor, Nation Tower 2
Abu Dhabi Corniche
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

AL YAH SATELLITE COMMUNICATIONS COMPANY PJSC

Report on the Audit of Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Al Yah Satellite Communications Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with *International Code of Ethics for Professional Accountants (including international independence standards) (the "IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and 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 Company'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 Company 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.

EY
Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

AL YAH SATELLITE COMMUNICATIONS COMPANY PJSC continued

Report on the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 consolidated 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.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

AL YAH SATELLITE COMMUNICATIONS COMPANY PJSC continued

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 and the Company's Articles of Association;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Company;

v) investments in shares and stocks during the year ended 31 December 2020 are disclosed in the note 17, 18 and 35 to the consolidated financial statements;

vi) note 20 reflects material related party transactions and the terms under which they were conducted; and

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 Company has contravened during the financial year ended 31 December 2020, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.

Further, as required by the Decree 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 information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the law of establishment of the Company and relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations, which would have a material impact on the consolidated financial statements of the Company as at 31 December 2020.

Signed by
Anthony O' Sullivan
Partner
Ernst & Young
Registration No 687

4 April 2021
Abu Dhabi

Al Yah Satellite Communications Company PJSC

Consolidated statement of profit or loss

for the year ended 31 December 2020

yahsat الياه سات
smart satellite solutions

	Notes	2020 $ 000	2019 $ 000
Continuing operations:			
Revenue	4	407,507	440,569
Cost of revenue	5	(40,041)	(53,792)
Staff costs	6	(84,208)	(89,140)
Other operating expenses	7	(51,996)	(54,642)
Other income	8	15,668	5,861
EBITDA*		**246,930**	**248,856**
Depreciation, amortisation and impairment	9	(149,567)	(150,657)
Fair value adjustments on investment property	14	(2,030)	(837)
Operating profit		**95,333**	**97,362**
Finance income	10	3,216	6,756
Finance costs	10	(20,589)	(31,028)
Net Finance costs		**(17,373)**	**(24,272)**
Share of results of equity-accounted investments	18	(16,360)	(16,130)
Profit before income tax		**61,600**	**56,960**
Income tax expense	11	(200)	(241)
Profit for the year before discontinued operations		**61,400**	**56,719**
Discontinued operations:			
Loss after tax for the year from discontinued operations	35	-	(33,846)
Profit for the year		**61,400**	**22,873**
Loss for the year attributable to non-controlling interests	17	(7,502)	(6,986)
Profit for the year attributable to Yahsat Owner		**68,902**	**29,859**

* Earnings from continuing operations before interest, tax, depreciation, amortisation, impairment, fair value adjustments on investment property and share of results of equity-accounted investments.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 $ 000	2019 $ 000
Profit for the year		**61,400**	**22,873**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Cash flow hedge - effective portion of changes in fair value		(4,966)	(5,928)
Cash flow hedge - loss reclassified to profit or loss	10	11,148	10,040
Foreign operations - currency translation differences		(28,013)	6,158
Discontinued operations - currency translation differences	35	-	(5,102)
Currency translation differences reclassified to profit or loss	35	-	4,442
Total comprehensive income for the year		**39,569**	**32,483**
Total comprehensive loss attributable to non-controlling interests	17	(7,513)	(6,957)
Total comprehensive income attributable to Yahsat Owner		**47,082**	**39,440**
of which arising from continuing operations		47,082	78,388
of which arising from discontinued operations	35	-	(38,948)

The notes on pages 9 to 55 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 4.

Al Yah Satellite Communications Company PJSC

Consolidated statement of financial position

at 31 December 2020

yahsat الياه سات
smart satellite solutions

	Notes	2020 $ 000	2019 $ 000 Restated*	At 1 January 2019 $ 000 Restated*
Assets				
Property, plant and equipment	12	1,018,003	1,146,331	1,382,840
Capital work in progress	13	98,531	19,180	20,634
Investment property	14	22,137	24,167	17,913
Right-of-use assets	15	20,645	28,155	-
Intangible assets	16	13,083	16,524	30,938
Equity-accounted investments	18	125,574	151,285	36,625
Trade and other receivables	21	11,227	3,215	3,242
Deferred income tax assets	11	94	72	8,044
Total non-current assets		**1,309,294**	**1,388,929**	**1,500,236**
Inventories	19	13,291	9,454	14,933
Trade and other receivables	21	127,296	133,735	126,699
Income tax assets		182	182	255
Cash and short-term deposits	22	224,915	287,432	237,296
Total current assets		**365,684**	**430,803**	**379,183**
Total assets		**1,674,978**	**1,819,732**	**1,879,419**
Liabilities				
Trade and other payables	23	88,539	75,796	74,727
Borrowings	24	129,114	125,511	106,931
Derivative financial instruments	25	8,016	9,445	9,196
Deferred revenue	26	22,095	30,907	34,787
Income tax liabilities		288	235	317
Total current liabilities		**248,052**	**241,894**	**225,958**
Trade and other payables	23	291,000	292,096	294,257
Borrowings	24	143,655	273,727	367,736
Derivative financial instruments	25	1,641	6,394	10,755
Provision for employees' end of service benefits	28	10,515	10,075	12,650
Total non-current liabilities		**446,811**	**582,292**	**685,398**
Total liabilities		**694,863**	**824,186**	**911,356**
Net assets		**980,115**	**995,546**	**968,063**
Equity				
Share capital	29	2,722	2,722	2,722
Additional paid-in capital	30	661,612	661,612	661,612
Hedging reserve	25	(9,657)	(15,839)	(19,951)
Statutory reserve	31	4,103	4,103	4,103
Translation reserve		(22,202)	5,800	331
Retained earnings		259,946	246,044	221,214
Equity attributable to Yahsat Owner		**896,524**	**904,442**	**870,031**
Non-controlling interests	17	83,591	91,104	98,032
Total equity		**980,115**	**995,546**	**968,063**

These consolidated financial statements were authorised for issue by the Board of Directors on 10 March 2021 and approved on their behalf by:

DocuSigned by:
Musabbeh Al Kaabi
700A64D757D7407...
Chairman of the Board
Musabbeh Al Kaabi

DocuSigned by:
7B7598E52A0E480...
Chief Executive Officer and Director
Masood M. Sharif Mahmood

DocuSigned by:
Andrew Francis Cole
A6BF0B65FED14B7...
Chief Financial Officer
Andrew Francis Cole

* The comparative information is restated on account of correction of errors. See Note (36).
The notes on pages 9 to 55 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 4.

RC NR

Al Yah Satellite Communications Company PJSC
Consolidated statement of changes in equity
for the year ended 31 December 2020

yahsat الياسات
smart satellite solutions

	Attributable to Yahsat Owner							
	Share capital	Additional paid-in capital	Hedging reserve	Other Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
	(Note 29)	(Note 30)	(Note 25)				(Note 17)	
At 1 January 2019, as previously reported	2,722	661,612	(19,951)	4,434	222,900	871,717	98,647	970,364
Impact of correction of errors (Note 36)	-	-	-	-	(1,686)	(1,686)	(615)	(2,301)
At 1 January 2019, restated	**2,722**	**661,612**	**(19,951)**	**4,434**	**221,214**	**870,031**	**98,032**	**968,063**
Profit for the year	-	-	-	-	29,859	29,859	(6,986)	22,873
Other comprehensive income:								
Currency translation differences	-	-	-	1,027	-	1,027	29	1,056
Net loss on fair value of cash flow hedges	-	-	(5,928)	-	-	(5,928)	-	(5,928)
Reclassified to consolidated statement of profit or loss (Note 10 and Note 35)	-	-	10,040	4,442	-	14,482	-	14,482
Other comprehensive income for the year	**-**	**-**	**4,112**	**5,469**	**-**	**9,581**	**29**	**9,610**
Total comprehensive income for the year	**-**	**-**	**4,112**	**5,469**	**29,859**	**39,440**	**(6,957)**	**32,483**
Other movement in equity	-	-	-	-	(29)	(29)	29	-
Transactions with Yahsat Owner:								
Dividends	-	-	-	-	(5,000)	(5,000)	-	(5,000)
At 31 December 2019, restated	**2,722**	**661,612**	**(15,839)**	**9,903**	**246,044**	**904,442**	**91,104**	**995,546**
At 1 January 2020	**2,722**	**661,612**	**(15,839)**	**9,903**	**246,044**	**904,442**	**91,104**	**995,546**
Profit for the year	-	-	-	-	68,902	68,902	(7,502)	61,400
Other comprehensive income:								
Currency translation differences	-	-	-	(28,002)	-	(28,002)	(11)	(28,013)
Net loss on fair value of cash flow hedges	-	-	(4,966)	-	-	(4,966)	-	(4,966)
Reclassified to consolidated statement of profit or loss (Note 10)	-	-	11,148	-	-	11,148	-	11,148
Other comprehensive income for the year	**-**	**-**	**6,182**	**(28,002)**	**-**	**(21,820)**	**(11)**	**(21,831)**
Total comprehensive income for the year	**-**	**-**	**6,182**	**(28,002)**	**68,902**	**47,082**	**(7,513)**	**39,569**
Transactions with Yahsat Owner:								
Dividends (Note 29)	-	-	-	-	(55,000)	(55,000)	-	(55,000)
At 31 December 2020	**2,722**	**661,612**	**(9,657)**	**(18,099)**	**259,946**	**896,524**	**83,591**	**980,115**

Other reserves include translation reserve and statutory reserve. There were no movements in statutory reserve during the current and previous years.

The notes on pages 9 to 55 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 4.

Al Yah Satellite Communications Company PJSC
Consolidated statement of cash flows
for the year ended 31 December 2020

	Notes	2020 $ 000	2019 $ 000
Operating activities			
Profit before income tax	22	61,600	30,338
Adjustments for:			
Share of results of equity-accounted investments	18	16,360	16,130
Depreciation, amortisation and impairment		149,566	155,429
Allowance (reversal of allowance) for expected credit losses	21	6,202	3,615
Loss allowance for inventories	19	2,692	1,648
Fair value adjustment to investment property	14	2,030	837
Finance income		(3,216)	(6,965)
Finance costs		20,589	32,722
Gain on disposal of a subsidiary	35	-	(3,401)
Gain on transfer of orbital rights - non-cash consideration	8	(10,000)	-
Provision for employees' end of service benefits	28	2,342	2,455
Write-off of property, plant and equipment / capital work in progress	12,13	7	837
Operating profit before working capital changes		**248,172**	**233,645**
Working capital changes:			
Trade and other receivables		2,224	(15,571)
Inventories		(6,266)	3,509
Trade and other payables		(4,329)	10,293
Deferred revenue		(8,812)	(8,363)
Employee end of service payments	28	(1,891)	(5,035)
Income tax paid		(169)	(461)
Net cash from operating activities		**228,929**	**218,017**
Investing activities			
Purchases of property, plant and equipment	12	(8,644)	(11,026)
Purchases of capital work in progress		(66,040)	(5,573)
Additions to intangible assets	16	(1,084)	(3,562)
Investment in an associate	18	(18,558)	-
Movement in short-term deposits with original maturity of over three months	22	20,000	(140,000)
Disposal of a subsidiary, net of cash disposed	35	-	(7,858)
Interest received		3,216	6,965
Net cash used in investing activities		**(71,110)**	**(161,054)**
Financing activities			
Dividend paid to the Shareholder	29	(55,000)	(5,000)
Repayment of borrowings	24,15	(127,545)	(110,914)
Interest paid on term loans		(17,536)	(31,370)
Net cash used in financing activities		**(200,081)**	**(147,284)**
Net decrease in cash and cash equivalents		**(42,262)**	**(90,321)**
Net foreign exchange difference		(255)	457
Cash and cash equivalents at 1 January		147,432	237,296
Cash and cash equivalents as at 31 December	22	**104,915**	**147,432**

The notes on pages 9 to 55 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 4.

1 Corporate information

Al Yah Satellite Communications Company (the "Company"), registered as a private joint stock company in Abu Dhabi, United Arab Emirates (UAE), was incorporated on 23 January 2007. UAE Federal Law No. 2 of 2015 (Companies Law) is applicable to the Company and has come into effect on 1 July 2015.

The Company is a wholly owned subsidiary of Mubadala Investment Company PJSC (the "Parent Company" or "the Shareholder" or "Yahsat owner"), an entity wholly owned by the Government of Abu Dhabi.

These consolidated financial statements include the financial performance and position of the Company, its subsidiaries (collectively referred to as the "Group") and the Group's interest in its equity-accounted investees.

The Group's principal activity is the leasing of satellite communication capacity and providing telecommunication services via satellite to customers. Details of the Company's subsidiaries and its equity-accounted investee are set out in Notes 17 and 18.

2 Significant accounting policies

2.1 Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and comply where appropriate, with the Articles of Association and applicable requirements of the laws of the UAE.

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.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and investment property, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

These consolidated financial statements are presented in United States Dollars ("USD" or "$"), the functional currency of the Company and the presentation currency of the Group. Subsidiaries and its equity-accounted investees determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency. All financial information presented in USD has been rounded to the nearest thousand ("$ 000"), unless stated otherwise.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. The basis of consolidation is referred in the following notes:

Basis of consolidation	Note
(i) Subsidiaries	17
(ii) Investments in associates	18
(iii) Transactions eliminated on consolidation	17,18
(iv) Business combinations	35
(v) Transfer of entities under common control	35
(vi) Loss of control of a subsidiary	35
(vii) Acquisition of an associate in a business combination	35

2 Significant accounting policies (continued)

2.3 Summary of significant accounting policies

The Group has applied these accounting policies consistently to all periods presented in these consolidated financial statements.

A) Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Non-derivative financial assets

Non-derivative financial assets comprise loans and receivables (including trade receivables, amounts due from related parties, accrued income and other receivables), and cash and short-term deposits.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group derecognises a financial asset only when the contractual rights to the cash flows of the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, where the time value of money is material, receivables are measured at amortised cost using the effective interest method, less impairment losses, if any.

Cash and cash equivalents comprise cash balances and short-term deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise trade payables, amounts due to related parties, borrowings and other payables and accruals.

(iii) Derivative financial instruments including hedge accounting: Refer to Note 25.

2 Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

B) Revenue from contract with customers
Refer Note 4.

C) Leases - the Group as a lessor
Refer Note 4 (Infrastructure services) and Note 14 (Investment property).

D) Finance income
Refer Note 10.

E) Other income
Refer Note 8.

F) Property, plant and equipment
Refer Note 12.

G) Capital work in progress
Refer Note 13.

H) Investment property
Refer Note 14.

I) Leases - the Group as a lessee
Refer Note 15.

J) Intangible assets
Refer Note 16.

K) Borrowing costs
Refer Note 10.

L) Impairment

Financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and at fair value through other comprehensive income (FVOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, internal credit rating, external credit rating (as far as available), actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

Financial assets carried at amortised cost

The Group recognizes lifetime expected credit loss (ECL) for trade receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using loss rates applied against each customer segment for each revenue type to measure expected credit losses. The Group determines the loss rates based on historical credit loss experience, analysis of the debtor's current financial position adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of current and forecast direction of conditions at the reporting date, including, where appropriate, time value of money.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in the consolidated statement of profit or loss.

Non-financial assets and investment in associates

The carrying amounts of the Group's non-financial assets and investments in associates are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually 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 groups of assets (the "cash-generating unit, or CGU"). The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

2 Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

M) Foreign currency

Transactions in foreign currencies are translated to USD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to USD at the exchange rate at that date. The resultant foreign exchange gains and losses are recognised in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Where functional currencies of subsidiaries are different from USD, income and cash flow statements of subsidiaries are translated into USD at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates and their assets and liabilities are translated at the exchange date ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income.

Group's share of results and share of movement in other comprehensive income of equity accounted investments are translated into USD at average exchange rates for the year. Translation differences relating to investments in associates and monetary assets and liabilities that form part of a net investment in a foreign operation are recognised in other comprehensive income. When investments in subsidiaries, associates, joint ventures or net investment in a foreign operation are disposed of, the related translation differences previously recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on disposal.

N) Employee terminal benefits
Refer Note 6.

O) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

P) Income tax
Refer Note 11.

Q) Government Grants
Refer Note 27.

R) Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:
- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period
Or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:
- expected to be settled in the normal operating cycle
- held primarily for the purpose of trading
- due to be settled within twelve months after the reporting period
Or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

S) Fair value measurement

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes as explained below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The levels of fair value hierarchy are defined as follows:
Level 1: Measurement using quoted prices (unadjusted) from the active market.
Level 2: Measurement using valuation methods with parameters derived directly or indirectly from observable market data.
Level 3: Measurement using valuation methods with parameters not based exclusively on observable market data.

Derivatives

The fair value of interest rate swaps is based on broker quotes, which are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Derivatives fall into Level 2 of the fair value hierarchy.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date (Level 2 of fair value hierarchy).

Investment property

The fair value of investment property is determined using Level 2 valuation methods (Refer to Note 14).

2 Significant accounting policies (continued)

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as the existing interest rate swap (IRS) contracts (derivative used for hedging) will expire in 2022, much before 30 June 2023 when the USD LIBOR rates will no longer be published.

Amendments to IAS 1 and IAS 8 Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact nor are expected to have future impact on the consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

2.4 Changes in accounting policies and disclosures (continued)

2.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts
The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. The Group is assessing the potential impact of this amendment.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
The amendments require additional disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks.

The amendment is effective for annual periods beginning on or after 1 January 2021.

3 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:
i) Capital management (Note 34)
ii) Financial instrument risk management (Note 34)

Significant accounting judgments

Revenue from contract with customers
Refer Note 4.

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period in the lease term for a) satellite capacity leases if the intention to renew is supported by an approved business case and b) for lease of buildings housing satellite gateways if there are no approved plans for relocation of gateways or cancellation of leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Classification of investments
The Group applies significant judgement with respect to the classification of investments, control (including de-facto control), joint control and significant influence exercised on those investments made by the Group. For assessing control, the Group considers power over 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. In case, where the Group has less than majority of the voting or similar rights in 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 and de-facto control on listed securities. Management's assessment considers the Group's ability to exercise control in the event of a deadlock situation with other vote holders and in situations where the Group holds convertible instruments, the Group considers potential voting rights.

For assessing significant influence, the Group considers the ability to participate in the financial and operating policy decisions of the investee. The Group presumes significant influence when it holds between 20% and 50% of the voting power of investee. The Group also considers its representation on the board, the ability of other vote holders to operate the investee without regard to the views of the Group, participation in policy-making processes, including participation in decisions about dividends or other distributions, material transactions between the Group and its investee, interchange of managerial personnel and provision of essential technical information.

In 2018, the Group acquired 89.83% ownership interest in Thuraya on 1 August 2018. The Group determined that it gained control over Thuraya as of 1 August 2018 considering that it has the right to direct the relevant activities as of that date through its majority appointed directors.

In 2018, the Group diluted 20% interest in its fixed satellite broadband business in Africa, Middle East and West Asia (BCS). The Group entered into an agreement (Joint venture agreement) with the non-controlling shareholder to govern the ownership, management and control of BCS. The Group has determined that by virtue of its majority representation in the Board, it has the right to direct the relevant activities of the business and continues to control the subsidiary.

On 29 November 2019, the Group acquired 20% shareholding in HPE, the Brazil JV Co (Note 35 B). The Group entered into a Joint venture agreement with the other shareholder, Hughes, to govern the ownership, management and control of HPE. The Group has determined that by virtue of its shareholding and representation in the Board, it has significant influence (but not control or joint control) over HPE as the Group has the right to participate in policy-making processes, including participation in decisions about dividends or other distributions, material transactions between the Group and its investee, interchange of managerial personnel and provision of essential technical information. Accordingly, the Group accounts for its investment in HPE as investment in an associate.

3 Significant accounting judgments, estimates and assumptions (continued)

Significant accounting estimates

Impairment of non-financial assets
At the end of each reporting period, management applies the guidance in IAS 36 Impairment of Assets to identify whether there is any objective evidence of impairment of its non-financial assets. In such instances, the assets are subject to an impairment test by comparing their carrying amounts at the balance sheet date to their recoverable amounts. The recoverable amount for an individual asset is estimated and is the higher of its fair value less costs of disposal and its value in use. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets the recoverable amount of the cash-generating unit (CGU) to which the asset belongs is determined. An estimate of fair value less cost of disposal or the value in use of the CGU (or asset) is made, using estimated future cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (asset). The assumptions and judgments made in assessing the recoverable value include expectations of contract renewals, price increases on existing contracts and inflation rates.

At the end of the year, management identified an indicator that the BCS cash generating unit (BCS CGU) may be impaired. Accordingly fair value less costs of disposal of the BCS CGU was estimated to determine its recoverable amount, using discounted cash flow projections from approved financial forecasts. The projections cover the period from 2021 to 2029 and were discounted using a discount rate of 8.4%. The recoverable amount of the CGU exceeded the carrying value of the BCS CGU as of 31 December 2020, indicating the CGU is not impaired. The recoverable amount would still be above carrying amount even with a 1% reduction in the terminal growth rate or a 1% increase in discount rate.

Impairment of equity-accounted investments
At the end of each reporting period, management applies the guidance in IAS 28 Investments in Associates and Joint Ventures to identify whether there is any objective evidence of impairment of its equity-accounted investments. In such instances, the investments are subject to impairment tests by comparing the carrying amount to the recoverable amount of each investment. Considering the long term nature of these investments, the recoverable amount is determined based on discounted cash flows calculations. Estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The assumptions and judgments made in assessing the value in use include expectations of contract renewals, price increases on existing contracts and inflation rates.

At the end of the year, management has not identified any indicator that suggests its equity accounted investments are impaired.

Impairment of goodwill allocated to Thuraya CGU
At the end of the year, the Group performed its annual impairment test of goodwill which is allocated to the Thuraya CGU. The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows using inputs to the valuation technique that fall under Level 3 of the fair value hierarchy. The recoverable amount as at 31 December 2020 has been determined using cash flow projections from financial budgets approved by senior management covering the period from 2021 to 2025. No growth rate has been applied on the cash flows beyond 2025. The discount rate applied to the cash flow projections is 9.5%. The recoverable amount of the CGU exceeded the carrying value as of 31 December 2020, indicating the CGU is not impaired. The recoverable amount would still be above carrying amount even with a 1% reduction in the terminal growth rate or a 1% increase in discount rate.

Impairment losses on receivables and contract assets
The Group reviews its receivables and contract assets to assess impairment on a regular basis. In determining whether impairment losses should be recorded in the consolidated statement of profit or loss and other comprehensive income, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. As at 31 December 2020, the Group is carrying an allowance of US$ 24.9 million (2019: US$ 27.1 million).

Business combinations
Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licences and other assets and market multiples. The Group's management uses all available information to make these fair value determinations.

3 Significant accounting judgments, estimates and assumptions (continued)

Significant accounting estimates (continued)

Useful lives of property, plant and equipment and intangible assets
Management assigns useful lives to property, plant, equipment, and intangible assets based on the intended use of assets and the economic lives of those assets. Subsequent change in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives differing from initial estimates.
For satellite systems, management reviews the technical reports including estimates of the fuel life of the satellites, in determining if any adjustments are required to the useful life.
For other items of property, plant and equipment and intangible assets management has reviewed the useful lives of major items of and determined that no adjustment is necessary.

Fair value of derivative financial instruments
The fair value of derivative financial instruments is based on their quoted market price, if available. Where the fair value of such instruments cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Group applied incremental borrowing rates ranging from 5.9% to 6.3% to the lease liabilities.

Key sources of estimation uncertainty – COVID-19
The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration and its impact on the business and overall economic impact. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of approval of these consolidated financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.

4 Revenue

Accounting policies

The Group has applied the following accounting policy for revenue recognition in the preparation of its consolidated financial statements.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The Group is in the business of leasing of satellite communication capacity and providing telecommunication services via satellite to customers. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Satellite services revenue primarily represents revenue from provision of satellite broadband services to customers. Revenue is recognised when services are rendered. For mobile satellite services, airtime revenue (voice, data and messaging services) is recognised over the period in which the services are provided; and revenue from the sale of prepaid cards is recognized on the actual utilisation of the prepaid card and is deferred in deferred revenue until the customer uses the airtime, or the credit expires.

Managed services revenue represents end-to-end integrated satellite communication and managed services provided to customers. Revenue is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the proportion of the service rendered. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, the associated costs or the possible return of the goods or the rejection of the services provided.

Revenue from the sale of goods (i.e. equipment and accessories) is recognised at the point in time when control of the asset is transferred to the customer, generally when the goods are delivered and titles have passed. Revenue is recognised net of returns, upfront discounts and sales commissions.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Leases - the Group as a lessor

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease.

4 Revenue (continued)

Leases - the Group as a lessor (continued)

The amounts due from lessees are recorded in the consolidated statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment.

Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases.

Income from operating leases are recognised in profit or loss on a straight-line basis over the lease term.

Infrastructure revenue primarily represents revenue from leasing of satellite capacity and related services. Satellite capacity lease payments are recorded on a straight-line basis over the term of the contract concerned. Deferred revenue represents the unearned balances remaining from amounts received from customers.

Revenue	**Notes**	**2020 $ 000**	**2019 $ 000**
Rendering of services:			
Infrastructure services		244,566	237,784
Fixed satellite services		27,192	27,048
Mobile satellite services		45,270	53,278
Managed services		63,220	89,068
		380,248	**407,178**
Sale of equipment and accessories		27,259	33,391
		407,507	**440,569**
Revenue from related parties is disclosed in Note 20.			
Revenue includes:			
Revenue from contracts with customers		273,804	308,383
Income from operating leases included in infrastructure services		131,906	131,514
Income from operating leases included in managed services		1,797	672
		407,507	**440,569**
Disaggregation of revenue from contracts with customers:			
Infrastructure services - government capacity		102,905	100,530
Infrastructure services - others		9,755	5,740
Fixed satellite serivces - Africa, Middle East and West Asia		27,192	27,048
Mobile satellite services - worldwide		45,270	53,278
Managed services		61,423	88,396
Sale of equipment and accessories - mobile satellite services		26,957	31,658
Sale of equipment and accessories - fixed satellite services		302	1,733
		273,804	**308,383**
Timing of revenue recognition:			
Over time		243,525	271,113
At a point in time		30,279	37,270
		273,804	**308,383**
Contract backlog			
a) Remaining performance obligations from contracts with customers:			
Within one year		148,600	190,851
More than one year		592,802	701,167
		741,402	**892,018**
b) Future minimum lease rental receivables under non-cancellable operating leases, where Group is a lessor	33	774,494	907,304
Total contract backlog		**1,515,896**	**1,799,322**

4 Revenue (continued)

	Notes	2020 $ 000	2019 $ 000
Contract balances:			
Trade receivables, net of loss allowance	21	94,448	105,139
Contract assets	21	19,827	14,842
Contract liabilities:			
Advances from a related party	20	128,040	128,040
Advances from other customers	23	5,999	7,589
Deferred revenue	26	22,095	30,907
Revenue recognised from contract liabilities at the beginning of the year		3,850	3,264

The disclosure on remaining performance obligations does not include the expected consideration related to performance obligations for which the group elects to recognize revenue in the amount it has a right to invoice (e.g. subscription revenue on fixed and mobile satellite services).

Trade receivables and amounts due from related parties are non-interest bearing and are generally on terms ranging from 10 to 45 days.

The future minimum lease payments under operating lease arrangements, where the Group is a lessor, are disclosed in Note 33.

Significant accounting judgments and estimates

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in a bundled sale and installation and maintenance services

The Group provides services that are either sold separately or bundled with equipment. The services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group determined that the supply of equipment and installation and maintenance for certain managed services contracts are not capable of being distinct since these are interdependent or interrelated. Consequently, the Group considered these as a single performance obligation and did not allocate the transaction price to more than one performance obligations.

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Group concluded that revenue for certain contracts for the supply and installation of equipment are to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Company recognises revenue based on milestones achieved.

For certain contracts for the supply of goods, the Group concluded that revenue is recognised at a point in time only upon receipt of customer acceptance to determine when the performance obligation of the Group under the contracts are satisfied.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. For this purpose, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract. In determining the impact of variable consideration, the Group uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets is transferred to the customer or benefits of the services being provided is received and consumed by the customer. In cases where the Group determines that performance obligations are not satisfied at a point in time, revenue is recognised over the time in accordance with the criteria as per IFRS 15.

4 Revenue (continued)

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Determining whether unsigned agreements meet the definition of contract under IFRS 15

In relation to certain projects for the Government of Abu Dhabi, its department or related parties performance obligations are fulfilled based on unsigned agreements. Management considers such unsigned contracts to meet the definition of a 'contract with customer' under IFRS 15 since the Group and the customers agree upon the essential elements of a contract and any other lawful conditions. Pending matters of detail to be agreed upon later, the contract is deemed to be binding even in the absence of agreement on these matters of detail. In addition, under Article 132 of the UAE Civil Code, a contract can be oral or written; a contract can also result from acts, which demonstrate the presence of mutual consent between the relevant parties.

Classification of leases

The Group has entered into a Capacity Services Agreement ("CSA") with the UAE Armed Forces (UAEAF), an entity under common control for a period of 15 years. The capacity services include the lease of capacity of satellite transponders and provision of services relating to the operation of satellite network. The capacity charges payable under the terms of the CSA includes a lease element and a service element which corresponds to the capacity lease and provision of services respectively.

The Group has made various judgments in the process of determining – a) whether this arrangement contains a lease, b) whether it is an operating lease or a finance lease and c) how the capacity charges relating to the lease element and service element will be accounted.

In making its judgments, the Group's management considered the terms and conditions of the CSA, the requirements of relevant standards and the relevant industry practice. The relevant standards include i) IFRIC Interpretation 4 – Determining whether an Arrangement contains a Lease, ii) IAS 17 - Leases and iii) IFRS 15 – Revenue from contracts with customers.

Based on the matters mentioned in the preceding paragraphs the Group management has determined that:
a) the arrangement contains a lease, as it conveys a right to use the asset and the fulfilment of the arrangement is dependent on the use of a specified asset
b) the lease element of the arrangement will be accounted as an operating lease as the Group does not transfer substantially risks and rewards of ownership of the assets to UAEAF (Note 20) and
c) the service element of the arrangement will be accounted as revenue in proportion to the stage of completion at the reporting date.

5 Cost of revenue

	2020 $ 000	2019 $ 000
Cost of services sold*	19,971	29,144
Cost of equipment and accessories sold	20,070	24,648
	40,041	**53,792**

*Cost of services sold mainly represents supplies procured for managed services and mobile satellite services.

6 Staff costs

Accounting policies

Employee terminal 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.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

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), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service.

6 Staff costs (continued)

	Note	2020 $ 000	2019 $ 000
Employee costs		73,266	76,958
Outsourced staff costs		10,942	12,182
		84,208	**89,140**
Employee costs include:			
Pension contributions made in respect of UAE national employees in accordance with the UAE Federal Law No. (2), 2000		2,885	2,992
Charged during the year towards employee end of service benefits		2,342	2,455

7 Other operating expenses

	Note	2020 $ 000	2019 $ 000
Satellite services operations costs		12,107	13,720
Insurance expenses		8,716	4,820
Facilities and asset maintenance costs		5,376	7,430
Allowance for expected credit losses		6,522	3,397
IT support costs		2,974	3,158
Marketing expenses		3,404	4,048
Consultancy, legal and advisory expenses		2,715	2,890
Inventory obsolescence	19	2,692	1,648
Registration and filing expenses		1,436	2,457
Business travel expenses		985	4,239
Bank fees and charges		679	779
Learning and development expenses		332	1,325
Currency exchange losses - net		216	504
Other expenses		3,842	4,227
		51,996	**54,642**

The Group did not make any material social contributions during the year.

8 Other income

Accounting policies

Income from claims for liquidated damages is recognised in profit or loss as other income or a reduction to operating costs when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to compensations for loss of income or are not towards incremental operating costs, the amounts are taken to the consolidated statement of financial position and recorded as a reduction in the cost of the related asset.

Insurance proceeds received from loss claims relating to assets insured is recognised in profit or loss as other income.

Gain arising from transfer of Orbital rights is recognised in profit or loss, as other income, when:
a) Yahsat has fulfilled all its material obligations that allow the transfer of the rights and
b) any remaining Yahsat obligation(s), is merely administrative with a low risk of failure.

For the purpose of calculating the gain arising from transfer of Orbital rights, if the consideration for transfer comprises both cash and non-cash elements, the fair value of consideration is
a) The consideration agreed in cash plus
b) Fair value of non-monetary consideration. Where the non-monetary consideration is in the form of services to be rendered (either by the buyer of the orbital rights or by another third party), recent market transactions or quotations obtained from other service providers for a similar service forms the basis for estimating the fair value.

8 Other income (continued)

	Notes	2020 $ 000	2019 $ 000
Gain on transfer of orbital rights		14,000	-
Rental income from investment property	14	1,091	1,940
Gain on disposal - discontinued operation	35	-	3,401
Income from services rendered to related parties	20	-	304
Others		577	216
		15,668	**5,861**

During the year, the Group entered into an Orbital Location Agreement with a satellite operator to transfer the beneficial rights in certain orbital rights to the operator. The fair value of the consideration for the transfer is USD 14 million, comprising of USD 4 million in cash and a non-monetary consideration in the form of a right to future orbital services valued at USD 10 million.

9 Depreciation, amortisation and impairment

	Notes	2020 $ 000	2019 $ 000
Depreciation of property, plant and equipment		139,286	141,538
Depreciation of right-of-use assets	15	5,534	3,830
Amortisation of intangible assets		4,534	4,872
Impairment of non-current assets	12	213	417
		149,567	**150,657**

The amounts above relate to continuing operations.

10 Finance costs and Finance income

Accounting policies

Finance income

Finance income comprises interest income on funds invested and is recognised as it accrues in profit or loss using the effective interest method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time the assets are substantially ready for their intended use.

Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation. In the case of general borrowings, a capitalisation rate, which is the weighted average rate of general borrowing costs, is applied to the expenditure on qualifying assets and included in the cost of the asset.

A borrowing originally made to develop a qualifying asset is treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense when incurred.

10 Finance costs and Finance income (continued)

Finance costs and Finance income	Notes	2020 $ 000	2019 $ 000
Finance income			
Interest on short term deposit with banks		432	4,828
Interest on deposits with related party	20	2,784	1,928
		3,216	**6,756**
Finance costs			
Interest expense on borrowings - term loans		(8,225)	(19,636)
Interest expense on borrowings - lease liabilities	15	(1,216)	(1,352)
Fair value losses on derivative financial instruments transferred from equity		(11,148)	(10,040)
		(20,589)	**(31,028)**
Net finance costs		**(17,373)**	**(24,272)**

11 Income tax expense

Accounting policies

The tax expense / credit for the year comprise current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Also deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill in a business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted in the jurisdiction of the individual companies by the end of the reporting period and are expected to apply when the related deferred income tax liability is settled or the deferred income tax asset is realised. A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Deferred income tax assets and liabilities offset when:
a) a legally enforceable right exists to offset current income tax assets against current income tax liabilities
b) the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The taxes mainly relate to the subsidiaries in the Netherlands and South Africa and are not significant. Hence no further disclosures are provided.

12 Property, plant and equipment

Accounting policies

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of a qualifying asset are capitalised.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / other expenses in profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at the financial year-end and adjusted if appropriate.

The estimated useful lives used in the current and comparative periods are as follows:

Asset category	Years
Buildings	15-40
Leasehold improvements (included in buildings)	5-10
Satellite systems	9-18
Plant and machinery	15-40
Furniture and fixtures	3-4
Office equipment and vehicles	3-5
Computers and software	3

12 Property, plant and equipment (continued)

	Land and building	Satellite systems	Plant and machinery	Furniture and fixtures	Computers	Office equipment and Vehicles	Total
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Cost							
At 1 January 2019	118,224	3,103,010	16,118	7,951	32,027	12,809	3,290,139
Additions	145	2,341	635	285	1,518	6,102	11,026
Transfers to investment property (Note 14)	(17,828)	-	-	-	-	-	(17,828)
Transfers to intangible assets (Note 16)	-	-	-	-	(11,468)	-	(11,468)
Discontinued operation (Note 35)	-	(131,400)	-	(208)	(3,535)	(11,062)	(146,205)
Exchange differences	-	(2,966)	-	(43)	(383)	(793)	(4,185)
Write-off	-	-	-	(584)	-	-	(584)
At 31 December 2019	**100,541**	**2,970,985**	**16,753**	**7,401**	**18,159**	**7,056**	**3,120,895**
Depreciation							
At 1 January 2019	21,579	1,605,957	5,596	7,157	24,575	4,574	1,669,438
Charge for the year	2,776	137,445	843	710	1,580	1,153	144,507
Transfers to investment property (Note 14)	(1,713)	-	-	-	-	-	(1,713)
Transfers to intangible assets (Note 16)	-	-	-	-	(9,573)	-	(9,573)
Discontinued operation (Note 35)	-	(15,171)	-	(277)	(393)	(353)	(16,194)
Exchange differences	-	(474)	-	(12)	(9)	(158)	(653)
Write-off	-	-	-	(584)	-	-	(584)
At 31 December 2019	**22,642**	**1,727,757**	**6,439**	**6,994**	**16,180**	**5,216**	**1,785,228**
Impairment							
At 1 January 2019	13,879	223,982	-	-	-	-	237,861
Charge for the year	417	-	-	-	-	-	417
Transfers to investment property (Note 14)	(9,024)	-	-	-	-	-	(9,024)
Discontinued operation (Note 35)	-	(39,918)	-	-	-	-	(39,918)
At 31 December 2019	**5,272**	**184,064**	**-**	**-**	**-**	**-**	**189,336**
Net book value	**72,627**	**1,059,164**	**10,314**	**407**	**1,979**	**1,840**	**1,146,331**
Cost							
At 1 January 2020	100,541	2,970,985	16,753	7,401	18,159	7,056	3,120,895
Additions	-	6,595	87	222	459	1,281	8,644
Transfer from capital work in progress (Note 13)	-	2,665	-	-	-	-	2,665
Disposals/write-offs	(7)	-	-	-	-	-	(7)
Exchange differences	-	-	-	-	-	148	148
Other transfers	-	(263)	-	-	-	-	(263)
At 31 December 2020	**100,534**	**2,979,982**	**16,840**	**7,623**	**18,618**	**8,485**	**3,132,082**
Depreciation							
At 1 January 2020	22,642	1,727,757	6,439	6,994	16,180	5,216	1,785,228
Charge for the year	2,674	133,769	893	194	944	812	139,286
Exchange differences	-	-	-	-	-	16	16
At 31 December 2020	**25,316**	**1,861,526**	**7,332**	**7,188**	**17,124**	**6,044**	**1,924,530**
Impairment							
At 1 January 2020	5,272	184,064	-	-	-	-	189,336
Charge for the year	213	-	-	-	-	-	213
At 31 December 2020	**5,485**	**184,064**	**-**	**-**	**-**	**-**	**189,549**
Net book value	**69,733**	**934,392**	**9,508**	**435**	**1,494**	**2,441**	**1,018,003**

13 Capital work in progress

Accounting policies

The Group capitalises all costs relating to assets as capital work in progress, until the date of completion and commissioning of these assets. These costs are transferred from capital work in progress to the appropriate asset category upon completion and commissioning and depreciated over their useful economic lives from the date of such completion and commissioning.

	Notes	$ 000
At 1 January 2019		20,634
Additions		4,364
Transfers to intangible assets	16	(4,981)
Write-off		(837)
At 31 December 2019		**19,180**
At 1 January 2020		19,180
Additions		82,016
Transfers to property, plant and equipment	12	(2,665)
At 31 December 2020		**98,531**

Capital work in progress as of the end of the reporting period comprise mainly of plant and equipment.

During the year, the Group entered into a contract for the procurement of a next generation satellite known as Thuraya 4 (T4), with an option to procure an additional satellite known as Thuraya 5 (T5).

Additions during the year mainly relate to the T4 satellite.

Borrowing costs capitalized during the year amounted to $ 1 million at a capitalisation rate of 5.4% (2019: Nil).

14 Investment property

Accounting policies

Investment properties are properties which are held to earn rentals and / or for capital appreciation.

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss in the period which they arise.

Transfers from owner-occupied property to investment property is made only when there is a change in use evidenced by end of owner-occupation. Up to the date when an owner-occupied property becomes an investment property carried at fair value, the group depreciates the property and recognizes any impairment losses that have occurred relating to the property transferred.

	Note	Land $ 000	Building $ 000	Total $ 000
Investment property accounted at fair value				
At 1 January 2019		13,675	4,238	17,913
Transfer from owner-occupied property	12	5,531	1,560	7,091
Net loss from fair value adjustment	7	(755)	(82)	(837)
At 31 December 2019 / At 1 January 2020		**18,451**	**5,716**	**24,167**
Net loss from fair value adjustment		(1,540)	(490)	(2,030)
At 31 December 2020		**16,911**	**5,226**	**22,137**

The investment property relates to Dubai office building and associated land (property) of the subsidiary acquired during the previous year. The fair value measurement for the investment property is classified as Level 2. The fair value has been determined by an external valuer based on transactions observable in the market.

Leasing arrangements

The investment properties are leased to tenants under operating leases with rents payable periodically. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the group may obtain bank guarantees for the term of the lease. Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Rental income from investment property is recognized in other income (Note 8). Net loss from fair value adjustment is recognized in other operating expenses (Note 7).

	2020 $ 000	2019 $ 000
Minimum lease payments receivable on leases of investment properties are as follows:		
Within 1 year	953	1,447
Between 1 and 2 years	430	1,256
	1,383	**2,703**

15 Leases - Group as a Lessee

This note provides information for leases where the group is a lessee, related right-of-use assets and lease liabilities.

Accounting policies

Leases, where the group is a lessee, are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
a) fixed payments (including in-substance fixed payments), less any lease incentives receivable
b) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
c) amounts expected to be payable by the group under residual value guarantees
d) the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
e) payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:
a) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
b) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the lessee which does not have recent third party financing, and
c) makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
a) the amount of the initial measurement of lease liability
b) any lease payments made at or before the commencement date less any lease incentives received
c) any initial direct costs, and
d) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

A lease modification is a change in scope of the lease, or the consideration for the lease that was not part of the original terms of the lease. When a modification increases the scope of the lease adding more underlying assets and the consideration is commensurate, the modification is accounted as a separate lease contract. However, if a modification increases the scope of the lease without adding the right to use of more underlying assets, or the increase in lease consideration is not commensurate, the modification is accounted for by remeasuring the existing lease. The lease liability is remeasured at the effective date of modification, using a revised discount rate, with a corresponding adjustment to the right of use asset. The lessee uses the incremental borrowing rate as the revised discount rate if the rate implicit in the lease for the remainder of the lease term is not readily determinable.

The estimated useful lives of right-of-use assets are as follows:

Asset category	**Years**
Right-of-use assets - satellite systems	3.5
Right-of-use assets - buildings	4-10

15 Leases - Group as a Lessee (continued)

A) Right-of-use assets

Carrying amounts and movements during the period	Satellite systems $ 000	Buildings $ 000	Total $ 000
At 1 January 2019	-	-	-
Effect of adoption of IFRS 16	-	16,565	16,565
Additions	15,420	-	15,420
Depreciation expense	(1,943)	(1,887)	(3,830)
At 31 December 2019	**13,477**	**14,678**	**28,155**
At 1 January 2020	13,477	14,678	28,155
Lease modification	(2,384)	-	(2,384)
Additions	-	446	446
Retirement	-	(38)	(38)
Depreciation expense	(3,790)	(1,744)	(5,534)
At 31 December 2020	**7,303**	**13,342**	**20,645**

B) Lease liabilities

Carrying amounts of lease liabilities and the movement for the period	Notes	2020 $ 000	2019 $ 000
Lease liabilities			
At 1 January		31,502	-
Effect of adoption of IFRS 16		-	16,565
Additions		446	15,733
Accretion of interest	10	1,216	1,352
Retirement		(38)	-
Lease modification		(2,384)	-
Payments		(10,945)	(2,148)
At 31 December	24	**19,797**	**31,502**
of which current		5,466	10,748
of which non-current		14,331	20,754
Amounts recognized in profit or loss in relation to leases			
Depreciation expense of right-of-use assets		5,534	3,830
Interest expense on lease liabilities		1,216	1,352
Expense relating to of low-value assets (included in other operating expenses)		161	550
Expense relating to short-term leases (included in other operating expenses)		-	312
Total		**6,911**	**6,044**
Cash flow information			
Total cash outflows for leases		10,945	2,698

The Group leases premises to host its satellite gateway equipment and leases satellite capacity assets. Rental contracts are typically made for fixed periods of 3 years to 15 years, but may have extension options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased asset may not be used for borrowing purposes.

The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset and align with the Group's business needs. The extension and termination options held are usually exercisable only by the group and not by the respective lessor.

Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

During the year a lease contract pertaining to the sateliite systems, was modified with an extension to the lease term, but without a commensurate increase in the consideration. The group remeasured the lease liability at the modification date using its incremental borrowing rate. The remeasurement was adjusted in the carrying amount of right of use asset.

16 Intangible assets

Accounting policies

Licenses, representing a right to transmission of telecommunication signals utilizing geo-stationary satellite and use of associated radio frequencies, are capitalized at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets 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 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 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.

Refer Note 35 Business combinations, for accounting policy on goodwill.

The estimated useful lives for current and comparative periods are as follows:

Asset category	Years
Licenses	10-15
Development costs (user terminal development)	3-5
Software (including operation and billing support systems)	4-10

	Notes	Development costs $ 000	Licenses $ 000	Software $ 000	Goodwill $ 000	Total $ 000
Cost						
At 1 January 2019 (restated)		64,465	11,681	11,192	3,745	91,083
Additions		3,123	-	439	-	3,562
Transfer from capital work in progress	13	4,981	-	-	-	4,981
Transfer from property, plant and equipment	12	-	-	11,468	-	11,468
Discontinued operation	35	-	(10,467)	(9,274)	-	(19,741)
Exchange differences		-	(1,034)	-	-	(1,034)
At 31 December 2019		**72,569**	**180**	**13,825**	**3,745**	**90,319**
Amortisation						
At 1 January 2019		59,724	183	238	-	60,145
Charge for the year		3,876	1,507	1,292	-	6,675
Transfer from property, plant and equipment	12	-	-	9,573	-	9,573
Discontinued operation	35	-	(1,460)	(1,005)	-	(2,465)
Exchange differences		-	(102)	(31)	-	(133)
At 31 December 2019		**63,600**	**128**	**10,067**	**-**	**73,795**
Net book value at 31 December 2019		**8,969**	**52**	**3,758**	**3,745**	**16,524**
Cost						
At 1 January 2020		72,569	180	13,825	3,745	90,319
Additions		-	-	1,084	-	1,084
Exchange differences		-	-	12	-	12
At 31 December 2020		**72,569**	**180**	**14,921**	**3,745**	**91,415**
Amortisation						
At 1 January 2020		63,600	128	10,067	-	73,795
Charge for the year		3,449	-	1,085	-	4,534
Exchange differences		-	-	3	-	3
At 31 December 2020		**67,049**	**128**	**11,155**	**-**	**78,332**
Net book value at 31 December 2020		**5,520**	**52**	**3,766**	**3,745**	**13,083**

17 Group information

A) Subsidiaries

Accounting policies

Subsidiaries are entities controlled by the Group. Control exists 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. In assessing control, potential voting rights of an entity that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Adjustments are made to the amounts reported by subsidiaries, when necessary, to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

The consolidated financial statements of the Group include:

Name	Principal activities	Country*	Equity % 2020	Equity % 2019
Al Yah Advanced Satellite Communication Services PJSC (Al Yah Advanced)	Leasing of satellite communication capacity	UAE	100%	100%
Star Satellite Communications Company PJSC (Star)	Telecommunication services via Satellite and integrated satellite communication and managed services	UAE	100%	100%
Al Yah 3 B.V.	Holding company (under liquidation)	Netherlands	100%	100%
Amwaj Communications LLC	Dormant entity	UAE	100%	100%
Thuraya Telecommunications Company PJSC (Thuraya)	Mobile telecommunication services via Satellite	UAE	89.83%	89.83%
BCS Group (BCS)				
Broadband Connectivity Solutions (Restricted) Limited (BCS Holdco)	Holding company	UAE	80%	80%
BCS Investments LLC (BCS Opco)	Telecommunication services via satellite	UAE	80%	80%
Star Network Marketing Services Company (Proprietary) Limited (SNMS)	Marketing support office	South Africa	80%	80%
Al Najm Communications Company LLC (Al Najm)	Telecommunication services via satellite	UAE	80%	80%
Yala B.V. (Yala)	Telecommunication services via satellite	Netherlands	80%	80%
Discontinued operation (Note 35):				
Yahsat Latam Holding SA (Yah Latam)	Holding company	Brazil	0%	0%
Yah Telecomunicacoes LTDA (Yah Brazil)	Telecommunication services via satellite	Brazil	0%	0%

17 Group information (continued)

B) Material partly-owned subsidiaries

Financial information of subsidiaries that have significant non-controlling interests is provided below.

	31 December 2020		31 December 2019	
	Thuraya $ 000	BCS $ 000	Thuraya $ 000 Restated	BCS $ 000
Proportion of equity interest held by non-controlling interests	10.17%	20.00%	10.17%	20.00%
Non-controlling interests	13,088	70,503	13,674	77,430
Profit attributable to non-controlling interests	(576)	(6,926)	(124)	(6,862)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	31 December 2020		31 December 2019	
Summarised statement of profit or loss:	Thuraya $ 000	BCS $ 000	Thuraya $ 000	BCS $ 000
Revenue	79,035	27,333	87,805	28,330
EBITDA	**23,933**	**(5,290)**	**25,588**	**(8,539)**
Depreciation, amortisation and impairment	(26,325)	(31,802)	(24,266)	(29,389)
Fair value adjustments on investment property	(2,030)	-	(837)	-
Operating profit	**(4,422)**	**(37,092)**	**485**	**(37,928)**
Net finance income/(cost)	(1,238)	2,679	(1,698)	3,824
Income tax expense	(1)	(219)	(6)	(205)
Profit for the year	**(5,661)**	**(34,632)**	**(1,219)**	**(34,309)**
Other comprehensive income	(99)	(5)	246	22
Total comprehensive (loss)/income	**(5,760)**	**(34,637)**	**(973)**	**(34,287)**
Attributable to non-controlling interests	(586)	(6,927)	(99)	(6,858)

Summarised statement of financial position:	Thuraya $ 000	BCS $ 000	Thuraya $ 000 Restated	BCS $ 000
Current assets (Inventories, receivables and cash balances)	79,089	155,315	68,883	169,999
Non-current assets (Property, plant and equipment and other assets)	114,574	221,978	132,772	249,012
Current liabilities (Trade and other payables, deferred revenue and borrowings)	(53,097)	(19,681)	(47,306)	(24,275)
Non-current liabilities (Borrowings and other liabilities)	(11,857)	(5,100)	(19,883)	(7,583)
Net assets / Total Equity	**128,709**	**352,512**	**134,466**	**387,153**
Attributable to:				
Yahsat Owner	115,621	282,009	120,792	309,723
Non-controlling interests	13,088	70,503	13,674	77,430

18 Equity-accounted investments

Accounting policies

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Unrealised gains arising from transactions with associates 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.

Please refer to Note 35 for the Group's accounting policies on acquisition of an associate in a business combination.

The group's associates are:

Name	Principal activities	Country*	Equity % 2020	Equity % 2019
Al Maisan Satellite Communication Company LLC (Al Maisan)	Leasing of satellite capacity primarily for broadcasting customers	UAE	65%	65%
HNS Participações Empreendimentos S.A. (HPE; Brazil JV Co)	Telecommunication services via satellite	Brazil	20%	20%

Although Star holds more than 50% of the equity in Al Maisan, it does not control the financial and/or operating policies of Al Maisan. This is pursuant to an agreement, which provides the majority board representation to other shareholder of Al Maisan. However, as Star has the power to participate in the financial and operating policy decisions of Al Maisan due its representation on the board, it accounts for its investment as an associate.

Movement in the investments in associates:	Notes	2020 $ 000	2019 $ 000
At 1 January		151,285	36,625
Contributions made during the year		18,558	-
Acquired during the year	35	-	125,000
Share of results for the year		(16,360)	(16,130)
Exchange differences		(27,909)	5,790
At 31 December		**125,574**	**151,285**

Aggregate financial information of Al Maisan:	2020 $ 000	2019 $ 000
Share of results of equity-accounted investee	(2,053)	(14,203)
Share of total comprehensive income of equity-accounted investee	(2,053)	(14,203)

18 Equity-accounted investments (continued)

Aggregate financial information of HPE:	2020 $ 000	2019 $ 000
Statement of comprehensive income (100%) for the year ended 31 December 2020 and one-month period ended 31 December 2019		
Revenue	109,684	12,341
Loss for the year	(71,537)	(9,634)
Other comprehensive income	-	-
Total comprehensive loss	**(71,537)**	**(9,634)**
Group's share of total comprehensive loss (20%)	(14,307)	(1,927)
Group's share of results in HPE	**(14,307)**	**(1,927)**
Statement of financial position (100%)		
Current assets	57,215	73,842
Non-current assets	295,309	345,951
Current liabilities	(36,544)	(40,655)
Non-current liabilities	(8,647)	(7,918)
Net assets 100%	**307,333**	**371,220**
Group's share in net assets (20%)	61,467	74,244
Goodwill (20%)	43,499	54,619
Other costs relating to the investment	239	-
Carrying amount of the investment in HPE	**105,205**	**128,863**

19 Inventories

Accounting policies

Inventories are stated at the lower of cost and net realisable value, after making loss allowance to account for obsolete or slow moving items. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories	Notes	2020 $ 000	2019 $ 000
Equipment and accessories - satellite services		23,862	17,369
Ground operations spares		1,337	1,198
		25,199	**18,567**
Loss allowance		(11,908)	(9,113)
		13,291	**9,454**
Movement in loss allowance for inventories:			
At 1 January		9,113	7,465
Provisions made during the year		2,692	1,648
Other movement		103	-
At 31 December		**11,908**	**9,113**

During 2020, USD 20 million (2019: USD 24.6 million) of inventories were recognised as cost of equipment and accessories sold (Note 5).

20 Related party transactions and balances

Identity of related parties

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related party contained in International Accounting Standard 24 Related Party Disclosures.

The Group has a related party relationship with the Parent Company and business entities over which the Parent Company can exercise control or significant influence; entities which are under common control of the shareholders of the Parent Company and associates.

a) Related party transactions:

Transaction with key management personnel	2020 $ 000	2019 $ 000
Key management personnel compensation:		
Short term employment benefits	3,609	4,360
Post-employment benefits	298	333

Transaction with other related parties	Notes	2020 $ 000	2019 $ 000
Revenue			
Entities under common control*		282,409	322,897
Associate		1,326	982
Total		**283,735**	**323,879**
* Revenue from entities under common control includes USD 278 million (2019: USD 288 million) from a single customer.			
Other income - management fees, office lease rent			
Associate	8	-	304
Interest income on short term deposits			
Entities under common control	10	2,784	1,928
Outsourced expenses, office lease rent, systems support			
Entities under common control		1,272	4,344
Parent Company		16	-
Cost of sales			
Entities under common control		1,762	1,099
Associate		534	163
Total		**2,296**	**1,262**
Learning and development expenses			
Entities under common control		99	301

20 Related party transactions and balances (continued)

b) Related party balances

	Notes	2020 $ 000	2019 $ 000
Trade and other receivables due from related parties			
Entities under common control		53,596	65,456
Associates		1,490	82
Parent company		150	1,842
Total	21	**55,236**	**67,380**
Short-term deposits with a related party			
Entity under common control	22	130,000	140,000
Trade and other payables due to related parties			
Entities under common control		4,116	4,083
Associate		1,143	-
Parent company		-	112
Total	23	**5,259**	**4,195**
Deferred revenue			
Entities under common control		3,994	5,513
Associate		176	170
Total	26	**4,170**	**5,683**
Advance from a related party			
Entity under common control	23	291,000	291,000

(i) Transactions with an entity under common control

a) The Group provides capacity services pursuant to the Capacity Services Agreement ("CSA") with the UAE Armed Forces (UAEAF). The capacity charges payable under the CSA is billed semi-annually in advance. The future payments pertaining to the lease element included in the capacity charges, where the Group is the lessor, are provided in the table below.

In terms of the CSA with UAEAF, an aggregate amount of USD 291 million (the "Down Payment") was payable by UAEAF in three annual instalments starting June 2008, as an advance. Accordingly, the Group received the first instalment of USD 116.4 million in June 2008 and further two instalments of USD 87.3 million, in June 2009 and June 2010, respectively from UAEAF. The Down Payment will be set off against the capacity charges in equal instalments from the discharge date (which is the period following the full discharge by the Group of all liabilities relating to the term loan procured for the satellites) until the termination of the agreement. The advance is attributable to the lease element at USD 163 million (2019: 163 million), and to service element (contract with customers) at USD 128 million (2019: USD 128 million) (see Note 4).
b) The Group has also entered into contracts with UAEAF for the provision of operation, maintenance and training services.

c) The Group has entered into various contracts with UAEAF for the provision of end-to-end integrated satellite communication and managed services. Revenue from such contracts are reported under managed services. The balance due from UAEAF at the reporting date, includes amounts invoiced to date in relation to the afore-mentioned contracts.

d) UAEAF has allocated a plot of land (Secondary site in the emirate of Abu Dhabi) to the Company and has granted permission to the Company to construct and access a Satellite Ground Control Station on the plot. Title to the plot of land has not been transferred to the Company and accordingly the plot has not been recognized in the consolidated financial statements. In addition, refer to note 27 to the consolidated financial statements which discloses information about another plot of land (Primary site) received by the Company.

Future payments pertaining to lease element included in capacity charges	2020 $ 000	2019 $ 000
Within one year	128,184	128,184
Between 2 and 5 years	512,736	512,736
After 5 years	109,723	237,907
At 31 December	**750,643**	**878,827**

20 Related party transactions and balances (continued)

(ii) Transactions with other entities under common control

a) Star has also entered into contracts with various entities under common control for the provision of managed services. These entities mainly include Presidential Guard Command, ADNOC Offshore and ADNOC Drilling.

b) The Company procures outsourced resources from affiliates of its Parent Company. During the year the Group contributed to learning and development programmes in partnership with affiliates of the Parent Company.
c) During the year the Group placed short-term deposits with Mubadala Treasury Holding Company LLC for USD 30 million with interest rates ranging from 0.21% to 0.63% (2019: USD 140 million with interest rates ranging from 2.3% to 3.1% per annum).

d) During the year, the Group also placed short-term deposits with Abu Dhabi Commercial Bank for USD 100 million with an interest rate of 0.80% (2019: Nil).

(iii) Transactions with associates

a) Star charges both associates, Al Maisan and HPE for satellite operations support services.

b) Star also leases satellite capacity from Al Maisan to facilitate the requirements of its customers relating to managed services contracts.

The outstanding amounts at year end, except for advance from a related party which carry specific repayment terms as specified above, are expected to be settled in cash. No impairment charge has been recognised during the year in respect of amounts owed by related parties.

Also refer Note 24 for other related party transactions.

21 Trade and other receivables

	Reference	**Notes**	**2020 $ 000**	**2019 $ 000**
Trade receivables - third parties			74,906	77,715
Trade receivables - related parties*			44,406	54,519
Sub total	a		**119,312**	**132,234**
Allowance for expected credit losses	b		(24,864)	(27,095)
Trade receivables, net of allowance	c		**94,448**	**105,139**
Accrued income - third parties			9,986	4,040
Accrued income - related parties*			9,841	10,802
Contract assets	d		**19,827**	**14,842**
Prepayments - orbital services		8	10,000	-
Prepayments - others			2,647	1,119
Advances - third parties			4,706	7,865
Advances - related parties*			642	107
Other receivables - third parties			5,906	5,926
Other receivables - related parties*			347	1,952
Sub total	e		**24,248**	**16,969**
Total trade and other receivables	c+d+e		**138,523**	**136,950**
of which non-current			11,227	3,215
of which current			127,296	133,735
Additional information:				
*Total due from related parties	y	20	55,236	67,380
Total contract balances, net of allowance	a+b+d		114,275	119,981
Total contract balances, excluding allowance	a+d		139,139	147,076

21 Trade and other receivables (continued)

	2020		2019	
	Carrying amount $ 000	Loss allowance $ 000	Carrying amount $ 000	Loss allowance $ 000
Categories of trade receivables and contract assets				
Managed services, government customers	49,748	(859)	44,091	(252)
Managed services, general category	6,391	(352)	11,572	(260)
Infrastructure services, government customers	5,829	-	5,768	-
Infrastructure services, general category	3,884	(2,339)	4,398	(685)
Fixed satellite services, general category	11,357	(6,000)	17,240	(4,251)
Fixed satellite services, high risk category	4,970	(4,882)	5,810	(5,810)
Mobile satellite services, general category	56,670	(10,432)	58,156	(15,837)
Others	290	-	41	-
	139,139	**(24,864)**	**147,076**	**(27,095)**

Movement in the allowance for expected credit losses:	Notes	2020 $ 000	2019 $ 000
At 1 January		27,095	24,727
Charge for the year		6,522	3,615
Reversal for the year		(320)	-
Written off during the year as uncollectible		(8,432)	(987)
Discontinued operation		-	(256)
Exchange differences		(1)	(4)
At 31 December		**24,864**	**27,095**

The ageing of trade receivables is as follows:	2020	2019
Not past due	32,479	26,781
Past due 0 to 90 days	27,908	37,643
Past due 91 to 180 days	27,388	11,499
Past due above 180 days	31,537	56,311
	119,312	**132,234**

The Group's exposure to credit risk is disclosed in Note 34.

Advances represent advances paid to suppliers for procurement of goods and services mainly relating to managed services contracts.

Other receivables include Staff-related receivables of USD 3.9 million (2019: 5 million).

22 Cash and short-term deposits

	Notes	2020 $ 000	2019 $ 000
Cash on hand and in banks		94,912	147,429
Short-term deposits with banks		3	3
Short-term deposits with related parties	20	130,000	140,000
Cash and short-term deposits		**224,915**	**287,432**
Less: Short-term deposits with original maturities of over three months		(120,000)	(140,000)
Cash and cash equivalents		**104,915**	**147,432**

The short-term deposits earn interest at prevailing commercial rates.

Reconciliation to the consolidated statement of cash flows:

	Notes	2020 $ 000	2019 $ 000
Profit before income tax from continuing operations		61,600	56,960
Loss before income tax from discontinued operations	35	-	(26,622)
Profit before income tax for purposes of cash flows		**61,600**	**30,338**

Significant non-cash transactions excluded from the consolidated statement of cash flows:

	Notes	2020 $ 000	2019 $ 000
Recognition of right-of-use assets	15	-	31,985
Acquisition of an associate in exchange for interest in a subsidiary	35	-	125,000

Changes in lease liabilities and borrowings arising from financing activities are disclosed in Notes 15(B) and 24, respectively.

23 Trade and other payables

	Notes	2020 $ 000	2019 $ 000
Trade payables - third parties		39,135	13,025
Trade payables - related parties*		1,152	851
Accruals		32,197	46,186
Other payables - third parties		5,949	5,897
Other payables - related parties*		4,107	3,344
Advance from a related party	20	291,000	291,000
Advances from other customers		5,999	7,589
Total trade and other payables		**379,539**	**367,892**
of which non-current		291,000	292,096
of which current		88,539	75,796
*Trade and other payables due to related parties	20	5,259	4,195
Contract liability:			
Included in advance from a related party		128,040	128,040
Included in advances from other customers		5,999	7,589

Advance from a related party is classified as non-current (Refer Note 20).

Advances from other customers mainly represent amounts received pursuant to a capacity services agreement. This advance will be adjusted over the term of the contract and includes Nil (2019: USD 1.1 million) classified as non-current.

Accruals include employee-related accruals of USD 8.3 million (2019: USD 7.4 million).

24 Borrowings

Borrowings comprise term loans and lease liabilities.

	Notes	2020 $ 000	2019 $ 000
The carrying amount of borrowings are as follows:			
Term loans			
Term loan 1		248,734	359,260
Term loan 4		4,238	8,476
Total term loans		**252,972**	**367,736**
Lease liabilities	15	19,797	31,502
Total borrowings		**272,769**	**399,238**
of which current		129,114	125,511
of which non-current		143,655	273,727
The movement in term loans are as follows:			
At 1 January		372,317	481,083
Repayments		(116,601)	(108,766)
		255,716	**372,317**
Unamortised transaction costs		(2,744)	(4,581)
At 31 December		**252,972**	**367,736**
of which current		123,649	114,764
of which non-current		129,323	252,972
The principal amounts of term loans are repayable as follows:			
Within one year		125,484	116,599
1 - 2 years		130,232	125,484
2 - 5 years		-	130,234
		255,716	**372,317**

Term loan 1: The Group entered into a Credit Agreement with a consortium of banks for a US dollar denominated unsecured term loan facility in the aggregate amount of USD 1,200 million. This facility included a Debt Service Reserve Letter of Credit facility (DSRLC) of USD 80 million, of which USD 67.2 million (2019: USD 67.2 million) has been utilised as at the end of the reporting period. The DSRLC facility is renewed half-yearly based on debt service for the next repayment period. The Group drewdown USD 984 million of the loan facility until the expiry of the availability period in 2012. The loan is repayable in twenty one semi-annual instalments starting from 31 December 2012, and the amount due within one year has been reflected accordingly. The loan bears interest at LIBOR plus margin ranging from 1.1% to 1.4% per annum over the term of the loan. The Group is required to maintain an annual DSCR (Debt Service Coverage Ratio) of 1.1 times to distribute the cash waterfall every June and December post collection of Capacity Charges from the UAE Armed Forces.

Term loan 4: Thuraya obtained this facility in 2016 for a total value of USD 17.7 million (AED 65 million) of which Thuraya obtained USD 5.4 million in 2016 and USD 12.2 million during the previous year. During the year, Thuraya repaid USD 4.3 million (2019: USD 4.3 million) The loan is repayable in equal monthly instalments over five years at EIBOR plus 4% with a minimum rate of 5.75%. The loan is structured as an Ijarah facility ("lease to own") related to Thuraya's primary gateway and ground segment assets and business expansion. It is secured by a commercial mortgage on the assets, assignment of receivables, pledge over the bank account maintained with the bank, assignment of insurance over the financed assets and promissory note.

24 Borrowings (continued)

Term loan 4: The loan is stated net of unamortised transaction cost of US$ 18 thousand (2019: USD 36 thousand). As per the facility agreement, Thuraya is required to maintain a minimum Tangible Net worth of USD 95 million (AED 350 million). At 31 December 2020, the Tangible Net worth as defined in the Agreement amounted to USD 123.9 million.

Borrowings include outstanding balances due to related parties aggregating to USD 59.7 million (2019: USD 86.2 million). The interest expense on loans from related party banks amounted to USD 4.8 million (2019: USD 6.9 million).

25 Derivatives used for hedging

Accounting policies

Derivative financial instruments including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

25 Derivatives used for hedging (continued)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the following cash-flow hedging instruments related to forecasted transactions:

Interest rate exposure
The Group has an obligation to pay interest at variable rates (LIBOR plus margin) in connection with its borrowings. The Group entered into a cash flow hedge, by acquiring an interest rate swap (IRS), to hedge the variability in interest rate with respect to Term Loan 1. Under the IRS agreement, the Group receives a variable rate of interest equal to LIBOR and pays fixed rate on notional amounts that mirror the drawdown and repayment schedule of the loan. The IRS settlements are made semi-annually until its expiry in 2022.

	2020 $ 000	2019 $ 000
Derivative financial liability		
Interest rate swap - Fair value	**9,657**	**15,839**
Contractual maturities		
Within one year	8,016	9,445
1 - 2 years	1,641	5,319
2 - 5 years	-	1,075
	9,657	**15,839**
Expected cash flows		
Within one year	8,029	9,565
1 - 2 years	1,646	5,479
2 - 5 years	-	1,123
	9,675	**16,167**
Notional principal amount outstanding	**197,252**	**317,405**

Accounting estimates and judgments

The fair value of derivative financial instruments is based on their quoted market price, if available. Where the fair value of such instruments cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

26 Deferred revenue

	Notes	2020 $ 000	2019 $ 000
Unutilized airtime balances from prepaid scratch cards		12,469	10,259
Others		9,626	20,648
Total deferred revenue		**22,095**	**30,907**
of which contract liabilities - related parties	20	4,170	5,683

27 Government grants

Accounting policies

Non-monetary government grants

The Group receives certain assets, primarily in the form of land, from entities related to the Government of Abu Dhabi, as grants to carry out its operations. When it is probable that future economic benefits will flow to the Group, such land received is recognised in the consolidated financial statements at nominal value. Land received as government grants that does not meet the criteria that future economic benefits will flow to the Group, are not recognised, but their existence is disclosed in the consolidated financial statements.

During 2009, the Company received a plot of land (Primary site) from the Urban Planning Council, of the Government of Abu Dhabi as a government grant. The plot of land has been used to construct the Satellite Ground Control Station, which forms an integral part of the satellite system. Accordingly, the plot of land has been classified as property, plant and equipment. Both the grant and the land have been recorded at nominal value in the consolidated financial statements.

28 Provision for employees' end of service benefits

Accounting policies

For accounting policies on provison for employees' end of service benefits, refer Note 6.

The movement in the provision is as follows:	Note	2020 $ 000	2019 $ 000
At 1 January		10,075	12,650
Charge during the year		2,342	2,455
Payments made during the year		(1,891)	(5,035)
Exchange differences		(11)	5
At 31 December		**10,515**	**10,075**

29 Share capital

	2020 $ 000	2019 $ 000
Authorised issued and fully paid:		
10,000,000 shares of AED 1 each*	2,722	2,722

* Share capital is converted into USD at the rate of AED 3.6735 to USD 1.

During the year, the Company distributed and paid dividend of USD 55 million representing USD 5.50 per fully paid share (2019: USD 5 million).

30 Additional paid-in capital

	2020 $ 000	2019 $ 000
Additional paid-in capital	661,612	661,612

Additional paid-in capital represents interest-free contributions from the Shareholder. Under the terms of the arrangement with the Shareholder, there is no obligation on the Company to repay the amount under any circumstances and any repayment is entirely at the discretion of the Company. In addition, the terms of the agreement specify that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the contributions, shall rank pari passu with those attached to the share capital of the Company. Therefore, these contributions are more akin to equity instruments rather than liabilities, and accordingly are presented within equity.

31 Statutory reserve

Article 103 of the UAE Federal Law No.2 of 2015 requires that 10% of the Company's profit be transferred to a non-distributable statutory reserve until the amount of the statutory reserve becomes equal to 50% of the paid-up share capital. The consolidated financial statements include statutory reserve of the Company and of its subsidiaries. Since the statutory reserve already reached 50% of the paid-up share capital, no further transfer was made during the current and previous year.

32 Capital commitments and contingent liabilities

	Note	2020 $ 000	2019 $ 000
Capital commitments - committed and contracted		267,440	11,801
Contingent liabilities - performance bonds provided by banks in the normal course of business		31,479	63,786
Contingent liabilities - letter of credit relating to Term Loan 1	24	67,228	67,228

During the year, the Group entered into a contract for procurement of a next generation satellite known as Thuraya 4 (T4), with an option to proucure an additional satellite known as Thuraya 5 (T5).

As at the reporting date the costs relating to T4 satellite is committed, hence included under capital commitments - committed and contracted.

33 Leases - Group as a Lessor

The future minimum lease rental receivables under non-cancellable operating leases are as follows:

	Note	2020 $ 000	2019 $ 000
Satellite capacity leases - related party	20 (i)	750,643	878,827
Investment property leases - third parties	14	1,383	2,703
Other leases: *			
Satellite capacity leases - third parties		20,671	24,430
Gateway hosting - third parties		1,797	1,344
At 31 December		**774,494**	**907,304**

	2020	2019
* The future minimum lease rental receivables under non-cancellable operating leases relating to other leases are as follows:		
Within one year	5,555	4,430
Between 2 and 5 years	15,034	15,706
After 5 years	1,879	5,638
At 31 December	**22,468**	**25,774**

34 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash held at bank.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	2020 $ 000	2019 $ 000
Trade receivables and contract assets	21	114,275	119,981
Other receivables	21	6,253	7,878
Cash and short-term deposits	22	224,915	287,432
		345,443	**415,291**

34 Financial risk management (continued)

Credit risk (continued)

Trade receivables and contract assets

An impairment analysis is performed at each reporting date using loss rates applied against each customer segment to measure expected credit losses. The provision rates are based on historical patterns of default for groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The analysis and segmentation of customers is determined separately for each of the revenue streams, namely, fixed satellite services, mobile satellite services, infrastructure services and managed services.

The Group does not hold collateral as security. The Group considers the risk of concentration as low, with respect to trade receivables and contract assets, since credit risk is mitigated by the financial stability of its customers of which approximately 47% (2019: 54%) are related parties or government related entities. Moreover, a substantial portion of the remaining customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group had credit risk arising from its derivatives used for hedging, which are settled on a net basis. At the reporting date, the net position of these instruments had a negative value. With respect to cash and short-term deposits, management manages its credit risk by only dealing with reputable banks.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Summarised below in the table is the maturity profile of financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Financial instruments and cash deposits

	Within one year	1 - 2 years	2 - 5 years	Total
2020				
Borrowings	129,357	131,882	-	261,239
Derivative financial instruments	8,029	1,646	-	9,675
Trade and other payables (excluding advances from customers and accruals)	50,343	-	-	50,343
At 31 December 2020	**187,729**	**133,528**	**-**	**321,257**
2019				
Borrowings	128,379	133,096	133,538	395,013
Derivative financial instruments	9,565	5,479	1,123	16,167
Trade and other payables (excluding advances from customers and accruals)	23,116	-	-	23,116
At 31 December 2019	**161,060**	**138,575**	**134,661**	**434,296**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Currency risk

The Group is exposed to currency risk in respect of transactions denominated in currencies other than USD. In respect of transactions denominated in the UAE Dirham ("AED"), the Group is currently not exposed to currency risk as the AED is pegged to USD. For significant transactions denominated in currency other than USD and AED the Group utilises forward exchange contracts to reduce its currency risk exposure.

The Group is also exposed to currency risk in respect of its investment in its Brazilian associate. The Group regularly monitors the movement in exchange rates to assess the sensitivity and impact to its long term business plan.

ii) Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps. Short-term deposits earn fixed rates of interest.

34 Financial risk management (continued)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, after the impact of hedge accounting.

The Group's profit before tax for the year is affected through the impact on floating rate borrowings as follows. Amounts shown represent impact on profit if the market risk variables had been different at the end of the reporting period with all other variables held constant and has been computed on the basis of assumptions and indices used and considered by other market participants.

	2020 $ 000	2019 $ 000
Interest expense		
- 25 basis points	203	173
+ 25 basis points	(203)	(173)

Fair values

The fair value measurements of borrowings and derivative financial instrument are classified as 'Level 2' within the fair valuation hierarchy i.e. wherein fair value is determined using valuation techniques in which significant inputs are based on observable market data.

The fair values of borrowings and other financial assets and financial liabilities approximate their carrying values.

There were no transfers between Level 1 and Level 2 during 2020 and 2019.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages capital using a gearing ratio, which is net debt divided by equity attributable to Yahsat Owner plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. The Group includes within net debt, interest bearing borrowings and cash and short-term deposits. Capital includes share capital, additional paid-in capital, reserves and retained earnings.

	Notes	2020 $ 000	2019 $ 000
Interest bearing borrowings	24	255,716	372,317
Less: cash and short-term deposits	22	(224,915)	(287,432)
Net debt		30,801	84,885
Equity attributable to Yahsat Owner		896,524	904,442
Equity attributable to Yahsat Owner and net debt		**927,325**	**989,327**
Gearing ratio (%)		3%	9%

35 Business combinations and changes in ownership interests

This note provides information on the changes to the group structure in the current and previous years.

The previous year changes in the group structure include:
A) Discontinued operation
B) Acquisition of an associate

There were no changes to the group structure in the current year.

Accounting policies

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

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 consolidated statement of 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 (CGU) 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.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognized less (when appropriate) cumulative amortisation recognized in accordance with the requirements for revenue recognition.

Transfer of entities under common control

Transfers giving rise to transfer of interests in entities that are under the common control of the shareholder are accounted for at the date that transfer occurred, without restatement of prior periods. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the books of transferor entity. The components of equity of the acquired entities are added to the same components within Group entity. Any cash paid for the acquisition is recognized directly in equity.

35 Business combinations and changes in ownership interests (continued)

Accounting policies (continued)

Loss of control of subsidiary

When the Group loses control of a subsidiary, the Group
a) derecognises the assets and liabilities of the former subsidiary at the carrying amounts at the date when control is lost
b) recognize the fair value of the consideration received from the event or transaction that resulted in the loss of control and recognise any interest retained in the former subsidiary at its fair value when the control is lost
c) reclassify to profit or loss the amounts recognised in other comprehensive income (OCI), including any cumulative exchange differences previously recognized in OCI, in relation to the subsidiary and
d) recognize any resulting difference as a gain or loss in profit or loss.

The fair value at the date that control is lost in b) above shall be regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 or the deemed cost on initial recognition of an investment in an associate or joint venture, if applicable.

Discontinued operation

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
a) Represents a separate major line of business or geographical area of operations
b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
Or
c) Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Acquisition of an associate in a business combination

On acquisition of an associate, the Group undertakes a notional purchase price allocation (PPA), identifying and valuing assets and liabilities of the associate, as if it had acquired a business. These fair value adjustments are not recorded separately, because the investment itself is a single line item. However, the fair values identified form the basis for additional depreciation, amortisation and similar adjustments that are reflected in the investor's share of the results in subsequent years. Adjustments in the notional purchase price allocation include assets not recognised by the associate or joint venture (such as internally developed intangible assets, reserves of natural resources and similar assets). Adjustments might also be made to recognise the fair value of assets carried by the investee at cost (such as property, plant and equipment) and to recognise liabilities at appropriate values.

Where the Group acquires an associate, it might be necessary to use provisional figures to undertake a provisional PPA to report the acquisition at the reporting date. Within one-year from the date of acquisition, the Group finalises the fair values and PPA, and reports in the following reporting period.

On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:
a) Goodwill relating to an associate is included in the carrying amount of the investment.
b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the entity's share of the associate's profit or loss after acquisition are made for impairment losses such as for goodwill or property, plant and equipment.

35 Business combinations and changes in ownership interests (continued)

Changes to the group structure in the prior year

On 6 May 2019, Star entered into an Implementation Deed with Hughes Network Systems LLC (Hughes) and HNS Participações Empreendimentos S.A. (HPE; Brazil JV Co) to combine Hughes and Star's satellite communication services business in Brazil.

Star's Brazilian business mainly comprised the Brazil payload of the Al Yah 3 satellite, certain assets held by Star and all assets held by Star's Brazilian subsidiaries (Yahsat Latam Holding S.A. and its direct, wholly-owned operating subsidiary. Yah Telecomunicações Ltda), which together were employed since 2018 in the provision of wholesale communication services to telecommunications providers and retail broadband communication services to consumers and small businesses in Brazil. Hughes' Brazilian business is held through its holding company HPE, offering wholesale communication services to telecommunications providers, broadband communication services to consumers and small businesses and communications services to corporate enterprise and government organizations.

Yahsat and Hughes plan, through the joint venture, to leverage their global experience in providing innovative satellite connectivity solutions to provide affordable, Ka-band satellite broadband services to a wide range of consumers in the unserved and underserved areas of Brazil, meeting growing demand for reliable internet connectivity from various sectors including small and large businesses, households and rural communities. The joint venture will also deliver tailored satellite solutions to enterprises and provide next generation backhaul connectivity to mobile network operators.

The Implementation Deed required Star to contribute its Brazil business to HPE (by selling Star's entire shareholding in Yahsat Latam Holding S.A. to Brazil JV Co) in consideration of the issuance of a 20% shareholding in HPE.

Completion of the joint venture was subject to the fulfilment of certain conditions precedent, including regulatory and competition approvals. All of these conditions precedent were fulfilled and, on 29 November 2019 ("closing"), the transaction completed, with Star contributing its Brazil business to HPE and obtaining a 20% shareholding in Brazil JV Co. As part of the completion of the joint venture, Yahsat and Hughes entered into a joint venture agreement (JV Agreement) to govern the terms upon which the joint venture would operate and the respective rights and obligations of the shareholders.

For Star, the transaction upon closing is accounted in the following manner:

A. Disposal of entire investment in its Brazilian business. The consideration for such disposal is the fair value of its retained interest in the JV. The disposal of Brazilian business is classified as a discontinued operation, with the closing date of 29 November 2019 as the date of disposal. The financial information relating to the discontinued operation for the period to the date of the disposal is set out in this note.

B. Acquisition of 20% interest in Brazil JV Co. The JV Agreement provides Star the right to participate in the financial and operating policy decisions of Brazil JV Co due to its representation in the Board. Hence Star accounts for this acquisition as an investment in an associate.

A. Discontinued operation

i) Financial performance and cash flow information

Financial performance and cash flow information presented below are for the eleven months ended 29 November 2019.

	2019
	$ 000
Revenue from contract with customers	2,938
Cost of revenue	(471)
Staff costs	(11,170)
Operating expenses	(11,662)
EBITDA	**(20,365)**
Depreciation of property, plant and equipment	(2,969)
Amortisation of intangible assets	(1,803)
Finance income	209
Finance costs	(1,694)
Loss from discontinued operation before income tax	**(26,622)**
Income tax expense	(7,224)
Loss from discontinued operation	**(33,846)**
Exchange difference on translation of discontinued operation	(5,102)
Total comprehensive income from discontinued operation	**(38,948)**

35 Business combinations and changes in ownership interests (continued)

A. Discontinued operation (continued)

	2019 $ 000
Net cash flow used in operating activities	(24,283)
Net cash flow used in investing activities	(10,197)
Net cash flow from financing activities	39,898
Net increase in the cash generated from the subsidiary	5,418

	Notes	2019 $ 000
ii) The major classes of assets and liabilities of the discontinued operation at the date of disposal were as follows:		
Property, plant and equipment	12	90,093
Intangible assets	16	17,276
Other receivables		1,501
Total non-current assets		**108,870**
Inventories		322
Trade and other receivables		6,246
Income tax assets		207
Cash and short term deposits		7,858
Total current assets		**14,633**
Total Assets		**123,503**
Trade and other payables		(6,346)
Total current liabilities		**(6,346)**
Total Liabilities		**(6,346)**
Net assets		**117,157**
iii) Details of the disposal of the Brazil business		
Fair value of consideration		125,000
Carrying amount of the net assets disposed		(117,157)
Reclassification of foreign currency translation reserve		(4,442)
Gain on disposal recognised in other income	8	**3,401**

B. Acquisition of an associate

Star's cost of investment in JV Co at US$ 125 million represents the fair value of the 20% interest in JV Co. As of 31 December 2019, Star has used provisional values to determine its share of the net fair value of the investee's (JV Co) identifiable assets and liabilities. During 2020, Star has determined the final fair values as follows:

	Provisional $ 000	Final $ 000
Deemed cost of investment at acquisition	125,000	125,000
of which Star's share of JV Co's net assets and liabilities	72,799	71,484
of which goodwill recognized at acquisition	52,201	53,516

36 Correction of errors

During 2020, the Group discovered that deferred revenue relating to unutilized airtime balances from prepaid scratch cards had been erroneously understated in its consolidated financial statements since 2018. The error relates to Thuraya and dates back to periods prior to Thuraya's acquisition by Star in 2018. The main cause of the error is the accounting of airtime revenue, in those periods, on prepaid scratch cards sold free of cost to customers (FOC). The FOC cards carried a face value added to airtime balance upon activation. While no revenue was deferred on sale of the FOC cards (as it was free), revenue was recognized upon airtime usage resulting in overdrawing of deferred revenue.

The errors have been corrected by restating the assets and liabilities recognised on acquisition of Thuraya at 1 August 2018 and reversing the gain on bargain purchase accounted for as part of that acquisition. The correction had no impact on the consolidated statement of profit or loss and comprehensive income for the years ended 31 December 2019 and 2020.

The following table summarizes the impact on the Group's consolidated financial statements.

Impact on assets and liabilities arising from and recognised on the acquisition of Thuraya at 1 August 2018	**As previously reported** **$ 000**	**Adjustments** **$ 000**	**As restated** **$ 000**
Assets			
Property, plant and equipment	95,364		95,364
Capital work in progress	21,721		21,721
Investment property	17,913		17,913
Intangible assets	4,493		4,493
Other receivables non current	44		44
Inventories (net of loss allowance of USD 6,810 thousand)	14,521		14,521
Trade and other receivables (net of loss allowance of USD 15,869 thousand)	30,968		30,968
Cash and short-term deposits	21,860		21,860
Total assets	**206,884**	**-**	**206,884**
Liabilities			
Trade and other payables	21,204		21,204
Deferred revenue	26,763	6,046	32,809
Borrowings - current	8,762		8,762
Borrowings - non current (net of unamortised transaction cost of USD 75 thousand)	10,242		10,242
Provision for employees' end of service benefits	5,230	-	5,230
Total liabilities	**72,201**	**6,046**	**78,247**
Fair value of net assets acquired	**134,683**	**(6,046)**	**128,637**
Less: Non-controlling interests	(13,696)	615	(13,081)
Yahsat's share of net assets acquired	**120,987**	**(5,431)**	**115,556**
(Gain on bargain purchase included in other income)/Goodwill	(1,686)	5,431	3,745
Purchase consideration	**119,301**	**-**	**119,301**
Less: Cash and cash equivalents acquired	(21,860)	-	(21,860)
Cash outflow on acquisition	**97,441**	**-**	**97,441**

yahsat الياه سات
smart satellite solutions

36 Correction of errors (continued)

Impact on consolidated statement of financial position	As previously reported $ 000	Adjustments $ 000	As restated $ 000
1 January 2019			
Intangible assets	27,193	3,745	30,938
Other assets	1,848,481	-	1,848,481
Total assets	**1,875,674**	**3,745**	**1,879,419**
Deferred revenue	28,741	6,046	34,787
Other liabilities	876,569	-	876,569
Total liabilities	**905,310**	**6,046**	**911,356**
Net assets	**970,364**	**(2,301)**	**968,063**
Retained earnings	222,900	(1,686)	221,214
Others	648,817	-	648,817
Equity attributable to Yahsat owner	**871,717**	**(1,686)**	**870,031**
Non-controlling interests	98,647	(615)	98,032
Total equity	**970,364**	**(2,301)**	**968,063**
31 December 2019			
Intangible assets	12,779	3,745	16,524
Other assets	1,803,208	-	1,803,208
Total assets	**1,815,987**	**3,745**	**1,819,732**
Deferred revenue	24,861	6,046	30,907
Other liabilities	793,279	-	793,279
Total liabilities	**818,140**	**6,046**	**824,186**
Net assets	**997,847**	**(2,301)**	**995,546**
Retained earnings	247,730	(1,686)	246,044
Others	658,398	-	658,398
Equity attributable to Yahsat owner	**906,128**	**(1,686)**	**904,442**
Non-controlling interests	91,719	(615)	91,104
Total equity	**997,847**	**(2,301)**	**995,546**
Impact on consolidated statement of profit or loss			
For the year ended 31 December 2018			
Other income	104,127	(1,686)	102,441
Others	(62,246)	-	(62,246)
Profit for the year before discontinued operations	**41,881**	**(1,686)**	**40,195**
Loss after tax for the year from discontinued operations	(16,611)	-	(16,611)
Profit for the year	**25,270**	**(1,686)**	**23,584**
Profit for the year attributable to non-controlling interests	178	-	178
Profit for the year attributable to Yahsat Owner	**25,092**	**(1,686)**	**23,406**

36 Correction of errors (continued)

Impact on consolidated statement of comprehensive income	As previously reported $ 000	Adjustments $ 000	As restated $ 000
For the year ended 31 December 2018			
Profit for the year	25,270	(1,686)	23,584
Other comprehensive income	17,193	-	17,193
Total comprehensive income for the year	**42,463**	**(1,686)**	**40,777**
Total comprehensive income attributable to non-controlling interests	178	-	178
Total comprehensive income attributable to Yahsat Owner	**42,285**	**(1,686)**	**40,599**
of which arising from continuing operations	59,572	(1,686)	57,886
of which arising from discontinued operations	(17,287)	-	(17,287)

37 Comparatives

The following items have been reclassifed to conform with the current year's presentation so that these appropriately reflect the nature of the transactions:
a) Change in fair value of investment property amounting to $ 837 thousand for the year ended 31 December 2019 has been reclassified from Other operating expenses to Fair value adjustments on investment property in the consolidated statement of profit or loss.
b) Deferred revenue amounting to $ 5,683 thousand have been reclassified from Trade and other payables to Deferred revenue in the consolidated statement of financial position as of 31 December 2019.
c) Deferred revenue amounting to $ 1.2 million has been reclassified to Advances from customers of $ 4 million (under Trade and other payables) and Accrued income of $ 2.8 million (under Trade and other receivables) in the consolidated statement of financial position as of 31 December 2019.

Al Yah Satellite Communications Company PJSC

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

Al Yah Satellite Communications Company PJSC

Reports and Consolidated Financial Statements

31 December 2019

Contents

yahsat الياه سات
smart satellite solutions

The Directors have pleasure in presenting their report, together with the audited consolidated financial statements of Al Yah Satellite Communications Company PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

Principal activity

The Group's principal activities include leasing of satellite communication capacity, end-to-end integrated satellite communication and managed services, and providing fixed and mobile telecommunication services via satellites to customers.

Results and appropriations

The results of the Group for the year ended 31 December 2019 are set out on page 5 of the consolidated financial statements.

Directors

The Directors who served during the year were:

H.E. Jassem Mohamed Al Zaabi (until 18 September 2019)
Khaled Al Qubaisi (from 18 September 2019)
H.E. Tareq Abdul Raheem Al Hosani
H.E. Dr. Mohammed Al Ahbabi
H.E. Sara Musallam
Rashed Al Ghafri
Mounir Barakat
H.E. Hisham Malak
Amal Al Ameri (from 18 September 2019)

Auditors

The consolidated financial statements for the year ended 31 December 2019 have been audited by M/s Ernst & Young.

On behalf of the Board of Directors

Chairman of the Board
Khaled Al Qubaisi

Date: 4 March 2020

EY
Building a better working world

Ernst & Young
P.O. Box: 136
27th Floor, Nation Tower 2
Abu Dhabi Corniche
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

AL YAH SATELLITE COMMUNICATIONS COMPANY PJSC

Report on the Audit of Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Al Yah Satellite Communications Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with *International Code of Ethics for Professional Accountants (including international independence standards) (the "IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Building a better
working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

AL YAH SATELLITE COMMUNICATIONS COMPANY PJSC continued

Report on the Audit of Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

EY
Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

AL YAH SATELLITE COMMUNICATIONS COMPANY PJSC continued

Report on Other Legal and Regulatory Requirements

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 and the Company's Articles of Association;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Company;

v) investments in shares and stocks during the year ended 31 December 2019 are disclosed in note 17, 18 and 35 to the consolidated financial statements;

vi) note 20 reflects material related party transactions and the terms under which they were conducted; and

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 Company 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 of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019.

Further, as required by the Decree 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 information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the law of establishment of the Company and relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations, which would have a material impact on the consolidated financial statements of the Company as at 31 December 2019.

Signed by
Anthony O' Sullivan
Partner
Ernst & Young
Registration No 687

30 March 2020
Abu Dhabi

Al Yah Satellite Communications Company PJSC
Consolidated statement of profit or loss
for the year ended 31 December 2019

	Notes	2019 $ 000	2018 Restated* $ 000
Continuing operations:			
Revenue	4	440,569	392,519
Cost of revenue	5	(53,792)	(61,322)
Staff costs	6	(89,140)	(77,448)
Other operating expenses	7	(55,479)	(43,712)
Other income	8	5,861	104,127
EBITDA**		**248,019**	**314,164**
Depreciation, amortisation and impairment	9	(150,657)	(231,430)
Operating profit		**97,362**	**82,734**
Finance income	10	6,756	3,992
Finance costs	10	(31,028)	(37,500)
Net Finance costs		**(24,272)**	**(33,508)**
Share of results of equity-accounted investments	18	(16,130)	(7,084)
Profit before income tax		**56,960**	**42,142**
Income tax expense	11	(241)	(261)
Profit for the year before discontinued operations		**56,719**	**41,881**
Discontinued operations:			
Loss after tax for the year from discontinued operations	35	(33,846)	(16,611)
Profit for the year		**22,873**	**25,270**
(Loss)/profit for the year attributable to non-controlling interests	17	(6,986)	178
Profit for the year attributable to Yahsat Owner		**29,859**	**25,092**

* Comparative figures were restated to present the results of discontinued operations (Note 35).
** Earnings from continuing operations before interest, tax, depreciation, amortisation, impairment and share of results of equity-accounted investments.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	Notes	2019 $ 000	2018 $ 000
Profit for the year		**22,873**	**25,270**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Cash flow hedge - net (loss) / gain		(5,928)	3,162
Cash flow hedge loss reclassified to profit or loss	10	10,040	14,820
Exchange differences on translation of foreign operations		6,158	(113)
Exchange differences on translation of discontinued operations	35	(5,102)	(676)
Exchange differences reclassified to profit or loss	35	4,442	-
Total comprehensive income for the year		**32,483**	**42,463**
Total comprehensive (loss)/income attributable to non-controlling interests		(6,957)	178
Total comprehensive income attributable to Yahsat Owner		**39,440**	**42,285**
of which arising from continuing operations		78,388	59,572
of which arising from discontinued operations	35	(38,948)	(17,287)

The notes on pages 9 to 55 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 4.

Al Yah Satellite Communications Company PJSC

Consolidated statement of financial position

at 31 December 2019

yahsat الياه سات

smart satellite solutions

	Notes	2019 $ 000	2018 $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,146,331	1,382,840
Capital work in progress	13	19,180	20,634
Investment property	14	24,167	17,913
Right-of-use assets	15	28,155	-
Intangible assets	16	12,779	27,193
Investment in equity-accounted investees	18	151,285	36,625
Other receivables	21	3,215	3,242
Deferred income tax assets	11	72	8,044
Total non-current assets		**1,385,184**	**1,496,491**
Current assets			
Inventories	19	9,454	14,933
Trade and other receivables	21	130,935	126,699
Income tax assets		182	255
Cash and short-term deposits	22	287,432	237,296
Total current assets		**428,003**	**379,183**
TOTAL ASSETS		**1,813,187**	**1,875,674**
LIABILITIES			
Current liabilities			
Trade and other payables	23	77,479	74,727
Borrowings	24	125,511	106,931
Derivative financial instruments	25	9,445	9,196
Deferred revenue	26	20,378	28,741
Income tax liabilities		235	317
Total current liabilities		**233,048**	**219,912**
Non-current liabilities			
Trade and other payables	23	292,096	294,257
Borrowings	24	273,727	367,736
Derivative financial instruments	25	6,394	10,755
Provision for employees' end of service benefits	28	10,075	12,650
Total non-current liabilities		**582,292**	**685,398**
TOTAL LIABILITIES		**815,340**	**905,310**
NET ASSETS		**997,847**	**970,364**
EQUITY			
Share capital	29	2,722	2,722
Additional paid-in capital	30	661,612	661,612
Hedging reserve	25	(15,839)	(19,951)
Statutory reserve	31	4,103	4,103
Translation reserve		5,800	331
Retained earnings		247,730	222,900
Equity attributable to Yahsat Owner		**906,128**	**871,717**
Non-controlling interests	17	91,719	98,647
TOTAL EQUITY		**997,847**	**970,364**

These consolidated financial statements were authorised for issue by the Board of Directors on 4 March 2020 and approved on their behalf by:

Chairman of the Board
Khaled Al Qubaisi

Chief Executive Officer
Masood M. Sharif Mahmood

Chief Financial Officer
D. Balakrishnan

The notes on pages 9 to 55 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 4.

k

Al Yah Satellite Communications Company PJSC

Consolidated statement of changes in equity

for the year ended 31 December 2019

yahsat الياه سات
smart satellite solutions

	Attributable to owners of Yahsat							
	Share capital	**Additional paid-in capital**	**Hedging reserve**	**Other Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	(Note 29)	(Note 30)	(Note 25)				(Note 17)	
At 1 January 2018	**2,722**	**558,112**	**(37,933)**	**5,223**	**183,596**	**711,720**	**-**	**711,720**
Effect of adoption of new accounting standards	-	-	-	-	(1,015)	(1,015)	-	(1,015)
As at 1 January 2018 (restated)	**2,722**	**558,112**	**(37,933)**	**5,223**	**182,581**	**710,705**	**-**	**710,705**
Profit for the year	-	-	-	-	25,092	25,092	178	25,270
Other comprehensive income:								
Exchange differences	-	-	-	(789)	-	(789)	-	(789)
Net gain on fair value of cash flow hedges	-	-	3,162	-	-	3,162	-	3,162
Reclassified to consolidated statement of profit or loss (Note 10)	-	-	14,820	-	-	14,820	-	14,820
Other comprehensive income for the year	**-**	**-**	**17,982**	**(789)**	**-**	**17,193**	**-**	**17,193**
Total comprehensive income for the year	**-**	**-**	**17,982**	**(789)**	**25,092**	**42,285**	**178**	**42,463**
Transactions with shareholders:								
Additional paid-in capital	-	103,500	-	-	-	103,500	-	103,500
Non controlling interests on acquisition of a subsidiary (Note 35)	-	-	-	-	-	-	13,696	13,696
Dilution of interest in a subsidiary (Note 35)	-	-	-	-	15,227	15,227	84,773	100,000
At 31 December 2018	**2,722**	**661,612**	**(19,951)**	**4,434**	**222,900**	**871,717**	**98,647**	**970,364**
At 1 January 2019	**2,722**	**661,612**	**(19,951)**	**4,434**	**222,900**	**871,717**	**98,647**	**970,364**
Profit for the year	-	-	-	-	29,859	29,859	(6,986)	22,873
Other comprehensive income:								
Exchange differences	-	-	-	1,027	-	1,027	29	1,056
Net loss on fair value of cash flow hedges	-	-	(5,928)	-	-	(5,928)	-	(5,928)
Reclassified to consolidated statement of profit or loss (Note 10 and Note 35)	-	-	10,040	4,442	-	14,482	-	14,482
Other comprehensive income for the year	**-**	**-**	**4,112**	**5,469**	**-**	**9,581**	**29**	**9,610**
Total comprehensive income for the year	**-**	**-**	**4,112**	**5,469**	**29,859**	**39,440**	**(6,957)**	**32,483**
Other movement in equity	-	-	-	-	(29)	(29)	29	-
Transactions with shareholders:								
Dividends (Note 29)	-	-	-	-	(5,000)	(5,000)	-	(5,000)
At 31 December 2019	**2,722**	**661,612**	**(15,839)**	**9,903**	**247,730**	**906,128**	**91,719**	**997,847**

Other reserves include translation reserve and statutory reserve. There were no movements in statutory reserve during the current and previous years.

The notes on pages 9 to 55 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 4.

	Notes	2019 $ 000	2018 $ 000
Operating activities			
Profit before income tax	22	30,338	21,672
Adjustments for:			
Share of results of equity-accounted investments	18	16,130	7,084
Depreciation, amortisation and impairment		155,429	232,563
Allowance (reversal of allowance) for expected credit losses	21	3,615	(5,715)
Loss allowance for inventories	19	1,648	655
Fair value adjustment to investment property	14	837	-
Finance income		(6,965)	(4,167)
Finance costs		32,722	41,362
Gain on disposal of a subsidiary	35	(3,401)	-
Other income - insurance claims	8	-	(101,153)
Other income - bargain purchase on acquisition of a subsidiary	8	-	(1,686)
Provision for employees' end of service benefits	28	2,455	1,979
Write-off of capital work in progress	13	837	-
Operating profit before working capital changes		**233,645**	**192,594**
Working capital changes:			
Trade and other receivables		(15,571)	397
Inventories		3,509	691
Trade and other payables		8,146	11,149
Deferred revenue		(8,363)	2
Proceeds from insurance claim	8	-	101,153
Employee end of service payments	28	(5,035)	(355)
Income tax paid		(461)	(98)
Net cash from operating activities		**215,870**	**305,533**
Investing activities			
Purchases of property, plant and equipment	12	(11,026)	(19,110)
Purchases of capital work in progress		(5,574)	(36,929)
Additions to intangible assets	16	(3,562)	-
Movement in short-term deposits with original maturity of over three months	22	(140,000)	40,328
Disposal of a subsidiary, net of cash disposed	35	(7,858)	-
Acquisition of a subsidiary, net of cash received	35	-	(97,441)
Interest received		6,965	4,167
Net cash used in investing activities		**(161,055)**	**(108,985)**
Financing activities			
Dividend paid to the Shareholder	29	(5,000)	-
Repayment of borrowings	24	(108,766)	(203,737)
Interest paid		(31,370)	(38,651)
Contribution from the Shareholder	30	-	103,500
Proceeds from disposal of interest in a subsidiary	35	-	100,000
Net cash used in financing activities		**(145,136)**	**(38,888)**
Net (decrease) increase in cash and cash equivalents		**(90,321)**	**157,660**
Net foreign exchange difference		457	3,500
Cash and cash equivalents at 1 January		237,296	76,136
Cash and cash equivalents as at 31 December	22	**147,432**	**237,296**

The notes on pages 9 to 55 form part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 4.

1 Corporate information

Al Yah Satellite Communications Company (the "Company"), registered as a private joint stock company in Abu Dhabi, United Arab Emirates (UAE), was incorporated on 23 January 2007. UAE Federal Law No. 2 of 2015 (Companies Law) is applicable to the Company and has come into effect on 1 July 2015.

The Company is a wholly owned subsidiary of Mubadala Investment Company PJSC (the "Parent Company" or "the Shareholder" or "Yahsat owner"), an entity wholly owned by the Government of Abu Dhabi.

These consolidated financial statements include the financial performance and position of the Company, its subsidiaries (collectively referred to as the "Group") and the Group's interest in its equity-accounted investees.

The Group's principal activity is the leasing of satellite communication capacity and providing telecommunication services via satellite to customers. Details of the Company's subsidiaries and its equity-accounted investee are set out in Notes 17 and 18.

2 Significant accounting policies

2.1 Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and comply where appropriate, with the Articles of Association and applicable requirements of the laws of the UAE.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and investment property, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

These consolidated financial statements are presented in United States Dollars ("USD" or "$"), the functional currency of the Company and the presentation currency of the Group. Subsidiaries and its equity-accounted investees determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency. All financial information presented in USD has been rounded to the nearest thousand ("$ 000"), unless stated otherwise.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. The basis of consolidation is referred in the following notes:

Basis of consolidation	Note
(i) Subsidiaries	17
(ii) Investments in associates	18
(iii) Transactions eliminated on consolidation	17,18
(iv) Business combinations	35
(v) Transfer of entities under common control	35
(vi) Loss of control of a subsidiary	35
(vii) Acquisition of an associate in a business combination	35

2 Significant accounting policies (continued)

2.3 Summary of significant accounting policies

The Group has applied these accounting policies consistently to all periods presented in these consolidated financial statements.

A) Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Non-derivative financial assets

Non-derivative financial assets comprise loans and receivables (including trade receivables, amounts due from related parties, accrued income and other receivables), and cash and short-term deposits.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group derecognises a financial asset only when the contractual rights to the cash flows of the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, where the time value of money is material, receivables are measured at amortised cost using the effective interest method, less impairment losses, if any.

Cash and cash equivalents comprise cash balances and short-term deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise trade payables, amounts due to related parties, borrowings and other payables and accruals.

(iii) Derivative financial instruments including hedge accounting: Refer to Note 25.

2 Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

B) Revenue from contract with customers
Refer Note 4.

C) Leases - the Group as a lessor
Refer Note 4 (Infrastructure services) and Note 14 (Investment property).

D) Finance income
Refer Note 10.

E) Other income
Refer Note 8.

F) Property, plant and equipment
Refer Note 12.

G) Capital work in progress
Refer Note 13.

H) Investment property
Refer Note 14.

I) Leases - the Group as a lessee
Refer Note 15.

J) Intangible assets
Refer Note 16.

K) Borrowing costs
Refer Note 10.

L) Impairment

Financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and at fair value through other comprehensive income (FVOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, internal credit rating, external credit rating (as far as available), actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

Regardless of analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Financial assets carried at amortised cost

The Group recognizes lifetime expected credit loss (ECL) for trade receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using loss rates applied against each customer segment for each revenue type to measure expected credit losses. The Group determines the loss rates based on historical credit loss experience, analysis of the debtor's current financial position adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of current and forecast direction of conditions at the reporting date, including, where appropriate, time value of money.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in the consolidated statement of profit or loss.

Non-financial assets and investment in associates

The carrying amounts of the Group's non-financial assets and investments in associates are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually 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 groups of assets (the "cash-generating unit, or CGU"). The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

2 Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

M) Foreign currency

Transactions in foreign currencies are translated to USD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to USD at the exchange rate at that date. The resultant foreign exchange gains and losses are recognised in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Where functional currencies of subsidiaries are different from USD, income and cash flow statements of subsidiaries are translated into USD at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates and their assets and liabilities are translated at the exchange date ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income.

Group's share of results and share of movement in other comprehensive income of equity accounted investments are translated into USD at average exchange rates for the year. Translation differences relating to investments in associates and monetary assets and liabilities that form part of a net investment in a foreign operation are recognised in other comprehensive income. When investments in subsidiaries, associates, joint ventures or net investment in a foreign operation are disposed of, the related translation differences previously recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on disposal.

N) Employee terminal benefits
Refer Note 6.

O) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

P) Income tax
Refer Note 11.

Q) Government Grants
Refer Note 27.

R) Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:
- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period
Or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:
- expected to be settled in the normal operating cycle
- held primarily for the purpose of trading
- due to be settled within twelve months after the reporting period
Or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

S) Fair value measurement

A number of the Group’s accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes as explained below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The levels of fair value hierarchy are defined as follows:
Level 1: Measurement using quoted prices (unadjusted) from the active market.
Level 2: Measurement using valuation methods with parameters derived directly or indirectly from observable market data.
Level 3: Measurement using valuation methods with parameters not based exclusively on observable market data.

Derivatives

The fair value of interest rate swaps is based on broker quotes, which are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Derivatives fall into Level 2 of the fair value hierarchy.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date (Level 2 of fair value hierarchy).

Investment property

The fair value of investment property is determined using Level 2 valuation methods (Refer to Note 14).

2 Significant accounting policies (continued)

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations
The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group elected to use the practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed after 1 January 2019.

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-to-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group elected to use the exemptions applicable to the standard to leases previously classified as operating leases.
- Apply the exemption not to recognize right-to-use assets and liabilities for lease contracts for which the lease terms ends within 12 months as of the date of initial application or for which the underlying asset is of low value;
- Adjust the right-to-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- Apply a single discount rate to portfolio of leases with similar characteristic;
- Exclude initial direct cost from measuring the right-to-use of asset at the date of initial application; and
- Use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	$ 000
Assets	
Right-of-use assets	16,565
Total assets	**16,565**
Liabilities	
Borrowings - lease liabilities	16,565
Total liabilities	**16,565**

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	$ 000
Operating lease commitments as at 31 December 2018	8,592
Weighted average incremental borrowing rate as at 1 January 2019	6.3%
Discounted operating lease commitments as at 1 January 2019	**7,754**
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	8,811
Lease liabilities as at 1 January 2019	**16,565**

2 Significant accounting policies (continued)

2.4 Changes in accounting policies and disclosures (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
• Whether an entity considers uncertain tax treatments separately
• The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group's subsidiaries operate in a multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. The amendments had no impact to the consolidated financial statements of the Group.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements
An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

2 Significant accounting policies (continued)

2.4 Changes in accounting policies and disclosures (continued)

IFRS 11 Joint Arrangements (continued)
The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

This amendment impacts the capitalization rate (weighted average rate of general borrowing costs) for qualifying assets, as Term Loan 1 (Note 24) is treated as part of general borrowing with effect from 1 January 2019. However, as there were no qualifying assets during the year, the amendment did not have an impact on the consolidated financial statements.

2.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts
The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of a Business
The amendments help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual periods beginning on or after 1 January 2020 and are not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. The Group is assessing the potential impact of this amendment.

3 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:
i) Capital management (Note 34)
ii) Financial instrument risk management (Note 34)

Significant accounting judgments

Revenue from contract with customers
Refer Note 4.

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period in the lease term for a) satellite capacity leases if the intention to renew is supported by an approved business case and b) for lease of buildings housing satellite gateways if there are no approved plans for relocation of gateways or cancellation of leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Classification of investments
The Group applies significant judgement with respect to the classification of investments, control (including de-facto control), joint control and significant influence exercised on those investments made by the Group. For assessing control, the Group considers power over 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. In case, where the Group has less than majority of the voting or similar rights in 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 and de-facto control on listed securities. Management's assessment considers the Group's ability to exercise control in the event of a deadlock situation with other vote holders and in situations where the Group holds convertible instruments, the Group considers potential voting rights.

For assessing significant influence, the Group considers the ability to participate in the financial and operating policy decisions of the investee. The Group presumes significant influence when it holds between 20% and 50% of the voting power of investee. The Group also considers its representation on the board, the ability of other vote holders to operate the investee without regard to the views of the Group, participation in policy-making processes, including participation in decisions about dividends or other distributions, material transactions between the Group and its investee, interchange of managerial personnel and provision of essential technical information.

In 2018, the Group acquired 89.83% ownership interest in Thuraya on 1 August 2018 (Note 35 C). The Group determined that it gained control over Thuraya as of 1 August 2018 considering that it has the right to direct the relevant activities as of that date through its majority appointed directors.

In 2018, the Group diluted 20% interest in its fixed satellite broadband business in Africa, Middle East and West Asia (Yahclick; Subsidiary) (Note 35 D). The Group entered into an agreement (Joint venture agreement) with the non-controlling shareholder to govern the ownership, management and control of Yahclick. The Group has determined that by virtue of its majority representation in the Board, it has the right to direct the relevant activities of the business and continues to control the subsidiary.

On 29 November 2019, the Group acquired 20% shareholding in HPE, the Brazil JV Co (Note 35 B). The Group entered into a Joint venture agreement with the other shareholder, Hughes, to govern the ownership, management and control of HPE. The Group has determined that by virtue of its shareholding and representation in the Board, it has significant influence (but not control or joint control) over HPE as the Group has the right to participate in policy-making processes, including participation in decisions about dividends or other distributions, material transactions between the Group and its investee, interchange of managerial personnel and provision of essential technical information. Accordingly, the Group accounts for its investment in HPE as investment in an associate.

yahsat الياه سات
smart satellite solutions

3 Significant accounting judgments, estimates and assumptions (continued)

Significant accounting estimates

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 such 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 CGU'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 CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated 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 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 entities or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Useful lives of property, plant and equipment and intangible assets
Management assigns useful lives to property, plant, equipment, and intangible assets based on the intended use of assets and the economic lives of those assets. Subsequent change in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives differing from initial estimates.

For satellite systems, management reviews the technical reports including estimates of the fuel life of the satellites, in determining if any adjustments are required to the useful life. Effective 1 July 2019, the Group reduced the estimated useful lives of satellites T2 and T3. The Group accounted for the change prospectively. The change increased the depreciation for the year by US$ 3.8 million and is expected to result to an increased depreciation in the subsequent year by US$ 7.6 million.

For other items of property, plant and equipment and intangible assets management has reviewed the useful lives of major items of and determined that no adjustment is necessary.

Impairment losses on receivables and contract assets
The Group reviews its receivables and contract assets to assess impairment on a regular basis. In determining whether impairment losses should be recorded in the consolidated statement of profit or loss and other comprehensive income, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. As at 31 December 2019, the Group is carrying an allowance of US$ 27.1 million (2018: US$ 24.7 million).

Business combinations
Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licences and other assets and market multiples. The Group's management uses all available information to make these fair value determinations.

Fair value of derivative financial instruments
The fair value of derivative financial instruments is based on their quoted market price, if available. Where the fair value of such instruments cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

3 Significant accounting judgments, estimates and assumptions (continued)

Significant accounting estimates (continued)

Impairment assessment of investment in an equity-accounted investee

Management applies the guidance in IAS 36 to identify if potential impairment exists for its investment in an equity-accounted investee. At the end of each reporting period, an assessment is made as to whether there is any objective evidence of impairment. In such instances, the investment is subject to an impairment test by comparing the carrying amount to the recoverable amount of the asset. Considering the long term nature of these investments, the recoverable amount is determined based on value-in-use calculations. In assessing the value-in-use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The assumptions and judgments made in assessing the value in use include expectations of contract renewals, price increases on existing contracts and inflation rates.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Group applied incremental borrowing rates ranging from 5.9% to 6.3% to the lease liabilities.

Estimate of fair value of consideration received for loss of control of subsidiary

The Group applies the guidance in IFRS 13 Fair Value Measurement to determine fair value of consideration received for loss of control of a subsidiary. Where the consideration is in the form of equity shares of an entity which constitutes a business, the fair value is estimated by calculating the present value of estimated cash flows of the business using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the business.

The Group estimated the fair value of the equity shares of JV Co (HPE) received as consideration for the disposal of its Brazilian subsidiary at $125 million. Discount rate of 10.3% was used in estimating the fair value. The fair value so estimated was also the deemed cost of the Group's acquisition of 20% shares in HPE, which it accounts for as an investment in associate (Note 35).

4 Revenue

Accounting policies

The Group has applied the following accounting policy for revenue recognition in the preparation of its consolidated financial statements.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The Group is in the business of leasing of satellite communication capacity and providing telecommunication services via satellite to customers. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Satellite services revenue primarily represents revenue from provision of satellite broadband services to customers. Revenue is recognised when services are rendered. For mobile satellite services, airtime revenue (voice, data and messaging services) is recognised over the period in which the services are provided; and revenue from the sale of prepaid cards is recognized on the actual utilisation of the prepaid card and is deferred in deferred revenue until the customer uses the airtime, or the credit expires.

Managed services revenue represents end-to-end integrated satellite communication and managed services provided to customers. Revenue is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the proportion of the service rendered. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, the associated costs or the possible return of the goods or the rejection of the services provided.

Revenue from the sale of goods (i.e. equipment and accessories) is recognised at the point in time when control of the asset is transferred to the customer, generally when the goods are delivered and titles have passed. Revenue is recognised net of returns, upfront discounts and sales commissions.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Leases - the Group as a lessor

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease.

4 Revenue (continued)

Leases - the Group as a lessor (continued)

The amounts due from lessees are recorded in the consolidated statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment.

Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases.

Income from operating leases are recognised in profit or loss on a straight-line basis over the lease term.

Infrastructure revenue primarily represents revenue from leasing of satellite capacity and related services. Satellite capacity lease payments are recorded on a straight-line basis over the term of the contract concerned. Deferred revenue represents the unearned balances remaining from amounts received from customers.

Revenue	Notes	2019 $ 000	2018 $ 000
Rendering of services:			
Infrastructure services		237,784	236,109
Fixed satellite services		27,048	24,441
Mobile satellite services		53,278	22,329
Managed services		89,068	95,921
		407,178	**378,800**
Sale of equipment and accessories		33,391	13,719
		440,569	**392,519**
Revenue from related parties is disclosed in Note 20.			
Revenue includes:			
Revenue from contracts with customers		305,531	257,580
Income from operating leases included in infrastructure services	20,33	134,366	134,267
Income from operating leases included in managed services	33	672	672
		440,569	**392,519**
Disaggregation of revenue from contracts with customers:			
Infrastructure services - government capacity	20	100,530	98,224
Infrastructure services - others		2,888	3,618
Fixed satellite serivces - Africa, Middle East and West Asia		27,048	24,441
Mobile satellite services - worldwide		53,278	22,329
Managed services		88,396	95,249
Sale of equipment and accessories - mobile satellite services		31,658	12,345
Sale of equipment and accessories - fixed satellite services		1,733	1,374
		305,531	**257,580**
Timing of revenue recognition:			
Over time		268,261	232,840
At a point in time		37,270	24,740
		305,531	**257,580**
Remaining performance obligations from contracts with customers:			
Within one year		190,851	179,427
More than one year		701,167	825,032
		892,018	**1,004,459**

yahsat الياه سات
smart satellite solutions

4 Revenue (continued)

	Notes	2019 $ 000	2018 $ 000
Contract balances:			
Trade receivables, net of loss allowance	21	50,620	48,179
Due from related parties		54,519	43,491
Contract assets:			
Due from related parties (unbilled revenue)		10,802	19,546
Accrued income		1,240	-
Contract liabilities:			
Due to related parties		5,683	-
Advances from a related party	20	128,040	128,040
Advances from other customers	23	3,589	5,656
Deferred revenue	26	20,378	28,741
Revenue recognised from contract liabilities at the beginning of the year		3,264	4,809

The disclosure on remaining performance obligations does not include the expected consideration related to performance obligations for which the group elects to recognize revenue in the amount it has a right to invoice (e.g. subscription revenue on fixed and mobile satellite services).

Trade receivables and amounts due from related parties are non-interest bearing and are generally on terms ranging from 10 to 45 days.

The future minimum lease payments under operating lease arrangements, where the Group is a lessor, are disclosed in Note 33.

Significant accounting judgments and estimates

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in a bundled sale and installation and maintenance services

The Group provides services that are either sold separately or bundled with equipment. The services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group determined that the supply of equipment and installation and maintenance for certain managed services contracts are not capable of being distinct since these are interdependent or interrelated. Consequently, the Group considered these as a single performance obligation and did not allocate the transaction price to more than one performance obligations.

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Group concluded that revenue for certain contracts for the supply and installation of equipment are to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Company recognises revenue based on milestones achieved.

For certain contracts for the supply of goods, the Group concluded that revenue is recognised at a point in time only upon receipt of customer acceptance to determine when the performance obligation of the Group under the contracts are satisfied.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. For this purpose, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract. In determining the impact of variable consideration, the Group uses the “most-likely amount” method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets is transferred to the customer or benefits of the services being provided is received and consumed by the customer. In cases where the Group determines that performance obligations are not satisfied at a point in time, revenue is recognised over the time in accordance with the criteria as per IFRS 15.

4 Revenue (continued)

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Determining whether unsigned agreements meet the definition of contract under IFRS 15

In relation to certain projects for the Government of Abu Dhabi, its department or related parties performance obligations are fulfilled based on unsigned agreements. Management considers such unsigned contracts to meet the definition of a 'contract with customer' under IFRS 15 since the Group and the customers agree upon the essential elements of a contract and any other lawful conditions. Pending matters of detail to be agreed upon later, the contract is deemed to be binding even in the absence of agreement on these matters of detail. In addition, under Article 132 of the UAE Civil Code, a contract can be oral or written; a contract can also result from acts, which demonstrate the presence of mutual consent between the relevant parties.

Classification of leases

The Group has entered into a Capacity Services Agreement ("CSA") with the UAE Armed Forces (UAEAF), an entity under common control for a period of 15 years. The capacity services include the lease of capacity of satellite transponders and provision of services relating to the operation of satellite network. The capacity charges payable under the terms of the CSA includes a lease element and a service element which corresponds to the capacity lease and provision of services respectively.

The Group has made various judgments in the process of determining – a) whether this arrangement contains a lease, b) whether it is an operating lease or a finance lease and c) how the capacity charges relating to the lease element and service element will be accounted.

In making its judgments, the Group's management considered the terms and conditions of the CSA, the requirements of relevant standards and the relevant industry practice. The relevant standards include i) IFRIC Interpretation 4 – Determining whether an Arrangement contains a Lease, ii) IAS 17 - Leases and iii) IFRS 15 – Revenue from contracts with customers.

Based on the matters mentioned in the preceding paragraphs the Group management has determined that:
a) the arrangement contains a lease, as it conveys a right to use the asset and the fulfilment of the arrangement is dependent on the use of a specified asset
b) the lease element of the arrangement will be accounted as an operating lease as the Group does not transfer substantially risks and rewards of ownership of the assets to UAEAF (Note 20) and
c) the service element of the arrangement will be accounted as revenue in proportion to the stage of completion at the reporting date.

5 Cost of revenue

	2019 $ 000	2018 $ 000
Direct costs	29,144	50,233
Cost of equipment and accessories sold	24,648	11,089
	53,792	**61,322**

Direct costs mainly represent cost of procurement of goods and services relating to managed services contracts.

6 Staff costs

Accounting policies

Employee terminal 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.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

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), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service.

6 Staff costs (continued)

Staff costs	Note	2019 $ 000	2018 $ 000
Employee costs		76,958	65,584
Outsourced staff costs		12,182	11,864
		89,140	**77,448**
Employee costs include:			
Pension contributions made in respect of UAE national employees in accordance with the UAE Federal Law No. (2), 2000		2,992	2,670
Charged during the year towards employee end of service benefits		1,321	668

7 Other operating expenses

	Note	2019 $ 000	2018 $ 000
Satellite services operations costs		13,720	10,850
Facilities and asset maintenance costs		7,430	5,734
Insurance expenses		4,820	5,123
Business travel expenses		4,239	6,138
Marketing expenses		4,048	7,649
Allowance (reversal of allowance) for expected credit losses		3,397	(5,757)
IT support costs		3,158	1,981
Consultancy, legal and advisory expenses		2,890	3,955
Registration and filing expenses		2,457	1,154
Inventory obsolescence		1,648	112
Learning and development expenses		1,325	1,845
Change in fair value of investment property	14	837	-
Bank fees and charges		779	1,662
Currency exchange losses - net		504	1,308
Other expenses		4,227	1,958
Total other operating expenses		**55,479**	**43,712**

The Group did not make any material social contributions during the year.

8 Other income

Accounting policies

Income from claims for liquidated damages is recognised in profit or loss as other income or a reduction to operating costs when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to compensations for loss of income or are not towards incremental operating costs, the amounts are taken to the consolidated statement of financial position and recorded as a reduction in the cost of the related asset. Insurance proceeds received from loss claims relating to assets insured is recognised in profit or loss as other income.

	Notes	2019 $ 000	2018 $ 000
Gain on disposal - discontinued operation	35	3,401	-
Rental income from investment property	14	1,940	928
Income from services rendered to related parties	20	304	344
Income from insurance claims		-	101,153
Bargain purchase on acquisition of a subsidiary	35	-	1,686
Others		216	16
		5,861	**104,127**

8 Other income (continued)

During the previous year, the Group received insurance proceeds net of accelerated premiums, amounting to USD 101.1 million resulting from the Group's claim against an anomaly relating to the Al Yah 3 satellite launch.

9 Depreciation, amortisation and impairment

	Notes	2019 $ 000	2018 $ 000
Depreciation of property, plant and equipment		141,538	129,647
Depreciation of right-of-use assets	15	3,830	-
Amortisation of intangible assets		4,872	1,352
Impairment of non-current assets	12	417	100,431
		150,657	**231,430**

The amounts above relate to continuing operations.

10 Finance costs and Finance income

Accounting policies

Finance income

Finance income comprises interest income on funds invested and is recognised as it accrues in profit or loss using the effective interest method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time the assets are substantially ready for their intended use.

Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation. In the case of general borrowings, a capitalisation rate, which is the weighted average rate of general borrowing costs, is applied to the expenditure on qualifying assets and included in the cost of the asset.

A borrowing originally made to develop a qualifying asset is treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense when incurred.

Finance costs and Finance income	Notes	2019 $ 000	2018 $ 000
Finance income			
Interest on short term deposit with banks		4,828	2,783
Interest on deposits with related party	20	1,928	1,209
		6,756	**3,992**
Finance costs			
Interest expense on borrowings - term loans		(19,636)	(22,680)
Interest expense on borrowings - lease liabilities	15	(1,352)	-
Fair value losses on derivative financial instruments transferred from equity		(10,040)	(14,820)
		(31,028)	**(37,500)**
Net finance costs		**(24,272)**	**(33,508)**

11 Income tax expense

Accounting policies

The tax expense / credit for the year comprise current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Also deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill in a business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted in the jurisdiction of the individual companies by the end of the reporting period and are expected to apply when the related deferred income tax liability is settled or the deferred income tax asset is realised. A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Deferred income tax assets and liabilities offset when:
a) a legally enforceable right exists to offset current income tax assets against current income tax liabilities
b) the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	2019 $ 000	2018 $ 000
The components of foreign income tax credit/(expense) are:		
Current tax:		
Current tax on profits for the year	(245)	(313)
Total current tax	**(245)**	**(313)**
Deferred tax:		
Origination and reversal of temporary differences	4	52
Total deferred tax	**4**	52
Income tax expense	**(241)**	**(261)**

The taxes mainly relate to the subsidiaries in the Netherlands and South Africa and is not significant. Hence a tax reconciliation to the accounting profit is not provided.

The movement of the deferred tax assets is as follows:

Deferred tax assets	2019 $ 000	2018 $ 000
At 1 January	8,044	4,783
Credited to profit or loss during the year	4	52
Reversals	(7,100)	3,863
Other temporary and translation differences	(876)	(654)
At 31 December	**72**	**8,044**

Deferred tax mainly arose from temporary differences relating to tax benefits on pre-operative expenses incurred in Brazil, relating to the discontinued operation. The Group has recognised a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

12 Property, plant and equipment

Accounting policies

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of a qualifying asset are capitalised.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / other expenses in profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at the financial year-end and adjusted if appropriate.

The estimated useful lives used in the current and comparative periods are as follows:

Asset category	Years
Buildings	15-40
Leasehold improvements (included in buildings)	5-10
Satellite systems	9-18
Plant and machinery	15-40
Furniture and fixtures	3-4
Office equipment and vehicles	3-5
Computers and software	3

yahsat الياه سات
smart satellite solutions

12 Property, plant and equipment (continued)

	Land and building $ 000	Satellite systems $ 000	Plant and machinery $ 000	Furniture and fixtures $ 000	Computers $ 000	Office equipment and Vehicles $ 000	Total $ 000
Cost							
At 1 January 2018	89,169	1,691,632	16,112	7,084	10,450	4,480	1,818,927
Acquisition (Note 35)	28,368	1,094,523	-	722	16,850	1,526	1,141,989
Transfer from capital work in progress (Note 13)	-	310,026	-	-	-	(38)	309,988
Additions	687	6,637	6	249	4,735	6,796	19,110
Exchange differences	-	192	-	(104)	(8)	45	125
At 31 December 2018	**118,224**	**3,103,010**	**16,118**	**7,951**	**32,027**	**12,809**	**3,290,139**
Depreciation							
At 1 January 2018	16,477	592,349	4,743	6,038	7,408	2,526	629,541
Acquisition (Note 35)	2,478	889,202	-	670	15,573	1,272	909,195
Charge for the year	2,624	124,479	853	486	1,554	688	130,684
Exchange differences	-	(73)	-	(37)	40	88	18
At 31 December 2018	**21,579**	**1,605,957**	**5,596**	**7,157**	**24,575**	**4,574**	**1,669,438**
Impairment							
Acquisition (Note 35)	13,879	123,551	-	-	-	-	137,430
Charge for the year	-	100,431	-	-	-	-	100,431
At 31 December 2018	**13,879**	**223,982**	**-**	**-**	**-**	**-**	**237,861**
Net book value	**82,766**	**1,273,071**	**10,522**	**794**	**7,452**	**8,235**	**1,382,840**
Cost							
At 1 January 2019	118,224	3,103,010	16,118	7,951	32,027	12,809	3,290,139
Additions	145	2,341	635	285	1,518	6,102	11,026
Transfers to investment property (Note 14)	(17,828)	-	-	-	-	-	(17,828)
Transfers to intangible assets (Note 16)	-	-	-	-	(11,468)	-	(11,468)
Discontinued operation (Note 35)	-	(131,400)	-	(208)	(3,535)	(11,062)	(146,205)
Exchange differences	-	(2,966)	-	(43)	(383)	(793)	(4,185)
Write-off	-	-	-	(584)	-	-	(584)
At 31 December 2019	**100,541**	**2,970,985**	**16,753**	**7,401**	**18,159**	**7,056**	**3,120,895**
Depreciation							
At 1 January 2019	21,579	1,605,957	5,596	7,157	24,575	4,574	1,669,438
Charge for the year	2,776	137,445	843	710	1,580	1,153	144,507
Transfers to investment property (Note 14)	(1,713)	-	-	-	-	-	(1,713)
Transfers to intangible assets (Note 16)	-	-	-	-	(9,573)	-	(9,573)
Discontinued operation (Note 35)	-	(15,171)	-	(277)	(393)	(353)	(16,194)
Exchange differences	-	(474)	-	(12)	(9)	(158)	(653)
Write-off	-	-	-	(584)	-	-	(584)
At 31 December 2019	**22,642**	**1,727,757**	**6,439**	**6,994**	**16,180**	**5,216**	**1,785,228**
Impairment							
At 1 January 2019	13,879	223,982	-	-	-	-	237,861
Charge for the year	417	-	-	-	-	-	417
Transfers to investment property (Note 14)	(9,024)	-	-	-	-	-	(9,024)
Discontinued operation (Note 35)	-	(39,918)	-	-	-	-	(39,918)
At 31 December 2019	**5,272**	**184,064**	**-**	**-**	**-**	**-**	**189,336**
Net book value	**72,627**	**1,059,164**	**10,314**	**407**	**1,979**	**1,840**	**1,146,331**

13 Capital work in progress

Accounting policies

The Group capitalises all costs relating to assets as capital work in progress, until the date of completion and commissioning of these assets. These costs are transferred from capital work in progress to the appropriate asset category upon completion and commissioning and depreciated over their useful economic lives from the date of such completion and commissioning.

	Notes	$ 000
Cost		
At 1 January 2018		286,625
Acquisition	35	21,721
Additions		36,826
Transfers to property, plant and equipment	12	(309,988)
Transfers to intangible assets	16	(12,606)
Exchange differences		(1,944)
At 31 December 2018		**20,634**
Cost		
At 1 January 2019		20,634
Additions		4,364
Transfers to intangible assets	16	(4,981)
Write-off		(837)
At 31 December 2019		**19,180**

Capital work in progress as of the end of the reporting period comprise mainly of plant and equipment. Additions during the previous year mainly relate to the costs of Al Yah 3 satellite.

Borrowing costs capitalized during the year is Nil (2018: $ 1.5 million at a capitalisation rate of 1.5%).

14 Investment property

Accounting policies

Investment properties are properties which are held to earn rentals and / or for capital appreciation.

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss in the period in which they arise.

Transfers from owner-occupied property to investment property is made only when there is a change in use evidenced by end of owner-occupation. Up to the date when an owner-occupied property becomes an investment property carried at fair value, the group depreciates the property and recognizes any impairment losses that have occurred relating to the property transferred.

	Note	Land $ 000	Building $ 000	Total $ 000
Investment property accounted at fair value				
At 1 January 2018		-	-	-
Acquisition	35	13,675	4,238	17,913
At 31 December 2018 / At 1 January 2019		**13,675**	**4,238**	**17,913**
Transfer from owner-occupied property	12	5,531	1,560	7,091
Net loss from fair value adjustment	7	(755)	(82)	(837)
At 31 December 2019		**18,451**	**5,716**	**24,167**

The investment property relates to Dubai office building and associated land (property) of the subsidiary acquired during the previous year. The fair value measurement for the investment property is classified as Level 2. The fair value has been determined by an external valuer based on transactions observable in the market.

Leasing arrangements

The investment properties are leased to tenants under operating leases with rents payable periodically. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the group may obtain bank guarantees for the term of the lease. Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Rental income from investment property is recognized in other income (Note 8). Net loss from fair value adjustment is recognized in other operating expenses (Note 7).

Minimum lease payments receivable on leases of investment properties are as follows:	2019 $ 000	2018 $ 000
Within 1 year	1,447	1,554
Between 1 and 2 years	1,256	1,929
	2,703	**3,483**

15 Leases - Group as a Lessee

This note provides information for leases where the group is a lessee, related right-of-use assets and lease liabilities.

Accounting policies

Leases, where the group is a lessee, are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
a) fixed payments (including in-substance fixed payments), less any lease incentives receivable
b) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
c) amounts expected to be payable by the group under residual value guarantees
d) the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
e) payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:
a) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
b) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the lessee which does not have recent third party financing, and
c) makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
a) the amount of the initial measurement of lease liability
b) any lease payments made at or before the commencement date less any lease incentives received
c) any initial direct costs, and
d) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The estimated useful lives of right-of-use assets are as follows:

Asset category	Years
Right-of-use assets - satellite systems	4
Right-of-use assets - buildings	10

A) Right-of-use assets

Carrying amounts and movements during the period	Notes	Satellite systems $ 000	Buildings $ 000	Total $ 000
At 1 January 2019		-	-	-
Effect of adoption of IFRS 16	2.4	-	16,565	16,565
Additions		15,420	-	15,420
Depreciation expense		(1,943)	(1,887)	(3,830)
At 31 December 2019		**13,477**	**14,678**	**28,155**

15 Leases - Group as a Lessee (continued)

B) Lease liabilities

Carrying amounts of lease liabilities and the movement for the period	Notes	2019 $ 000
Lease liabilities		
At 1 January		-
Effect of adoption of IFRS 16	2.4	16,565
Additions		15,733
Accretion of interest	10	1,352
Payments		(2,148)
At 31 December	24	**31,502**
of which current		10,748
of which non-current		20,754
Amounts recognized in profit or loss in relation to leases		
Depreciation expense of right-of-use assets		3,830
Interest expense on lease liabilities		1,352
Expense relating to short-term leases (included in other operating expenses)		312
Expense relating to of low-value assets (included in other operating expenses)		550
Total		**6,044**
Cash flow information		
Total cash outflows for leases		2,698

The Group leases premises to host its satellite gateway equipment and leases satellite capacity assets. Rental contracts are typically made for fixed periods of 3 years to 15 years, but may have extension options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased asset may not be used for borrowing purposes.

The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset and align with the Group's business needs. The extension and termination options held are usually exercisable only by the group and not by the respective lessor.

Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

16 Intangible assets

Accounting policies

Licenses, representing a right to transmission of telecommunication signals utilizing geo-stationary satellite and use of associated radio frequencies, are capitalized at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets 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 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 is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

Asset category	Years
Licenses	10-15
Development costs (user terminal development)	3-5
Software (including operation and billing support systems)	4-10

	Notes	Development costs $ 000	Licenses $ 000	Software $ 000	Total $ 000
Cost					
At 1 January 2018		-	13,365	-	13,365
Acquisition	35	63,051	180	-	63,231
Transfer from capital work in progress	13	1,414	-	11,192	12,606
Exchange differences		-	(1,864)	-	(1,864)
At 31 December 2018		**64,465**	**11,681**	**11,192**	**87,338**
Amortisation					
At 1 January 2018		-	-	-	-
Acquisition	35	58,558	180	-	58,738
Charge for the year		1,166	44	238	1,448
Exchange differences		-	(41)	-	(41)
At 31 December 2018		**59,724**	**183**	**238**	**60,145**
Net book value at 31 December 2018		**4,741**	**11,498**	**10,954**	**27,193**
Cost					
At 1 January 2019		64,465	11,681	11,192	87,338
Additions		3,123	-	439	3,562
Transfer from capital work in progress	13	4,981	-	-	4,981
Transfer from property, plant and equipment	12	-	-	11,468	11,468
Discontinued operation	35	-	(10,467)	(9,274)	(19,741)
Exchange differences		-	(1,034)	-	(1,034)
At 31 December 2019		**72,569**	**180**	**13,825**	**86,574**
Amortisation					
At 1 January 2019		59,724	183	238	60,145
Charge for the year		3,876	1,507	1,292	6,675
Transfer from property, plant and equipment	12	-	-	9,573	9,573
Discontinued operation	35	-	(1,460)	(1,005)	(2,465)
Exchange differences		-	(102)	(31)	(133)
At 31 December 2019		**63,600**	**128**	**10,067**	**73,795**
Net book value at 31 December 2019		**8,969**	**52**	**3,758**	**12,779**

17 Group information

A) Subsidiaries

Accounting policies

Subsidiaries are entities controlled by the Group. Control exists 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. In assessing control, potential voting rights of an entity that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Adjustments are made to the amounts reported by subsidiaries, when necessary, to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

The consolidated financial statements of the Group include:

Name	Principal activities	Country*	Equity % 2019	Equity % 2018
Al Yah Advanced Satellite Communication Services PJSC (Al Yah Advanced)	Leasing of satellite communication capacity	UAE	100%	100%
Star Satellite Communications Company PJSC (Star)	Telecommunication services via Satellite and integrated satellite communication and managed services	UAE	100%	100%
Al Yah 3 B.V.	Holding company	Netherlands	100%	100%
Amwaj Communications LLC	Dormant entity	UAE	100%	100%
Subsidiaries acquired during the previous year (Note 35):				
Thuraya Telecommunications Company PJSC (Thuraya)	Mobile telecommunication services via Satellite	UAE	89.83%	89.83%
Subsidiaries incorporated and diluted during the previous year (Note 35):				
BCS Group (BCS)				
Broadband Connectivity Solutions (Restricted) Limited (BCS Holdco)	Holding company	UAE	80%	80%
BCS Investments LLC (BCS Opco)	Telecommunication services via satellite	UAE	80%	80%
Star Network Marketing Services Company (Proprietary) Limited (SNMS)	Marketing support office	South Africa	80%	80%
Al Najm Communications Company LLC (Al Najm)	Telecommunication services via satellite	UAE	80%	80%
Yala B.V. (Yala)	Telecommunication services via satellite	Netherlands	80%	80%
Discontinued operation (Note 35):				
Yahsat Latam Holding SA (Yah Latam)	Holding company	Brazil	-	100%
Yah Telecomunicacoes LTDA (Yah Brazil)	Telecommunication services via satellite	Brazil	-	100%

17 Group information (continued)

B) Material partly-owned subsidiaries

Financial information of subsidiaries that have significant non-controlling interests is provided below.

	31 December 2019		31 December 2018	
	Thuraya $ 000	BCS $ 000	Thuraya $ 000	BCS $ 000
Proportion of equity interest held by non-controlling interests:	10.17%	20.00%	10.17%	20.00%
Non-controlling interests	14,289	77,430	14,388	84,259
Profit attributable to non-controlling interests	(124)	(6,862)	692	(514)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	31 December 2019		31 December 2018	
Summarised statement of profit or loss:	Thuraya $ 000	BCS $ 000	Thuraya $ 000	BCS $ 000
Revenue	87,805	28,330	34,687	2,552
EBITDA	**24,751**	**(8,539)**	**14,391**	**(374)**
Depreciation, amortisation and impairment	(24,266)	(29,389)	(7,086)	(2,269)
Operating profit	**485**	**(37,928)**	**7,305**	**(2,643)**
Net finance income/(cost)	(1,698)	3,824	(504)	91
Income tax credit/(expense)	(6)	(205)	(1)	(17)
Profit for the year	**(1,219)**	**(34,309)**	**6,800**	**(2,569)**
Other comprehensive income	246	22	-	(39)
Total comprehensive (loss)/income	**(973)**	**(34,287)**	**6,800**	**(2,608)**
Profit/(loss) attributable to non-controlling interests	(124)	(6,862)	692	(514)
Summarised statement of financial position:				
Current assets (Inventories, receivables and cash balances)	66,083	169,999	63,938	173,699
Non-current assets (Property, plant and equipment and other assets)	132,772	249,012	134,284	261,313
Current liabilities (Trade and other payables, deferred revenue and borrowings)	(38,460)	(24,275)	(42,726)	(13,533)
Non-current liabilities (Borrowings and other liabilities)	(19,883)	(7,583)	(14,012)	(183)
Net assets / Total Equity	**140,512**	**387,153**	**141,484**	**421,296**
Attributable to:				
Yahsat Owner	126,223	309,723	127,096	337,037
Non-controlling interests	14,289	77,430	14,388	84,259

18 Investment in equity-accounted investees

Accounting policies

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Unrealised gains arising from transactions with associates 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.

Please refer to Note 35 for the Group's accounting policies on acquisition of an associate in a business combination.

The group's associates are:

Name	Principal activities	Country*	Equity % 2019	Equity % 2018
Al Maisan Satellite Communication Company LLC (Al Maisan)	Leasing of satellite capacity primarily for broadcasting customers	UAE	65%	65%
Acquired during the year (Note 35):				
HNS Participações Empreendimentos S.A. (HPE; Brazil JV Co)	Telecommunication services via satellite	Brazil	20%	-

Although Star holds more than 50% of the equity in Al Maisan, it does not control the financial and/or operating policies of Al Maisan. This is pursuant to an agreement, which provides the majority board representation to other shareholder of Al Maisan. However, as Star has the power to participate in the financial and operating policy decisions of Al Maisan due its representation on the board, it accounts for its investment as an associate.

Movement in the investments in associates:	Notes	2019 $ 000	2018 $ 000
At 1 January		36,625	43,709
Acquired during the year	35	125,000	-
Share of results for the year		(16,130)	(7,084)
Exchange differences		5,790	-
At 31 December		**151,285**	**36,625**

Aggregate financial information of Al Maisan:	2019 $ 000	2018 $ 000
Share of results of equity-accounted investee	(14,203)	(7,084)
Share of total comprehensive income of equity-accounted investee	(14,203)	(7,084)

18 Investment in equity-accounted investees (continued)

Aggregate financial information of HPE:	2019 $ 000	2018 $ 000
HPE's statement of comprehensive income (100%) for the one-month period ended 31 December 2019		
Revenue	12,341	-
Loss for the year	(9,634)	-
Other comprehensive income	-	-
Total comprehensive loss	**(9,634)**	**-**
Group's share of total comprehensive loss (20%)	(1,927)	-
Group's share of results in HPE	**(1,927)**	**-**
HPE's statement of financial position (100%)		
Current assets	73,842	-
Non-current assets	345,951	-
Current liabilities	(40,655)	-
Non-current liabilities	(7,918)	-
Net assets 100%	**371,220**	**-**
Group's share in net assets (20%)	74,244	-
Goodwill	54,619	-
Carrying amount of the investment in HPE	**128,863**	**-**

19 Inventories

Accounting policies

Inventories are stated at the lower of cost and net realisable value, after making loss allowance to account for obsolete or slow moving items. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories	Notes	2019 $ 000	2018 $ 000
Equipment and accessories - satellite services		17,369	20,679
Ground operations spares		1,198	1,719
		18,567	**22,398**
Loss allowance		(9,113)	(7,465)
		9,454	**14,933**
Movement in loss allowance for inventories:			
At 1 January		7,465	-
Acquisitions	35	-	6,810
Provisions made during the year		1,648	655
At 31 December		**9,113**	**7,465**

During 2019, USD 24.6 million (2018: USD 11.1 million) of inventories were recognised as cost of equipment and accessories sold (Note 5).

20 Related party transactions and balances

Identity of related parties

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related party contained in International Accounting Standard 24 Related Party Disclosures.

The Group has a related party relationship with the Parent Company and business entities over which the Parent Company can exercise control or significant influence; entities which are under common control of the shareholders of the Parent Company and associate.

a) Related party transactions:

Transaction with key management personnel	2019 $ 000	2018 $ 000
Key management personnel compensation:		
Short term employment benefits	4,360	4,221
Post-employment benefits	333	304

Transaction with other related parties	Notes	2019 $ 000	2018 $ 000
Revenue			
Entities under common control*		322,897	310,219
Associate		982	1,229
Total		**323,879**	**311,448**
* Revenue from entities under common control includes USD 288 million (2018: USD 297 million) from a single customer.			
Other income - management fees, office lease rent			
Associate	8	304	344
Interest income on short term deposits			
Entities under common control	10	1,928	1,209
Outsourced expenses, office lease rent, systems support			
Entities under common control		4,344	3,211
Cost of sales			
Entities under common control		1,099	891
Associate		163	401
Total		**1,262**	**1,292**
Learning and development expenses			
Entities under common control		301	1,351

20 Related party transactions and balances (continued)

b) Related party balances

	Notes	2019 $ 000	2018 $ 000
Due from related parties			
Entities under common control		65,456	62,707
Associates		82	470
Parent company		1,842	-
Total	21	**67,380**	**63,177**
Short-term deposits with a related party			
Entity under common control	22	140,000	-
Due to related parties	23		
Entities under common control		9,596	4,381
Associate		170	218
Parent company		112	4
Total		**9,878**	**4,603**
Advance from a related party			
Entity under common control	23	291,000	291,000

(i) Transactions with an entity under common control

a) The Group provides capacity services pursuant to the Capacity Services Agreement ("CSA") with the UAE Armed Forces (UAEAF). The capacity charges payable under the CSA is billed semi-annually in advance. The future payments pertaining to the lease element included in the capacity charges, where the Group is the lessor, are provided in the table below.

In terms of the CSA with UAEAF, an aggregate amount of USD 291 million (the "Down Payment") was payable by UAEAF in three annual instalments starting June 2008, as an advance. Accordingly, the Group received the first instalment of USD 116.4 million in June 2008 and further two instalments of USD 87.3 million, in June 2009 and June 2010, respectively from UAEAF. The Down Payment will be set off against the capacity charges in equal instalments from the discharge date (which is the period following the full discharge by the Group of all liabilities relating to the term loan procured for the satellites) until the termination of the agreement. The advance is attributable to the lease element at USD 163 million (2018: 163 million), and to service element (contract with customers) at USD 128 million (2018: USD 128 million) (see Note 4).

b) The Group has also entered into contracts with UAEAF for the provision of operation, maintenance and training services.

c) The Group has entered into various contracts with UAEAF for the provision of end-to-end integrated satellite communication and managed services. Revenue from such contracts are reported under managed services. The balance due from UAEAF at the reporting date, includes amounts invoiced to date in relation to the afore-mentioned contracts.

d) UAEAF has allocated a plot of land (Secondary site in the emirate of Abu Dhabi) to the Company and has granted permission to the Company to construct and access a Satellite Ground Control Station on the plot. Title to the plot of land has not been transferred to the Company and accordingly the plot has not been recognized in the consolidated financial statements. In addition, refer to note 27 to the consolidated financial statements which discloses information about another plot of land (Primary site) received by the Company.

Future payments pertaining to lease element included in capacity charges	2019 $ 000	2018 $ 000
Within one year	128,184	128,184
Between 2 and 5 years	512,736	512,736
After 5 years	237,907	366,091
At 31 December	**878,827**	**1,007,011**

20 Related party transactions and balances (continued)

(ii) Transactions with other entities under common control

a) Star has also entered into contracts with various entities under common control for the provision of managed services. These entities mainly include Abu Dhabi Autonomous System Investment Co LLC, ADNOC Offshore and General Secretariat of Ministry of Presidential Affairs. Advances received from customers pursuant to these contracts are reported under 'Due to related parties'. These advances will be subsequently adjusted towards the consideration in respect of the contract deliverables.

b) The Company procures outsourced resources from affiliates of its Parent Company. During the year the Group contributed to learning and development programmes in partnership with affiliates of the Parent Company.

c) During the year the Group placed short-term deposits with Mubadala Treasury Holding Company LLC for USD 140 million with interest rates ranging from 2.3% to 3.1% per annum (2018: USD 46 million with interest rates ranging from 1.6% to 1.8% per annum).

(iii) Transactions with an associate

a) In terms of the Management Services agreement with Al Maisan, Star charged management fees for support services rendered to the associate. Star also charges the associate for satellite operations support and lease of office space.

b) Star leases satellite capacity from Al Maisan to facilitate the requirements of its customers relating to managed services contracts.

The outstanding amounts at year end, except for advance from a related party which carry specific repayment terms as specified above, are expected to be settled in cash. No impairment charge has been recognised during the year in respect of amounts owed by related parties.

Also refer Note 24 for other related party transactions.

21 Trade and other receivables

	Notes	2019 $ 000	2018 $ 000
Trade receivables		77,715	72,906
Allowance for expected credit losses		(27,095)	(24,727)
Trade receivables net of allowance		**50,620**	**48,179**
Due from related parties	20	67,380	63,177
Prepayments		1,119	2,274
Advances		7,865	6,210
Accrued income		1,648	501
Other receivables		5,518	9,600
Total trade and other receivables		**134,150**	**129,941**
of which non-current		3,215	3,242
of which current		130,935	126,699

21 Trade and other receivables (continued)

Categories of trade receivables and contract assets	2019 Carrying amount $ 000	2019 Expected credit loss $ 000	2018 Carrying amount $ 000	2018 Loss allowance $ 000
Managed services, government customers	44,091	(252)	56,691	-
Managed services, general category	11,572	(260)	1,313	(225)
Infrastructure services, government customers	5,768	-	5,709	-
Infrastructure services, general category	4,398	(685)	12,210	(290)
Fixed satellite services, general category	17,240	(4,251)	12,345	(3,639)
Fixed satellite services, high risk category	5,810	(5,810)	5,210	(5,210)
Mobile satellite services, general category	55,356	(15,837)	41,925	(14,826)
Others	38	-	680	(537)
	144,273	**(27,095)**	**136,083**	**(24,727)**

Movement in the allowance for expected credit losses:	Notes	2019 $ 000	2018 $ 000
At 1 January		24,727	14,101
Effect of adoption of IFRS 9		-	1,015
Acquisitions	35	-	15,869
Charge/(reversal) for the year		3,615	(5,715)
Discontinued operation		(256)	-
Written off during the year as uncollectible		(987)	(543)
Exchange differences		(4)	-
At 31 December		**27,095**	**24,727**
Ageing of trade receivables and amounts due from related parties are as follows:			
Not past due		39,643	43,435
Past due 0 to 90 days		37,643	27,514
Past due 91 to 180 days		11,499	13,603
Past due above 180 days		56,310	51,531
		145,095	**136,083**

The Group's exposure to credit risk is disclosed in Note 34.

Advances represent advances paid to suppliers for procurement of goods and services mainly relating to managed services contracts.

Other receivables include recoverable taxes USD Nil (2018: USD 4.0 million) and b) Staff related receivables USD 5.0 million (2018: 5.1 million).

22 Cash and short-term deposits

	Notes	2019 $ 000	2018 $ 000
Cash on hand and in banks		147,429	63,400
Short-term deposits with banks		3	173,896
Short-term deposits with a related party	20	140,000	-
Cash and short-term deposits		**287,432**	**237,296**
Less: Short-term deposits with original maturities of over three months		(140,000)	-
Cash and cash equivalents		**147,432**	**237,296**

The short-term deposits earn interest at prevailing commercial rates.

Reconciliation to the consolidated statement of cash flows:

	Notes	2019 $ 000	2018 $ 000
Profit before income tax from continuing operations		56,960	42,142
Loss before income tax from continuing operations	35	(26,622)	(20,470)
Profit before income tax for purposes of cash flows		**30,338**	**21,672**

Significant non-cash transactions excluded from the consolidated statement of cash flows:

	Notes	2019 $ 000	2018 $ 000
Recognition of right-of-use assets	15	31,985	-
Acquisition of an associate in exchange for interest in a subsidiary	35	125,000	-

Changes in lease liabilities and borrowings arising from financing activities are disclosed in Notes 15(B) and 24, respectively.

23 Trade and other payables

	Notes	2019 $ 000	2018 $ 000
Trade payables		13,025	23,469
Due to related parties	20	9,878	4,603
Accruals		46,186	37,519
Other payables		5,897	6,737
Advance from a related party	20	291,000	291,000
Advances from other customers		3,589	5,656
Total trade and other payables		**369,575**	**368,984**
of which non-current		292,096	294,257
of which current		77,479	74,727

Advance from a related party is classified as non-current (Refer Note 20).

Advances from other customers mainly represent amounts received pursuant to a capacity services agreement. This advance will be adjusted over the term of the contract and includes USD 1.1 million (2018: USD 3.2 million) classified as non-current.

Accruals include employee-related accruals of USD 9.4 million (2018: USD 12.6 million).

24 Borrowings

Borrowings comprise term loans and lease liabilities.

	Notes	2019 $ 000	2018 $ 000
The carrying amount of borrowings are as follows:			
Term loans			
Term loan 1		359,260	461,953
Term loan 4		8,476	12,714
Total term loans		**367,736**	**474,667**
Lease liabilities	15	31,502	-
Total borrowings		**399,238**	**474,667**
of which current		125,511	106,931
of which non-current		273,727	367,736
The movement in term loans are as follows:			
At 1 January		481,083	665,741
Acquisitions	35	-	19,079
Repayments		(108,766)	(203,737)
		372,317	**481,083**
Unamortised transaction costs		(4,581)	(6,416)
At 31 December		**367,736**	**474,667**
of which current		114,764	106,931
of which non-current		252,972	367,736
The principal amounts of term loans are repayable as follows:			
Within one year		116,599	108,766
1 - 2 years		125,484	116,599
2 - 5 years		130,234	255,718
		372,317	**481,083**

Term loan 1: The Group entered into a Credit Agreement with a consortium of banks for a US dollar denominated unsecured term loan facility in the aggregate amount of USD 1,200 million. This facility included a Debt Service Reserve Letter of Credit facility (DSRLC) of USD 80 million, of which USD 67.2 million (2018: USD 67.2 million) has been utilised as at the end of the reporting period. The DSRLC facility is renewed half-yearly based on debt service for the next repayment period. The Group drewdown USD 984 million of the loan facility until the expiry of the availability period in 2012. The loan is repayable in twenty one semi-annual instalments starting from 31 December 2012, and the amount due within one year has been reflected accordingly. The loan bears interest at LIBOR plus margin ranging from 1.1% to 1.4% per annum over the term of the loan. The Group is required to maintain an annual DSCR (Debt Service Coverage Ratio) of 1.1 times to distribute the cash waterfall every June and December post collection of Capacity Charges from the UAE Armed Forces.

Term loan 4: Thuraya obtained this facility in 2016 for a total value of USD 17.7 million (AED 65 million) of which Thuraya obtained USD 5.4 million in 2016 and USD 12.2 million during the previous year. During the year, Thuraya repaid USD 4.3 million (2018: USD 3.8 million) The loan is repayable in equal monthly instalments over five years at EIBOR plus 4% with a minimum rate of 5.75%. The loan is structured as an Ijarah facility (“lease to own”) related to Thuraya's primary gateway and ground segment assets and business expansion. It is secured by a commercial mortgage on the assets, assignment of receivables, pledge over the bank account maintained with the bank, assignment of insurance over the financed assets and promissory note.

24 Borrowings (continued)

Term loan 4: The loan is stated net of unamortised transaction cost of US$ 36 thousand (2018: USD 53 thousand). As per the facility agreement, Thuraya is required to maintain a minimum Tangible Net worth of USD 129 million (AED 475 million). At 31 December 2019, the Tangible Net worth as defined in the Agreement amounted to USD 131.2 million.

Borrowings include outstanding balances due to related parties aggregating to USD 86.2 million (2018: USD 110.8 million). The interest expense on loans from related party banks amounted to USD 6.9 million (2018: USD 11.6 million).

Term loans 2 and 3 were fully repaid as at the end of the previous year.

25 Derivatives used for hedging

Accounting policies

Derivative financial instruments including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

• There is 'an economic relationship' between the hedged item and the hedging instrument.
• The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
• The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

25 Derivatives used for hedging (continued)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the following cash-flow hedging instruments related to forecasted transactions:

Interest rate exposure
The Group has an obligation to pay interest at variable rates (LIBOR plus margin) in connection with its borrowings. The Group entered into a cash flow hedge, by acquiring an interest rate swap (IRS), to hedge the variability in interest rate with respect to Term Loan 1. Under the IRS agreement, the Group receives a variable rate of interest equal to LIBOR and pays fixed rate on notional amounts that mirror the drawdown and repayment schedule of the loan. The IRS settlements are made semi-annually until its expiry in 2022.

	2019 $ 000	2018 $ 000
Derivative financial liability		
Interest rate swap - Fair value	**15,839**	**19,951**
Contractual maturities		
Within one year	9,445	9,196
1 - 2 years	5,319	6,440
2 - 5 years	1,075	4,315
After 5 years	-	-
	15,839	**19,951**
Expected cash flows		
Within one year	9,565	9,378
1 - 2 years	5,479	6,746
2 - 5 years	1,123	4,656
	16,167	**20,780**
Notional principal amount outstanding	**317,405**	**428,614**

Accounting estimates and judgments

The fair value of derivative financial instruments is based on their quoted market price, if available. Where the fair value of such instruments cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

26 Deferred revenue

	2019 $ 000	2018 $ 000
Unutilized airtime balances from prepaid scratch cards	16,761	27,518
Others	3,617	1,223
	20,378	**28,741**

27 Government grants

Accounting policies

Non-monetary government grants

The Group receives certain assets, primarily in the form of land, from entities related to the Government of Abu Dhabi, as grants to carry out its operations. When it is probable that future economic benefits will flow to the Group, such land received is recognised in the consolidated financial statements at nominal value. Land received as government grants that does not meet the criteria that future economic benefits will flow to the Group, are not recognised, but their existence is disclosed in the consolidated financial statements.

During 2009, the Company received a plot of land (Primary site) from the Urban Planning Council, of the Government of Abu Dhabi as a government grant. The plot of land has been used to construct the Satellite Ground Control Station, which forms an integral part of the satellite system. Accordingly, the plot of land has been classified as property, plant and equipment. Both the grant and the land have been recorded at nominal value in the consolidated financial statements.

28 Provision for employees' end of service benefits

Accounting policies

For accounting policies on provison for employees' end of service benefits, refer Note 6.

The movement in the provision is as follows:	Note	2019 $ 000	2018 $ 000
At 1 January		12,650	5,822
Charge during the year		2,455	1,979
Payments made during the year		(5,035)	(355)
Acquisitions	35	-	5,230
Exchange differences		5	(26)
At 31 December		**10,075**	**12,650**

29 Share capital

	2019 $ 000	2018 $ 000
Authorised issued and fully paid:		
10,000,000 shares of AED 1 each*	2,722	2,722

* Share capital is converted into USD at the rate of AED 3.6735 to USD 1.

During the year, the Company distributed and paid dividend of USD 5 million representing USD 0.50 per fully paid share (2018: Nil).

30 Additional paid-in capital

	2019 $ 000	2018 $ 000
Additional paid-in capital	661,612	661,612

Additional paid-in capital represents interest-free contributions from the Shareholder. Under the terms of the arrangement with the Shareholder, there is no obligation on the Company to repay the amount under any circumstances and any repayment is entirely at the discretion of the Company. In addition, the terms of the agreement specify that, on dissolution of the Company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the contributions, shall rank pari passu with those attached to the share capital of the Company. Therefore, these contributions are more akin to equity instruments rather than liabilities, and accordingly are presented within equity. During the previous year, the Company received additional contribution amounting to USD 103.5 million from the Shareholder.

31 Statutory reserve

Article 103 of the UAE Federal Law No.2 of 2015 requires that 10% of the Company's profit be transferred to a non-distributable statutory reserve until the amount of the statutory reserve becomes equal to 50% of the paid-up share capital. The consolidated financial statements include statutory reserve of the Company and of its subsidiaries. Since the statutory reserve already reached 50% of the paid-up share capital, no further transfer was made during the current and previous year.

32 Capital commitments and contingent liabilities

	Note	2019 $ 000	2018 $ 000
Capital commitments - committed and contracted		11,801	12,202
Contingent liabilities - performance bonds provided by banks in the normal course of business		63,786	109,481
Contingent liabilities - letter of credit relating to Term Loan 1	24	67,228	67,228

33 Leases - Group as a Lessor

The future minimum lease rental receivables under non-cancellable operating leases are as follows:

	Note	2019 $ 000	2018 $ 000
Satellite capacity leases - related party	20 (i)	878,827	1,007,011
Investment property leases - third parties	14	2,703	3,483
Other leases: *			
Satellite capacity leases - third parties		24,430	31,584
Gateway hosting - third parties		1,344	2,016
At 31 December		**907,304**	**1,044,094**

	2019 $ 000	2018 $ 000
* The future minimum lease rental receivables under non-cancellable operating leases relating to other leases are as follows:		
Within one year	4,430	6,720
Between 2 and 5 years	15,706	25,536
After 5 years	5,638	1,344
At 31 December	**25,774**	**33,600**

34 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash held at bank.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	2019 $ 000	2018 $ 000
Due from related parties	21	67,380	63,177
Trade receivables and accrued income	21	52,268	48,680
Other receivables (excluding recoverable taxes)	21	5,518	5,594
Cash and short-term deposits	22	287,432	237,296
		412,598	**354,747**

34 Financial risk management (continued)

Credit risk (continued)

Trade receivables and contract assets

An impairment analysis is performed at each reporting date using loss rates applied against each customer segment to measure expected credit losses. The provision rates are based on historical patterns of default for groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The analysis and segmentation of customers is determined separately for each of the revenue streams, namely, fixed satellite services, mobile satellite services, infrastructure services and managed services.

The Group does not hold collateral as security. The Group considers the risk of concentration as low, with respect to trade receivables and contract assets, since credit risk is mitigated by the financial stability of its customers of which approximately 53% (2018: 54%) are related parties or government related entities. Moreover, a substantial portion of the remaining customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

The Group had credit risk arising from its derivatives used for hedging, which are settled on a net basis. At the reporting date, the net position of these instruments had a negative value. With respect to cash and short-term deposits, management manages its credit risk by only dealing with reputable banks.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Summarised below in the table is the maturity profile of financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Within one year	1 - 2 years	2 - 5 years	Total
2019				
Borrowings	128,379	133,096	133,538	395,013
Derivative financial instruments	9,565	5,479	1,123	16,167
Trade and other payables (excluding advances from customers and accruals)	28,800	-	-	28,800
	166,744	**138,575**	**134,661**	**439,980**
2018				
Borrowings	128,683	131,669	269,753	530,105
Derivative financial instruments	9,378	6,746	4,656	20,780
Trade and other payables (excluding advances from customers and accruals)	34,809	-	-	34,809
	172,870	**138,415**	**274,409**	**585,694**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Currency risk

The Group is exposed to currency risk in respect of transactions denominated in currencies other than USD. In respect of transactions denominated in the UAE Dirham ("AED"), the Group is currently not exposed to currency risk as the AED is pegged to USD. For significant transactions denominated in currency other than USD and AED the Group utilises forward exchange contracts to reduce its currency risk exposure.

The Group is also exposed to currency risk in respect of its investment in its Brazilian associate. The Group regularly monitors the movement in exchange rates to assess the sensitivity and impact to its long term business plan.

ii) Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps. Short-term deposits earn fixed rates of interest.

34 Financial risk management (continued)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, after the impact of hedge accounting.

The Group's profit before tax for the year is affected through the impact on floating rate borrowings as follows. Amounts shown represent impact on profit if the market risk variables had been different at the end of the reporting period with all other variables held constant and has been computed on the basis of assumptions and indices used and considered by other market participants.

	2019 $ 000	2018 $ 000
Interest expense		
- 25 basis points	173	130
+ 25 basis points	(173)	(130)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	31 December 2019		31 December 2018	
	Carrying amount $ 000	Fair value $ 000	Carrying amount $ 000	Fair value $ 000
Financial assets carried at amortised cost				
Cash and short-term deposits	287,432	287,432	237,296	237,296
Trade and other receivables (excluding prepayments, advances and recoverable taxes)	125,166	125,166	117,451	117,451
	412,598	**412,598**	**354,747**	**354,747**
Financial liabilities carried at amortised cost				
Trade and other payables (excluding advances from customers and accruals)	28,800	28,800	34,809	34,809
Borrowings	367,736	367,736	474,667	474,667
	396,536	**396,536**	**509,476**	**509,476**
Liabilities carried at fair value				
Interest rate swap	15,839	15,839	19,951	19,951

The fair value measurements of borrowings and derivative financial instrument are classified as 'Level 2' within the fair valuation hierarchy i.e. wherein fair value is determined using valuation techniques in which significant inputs are based on observable market data.

The fair values of borrowings and other financial assets and financial liabilities approximate their carrying values.

There were no transfers between Level 1 and Level 2 during 2019 and 2018.

34 Financial risk management (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages capital using a gearing ratio, which is net debt divided by equity attributable to Yahsat Owner plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. The Group includes within net debt, interest bearing borrowings and cash and short-term deposits. Capital includes share capital, additional paid-in capital, reserves and retained earnings.

	Notes	2019 $ 000	2018 $ 000
Interest bearing borrowings	24	372,317	481,083
Less: cash and short-term deposits	22	(287,432)	(237,296)
Net debt		84,885	243,787
Equity attributable to Yahsat Owner		906,128	871,717
Equity attributable to Yahsat Owner and net debt		**991,013**	**1,115,504**
Gearing ratio (%)		9%	22%

35 Business combinations and changes in ownership interests

This note provides information on the changes to the group structure in the current and previous years.

The current year changes in the group structure include:
A) Discontinued operation
B) Acquisition of an associate

The previous year changes in the group structure include:
C) Business combination - Acquisition of a subsidiary
D) Transfer of entities under common control and dilution of interest in a subsidiary

Accounting policies

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

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 consolidated statement of 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 (CGU) 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.

35 Business combinations and changes in ownership interests (continued)

Accounting policies (continued)

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognized less (when appropriate) cumulative amortisation recognized in accordance with the requirements for revenue recognition.

Transfer of entities under common control

Transfers giving rise to transfer of interests in entities that are under the common control of the shareholder are accounted for at the date that transfer occurred, without restatement of prior periods. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the books of transferor entity. The components of equity of the acquired entities are added to the same components within Group entity. Any cash paid for the acquisition is recognized directly in equity.

Loss of control of subsidiary

When the Group loses control of a subsidiary, the Group
a) derecognises the assets and liabilities of the former subsidiary at the carrying amounts at the date when control is lost
b) recognize the fair value of the consideration received from the event or transaction that resulted in the loss of control and recognise any interest retained in the former subsidiary at its fair value when the control is lost
c) reclassify to profit or loss the amounts recognised in other comprehensive income (OCI), including any cumulative exchange differences previously recognized in OCI, in relation to the subsidiary and
d) recognize any resulting difference as a gain or loss in profit or loss.

The fair value at the date that control is lost in b) above shall be regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 or the deemed cost on initial recognition of an investment in an associate or joint venture, if applicable.

Discontinued operation

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
a) Represents a separate major line of business or geographical area of operations
b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
Or
c) Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Acquisition of an associate in a business combination

On acquisition of an associate, the Group undertakes a notional purchase price allocation (PPA), identifying and valuing assets and liabilities of the associate, as if it had acquired a business. These fair value adjustments are not recorded separately, because the investment itself is a single line item. However, the fair values identified form the basis for additional depreciation, amortisation and similar adjustments that are reflected in the investor's share of the results in subsequent years. Adjustments in the notional purchase price allocation include assets not recognised by the associate or joint venture (such as internally developed intangible assets, reserves of natural resources and similar assets). Adjustments might also be made to recognise the fair value of assets carried by the investee at cost (such as property, plant and equipment) and to recognise liabilities at appropriate values.

Where the Group acquires an associate, it might be necessary to use provisional figures to undertakes a provisional PPA to report the acquisition at the reporting date. The Group will finalise the fair values and PPA, within one-year from the date of acquisition and will report in the following reporting period.

On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:
a) Goodwill relating to an associate is included in the carrying amount of the investment.
b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the entity's share of the associate's profit or loss after acquisition are made for impairment losses such as for goodwill or property, plant and equipment.

35 Business combinations and changes in ownership interests (continued)

Changes to the group structure in the current year

On 6 May 2019, Star entered into an Implementation Deed with Hughes Network Systems LLC (Hughes) and HNS Participações Empreendimentos S.A. (HPE; Brazil JV Co) to combine Hughes and Star's satellite communication services business in Brazil.

Star's Brazilian business mainly comprised the Brazil payload of the Al Yah 3 satellite, certain assets held by Star and all assets held by Star's Brazilian subsidiaries (Yahsat Latam Holding S.A. and its direct, wholly-owned operating subsidiary. Yah Telecomunicações Ltda), which together were employed since 2018 in the provision of wholesale communication services to telecommunications providers and retail broadband communication services to consumers and small businesses in Brazil. Hughes' Brazilian business is held through its holding company HPE, offering wholesale communication services to telecommunications providers, broadband communication services to consumers and small businesses and communications services to corporate enterprise and government organizations.

Yahsat and Hughes plan, through the joint venture, to leverage their global experience in providing innovative satellite connectivity solutions to provide affordable, Ka-band satellite broadband services to a wide range of consumers in the unserved and underserved areas of Brazil, meeting growing demand for reliable internet connectivity from various sectors including small and large businesses, households and rural communities. The joint venture will also deliver tailored satellite solutions to enterprises and provide next generation backhaul connectivity to mobile network operators.

The Implementation Deed required Star to contribute its Brazil business to HPE (by selling Star's entire shareholding in Yahsat Latam Holding S.A. to Brazil JV Co) in consideration of the issuance of a 20% shareholding in HPE.

Completion of the joint venture was subject to the fulfilment of certain conditions precedent, including regulatory and competition approvals. All of these conditions precedent were fulfilled and, on 29 November 2019 ("closing"), the transaction completed, with Star contributing its Brazil business to HPE and obtaining a 20% shareholding in Brazil JV Co. As part of the completion of the joint venture, Yahsat and Hughes entered into a joint venture agreement (JV Agreement) to govern the terms upon which the joint venture would operate and the respective rights and obligations of the shareholders.

For Star, the transaction upon closing is accounted in the following manner:

A. Disposal of entire investment in its Brazilian business. The consideration for such disposal is the fair value of its retained interest in the JV. The disposal of Brazilian business is classified as a discontinued operation, with the closing date of 29 November 2019 as the date of disposal. The financial information relating to the discontinued operation for the period to the date of the disposal is set out in this note.

B. Acquisition of 20% interest in Brazil JV Co. The JV Agreement provides Star the right to participate in the financial and operating policy decisions of Brazil JV Co due to its representation in the Board. Hence Star accounts for this acquisition as an investment in an associate.

A. Discontinued operation

i) Financial performance and cash flow information

Financial performance and cash flow information presented are for the eleven months ended 29 November 2019 (2019 column) and the year ended 31 December 2018.

	Notes	2019 $ 000	2018 $ 000
Revenue from contract with customers		2,938	227
Cost of revenue		(471)	(584)
Staff costs		(11,170)	(9,044)
Operating expenses		(11,662)	(6,249)
EBITDA		**(20,365)**	**(15,650)**
Depreciation of property, plant and equipment		(2,969)	(1,037)
Amortisation of intangible assets		(1,803)	(96)
Finance income		209	175
Finance costs		(1,694)	(3,862)
Loss from discontinued operation before income tax		**(26,622)**	**(20,470)**
Income tax (expense) credit		(7,224)	3,859
Loss from discontinued operation		**(33,846)**	**(16,611)**
Exchange difference on translation of discontinued operation		(5,102)	(676)
Total comprehensive income from discontinued operation		**(38,948)**	**(17,287)**

35 Business combinations and changes in ownership interests (continued)

A. Discontinued operation (continued)

	2019 $ 000	2018 $ 000
Net cash flow from operating activities	(24,283)	(11,994)
Net cash flow from investing activities	(10,197)	(20,282)
Net cash flow from financing activities	39,898	31,312
Net increase (decrease) in the cash generated from the subsidiary	5,417	(964)

	Notes	2019 $ 000
ii) The major classes of assets and liabilities of the discontinued operation at the date of disposal were as follows:		
Property, plant and equipment	12	90,093
Intangible assets	16	17,276
Other receivables		1,501
Total non-current assets		**108,870**
Inventories		322
Trade and other receivables		6,246
Income tax assets		207
Cash and short term deposits		7,858
Total current assets		**14,633**
Total Assets		**123,503**
Trade and other payables		(6,346)
Total current liabilities		**(6,346)**
Total Liabilities		**(6,346)**
Net assets		**117,157**
iii) Details of the disposal of the Brazil business		
Fair value of consideration		125,000
Carrying amount of the net assets disposed		(117,157)
Reclassification of foreign currency translation reserve		(4,442)
Gain on disposal recognised in other income	8	**3,401**

B. Acquisition of an associate

Star's cost of investment in JV Co at US$ 125 million represents the fair value of the 20% interest in JV Co. Star has used provisional values to determine its share of the net fair value of the investee's (JV Co) identifiable assets and liabilities.

Provisional values recognised at acquisition are as follows:	Notes	2019 $ 000
Deemed cost of investment at acquisition		125,000
of which Star's share of JV Co's net assets and liabilities (provisional)		72,799
of which goodwill recognized at acquisition (provisional)		52,201

35 Business combinations and changes in ownership interests (continued)

Changes to the group structure in the previous year

C. Acquisition of a subsidiary

In the previous year, on 1 August 2018, Yahsat, through its subsidiary Star acquired 89.83% ownership in Thuraya Telecommunications Company PJSC, a company incorporated on 26 April 1997 in Abu Dhabi, United Arab Emirates. Thuraya is engaged in the business of operating a satellite based mobile telecommunication system via Geo-synchronous Earth Orbit satellites and conducting related activities comprising the sale of handsets, IP data and marine terminals, prepaid cards and accessories.

The acquisition will significantly bolster Yahsat's satellite solutions portfolio for both commercial and government clients, as well as increase global footprint by entering into the L-band market. By integrating the portfolios of the two companies, Yahsat will be able to offer a comprehensive mobile and fixed satellite services portfolio, further strengthening its value proposition to customers and unlock significant untapped potential, bringing longer-term stability and growth to the overall business.

The assets and liabilities arising from and recognised on the acquisition of Thuraya are as follows:

	Notes	2018 $ 000
Assets		
Property, plant and equipment	12	95,364
Capital work in progress	13	21,721
Investment property	14	17,913
Intangible assets	16	4,493
Other receivables non current		44
Inventories (net of loss allowance of USD 6,810 thousand)		14,521
Trade and other receivables (net of loss allowance of USD 15,869 thousand)		30,968
Cash and short-term deposits		21,860
Total assets		**206,884**
Liabilities		
Trade and other payables		21,204
Deferred revenue		26,763
Borrowings - current		8,762
Borrowings - non current (net of unamortised transaction cost of USD 75 thousand)		10,242
Provision for employees' end of service benefits	28	5,230
Total liabilities		**72,201**
Fair value of net assets acquired		**134,683**
Less: Non-controlling interests		(13,696)
Yahsat's share of net assets acquired		**120,987**
Gain on bargain purchase included in other income		(1,686)
Purchase consideration		**119,301**
Less: Cash and cash equivalents acquired		(21,860)
Cash outflow on acquisition		**97,441**

From the date of acquisition to 31 December 2018, Thuraya contributed revenue of USD 34.7 million and net profit of USD 6.8 million towards the operations of the Group. If the acquisition had taken place at the beginning of the previous year, revenue and net profit for the Group would have been USD 441.8 million and USD 19.7 million, respectively.

Non-controlling interest was measured as the non-controlling interest’s proportionate share of Thuraya’s net identifiable assets.

35 Business combinations and changes in ownership interests (continued)

D. Transfer of entities under common control and dilution of interest in a subsidiary

In the previous year, on 30 August 2018, Yahsat and Star entered into an Implementation Agreement (agreement) with Hughes Network Systems LLC (Hughes) in relation to Star's fixed satellite broadband services business in Africa, Middle East and West Asia (Yahclick).

The agreement required Yahsat to contribute Yahclick (including identified assets, liabilities and goodwill) as a going concern valued at USD 400 million and fulfill closing conditions, upon which Hughes must contribute USD 100 million towards a 20% non-controlling interest. The identified assets include Yahsat and Star's ownership in subsidiaries Al Najm, Yala and Star Network.

The closing conditions included:
a) Transfer of ownership of identified assets, intellectual properties and operating licenses
b) Execution of agreements to support the operations of Yahclick i.e. payload operations, technical operations, resource agreements, business support services agreements
c) Regulatory and other approvals as applicable.

To effect the contribution in line with the agreement, Yahsat formed two new legal entities (subsidiaries), namely a) Broadband Connectivity Solutions (Restricted) Limited (BCS, Holdco, 100% owned by Star) and b) BCS Investments LLC (Opco, 0.1% held by Star and rest by Holdco).

Subsequently on 6 December 2018 (closing date), Yahsat fulfilled closing conditions and contributed the identified assets and liabilities to Opco. On the same day, Hughes contributed USD 100 million towards 20% ownership in Holdco.

The disposal gain and non-controlling interest (NCI) on the closing date are as follows:	**2018** **$ 000**
a) Carrying value of assets and liabilities contributed by Yahsat to BCS on closing date	323,865
b) Cash contributed by Hughes to BCS for 20% ownership	100,000
Total Equity of BCS on closing date	**423,865**
c) of which Yahsat share @ 80%	339,092
d) of which Non-controlling interest @ 20%, presented in consolidated statement of changes in equity under non-controlling interests	84,773
e) Dilution gain on disposal of 20% ownership to Hughes (c-a), presented in consolidated statement of changes in equity under retained earnings	15,227

COMPANY

Al Yah Satellite Communications Company PJSC
Yahsat Headquarters
Sweihan Road
Al Falah
P.O. Box 93693
Abu Dhabi, UAE

SELLING SHAREHOLDER

Mamoura Diversified Global Holding PJSC
Al Mamoura A Building
Muroor Street
P.O.Box 45005
Abu Dhabi, UAE

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
London E14 4QA
United Kingdom

First Abu Dhabi Bank PJSC
FAB Building
Khalifa Business Park
Al Qurm District
P.O. Box 6316
Abu Dhabi, UAE

JOINT BOOKRUNNERS

Abu Dhabi Commercial Bank PJSC
Sheikh Zayed Bin Sultan Street
P.O. Box 939
Abu Dhabi, UAE

EFG Hermes UAE Limited
Suite 301, The Exchange
GV 11, DIFC
Dubai, UAE

HSBC Bank Middle East Limited
HSBC Tower, Level 17
Downtown Dubai
P.O. Box 66
Dubai, UAE

LEGAL ADVISORS

To the Company as to UAE, English and U.S. Law

Allen & Overy LLP
5th Floor, Al Mamoura B Building
Muroor Road
P.O. Box 7907
Abu Dhabi, UAE

To the Joint Bookrunners as to UAE, English and U.S. law

Clifford Chance LLP
Level 15, Burj Daman, DIFC
P.O. Box 9380
Dubai, UAE

AUDITORS TO THE COMPANY

For the years ended 31 December 2019 and 2020

Ernst & Young Middle East (Abu Dhabi Branch)
Nation Tower 2
Corniche
Abu Dhabi, UAE

For the three months ended 31 March 2021

KPMG Lower Gulf Limited
Corniche
Nation Tower 2, 19th Floor
PO Box 7613
Abu Dhabi, UAE