LETTER FROM THE CHAIRMAN OF DU

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20 December 2016

Dear Esteemed Shareholder,

Board of Directors' Report on the cancellation of the Company's long-term incentive plan and reduction of share capital

1 Introduction

In order to seek approval from Shareholders in connection with the on the cancellation of Company's long-term incentive plan and reduction of share capital, a resolution is being put to Emirates Integrated Telecommunications Company PJSC's (the "**Company**") shareholders (the "**Shareholders**") for approval at the general meeting to be convened for 3.00 p.m. on Wednesday 11 January 2017 (the "**General Meeting**").

The purpose of this report is to provide you with certain details in respect of the background to and reasons for the cancellation of the ESOP and reduction of share capital and to explain why the board of directors of the Company (the "**Board**") believes the Capital Reduction (as defined below) is in the best interests of the Company and the Shareholders as a whole.

2 Background to and reasons for the Capital Reduction

On 8 February 2008, Emirates Investment Authority, Mubadala Development Company and Emirates Communications and Technologies Co. LLC (together, the "**Founders**") allocated 38,522,582 shares owned by them personally in the Company (the "**ESOP Shares**") for use in the Company's long-term incentive plan ("**ESOP**").

Since the establishment of the ESOP, executive share awards which have been granted under the ESOP have been exercised by the executives at the Company and have been settled in cash (AED265,991,873 in aggregate) instead of transferring the relevant ESOP Shares. The Company intends to also settle the outstanding unexercised options under the ESOP in cash (which is estimated to be approximately AED732,786 in aggregate).

As a result, the Company had an aggregate net receivable of AED199,695,366 (inclusive of dividends received and receivable on the ESOP Shares and an estimated pay-out on the outstanding unexercised options under the ESOP) on its balance sheet which was reflected as a payable by the Founders (due to the ESOP Shares being in a DFM common account with the Founders as the owners of the account which has not been used to settle the share awards).

On 3 November 2016, the Founders transferred the ESOP Shares to the Company in satisfaction of the net receivable of AED199,695,366 owed by the Founders to the Company.

Further to undertaking the required review and analysis, the Company has confirmed that the Company's existing share capital exceeds its requirements and the Company's share capital should be reduced by cancelling the ESOP Shares (the **"Capital Reduction**") in order to optimise the share capital structure of the Company.

Please see the auditors' report prepared in respect of the cancellation of the Company's long-term incentive plan and reduction of share capital (the "Auditor's Report") which

contains an unaudited pro forma consolidated statement of financial position of the Company setting out the accounting effect of the proposed Capital Reduction as if the Capital Reduction had occurred on 30 September 2016.

The Board believes that the cancellation of the Company's long-term incentive plan and reduction of share capital will provide Shareholders with an enhanced shareholding in the Company and will result in the Company having a more efficient capital structure. The Board therefore recommends that you vote in favour of the resolution to be proposed at the General Meeting in respect of the cancellation of the Company's long-term incentive plan and reduction of share capital (the "Capital Reduction Resolution").

3 Proposed Capital Reduction

The proposed Capital Reduction will be carried out by a formal procedure in accordance with the provisions of Federal Law No. 2 of 2015 concerning Commercial Companies (the "**Commercial Companies Law**"). The proposed Capital Reduction will be effected through the cancellation of the ESOP Shares and will result in the Company's share capital being reduced by 38,522,582 shares (being 0.84268 per cent. of the Company's share capital) from 4,571,428,571 Shares to 4,532,905,989 shares.

The proposed cancellation of the Company's long-term incentive plan and reduction of share capital (if approved by Shareholders and the Securities and Commodities Authority and competent authorities (the "**Competent Authorities**")) will only apply in respect of the ESOP Shares which are held by the Company. **The number of Shares each Shareholder will hold following the Capital Reduction will remain unchanged. However, the percentage ownership of each Shareholder in the Company's share capital will increase to reflect the reduced total number of Shares.** As the ESOP Shares which are subject to the Capital Reduction only represent 0.84268 per cent. of the Company's share capital, the increase in the percentage ownership of each Shareholder in the Company's share capital may only be nominal.

For purely illustrative purposes, the effect of the Capital Reduction in respect of certain holdings of Shares are set out below:

Number of Shares		**Shareholding percentage**	
Before Capital Reduction	**After Capital Reduction**	**Before Capital Reduction**	**After Capital Reduction**
100,000	100,000	0.00219%	0.00221%
1,000,000	1,000,000	0.02188%	0.02206%
10,000,000	10,000,000	0.21875%	0.22061%

In accordance with the provisions of the Commercial Companies Law, completion of the Capital Reduction will occur following a 30 day period commencing on the date of the notice to creditors of the Company in respect of the Capital Reduction (the "**Creditor Notice**") (which is expected to be published on 12 January 2017 in two UAE daily Arabic language newspapers), during which creditors have right to notify the Company of any debts due which are payable by the Company.

On completion of the Capital Reduction, the Company's share capital will be reduced from 4,571,428,571 shares to 4,532,905,989 shares. On completion of the Capital Reduction, the trading price of the Shares on the Dubai Financial Market may take into account the impact of there being a reduced number of shares in the Company. However, it is important to note that the

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ESOP Shares only represent 0.84268 per cent. of the Company's share capital so any impact may be nominal.

Following completion of the Capital Reduction, the Board shall be responsible for amending the Company's Articles of Association to reflect the adjusted number of shares in issuance.

4 Action to be taken

The implementation of the cancellation of the Company's long-term incentive plan and reduction of share capital will require the approval of Shareholders at the General Meeting which will be held at 3.00 p.m. on 11 January 2017 at the Company's headquarters in Dubai Media City, Al Salam Tower, du Auditorium, Dubai. If the cancellation of the Company's long-term incentive plan and reduction of share capital is approved, no further action is required to be taken by Shareholders.

The Shareholders should also bear in mind that in addition to their above mentioned approval the procedure to cancel the Company's long-term incentive plan and reduction of share capital is subject to the approval of SCA and the Competent Authorities. On completion of the cancellation of the Company's long-term incentive plan and reduction of share capital, the Registrars will be instructed to make appropriate entries on the Company's shareholder register to reflect the cancellation of the Shares.

5 Expected Timetable

All references to time in this paragraph 5 are to time in the UAE unless otherwise stated. The dates and timings given are based on the Company's current expectations and may be subject to change.

Event	Date (2017)
General Meeting to approve the Capital Reduction Resolution	3.00 p.m. on 11 January
Announcement of results of General Meeting	No later than 5.00 p.m. on 11 January
Publication of the Creditor Notice in two UAE daily Arabic language newspapers	12 January
End of creditor notification period	11 February
Completion of the Capital Reduction	26 March

6 Recommendation

The Board considers the Company's long-term incentive plan and reduction of share capital and the Capital Reduction Resolution to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Board recommends that you vote in favour of the Capital Reduction Resolution to be proposed at the General Meeting.

Yours faithfully,

Ahmad Bin Byat
Chairman

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