TAQA Nine Month 2012 Results

14 November 2012, Abu Dhabi, UAE - Abu Dhabi National Energy Company PJSC ("TAQA"), a publicly listed company on the Abu Dhabi Securities Exchange (ADX: TAQA), today reported its operational and financial results for the third quarter and the nine months to 30 September 2012.

	Q3 2012	Q3 2011	% change	**9M 2012**	9M 2011	% change
Total assets	**114,666**	114,200	-	**114,666**	114,200	-
Total revenues	**8,833**	6,168	+43%	**20,618**	18,743	+10%
Power & Water (1)	**2,094**	1,998	+5%	**6,086**	5,575	+9%
Oil & Gas (2)	**2,973**	3,012	-1%	**8,828**	9,011	-2%
Fuel revenue	**952**	1,158	-18%	**2,890**	4,157	-30%
Construction revenues	**2,814**	0	n/a	**2,814**	0	n/a
Total Cost of sales	**6,718**	3,724	+80%	**14,412**	11,713	+23%
Cost of sales (excl construction costs)	**3,987**	3,724	+7%	**11,681**	11,713	-
Construction costs	**2,731**	0	n/a	**2,731**	0	n/a
EBITDA	**3,290**	3,727	-12%	**9,786**	10,670	-8%
Profit before tax	**695**	1,513	-54%	**3,196**	3,851	-17%
Net profit after minority interests	**(288)**	537		**693**	1,124	-38%
Basic earnings per share (AED)	**(0.05)**	0.09		**0.11**	0.19	-42%
Net debt/EBITDA (times)				**5.3**	4.9	
Net debt to capital (%)			-	**77%**	77%	-

All amounts in AED million unless otherwise stated
(1) Excludes supplemental fuel revenue and includes net liquidated damages in relation to Shuweihat 2
(2) Includes Gas Storage and Other Operating Revenue

Executive Summary

The global economy continued to be volatile in the third quarter, particularly with respect to commodity prices. Both Brent and WTI crude oil saw softening compared with the same period last year and North American natural gas prices were 40% lower, though some improvement has been seen post period.

TAQA's nine month results demonstrated the resilience of its global portfolio with a strong performance from Power & Water helping to ease the effect of weaker commodity prices – particularly in North America.

Power & Water delivered a solid operational performance, with forced outage rates at Shuweihat 2 and Jorf Lasfar, in particular, well below best in class worldwide standards.

Oil & Gas had mixed results, with a solid performance from the UK and Dutch entities, although North America continued to show weak results.

TAQA has taken a number of actions to position its North American portfolio to weather the low part of the cycle:

- Firstly, Ed LaFehr was appointed President and he brings a wealth of regional experience

- Secondly, TAQA will continue to review its portfolio, either to monetise non-core acreage or, where valuations are low, acquire acreage and production in core areas.

- Thirdly, TAQA will continue to evaluate the economics of its on-going operations and future capital programme: year to date approximately 1,500 boe/d of unprofitable production has been shut-in. Additionally, the 2013 capital programme has been reduced by 30% compared with 2012, subject to approval from the Board of Directors in December.

- Finally, the business will be subject to continuous cost review to ensure it maximises the efficiency of its operational costs and overhead.

In terms of liquidity, TAQA is well positioned for the future, with approximately AED 18 billion in cash and unused credit facilities at the end of the third quarter. TAQA recently launched the syndication of the refinancing of its $2 billion revolving credit, which has been well received in the market.

Looking forward, TAQA is well positioned for growth, with the following post-period developments:

- In October, the Government of the Republic of Turkey and the Government of the Emirate of Abu Dhabi signed a joint declaration regarding investment in power generation and mining in southern Turkey.

- In the Kingdom of Saudi Arabia, TAQA, along with consortium partners, submitted the lowest tariff proposal for the development of the 2,000 MW Rabigh 2 plant.

- TAQA announced the discovery of a new oil accumulation in the UK Northern North Sea Contender Block that is expected to correspond to 10-30 million barrels of oil in place.

Comment

Carl Sheldon, Chief Executive Officer of TAQA, said:

"We have had a strong performance from across our power businesses, with over 95% availability from our domestic fleet a testament to their operational excellence. Similarly, in the UK North Sea, we have seen a good performance at Brae and Tern help to offset an unexpected shutdown at North Cormorant and weather delays at Pelican. The resilience of our global portfolio has helped to ease the effect of the weaker commodity price environment – particularly in North America, where natural gas prices have nearly halved over the last year, requiring us to make some tough choices on shutting-in uneconomic production and cutting capital expenditures related to dry natural gas.

"We continue to make good progress on our strategic goal of building out our operational footprint in MENA and our recent agreement with the Turkish Government, and our proposed power project in the Kingdom of Saudi Arabia, reiterate the strength of our passport to do business in the region."

Stephen Kersley, Chief Financial Officer of TAQA, said:

"Our financial performance over the last quarter has been impacted by a series of one-off items – both cash and non-cash, which have suppressed our net result. We have taken pragmatic action to address the impact of weaker commodity prices and will continue to monitor North American gas prices particularly closely in the context of capital plans for 2013. That notwithstanding, we have strong liquidity which we continue to manage prudently."

Financial Summary: 9M 2012 versus 9M 2011

Total revenues for 9M 2012 were AED 20.6 billion, 10.0% higher year-on-year, compared with total revenues of AED 18.7 billion in 9M 2011, largely due to higher power and construction revenues, offset by lower supplemental fuel revenues and oil and gas revenues.

Total Oil & Gas revenues (including gas storage and other income) decreased from AED 9.0 billion to AED 8.8 billion for 9M 2012. Much of this decline is due to a weakening of commodity pricing in Q3 2012, and particularly weak natural gas prices in North America, which declined by 37% year-on-year. As a consequence, TAQA has disposed of non-core assets to consolidate its footprint and shut-in uneconomic wells, leading to lower production in North America.

Total Power & Water revenues (excluding supplemental fuel income), increased to AED 6.1 billion in 9M 2012 from AED 5.6 billion in 9M 2011. This 9% year-on-year increase was primarily due to the contribution from Shuweihat 2, which became fully operational in Q3 2011.

Fuel income decreased 31% year-on-year, due to the availability of natural gas and consequent lower use of alternative fuel supplies at TAQA's domestic power plants. This decrease, combined with the related decreased in fuel expenses, reduced the margin that TAQA had benefitted from by AED 81 million during Q3 2012 compared with the same quarter of last year.

Cost of sales increased by 22.6% from AED 11.8 billion to AED 14.4 billion, primarily due to the construction costs associated with Units 5 and 6 at Jorf Lasfar in Morocco. Operating expenses decreased by 2.6%, while depreciation, depletion and amortisation increased 4.3%, reflecting TAQA's increased asset base.

Falling aluminium prices have impacted earnings from TAQA's investment in the Sohar Aluminium LLC plant, which fell from AED 242 million in 9M 2011 to AED 119 million during the same period in 2012, including a AED 76.4 million decline in Q3 2012 alone.

While there was a positive foreign exchange effect of AED 66 million in 9M 2012, compared with a positive impact of AED 53 million in 9M 2011, in Q3 2012 the weakening of the US Dollar against the Moroccan Dirham, Indian Rupee, Euro and Sterling resulted in a post-tax impact of AED 92 million.

Due to a prolonged downturn in the value of certain investments in TAQA's Carlyle Fund portfolio, a AED 83 million impairment was booked in September in line with IFRS accounting standards.

Profit before tax was AED 3.2 billion, 17% lower year-on-year, principally driven by lower production and revenues in our oil and gas business, due to weaker North American gas prices.

Net profit after minority interests decreased year-on-year to AED 693 million for 9M 2012, versus AED 1.1 billion for 9M 2011.

TAQA has strong liquidity with cash and cash equivalents of AED 3.5 billion.

Total debt of AED 72.9 billion in 9M 2012 decreased by 1% from AED 73.5 billion in the same period last year, and net debt of AED 69.3 billion in line year-on-year with AED 69.5 billion in 9M 2011. However, TAQA's Net Debt/Capital ratio decreased slightly to 76.7% from 77.3% in 9M 2011. Net Debt/EBITDA increased from 4.9x to 5.3x.

Operational Highlights
Power & Water
TAQA's Power & Water business performance continues to generate steady, stable cash flows, with a top-quartile performance for technical availability.

Key Performance Indicators		9M 2012	9M 2011	% change
Total revenues in AED million (excluding supplemental fuel and construction revenue)		**6,086**	5,575	+9%
% of overall revenues (excluding supplemental fuel and construction revenue)		**41%**	38%	+3%
Total generation capacity (MW)	*Global*	**17,162**	16,334	+5%
	Domestic	**12,494**	12,494	-
	International	**4,668**	3,840	+22%
Total power production (GWh)	*Global*	**58,097**	47,360	+23%
	Domestic	**42,272**	36,678	+15%
	International	**15,825**	10,682	+48%
Technical availability of power generation business (%)	*Global*			
	Domestic	**95.6**	94.5	+1%
	International	**94.4**	90.3	+5%
Water desalination capacity (MIGD)	*Total*	**887**	887	-
Total water desalination (MIG)	*Total*	**179,915**	163,931	+10%

TAQA produced 15,825 GWh of electricity and 179,915 MIG of water, generating total revenues of AED 6.1 billion for the 9M 2012. The 9% increase in revenues compared to the same period last year, reflects the contribution from Shuweihat 2 which came into full production in October 2011. Global technical availability was 95.3% for the period, in line with the excellent performance of TAQA's power assets in previous periods.

Domestic
During this period of high demand, TAQA's domestic power plants generated 42,272 GWh of power and desalinated 179,915 MIG of water. Technical availability was high at 95.6%, with a particularly strong performance in the third quarter reflecting the quality of TAQA's domestic power plants, somewhat offset by forced outages at Fujairah 2. In particular, Shuweihat 2 recorded an excellent performance, with a forced outage rate of only 0.5% for the quarter, a strong performance considering it is such a new plant.

International
TAQA's international power portfolio, which comprises of assets in Morocco, Ghana, India, Saudi Arabia, Oman, Iraq and the USA, generated 4,668 GWh of power during the first half, an increase of 48% over 9M 2011 due to the resumption of operations at Takoradi, which had been suspended in 2011. International technical availability was 94.4%.

In Morocco, the Jorf Lasfar plant performed extremely well, recording a forced outage rate of only 3% during the third quarter of 2012. The expansion project is proceeding well with 73% of construction complete. As a result, TAQA has recorded AED 2.7 billion in construction costs, as all critical sourcing, design and engineering activities have been completed. Corresponding construction revenue of AED 2.8 billion, including a construction margin of 3% (AED 83 million), has been recognised.

In July, TAQA announced that it had secured the requisite parliamentary approval and has signed financing arrangements for the 110 MW expansion of the gas-fired Takoradi 2 (T2) power plant in Ghana. The TAQA-operated T2 power plant currently represents 15% of Ghana's installed power production capacity.

Results from the Sohar aluminium plant in Oman were AED 119 million, a decrease of AED 123 million compared with the same period last year due to a worldwide drop in aluminium prices, partially offset by lower costs of raw materials, as well as a planned turnaround to refurbish one smelter pot.

Oil & Gas

TAQA's Oil & Gas business comprises strong, well-resourced centers of excellence supporting a portfolio of assets across North America, the UK North Sea and the Netherlands.

Key Performance Indicators		9M 2012	9M 2011	% change
Total revenues in AED million		**8,828**	9,011	-2%
% of overall revenues (excl. supplemental fuel and construction revenue)		**59%**	62%	-3%
Total production (mboe/day)	*Global*	**134.4**	137.7	-2%
	North America	**84.5**	87.6	-4%
	UK	**42.6**	42.0	1%
	Netherlands	**7.4**	8.1	-9%
Average net realized price of crude oil sold (US$ per barrel)	*North America*	**78.3**	84.9	-8%
	UK	**112.1**	112.9	-1%
	Netherlands	**105.6**	99.7	-6%
Average net realized price of gas sold (US$ per thousand feet)	*North America*	**2.42**	4.16	-42%
	UK	**10.14**	9.05	+12%
	Netherlands	**10.44**	10.41	-

Total Oil & Gas revenues, including gas storage and other operating revenues, were AED 8.8 billion for 9M 2012, a decrease of 2% compared to 9M 2011. This decline was driven primarily by the sharp fall in North American gas prices and lower production in North America.

Commodity pricing environment

While the period has seen oil prices remaining at similar levels year on year, there has been a sharp weakening of North American gas prices, with Henry Hub averaging US$2.67/mmbtu during the period, compared to US$4.26/mmbtu for the equivalent period in 2011.

Oil prices have been largely flat year on year, with the WTI price averaging US$96.54/bbl for the 9M 2012 compared with US$95.88/bbl in the same period in 2011. Similarly, Brent crude averaged US$111.96/bbl in 9M 2012 vs US$111.35/bbl in 9M 2011.

North America

Production in North America declined by 4% to 84.5 mboe/day, principally reflecting the impact of non-core asset disposals and the shut-in of uneconomic production. North American natural gas prices were 42% lower during the third quarter of 2012 compared with the same quarter last year, though some improvement has been seen post period.

This prolonged cycle of low natural gas prices has presented a number of arbitrage opportunities, particularly in switching from coal to natural gas-fired power plants. There are reasons to believe that the wide discounts for North American natural gas will diminish in the long term, particularly with the emergence of LNG export projects from Western Canada.

Notwithstanding this outlook, TAQA has taken a number of actions to position its portfolio to weather the low part of the cycle. Firstly, a new President, Ed LaFehr, was appointed during the quarter to run the North American business. Mr LaFehr was previously Senior Vice President at Talisman Energy Inc. and brings a wealth of operational experience in the Western Canada Sedimentary Basin.

Secondly, TAQA will continue to review its portfolio, either to monetise non-core acreage or, where valuations are low, acquire acreage and production in core areas. In October, TAQA completed an acquisition of oil and gas assets in central Alberta, Canada from NuVista for approximately C$162 million. The acquisition includes 45,700 hectares of land rights and approximately 5,800 boe/d of natural gas production rich in high-value liquids located adjacent the company's existing portfolio.

Third, TAQA will continue to evaluate the economics of its on-going operations and future capital programmes. Year to date, the Company has shut-in approximately 1,500 boe/d of unprofitable production. Additionally, the 2013 capital programme has been reduced by 30% compared with 2012, subject to approval from the Board of Directors in December.

Finally, the business will be subject to continuous cost review to ensure it maximises the efficiency of its operational costs and overhead.

UK

Production volumes in the UK North Sea were 42.6 mboe/day during the period, a 1% increase compared to the same period last year. Production in the UK North Sea was affected by an unplanned platform shutdown at North Cormorant and weather delays at Pelican, offset by higher production at Tern and Brae.

Earnings were impacted by the enactment during Q3 2012 of the 2011 tax increase in respect of asset retirement obligations. Following pressure from TAQA and other industry participants, this was more favourable than had originally been announced in respect of tax treatment of abandonment expenses, but has still resulted in a one off charge of AED 272 million.

Netherlands

Production in the Netherlands averaged 7.4 mboe/day, a 9% decrease compared to the same period last year, reflecting the mature nature of the fields.

In the Netherlands, the Bergermeer Gas Storage project is proceeding on time and on budget. Construction of civil works is on-going and the drilling program is expected to commence in the fourth quarter of the year. A new, open registration for 3TWh (terawatt hours) is currently under way.

Post Period Developments

In the Power & Water business, TAQA announced that the Government of the Republic of Turkey and the Government of the Emirate of Abu Dhabi signed a joint declaration expressing their strong support for the co-operation between EÜAŞ (Electricity Generation Co. Inc.) and TAQA regarding an investment in, and optimisation of, existing lignite power plants in the Afşin-Elbistan region of southern Turkey and the development of mining sites and new power generating facilities in the same region.

In the Kingdom of Saudi Arabia TAQA, along with consortium partners Qatar Electricity and Water Company and Samsung Engineering, submitted the lowest tariff proposal for the development of the Rabigh 2 Independent Power Project in the Kingdom of Saudi Arabia. Rabigh 2 is a proposed greenfield heavy fuel oil power plant project with a capacity of approximately 2,000 MW. The project will be developed on a build-own-operate basis.

In the Oil & Gas business, TAQA announced the discovery of a new oil accumulation in the UK Northern North Sea Contender Block. The exploration well was drilled from TAQA's North Cormorant platform and encountered an oil accumulation that is expected to correspond to 10-30 million barrels of oil in place. The field is expected to be processed through the North Cormorant platform. TAQA owns a 60% interest in and is the operator of the block.

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About TAQA

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Established in 2005, TAQA is a diversified international energy group headquartered in Abu Dhabi, the capital of the United Arab Emirates, and listed on the Abu Dhabi Securities Exchange (ADX: TAQA).

TAQA's business is made up of three operating divisions spread across the entire energy value chain: power generation & water desalination; oil and gas exploration & production; and emerging & alternative energy technologies.

Power & Water: TAQA is one the largest independent power producers in the world and the majority owner of the facilities that provide 98% of the water and electricity requirements in Abu Dhabi. TAQA's power plants are located in the UAE, Morocco, Oman, Saudi Arabia, Ghana, India, and USA.

Oil & Gas: with operations in Canada, UK, the Netherlands, USA and Iraq, TAQA's oil and gas business includes exploration and production, underground gas storage and pipeline transportation.

Emerging & alternative energy technologies: TAQA Energy Solutions is dedicated to alternative and technology-driven energy initiatives for long-term efficient energy production and generation.

TAQA's vision is to deliver 'Energy for Growth': growth within the business; social and economic progress in the communities where TAQA operates; and increased value for our shareholders.

Over the past 40 years the UAE and Abu Dhabi have pursued a vision embodied by progressive development, investment and the highest global standards. TAQA is proud to align its strategy both domestically and globally to Abu Dhabi's economic vision 2030, working towards sustainable economic development.

For more information about TAQA visit: www.taqaglobal.com or Twitter: @TAQAGLOBAL