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SUPPLEMENT NUMBER 2 DATED 7 OCTOBER 2010 TO THE BASE PROSPECTUS DATED 1 APRIL 2010

DUBAI ELECTRICITY AND WATER AUTHORITY

(*a decree company established by the Government of Dubai*)

U.S.$3,000,000,000 Global Medium Term Note Programme

This Supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with, the base prospectus (the "**Base Prospectus**") constituted by a base prospectus dated 1 April 2010, as supplemented by a first supplemental prospectus dated 12 April 2010 ("**Supplement Number 1**"), each prepared by the Dubai Electricity and Water Authority (the "**Issuer**" or "**DEWA**") in connection with its Global Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$3,000,000,000 in aggregate principal amount of notes ("**Notes**"). This Supplement constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**"). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus supplement issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom.

The Issuer accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement sets out certain information which updates certain information included in the Base Prospectus. A list of the amendments or additions to the Base Prospectus is provided on page 3 of this Supplement. Information which is updated by reference to one section of the Base Prospectus may be repeated or referred to in other sections of that document. Accordingly, to the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in Supplement Number 1 and this Supplement, no significant new fact, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

In accordance with section 87Q(4) FSMA, investors who have agreed to purchase or subscribe for the Notes before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

If documents which are incorporated by reference into this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement, except where such information or other documents are specifically incorporated by reference into, or attached to, this Supplement.

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AMENDMENTS OR ADDITIONS TO THE BASE PROSPECTUS

With effect from the date of this Supplement the information appearing in, or incorporated by reference into, the Base Prospectus shall be amended and/or supplemented in the manner described below.

This Supplement has been produced in contemplation of potential offering(s) pursuant to Regulation S and/or Rule 144A and investors should be aware that for the purposes of the Prospective Directive, the significant change from the disclosure in the Base Prospectus is the inclusion and incorporation of the unaudited condensed consolidated interim financial information of the Issuer as at and for the six months ended 30 June 2010, as well as an updated management's discussion and analysis of the same.

Where applicable, the sections below have been updated to include statistical information (relating to the Issuer and otherwise) that has become available since the publication of the Base Prospectus. The information set out under each of the headings:

- Presentation of Financial Information;
- Overview of the Programme;
- Risk Factors;
- Capitalisation;
- Selected Historical Financial Data;
- Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Description of the Business;
- Management;
- Overview of the UAE and the Emirate of Dubai;
- Regulation; and
- Summary of Material Contracts,

in the Base Prospectus shall be replaced by the information set out under the same headings in this Supplement.

References in this Supplement and the Base Prospectus to the "Dealers" shall be deemed to include Crédit Agricole Corporate and Investment Bank, which was appointed as a dealer on 26 September 2010.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer's audited historical annual consolidated financial statements as of and for the year ended 31 December 2009 (the "**2009 Audited Financial Statements**") and its audited historical annual consolidated financial statements as of and for the year ended 31 December 2008 (the "**2008 Audited Financial Statements**", and together with the 2009 Audited Financial Statements, the "**Audited Financial Statements**"), have been audited by PricewaterhouseCoopers, Dubai, independent auditors, and are set forth elsewhere in the Base Prospectus. The Issuer's unaudited condensed consolidated interim financial information as at and for the six months ended 30 June 2010 (the "**2010 Interim Financial Statements**" and together with the Audited Financial Statements, the "**Financial Statements**") have been reviewed by PricewaterhouseCoopers, Dubai, independent auditors, and are set forth elsewhere in this Supplement.

DEWA GAAP

The Issuer prepares its financial statements in conformity with its internal accounting policies which it refers to as internationally acceptable accounting principles ("**DEWA GAAP**"). DEWA GAAP is not an internationally recognised body of accounting principles and, accordingly, should not be considered as such. As a result, the audit opinions and review opinion issued by PricewaterhouseCoopers, and appearing elsewhere in this Supplement and the Base Prospectus, state that the financial statements prepared by the Issuer have been prepared, in all material respects, in accordance with internationally acceptable accounting principles (i.e. DEWA GAAP). The audit opinions and review opinion issued by PricewaterhouseCoopers do not include the words "true and fair" or "presents fairly". This is because the financial statements prepared by the Issuer are not considered to be financial statements prepared for purposes of a "fair presentation" of the results and operations of the Issuer within the context of the meaning provided in International Standards on Auditing ("**ISA**"), which in turn reflects the fact that the Issuer's financial statements are not prepared in accordance with a recognised accounting framework. Accordingly, it is not appropriate to state that the financial statements present either a true and fair view or present fairly the results of operations of the Issuer.

There are certain differences between DEWA GAAP, as applied to the Financial Statements, and International Financial Reporting Standards ("**IFRS**") or U.S. generally accepted accounting principles ("**U.S. GAAP**"). See "*Summary of Significant Differences between DEWA GAAP and IFRS*" in the Base Prospectus for a discussion of differences between DEWA GAAP and IFRS.

Changes in Accounting Policies

In connection with the preparation of the 2008 Audited Financial Statements, DEWA made a number of changes to its accounting policies and valuation methods applied in DEWA GAAP so as to more closely align its accounting policies under DEWA GAAP with IFRS. These changes were reflected in the financial results as of and for the year ended 31 December 2008 (the "**2008 Results**"). Accordingly, the comparative figures as of and for the year ended 31 December 2007 included in the 2008 Audited Financial Statements were restated to reflect the revised accounting policies and valuation methods used to prepare the 2008 Results (the "**2007 Comparative Results**"). For a description of the reconciliation and effect of these adjustments in respect of the year ended 31 December 2007, see note 5 – "*Changes to DEWA GAAP*" to the 2008 Audited Financial Statements.

In connection with the preparation of the 2009 Audited Financial Statements, DEWA made certain presentational changes as well as additional changes to its accounting policies and valuation methods applied in DEWA GAAP, which were reflected in the financial results as of and for the year ended 31 December 2009 (the "**2009 Results**"). Accordingly, the comparative figures as of and for the year ended 31 December 2008 included in the 2009 Audited Financial Statements were restated to reflect the presentational changes and the revisions to the accounting policies and valuation methods used to prepare the 2009 Results (these comparative figures are referred to herein as the "**Restated 2008 Results**"). For a description of the changes to the accounting policies, see note 2.11 "*– Advance received for new connections*" and note 2.17 "*– Borrowings*" to the 2009 Audited Financial Statements. In order to provide three years of financial information on a consistent basis, management has prepared adjustments to the 2007 Comparative Results to reflect the presentational changes and revisions to the accounting policies and valuation methods used to prepare the Restated 2008 Results and the 2009 Results (the restated 2007 Comparative Results are referred to herein as the "**Restated 2007 Results**"). Unless otherwise stated herein:

- all financial information as of and for the six months ended 30 June 2009 and 30 June 2010 has been extracted without material adjustment from the 2010 Interim Financial Statements;
- all financial information as of and for the year ended 31 December 2009 has been extracted without material adjustment from the 2009 Audited Financial Statements;
- all financial information as of and for the year ended 31 December 2008 has been extracted without material adjustment from the Restated 2008 Results (as set forth in the 2009 Audited Financial Statements); and
- all financial information as of and for the year ended 31 December 2007 has been extracted without material adjustment from the Restated 2007 Results which were prepared by management as described above.

The 2010 Interim Financial Statements, the Restated 2008 Results and the Restated 2007 Results are unaudited. Certain financial information presented herein as at 31 August 2010 is also unaudited.

Currency of Presentation and Adjustment

The Issuer's financial statements are presented in dirham. Since November 1997, the dirham has been pegged to the U.S. dollar at a rate equal to AED 3.6725 = U.S.$1.00 or U.S.$0.272294 = AED1. There can be no assurance that this peg will remain in place in the future. The inclusion of any exchange rate information in this Supplement and the Base Prospectus is for illustrative purposes only and does not mean that any amounts reported herein actually represent a specific amount in another currency or that any such amounts could have been converted at any particular rate, if at all.

All references in this document to AED and dirham are to the lawful currency of the United Arab Emirates, all references to U.S. dollars, U.S.$ and $ are to United States dollars and all references to Euro and € are to the currency introduced at the start of the third stage of the Treaty on the functioning of the European Community, as amended from time to time.

Certain figures included in this Supplement and the Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be arithmetic aggregations of the figures which precede them.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Supplement and the Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Notes. Accordingly, any decision by a prospective investor to invest in the Notes should be based on a consideration of this Supplement and the Base Prospectus as a whole, including any amendment or supplement thereto. Prospective investors should review this entire Supplement and the Base Prospectus carefully, including the financial statements and related notes thereto set out herein and the information set forth under the headings ''Cautionary Statement Regarding Forward- Looking Statements'' in the Base Prospectus and ''Risk Factors''.

The Issuer and any relevant Dealer may agree that Notes may be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Base Prospectus will be published.

The Issuer

DEWA is the exclusive supplier of electricity and potable water in Dubai and is wholly owned by the Government. DEWA generates, transmits and distributes electricity throughout Dubai and is a member of the ENG. It also produces potable water principally through a desalination process, and distributes it to end users throughout Dubai. As at 31 August 2010, DEWA's installed electricity capacity was 7,829 megawatts (''**MW**'') and its installed water desalination capacity was 330 million imperial gallons a day (''**MIGD**''). DEWA expects that by the end of 2012, it will have increased its installed electricity generation capacity by approximately 20 per cent. and its installed water desalination capacity by approximately 40 per cent. from their current capacities.

The Programme

Words and expressions defined in ''*Form of the Notes*'', ''*Terms and Conditions of the Notes*'' (in each case included in the Base Prospectus) and ''*Description of the Business*'' shall have the same meanings in this overview.

Issuer:	Dubai Electricity and Water Authority
Description:	Global Medium Term Note Programme.
Programme Size:	Up to U.S.$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Arrangers:	Citigroup Global Markets Limited National Bank of Abu Dhabi Standard Chartered Bank The Royal Bank of Scotland plc
Dealers:	Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank National Bank of Abu Dhabi Standard Chartered Bank The Royal Bank of Scotland plc
	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. For a description of certain restrictions on offers, sales and deliveries of Notes, please see ''*Subscription and Sale and Transfer and Selling Restrictions*''.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch
Euro Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.
U.S. Registrar, Paying Agent and Transfer Agent:	Deutsche Bank Trust Company Americas
Trustee:	Deutsche Trustee Company Limited
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or DTC or, in relation to any Tranche of Notes, any other clearing system as specified in the applicable Final Terms.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in Euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.1.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*" in the Base Prospectus. Registered Notes will not be exchangeable for Bearer Notes and vice versa. IAIs will receive definitive registered notes.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined:

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

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes: Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (including following the occurrence of a Change of Control Event as described below) upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

Change of Control: If so specified in the applicable Final Terms, each investor will have the right to require the redemption of its Notes upon the Government ceasing to own (directly or indirectly) at least 50 per cent. of the issued share capital of the Issuer.

Denomination of Notes: The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that (i) the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) and (ii) the minimum denomination of each Definitive IAI Registered Note will, unless otherwise stated in the applicable Final Terms, be U.S.$500,000 (or, if the Notes are denominated in a currency other than U.S. dollars, the equivalent amount in such currency).

Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge and other Covenants:	The terms of the Notes will contain negative pledge, limitation on asset sales and limitation on indebtedness covenants as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 11.
Status of the Notes:	The Notes will constitute direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as stated above) will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Rating:	The Programme is rated by Moody's and Fitch. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.
Listing and Admission to Trading:	Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or delivered in the United States, or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Japan, the Kingdom of Bahrain, the United Arab Emirates (excluding the Dubai International Financial

	Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus.
United States Selling Restrictions:	Regulation S, Category 2.
	Rule 144A/Rule 144A and Section 4(2), as specified in the applicable Final Terms.
	TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms.
Transfer Restrictions:	Notes will bear a legend setting forth transfer restrictions and may not be transferred except in compliance with the transfer restrictions.

RISK FACTORS

The following factors may affect DEWA's ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and DEWA is not in a position to express a view on the likelihood of any such contingency occurring.

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

The factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of DEWA to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by DEWA based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Supplement and the Base Prospectus and reach their own views prior to making any investment decision. Prospective investors are also advised to consult their own tax advisers as to the risks associated with, and consequences of, an investment in any Notes issued under the Programme under the tax laws of the countries of their respective citizenship, residence or domicile, including, but not limited to, the consequences of receipt of payments under the Notes and the holding of Notes, their disposal or redemption.

Risks Related to DEWA

DEWA's financial obligations, including its obligations under the Notes, are not guaranteed by the Government absent an explicit guarantee

DEWA is wholly owned by the Government. Although DEWA functions as a governmental department providing an essential public utility and is required to obtain approval of its borrowings from the Government, DEWA's financial obligations are not, absent an explicit guarantee, guaranteed by the Government. The Government is not guaranteeing the obligations of DEWA under any Notes issued pursuant to this Programme. Although the Government has provided DEWA with financial support in the past in the form of loans, grants and guarantees, it is under no obligation to extend financial support to DEWA in the future. Accordingly, DEWA's financial obligations, including its obligations under the Notes, are not and should not be regarded as, obligations of the Government. DEWA's ability to meet its financial obligations under the Notes is solely dependent on DEWA's ability to fund such amounts from its operations, profits and cash flows, or from non-Government borrowings. Therefore, any decline in DEWA's operations, profits or cash flows, or any difficulty in securing external funding, may materially adversely affect DEWA's ability to satisfy its payment obligations under the Notes.

In July 2009, the Government established the Dubai Financial Support Fund to provide monetary support to certain Government entities (including DEWA, if necessary) which may require financial assistance. To be eligible for support, Government entities must be able to demonstrate sustainable business plans, the on-going support of their existing financial creditors and achievable prospects of fulfilling their repayment obligations. The Dubai Financial Support Fund was initially capitalised in the amount of U.S.$10.0 billion and further capitalised in December 2009 by an additional U.S.$10.0 billion which the Government borrowed from the UAE Central Bank. As at the date of this Supplement, DEWA has not made any application for support from the Dubai Financial Support Fund. In the event that DEWA is in need of financial support, it believes that it would be eligible to apply to the Dubai Financial Support Fund, but there can be no assurance that its application for financial support would be granted.

The Government may alter its overall development strategy or its relationship with DEWA

DEWA has been granted an exclusive mandate by way of a decree from the Government to produce and supply potable water and electricity within Dubai to the exclusion of any other entity (with the exception of certain entities such as the Dubai Aluminium Company ("**DUBAL**") which is permitted to produce electricity and water for use in its own operations but not for distribution to the public). Nevertheless, the Government can unilaterally revoke DEWA's exclusive mandate or, for any reason, appoint a different entity to implement aspects of the functions which have historically been allocated to DEWA. Any such action by the Government could, among other things, limit DEWA's mandate for current or future development projects, limit the amount of future land grants or any other capital contribution DEWA receives from the Government or introduce competitors into the market. Any one of these factors could have a material adverse effect on DEWA's business, financial condition, results of operations, cash flows and affect its ability to pay interest and principal on the Notes.

As the sole owner of DEWA, the Government exerts control over DEWA and its interests may conflict with those of DEWA

As the sole owner of DEWA, the Government has the power to appoint its Board of Directors ("**Board**") and is able to exert direct influence over DEWA's policies, strategy, management, operations and budget. The Government's key objective is to ensure the stable supply of potable water and electricity to Dubai's residents and businesses at affordable costs rather than the optimisation of DEWA's revenue and profits. As such, the interests of DEWA's Board and those of the Government may conflict with DEWA's objectives as a commercial enterprise and there can be no assurance that the Government will not unilaterally take any action to further its own objective, which may be in conflict with the interests of DEWA or the Noteholders. Any such actions by the Government may result in a material adverse effect on DEWA's business, financial condition, results of operations, cash flows and DEWA's ability to pay interest and principal on the Notes.

Electricity and water tariffs are set by the Government of Dubai and may not reflect DEWA's cost of production

DEWA generates substantially all of its revenue from the sale of electricity and water to its customers in Dubai and therefore its revenue is dependent upon the tariffs charged to its customers for the consumption of electricity and water. Historically, DEWA's tariffs have been controlled by the Government through its Executive Council, and any proposed adjustment to tariff levels required the approval of the Executive Council before it could be implemented. In the past, the Executive Council has ensured that electricity and water tariffs were maintained at low levels to mitigate the effects of inflation on Dubai's residents and businesses. Despite rising production costs, DEWA's electricity and water tariffs were not increased from 1998 until March 2008, and accordingly had an adverse effect on profits in prior years.

Following a proposal by DEWA in the end of 2007, the Executive Council approved an increase in electricity and water tariffs which was implemented on 1 March 2008 (the "**2008 Tariff Increase**"). The new tariff system was intended to promote energy efficiency through the establishment of a "slab rate" or tiered billing system, the net effect of which was to increase the average electricity and water tariff across DEWA's customer base (other than the residential electricity and water tariffs applied to UAE nationals). The 2008 Tariff Increase, coupled with an increase in the volume of sales of electricity and water, resulted in a 60.4 per cent. increase in revenue from the sale of electricity and a 32.6 per cent. increase in revenue from the sale of water in the year ended 31 December 2008 as compared to the year ended 31 December 2007.

Since June 2009, any increase in tariff levels will need to be approved by the Supreme Council of Energy, a new governmental body established to regulate the water and energy sector in Dubai (See "*Regulation – Financial Regulations*" for more information). Before approving an increase in tariff levels, the Supreme Council of Energy will need to evaluate and justify any proposed increase to the Government through the Executive Council. There can be no assurance that the Supreme Council of Energy will approve any further adjustment to DEWA's tariffs in the future or that the Government will agree to any such adjustment proposed to it by the Supreme Council of Energy. If operating costs rise and DEWA is unsuccessful in applying for an increase in tariffs (or is not able to implement surcharges that could offset part or all of the rise in operating costs), there is a risk that DEWA may realise a loss in its operating income if expenditure exceeds its revenue, which could result in a material adverse effect on DEWA's business, financial condition, results of operations and if continued, may affect DEWA's ability to pay interest and principal on the Notes.

The regulatory framework governing DEWA is subject to change under the supervision of the Supreme Council of Energy

The Supreme Council of Energy was established in June 2009 to regulate the energy sector in Dubai. The Supreme Council of Energy has very wide powers to regulate, *inter alia*, the supply and distribution of fuel, the generation and transmission of electricity, the production, storage and distribution of potable water and the imposition of electricity and water tariffs. See "*Regulation - Financial Regulations*" for more information. As at the date of this Supplement, it is unclear to what extent the Supreme Council of Energy will exert control over DEWA and what effects, if any, it may have on DEWA's existing regulatory framework or future tariffs. Even though DEWA's Executive Chairman has been appointed as the Deputy Chairman of the Supreme Council of Energy, there can be no assurance that the enactment of further laws and regulations by the Supreme Council of Energy will not impose additional obligations on DEWA, any of which may result in a material adverse effect on DEWA's business, financial condition, results of operations, cash flows and affect its ability to pay principal and interest on the Notes.

DEWA is dependent on DUSUP for its entire supply of natural gas and there can be no assurance that there will be enough natural gas or other cost efficient sources of fuel available to meet DEWA's production needs

DEWA's power and desalination plants can operate using either natural gas or liquid fuel oils (consisting of diesel oil and, in the case of one of its plants, medium fuel oil, collectively referred to herein as fuel oils). As the cost of natural gas necessary to produce one Kilowatt-hour ("**KWh**") of electricity and one imperial gallon of water is significantly lower than the cost of fuel oil necessary to produce an equivalent amount, DEWA seeks to maximise its usage of natural gas and minimise its reliance on fuel oils in its production activities. Therefore, DEWA's ability to generate electricity and water in an efficient and cost effective manner is largely dependent on a steady and regular supply of natural gas.

DEWA is required to purchase all of its natural gas requirements from the Dubai Supply Authority ("**DUSUP**"), a wholly-owned entity of the Government and the only authorised supplier of natural gas in Dubai to Government entities. DUSUP enters into long-term contracts with natural gas suppliers and the supply it receives is divided between DEWA and DUBAL. Historically, there have been periods during which the supply of natural gas procured by DUSUP was insufficient to meet the natural gas requirements of DEWA and DUBAL and it became necessary for DEWA to use more expensive fuel oils in its production activities, which resulted in a significant increase in DEWA's overall operating costs for these years, and a negative impact on DEWA's operating profit and cash flows. This occurred most recently in the year ended 31 December 2007.

As a result of additional sources of natural gas becoming available at the end of 2007 and a new long-term supply agreement entered into with Dolphin Energy Limited (Dolphin), DUSUP was able to meet substantially all of DEWA's natural gas requirements during 2008, 2009 and the six months ended 30 June 2010, and pursuant to conversations with DUSUP, DEWA expects that DUSUP will be able to meet all of its ongoing natural gas requirements through 2012 based on DEWA's current projected needs. However, there can be no assurance that natural gas supplies will be sufficient in the future to meet all of DEWA's natural gas requirements or that DUSUP will be able to meet all of DEWA's forecasted demands until 2012 or onwards. Therefore, it may become necessary for DEWA to use increased amounts of fuel oils in the future, which would increase its production costs and may result in a material adverse effect on DEWA's business, financial condition, results of operations, cash flows and affect its ability to pay principal and interest on the Notes.

DEWA has not entered into any formal contracts for the supply of natural gas from DUSUP

DEWA has not entered into any formal contracts with DUSUP for the supply of natural gas. Instead, DEWA submits its long-term natural gas requirements to DUSUP upon the understanding that DUSUP will procure natural gas from third party suppliers and sell the natural gas to DEWA and DUBAL, its principal customers. This arrangement is based on an informal understanding between the Government, DUSUP, DEWA and DUBAL. Therefore, DEWA may not have the benefit of legal recourse should this arrangement be terminated or if any of the terms are changed in a manner that would have a material adverse effect on DEWA's ability to obtain natural gas supplies at an acceptable price, if at all.

Historically, DUSUP has supplied DEWA with natural gas at pre-agreed prices which have been generally lower than the market price for natural gas and which reflect a fixed price plus a small margin over DUSUP's costs. However, there can be no assurance that DUSUP will not increase its prices in the future, particularly if its own costs of procuring natural gas increase, or that DUSUP will be able to procure natural gas in amounts sufficient to meet DEWA's requirements, if at all. As DEWA is only permitted to buy natural gas from DUSUP, any increase in the price of natural gas charged by DUSUP would increase DEWA's costs of production, and may result in a material adverse effect on DEWA's business, financial condition, results of operations, cash flows and affect its ability to pay principal and interest on the Notes.

DEWA's operations and expansion projects are subject to a range of development and construction risks

In connection with its long-term expansion strategy, DEWA is currently in the process of developing a number of new generation and desalination plants that are in various stages of development, construction and commissioning. See *"Description of the Business – Principal Operations – Expansion*

Projects". Every phase of DEWA's projects, including the planning, design and construction phases, are outsourced to third party contractors through "turnkey" contracts. These projects typically require substantial capital expenditure and may take months or years before they become operational, during which time DEWA may be subject to a number of construction, operating and other risks beyond its control such as, but not limited to:

- an inability to find a suitable contractor or sub-contractor either at the commencement of a project or following a default by an appointed contractor or sub-contractor;
- default or failure by its contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget;
- disruption in service and limited access to third parties, such as architects, engineers or other service providers;
- difficulties in connecting new generation and desalination plants to existing or new transmission and distribution networks;
- shortages or escalating costs of construction materials and increased global commodity prices;
- shortages or increases in the costs of equipment;
- disputes with contractors or sub-contractors; or
- work stoppages or labour disputes.

The occurrence of one or more of these events may negatively affect DEWA's ability to complete its current or future expansion projects on schedule or within budget, if at all. This may result in DEWA's inability to meet customer demand for electricity and water and accordingly may result in a material adverse effect on DEWA's reputation, business, financial condition, results of operations and affect its ability to pay principal and interest on the Notes.

DEWA's counterparties may default on their contractual obligations

DEWA enters into contracts with contractors, sub-contractors, architects, engineers, operators, other service providers and suppliers in connection with the development and construction of its generation and desalination plants and transmission networks and accordingly, is subject to the risk that a counterparty will be unable or unwilling to honour its contractual obligations and that any guarantee or performance bond in respect of such obligations will not be honoured. Such counterparties may default on their obligations due to *inter alia*, bankruptcy, lack of liquidity or operational failure. Such counterparty risk is more acute in difficult market conditions where there is an enhanced risk of default by counterparties. Any such failure of a counterparty or, where relevant, its guarantor, to fulfil its contractual obligations could delay the completion of a project or impact the operations of a completed project. Even though the arrangements entered into by DEWA with its contractors may allocate some of the risk of delays or failure to the contractors through the use of performance bonds, DEWA may be unable to seek indemnification from its contractors with respect to any breach, failures or delays and accordingly, DEWA may have to bear the additional costs required to complete the project. This may result in a material adverse effect on DEWA's reputation, business, financial condition, results of operations, cash flows and affect its ability to pay principal and interest on the Notes.

DEWA's expansion strategy requires it to make substantial capital expenditure and there can be no assurance that it will be able to secure funding for its future capital expenditures

DEWA's expansion strategy requires a substantial amount of capital and other long-term expenditure, including those relating to the development of new generation and desalination plants, the construction of additional power transmission and distribution networks, water transmission and distribution pipelines and reservoirs and other installations necessary for the operation of its business. For the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, DEWA's capital expenditure totalled AED 6,748.9 million, AED 10,532.3 million, AED 9,957.5 million and AED 3,366.5 million, respectively. DEWA expects to increase its electricity generation capacity by approximately 20 per cent. and its water desalination capacity by approximately 40 per cent. by the end of 2012, which will require between AED 26.0 billion to AED 28.0 billion in capital expenditure between 2010 and 2012. See "*Description of the Business – Strategy*".

Prior to 2006, DEWA was able to fund its capital expenditure and working capital needs from its cash flows from operations. However, in 2006, as a result of decreased profitability and high levels of capital expenditure necessary for the development and expansion of its power and desalination stations, DEWA sought alternate sources of financing through external borrowings. DEWA has continued to fund a significant proportion of its capital expenditure requirements through additional borrowings, and expects to do so for the foreseeable future, due to its intention to construct new power and desalination stations and enhance the operations of existing stations to meet forecasted demand for electricity and water in Dubai. However, there can be no assurance that external financing will be available to DEWA on commercially reasonable terms, if at all.

In addition, on 26 November 2009, DEWA's long term issuer default rating was downgraded from A- to BBB- with "negative outlook" by Fitch, and on 2 December 2009 was placed on "Rating Watch Negative" by Fitch. On 8 December 2009, DEWA 's issuer and debt credit rating of Baa2 was downgraded to Ba2 by Moody's. On 25 March 2010, Moody's changed their outlook on DEWA's rating from "negative" to "stable" and on 20 April 2010, Fitch removed DEWA from "negative watch" and affirmed DEWA's rating as BB- with "negative outlook". There can be no assurance that either Fitch, Moody's or any other agency that provides corporate ratings for DEWA will not further downgrade DEWA's credit ratings in the future. Any such further downgrade may make it more difficult and/or costly for DEWA to secure additional funding in the future, result in higher interest payments on certain of DEWA's credit facilities which have interest margins linked to credit ratings and/or result in accelerated payment of certain of DEWA's debt. Furthermore, any borrowing by DEWA or any guarantee given by DEWA for its borrowings requires the consent of the Government's Supreme Fiscal Committee and there can be no assurance that such consent will be granted. Failure to receive consent would impede DEWA's ability to raise funds for its capital expenditures, which in turn may have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to pay principal and interest on the Notes.

DEWA cannot guarantee the accuracy of its forecasts for future demand for electricity and potable water in Dubai

DEWA's business operations and corporate strategy are influenced by its modelling of anticipated future demand for electricity and water in Dubai. DEWA uses the results of its modelling to identify and execute strategic initiatives such as the expansion of its capacity for generation and desalination plants and transmission networks. However, there can be no assurance that DEWA's modelling will accurately reflect the real demand for electricity and water in the future. Any divergence between DEWA's anticipated demand models and actual demand may result in either excess or insufficient capacity to generate electricity and produce water. There can be no assurance that DEWA would be able to meet any shortfall in the supply of electricity by purchasing from the UAE or Gulf Cooperation Countries ("**GCC**") grids, or that its water storage capacity will be sufficient in the event of a shortfall in the supply of water. Similarly, there can be no guarantee that DEWA would be able to sell any excess capacity to these grids, as this would be dependent on the demand across the GCC region. Any of the foregoing events may have a material adverse effect on DEWA's reputation, business, financial condition, results of operations, cash flows and DEWA's ability to pay interest and principal on the Notes.

DEWA's current levels of indebtedness may affect its ability to raise additional capital to fund its operations

DEWA had, as at 31 August 2010, AED 24,606.3 million of outstanding indebtedness (of which AED 1,074.1 million related to indebtedness of Empower (as defined herein), which was consolidated onto DEWA's balance sheet following acquisition of a majority interest on 23 November 2009). Of this outstanding indebtedness, AED 4,753.6 million comprises short term debt (of which AED 892.4 million relates to indebtedness of Empower). In addition, as at 31 August 2010, DEWA had €209.5 million available under the ECA Agreement (as defined herein), AED 1,818.3 million available pursuant to an overdraft facility with Emirates Bank and U.S.$2,551.1 million (AED 9,371.3 million) available for issuance under the Securitisation Programme (as defined herein), subject to market conditions. DEWA may also issue additional Notes under this Programme. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Material Indebtedness*".

DEWA may incur additional indebtedness in the future to fund its capital expenditure requirements, subject to the restrictions contained in its existing debt agreements. DEWA's significant level of additional indebtedness could, *inter alia*:

- make it more difficult for DEWA to satisfy its obligations in connection with the Notes;

- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on DEWA's indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditure and future business opportunities;
- expose DEWA to the risk of increased interest rates with respect to its borrowings bearing a variable rate of interest, unless DEWA is able to fully hedge its interest rate exposure with respect to such borrowings;
- limit DEWA's ability to obtain additional financing for working capital, capital expenditure, debt service requirements and general corporate or other purposes;
- limit DEWA's ability to adjust its operations in response to changes in demand for electricity and water; and
- adversely affect DEWA's credit rating.

Any of the foregoing could have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to pay principal and interest on the Notes.

DEWA's operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events that are beyond DEWA's control

DEWA's business operations could be adversely affected or disrupted by terrorist attacks, natural disasters (such as earthquakes or tsunamis, among others) or other potentially catastrophic events that are beyond DEWA's control. There can be no assurance that its business operations will not be disrupted by damage due to any of the foregoing. Furthermore, the majority of DEWA's generation and desalination plants are concentrated in the Jebel Ali area. As a result, any catastrophic occurrence in the Jebel Ali area or which affects water or electricity transmission or distribution from Jebel Ali, could severely disrupt DEWA's operations.

DEWA is also subject to the risk of natural disasters that may affect the seawater that is supplied to its desalination plants. Any occurrence of oil spills or slicks may result in material damage to the water supplies or cause a disruption to the desalination process. Moreover, all of the supplies of natural gas received by DUSUP are transported to its only gas control station, also located in Jebel Ali. Any major incident which affects or cuts off this gas supply line will affect the supply of fuel to DEWA's power and desalination stations.

DEWA's standby stations, which are located outside the Jebel Ali area, may be unable to supply sufficient electricity to meet demands and, furthermore, DEWA does not currently have any desalination stations located outside the Jebel Ali area. While DEWA has access to additional electricity from other parties through the Emirates National Grid ("**ENG**"), as well as two days of additional water supplies from its reservoirs and wells, these may not provide adequate supplies in the event of a large scale catastrophe. The occurrence of any of these events may affect DEWA's ability to supply electricity and water, and therefore have a material adverse effect on its reputation, business, financial condition, results of operations and affect its ability to pay principal and interest on the Notes.

DEWA may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business

DEWA's operations may be affected by a number of risks, including terrorist acts and war-related events, for which full insurance cover is either not available or not available on commercially reasonable terms. For example, DEWA has not purchased insurance to cover claims against its directors and officers or any possible losses through acts of terrorism. In addition, severe or frequently occurring events, such as accidents and other mishaps, business interruptions or potential damage to its facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose DEWA to liabilities in excess of its insurance coverage or significantly impair its reputation. DEWA cannot assure investors that its insurance coverage will be sufficient to cover losses arising from any, or all of such events, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

Should an incident occur in relation to which DEWA has no insurance coverage or inadequate insurance coverage, DEWA could lose the capital invested in, and anticipated future revenue relating to, any property that is damaged or destroyed and, in certain cases, DEWA may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against DEWA in excess of any related insurance coverage that it may maintain, its assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to pay principal and interest on the Notes.

DEWA may be subject to liabilities as a result of any violation of environmental and safety laws

The risks of environmental damage such as pollution, contamination and leakage are inherent in the electricity and water industry. DEWA is subject to environmental regulations passed at the UAE federal level as well as by the Dubai Municipality. See "*Regulation -Environmental Regulations*". These regulations set various standards for regulating certain aspects of health, safety, security and environmental quality and impose civil and criminal penalties and other liabilities for any violations. In addition, compliance with special provisions may be appropriate or required in environmentally sensitive areas of operation, such as waste water discharge. While as at the date of this Supplement, DEWA has not been in violation of any environmental regulations, there can be no assurance that DEWA will continue to be in compliance in the future. Any occurrence of environmental damage may result in a disruption of DEWA's services or cause reputational harm and significant liability could be imposed on DEWA for damages, clean-up costs or penalties in the event of environmental damage or non-compliance with environmental laws and regulations. The occurrence of any of the events may cause disruption to DEWA's projects and operations and result in additional costs to DEWA, which may have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to pay principal and interest on the Notes.

Furthermore, DEWA cannot predict what prospective environmental legislation may be enacted, or how existing or future laws will be administered or enforced. In addition to the existing environmental regulatory bodies, DEWA is also subject to regulation by the Supreme Council of Energy. The Supreme Council of Energy has very wide powers which may include the implementation and enforcement of environmental regulations. It is unclear at this stage whether the Supreme Council of Energy will enact new or more stringent environmental laws or impose higher environmental standards than those now in effect. Compliance with more stringent laws and regulations, or more vigorous enforcement policies of any regulatory authority could result in material additional expenditure by DEWA, including as a result of the installation and operation of systems for remedial measures, or the payment of fines or penalties.

DEWA's generation and desalination stations and/or its transmission network may experience equipment failures and may otherwise not operate as planned

The operation of DEWA's generation and desalination stations and transmission and distribution network may be subject to material operating risks such as unplanned outages, equipment failure or facilities operating inefficiently or below capacity. Any such occurrences could affect DEWA's ability to supply electricity and water at levels sufficient to meet demand. Although DEWA maintains back up facilities and additional water reserves and is able to purchase electricity and water from third parties, there is no assurance that such alternative sources will be available when needed or that such sources will be able to provide adequate amounts of electricity and water to meet any shortfalls in DEWA's own supply. Any such failure may result in increased costs and/or loss of revenue and accordingly may have a material adverse effect on DEWA's reputation, business, financial condition, results of operation and affect its ability to pay interest and principal on the Notes.

DEWA's business may be harmed if it fails to attract and retain qualified and experienced employees

DEWA intends to recruit additional employees as it continues to progress its projects in line with its long term growth strategy. If DEWA is unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or fails to recruit skilled professional and technical staff, DEWA's operations may be adversely affected. Experienced and capable personnel in the engineering and technical fields remain in high demand in Dubai, and there is significant competition for their talents. Consequently, when talented employees leave, DEWA may have difficulty replacing them and may incur additional costs and expenses in securing such replacements.

The loss of any member of DEWA's senior management team, and in particular the Managing Director, or the loss of any of DEWA's other key employees may result in a loss of organisational focus, poor execution of operations, or an inability to identify and execute potential strategic initiatives such as expansion of capacity. The occurrence of any of these events may have a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to pay principal and interest on the Notes.

DEWA may face competition in the future

DEWA is currently the sole supplier of electricity and potable water in Dubai by virtue of an exclusive mandate granted to it by the Government and, as such, DEWA does not currently face any competition. However, there can be no assurance that the Government will not open the market to competitors in the future, or unbundle the electricity and water industry in Dubai so that the generation of electricity, desalination of water and the distribution and sale of electricity and water will be separately carried out by different entities. Furthermore, while electricity and water within each emirate in the UAE is currently supplied by a separate utility provider serving that emirate (with the exception of the Federal Electricity and Water Authority ("**FEWA**") which serves the Northern Emirates of Ras Al-Khaimah, Umm Al Quwain and Fujairah), there is no assurance that the supply of electricity and water will continue to be managed at a local rather than a federal level, or that DEWA will not face competition from one of the other electricity and water authorities within the UAE. The introduction of competition, whether in Dubai or the UAE, could result in a material adverse effect on DEWA's business, financial condition, result of operations and affect its ability to pay principal and interest on the Notes.

DEWA may be unable to mitigate increases in its costs of production in the future by purchasing electricity from third parties

DEWA has in the past purchased electricity from third parties in order to mitigate the effects of rising costs of production caused by insufficient amounts of natural gas and a resultant increase in the use of costly fuel oils. In 2006 and 2007, DEWA purchased significant amounts of electricity from the Abu Dhabi Water and Electricity Company ("**ADWEC**"), a subsidiary of the Abu Dhabi Water and Electricity Authority ("**ADWEA**"), because the cost of purchasing electricity from ADWEC was lower than the cost of producing electricity using fuel oils, in circumstances where the supply of natural gas was insufficient to meet DEWA's production requirements. In contrast, DEWA did not purchase any electricity from ADWEC during 2008, 2009 or the first six months of 2010, as it had a sufficient supply of natural gas to meet its production requirements. Nevertheless, DEWA may need to purchase electricity from third parties such as ADWEC in the future if the natural gas supplies available to it are no longer sufficient to meet its production requirements, which may result in an increase in production costs.

There can be no assurance that third party supplies of electricity will be available for purchase by DEWA in the future. Even though DEWA may purchase electricity from other UAE electricity authorities via the ENG, the availability of electricity on the ENG is dependent upon each utility authority having surplus electricity that can be provided to the ENG for potential use by any of the other members. Furthermore, the cost of electricity purchased from the ENG is set by mutual agreement between the purchaser and the seller and there is no guarantee that the cost of purchasing electricity will be at a favourable rate in the future.

In the event that DEWA is unable to purchase electricity via the ENG when necessary and at favourable rates, it may be required to increase its reliance on fuel oils, which in turn may have a material adverse effect on DEWA's business, financial condition, results of operations, and affect its ability to pay principal and interest on the Notes.

Risks Relating to Dubai, UAE and the Middle East

DEWA may be subject to political and economic conditions in Dubai, as well as the UAE as a whole

DEWA's operations are exclusively located within the UAE. Consequently, its results of operations, are, and will continue to be, affected by economic and political developments affecting Dubai and the UAE, and in particular, the level of economic activity in Dubai and the UAE. The UAE, like most other countries, recently experienced a decline in economic activity due to the global recession that began in 2008, as well as a slowdown in the rate of real estate development, construction activity and population growth.

As the provision of a stable supply of electricity and water is an essential part of Dubai's infrastructure, DEWA is less likely to be adversely affected by market volatility than other industries, such as real estate, construction or tourism, which are more dependent upon market conditions. Nevertheless, while the demand for electricity and water continues to rise in Dubai, the rate at which demand has increased has decelerated as compared to the rate of increase in demand during previous years. There can be no assurance that economic conditions in Dubai will not worsen in the future or that demand for electricity and water will not stagnate or decrease, any of which may result in a material adverse effect on DEWA's business, financial condition, results of operations and affect its ability to pay principal and interest on the Notes.

Political and economic conditions in the Middle East may affect DEWA's business

While Dubai and the UAE are considered to be relatively stable political environments, certain other jurisdictions in the Middle East are not and accordingly, DEWA's business may be affected by the financial, political and general economic conditions prevailing from time to time in the Middle East. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the DEWA would be able to sustain its operations if adverse political events or circumstances were to occur in the UAE or elsewhere in the Middle East.

DEWA's business may be adversely affected if the UAE dirham/U.S dollar peg were to be removed or adjusted

DEWA maintains its accounts, and reports its results, in UAE dirham. As at the date of this Supplement, the UAE dirham remains pegged to the U.S dollar. However, there can be no assurance that the UAE dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects DEWA. Any such de-pegging could have an adverse effect on DEWA's business, financial condition, and results of operations and affect DEWA's ability to pay principal or interest on the Notes.

DEWA may be adversely affected by conditions in the global financial market and the impact that this has on its ability to secure financing

Since 2008, global credit markets have declined markedly, resulting in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets. Any worsening of general global economic conditions or any change in investment markets, including, but not limited to, changes in interest rates, exchange rates and returns from equity, property and other investments, may affect DEWA's ability to secure financing on terms similar to those received in the past or its ability to secure commercial financing. Furthermore, a lack of liquidity in the financial markets may also impact the ability of DEWA's customers to honour their commitments to DEWA or the ability of DEWA's contractors to complete existing projects. Any of the foregoing may have a material adverse effect on DEWA's business, results of operations, financial condition and affect its ability to pay principal and interest on the Notes.

Risk Related to the Notes

The Notes may not be a suitable investment for all investors

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

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in the Base Prospectus and this Supplement or any additional supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

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

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Investments in emerging markets are subject to greater risks than investments in more developed markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

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

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

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(a) the market price of such Notes may be volatile;

(b) they may receive no interest;

(c) payment of principal or interest may occur at a different time or in a different currency than expected;

(d) they may lose all or a substantial portion of their principal;

(e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Potential investors should note that the historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to the Notes generally

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

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default as defined in *"Terms and Conditions of the Notes"* or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 17.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Supplement. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Supplement.

Bearer Notes where denominations involve integral multiples: definitive bearer Notes

In relation to any issue of bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive bearer Note in respect of such holding (should definitive bearer Notes be printed) and would need to purchase a nominal amount of bearer Notes such that its holding amounts to the minimum Specified Denomination.

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

The Notes may be subject to restrictions on transfer which may adversely affect the value of the Notes

The Notes may be subject to restrictions on transfer which may adversely affect the value of the Notes. The Notes have not been and will not be registered under the Securities Act or any United States state securities laws and the Issuer has not undertaken to effect any exchange offer for the Notes in the future. The Notes may not be offered in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement. The Notes and the Agency Agreement will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the Securities Act. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. Investors must ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Subscription and Sale and Selling and Transfer Restrictions*".

Risks Relating to Enforcement

DEWA is a decree company and as such it may be difficult to enforce judgments against DEWA outside the UAE

If DEWA fails to make payments in the manner contemplated under the Terms and Conditions of the Notes, it may be necessary to bring an action against DEWA to enforce its obligations and/or to claim damages, as appropriate, which could be both time consuming and costly.

DEWA is a decree company incorporated in, and under the laws issued by, Dubai and the UAE. All or a substantial portion of DEWA's assets are located in the UAE. As such, it may be difficult or impossible to effect service of process within the United States or the United Kingdom upon DEWA or to recover on judgments of U.S. or English courts against DEWA, including judgments predicated upon civil liability provisions of U.S. federal securities laws or English laws, as the case may be.

Further, no claim may be brought in the UAE courts against DEWA in the first instance for violation of U.S. federal securities laws because these laws have no extraterritorial application under UAE law and do not have force of law in the UAE.

DEWA has been advised by its counsel that it is currently unclear as to whether the courts of the UAE would enforce judgments of U.S. or English courts obtained in actions against DEWA, predicated upon the civil liability provisions of the U.S. federal securities laws, or original actions brought in the UAE against DEWA or such persons predicated solely upon U.S. federal securities laws or English laws, as the case may be. Further, DEWA has been advised by its counsel that there is no treaty in effect between either the United States or the United Kingdom and the UAE providing for the enforcement of judgments of U.S. or English courts in civil and commercial matters. Some remedies available under English laws or the laws of the U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in UAE courts as contrary to public policy in the UAE. Because judgments of U.S. and English courts are not automatically enforceable in the UAE, it may be difficult for investors to recover against DEWA based upon such judgments.

The rights of the Trustee to bring proceedings against DEWA may be delayed pursuant to Law No. 10 of 2005, which provides that proceedings may be brought against the Government and government entities (including DEWA) before the courts of Dubai **provided that** the relevant claimant has first given the details of such claim to the Attorney General of Dubai and has entered into settlement negotiations for a period of two months. If the parties are unable to reach a mutually acceptable settlement at the end of the two months, the claimant shall be entitled to commence proceedings against the Government or the government entity.

As a decree company of the Government, DEWA may be able to claim sovereign immunity from judgments upon its properties and assets

Under the Terms and Conditions of the Notes, DEWA irrevocably waives to the fullest extent possible and to the extent that it may in any jurisdiction, claim immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenue, DEWA represents and agrees that it will not claim such immunity. However, Law No. 10 of 2005 grants to the Government and its affiliates (including DEWA) immunity in respect of its assets in the following terms:

"no debt or obligation owing from the Ruler of the Government may be recovered by laying hold, attachment, sale in auction or taking possession in any legal action of the Ruler's or the Government's properties and assets whether or not a final judgment is issued in respect of such debt or obligation."

Accordingly, as a decree company established by the Government, DEWA's properties and assets may be entitled to immunity in any attachment or enforcement action in Dubai. Therefore a Noteholder may not be able to enforce any judgment of a court (either in Dubai or elsewhere) against the properties and assets of DEWA.

In view of the ownership of DEWA, it is not clear to what extent UAE bankruptcy laws would apply to DEWA. There is little precedent to predict how claims by or on behalf of the Noteholders would be resolved, and therefore there can be no assurance that such Noteholders will receive payment of their claims in full or at all, particularly in view of Law No. 10 of 2005 referred to above.

There can be no assurance as to the outcome of any application of UAE law

In the event that DEWA fails to perform its obligations under the Terms and Conditions of the Notes, the potential remedies available to Noteholders include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific performance of a contractual obligation pursuant to UAE law if the payment of damages is considered to be an adequate remedy.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Noteholders to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by DEWA to perform its obligations as set out in the Terms and Conditions of the Notes.

Risks Related to the Market Generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the principal payable on the Notes and (c) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Legal investment considerations may restrict certain investments

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

CAPITALISATION

The following table sets forth DEWA's capitalisation as at 30 June 2010.

This table should be read together with "*Selected Historical Financial Data*" and the Financial Statements and the related notes thereto, appearing elsewhere in this Supplement and the Base Prospectus.

	As at 30 June 2010
	(AED in thousands)
Cash and bank balances:	**2,550,077**
Debt:	
Short-term debt(1)	5,061,130
Long-term debt(1)	19,766,880
Total debt(2)	**24,828,010**
Equity:	
Government of Dubai account	29,168,338
General Reserve	12,532,339
Non-controlling interest	309,864
Total equity	**42,010,541**
Total capitalisation(3)	**61,777,421**

(1) Includes AED 892.4 million current (short-term) and AED 215.3 million non-current (long-term) indebtedness of Empower.

(2) On 14 July 2010, DEWA made an early voluntary prepayment under the Securitisation Programme (as defined herein) in the amount of U.S.$111.4 million (AED 409.2 million). DEWA also made payments of AED 40.0 million on the DIB Facility (as defined herein) in each of August and September 2010 and a payment on the ECA Facilities (as defined herein) in the amount of €2.2 million on 20 September 2010. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Material Indebtedness.*"

(3) Total capitalisation is equal to long-term debt plus total equity.

Other than as set forth in footnote 2 above, there has been no material change to DEWA's capitalisation since 30 June 2010.

SELECTED HISTORICAL FINANCIAL DATA

The table below sets forth selected historical consolidated financial information for DEWA as of and for the six months ended 30 June 2009 and 2010 and the years ended 31 December 2007, 2008 and 2009. This information has been extracted, without material adjustment from:

- *in the case of financial information as of and for the six months ended 30 June 2009 and 2010, the 2010 Interim Financial Statements;*
- *in the case of financial information as of and for the year ended 31 December 2009, the 2009 Audited Financial Statements;*
- *in the case of financial information as of and for the year ended 31 December 2008, the Restated 2008 Results (as set forth in the 2009 Audited Financial Statements); and*
- *in the case of financial information as of and for the year ended 31 December 2007, the Restated 2007 Results which were prepared by management as described in "Presentation of Financial Information – Changes in Accounting Policies."*

An explanation of the principal restatements to the financial information as of and for the years ended 31 December 2007 and 2008 is set forth in the footnotes to the table below.

All such information has been prepared in accordance with DEWA GAAP. DEWA GAAP is not an internationally recognised body of accounting principles and accordingly should not be considered as such. There are certain differences between DEWA GAAP and IFRS or U.S. GAAP. For a description of differences between DEWA GAAP and IFRS, see "Summary of Significant Differences Between DEWA GAAP and IFRS" in the Base Prospectus.

The selected financial information set forth below should be read in conjunction with, and is qualified by reference to, "Presentation of Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", the Financial Statements and the related notes thereto included elsewhere in this Supplement and Base Prospectus. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

	Year ended 31 December			Six months ended 30 June	
	2007 (restated) (unaudited)	**2008 (restated) (unaudited)**	**2009 (audited)**	**2009 (unaudited)**	**2010 (unaudited)**
	(AED in thousands)				
Consolidated Income Statement Data:					
Revenue	6,123,332	9,286,921	10,285,600	4,507,089	4,660,385
Cost of sales	(6,349,342)	(4,344,098)	(5,133,278)	(2,379,284)	(2,870,615)
Gross profit/(loss)	(226,010)	4,942,823	5,152,322	2,127,805	1,789,770
Other income[1]	189,013	251,840	476,428	177,003	544,760
Administrative expenses[2]	(369,451)	(500,008)	(463,629)	(219,108)	(315,495)
Operating profit/(loss)	(406,448)	4,694,655	5,165,121	2,085,700	2,019,035
Finance income[1][3]	254,709	130,256	90,945	72,991	184,680
Finance costs[2][3]	(585,363)	(590,481)	(1,128,763)	(517,803)	(700,552)
Finance costs – net[1][2][3]	(330,654)	(460,225)	(1,037,818)	(444,812)	(515,872)
Share of profit/(loss) in a joint venture	(6,857)	791	36,169	2,995	—
Total comprehensive income for the year	(743,959)	4,235,221	4,163,472	1,643,883	1,503,163

	As at 31 December			As at 30 June
	2007 (restated) (unaudited)	**2008 (restated) (unaudited)**	**2009 (audited)**	**2010 (unaudited)**
	(AED in thousands)			
Consolidated Balance Sheet Data:				
Total non-current assets	28,177,298	61,065,581	74,158,254	78,257,799
Total current assets[(4)]	3,501,053	8,317,735	8,169,234	9,073,541
Total assets[(4)]	31,678,351	69,383,316	82,327,488	87,331,340
Total equity	12,828,783	36,214,389	40,203,245	42,010,541
Total non-current liabilities[(5)]	8,116,886	17,941,435	29,856,504	33,349,486
Total current liabilities[(4)(5)]	10,732,682	15,227,492	12,267,739	11,971,313
Total equity and liabilities	31,678,351	69,383,316	82,327,488	87,331,340

	Year ended 31 December			Six months ended 30 June	
	2007 (restated) (unaudited)	**2008 (restated) (unaudited)**	**2009 (audited)**	**2009 (unaudited)**	**2010 (unaudited)**
	(AED in thousands)				
Consolidated Cash Flow Data:					
Net cash from/(used in) operating activities[(1)(6)]	(112,811)	4,081,027	6,770,842	3,102,003	3,147,269
Net cash used in investing activities	(6,639,653)	(10,442,784)	(9,926,032)	(5,352,794)	(3,367,304)
Net cash generated from/(used in) financing activities[(6)]	5,429,597	9,763,947	324,893	(367,525)	3,436,024
Net increase/(decrease) in cash and cash equivalents	(1,322,867)	3,402,190	(2,830,297)	(2,618,316)	3,215,989
Cash and cash equivalents, beginning of the period	85,062	(1,237,805)	2,164,385	2,164,385	(665,912)
Cash and cash equivalents, end of the period	(1,237,805)	2,164,385	(665,912)	(453,931)	2,550,077

(1) In connection with the preparation of the income statement for the year ended 31 December 2009, income from settlement of interest rate swap deals was treated as "finance income" whereas this was previously included within "other income" for the years ended 31 December 2007 and 2008. For the years ended 31 December 2007 and 2008, income from settlement of interest rate swap deals included within "other income" amounted to AED 4.407 million and AED 6.125 million, respectively. Accordingly, these amounts have been reclassified from "other income" to "finance income" in the Restated 2007 Results and the Restated 2008 Results to provide for a consistent comparison.

(2) In 2008, DEWA reversed liabilities relating AED 22.956 million of fees in connection with an aborted capital markets transaction which were accounted for in 2007. In 2007, these fees were grouped under "finance costs" but in 2008, the write back of the liability was offset against "administrative expenses". In connection with the preparation of the income statement for the year ended 31 December 2009, the write back of the fees was included within "finance costs" for the year ended 31 December 2008 rather than being offset against "administrative expenses". This has been reflected in the Restated 2008 Results.

(3) In connection with the preparation of the income statement for the year ended 31 December 2009, the negative impact of the amortisation of financial liabilities was included within "finance costs", whereas this was previously included within "finance income" for the year ended 31 December 2008. Accordingly, AED 6.819 million relating to the negative impact of the amortisation of financial liabilities for the year ended 31 December 2008 was reclassified from "finance income" to "finance costs" in the Restated 2008 Results.

(4) DEWA has a right of set off of trade payables and trade receivables from DUBAL, which in 2007 and 2008, were shown separately within "trade and other payables" and "trade and other receivables", respectively. In 2009, these trade payables and trade receivables were netted off in a manner consistent with how the balances are settled. Accordingly, the Restated 2007 Results reflect the netting off of AED 81.745 million of trade payables to DUBAL against the receivable balance and the Restated 2008 Results reflect the netting off of AED 101.951 million of trade payables to DUBAL against the receivable balance. In 2009, DEWA also recognised unallocated cash balances from customers within "trade and other receivables" as opposed to "trade and other payables" as in prior years. Accordingly, "trade and other payables" and "trade and other receivables" in the Restated 2007 Results and the Restated 2008 Results reflect an adjustment of AED 0.201 million and AED 1.307 million, respectively.

(5) In 2007 and 2008, DEWA recognised amounts with respect to retirement benefit obligations due 12 months from the respective balance sheet date within "retirement benefit obligations" as a non-current liability. In 2009, these amounts were recognised within "trade and other payables" as a current liability. Accordingly, AED 18.147 million and AED 19.747 million representing future payments of pension obligations as at 31 December 2007 and 2008, respectively, have been reclassified from "retirement benefit obligations" to current "trade and other payables" in the Restated 2007 Results and the Restated 2008 Results.

In addition, as discussed in note 2.11 ''- Advance received for new connections'' to the 2009 Audited Financial Statements, in connection with the preparation of the 2009 Audited Financial Statements, DEWA amended the manner in which it recognises advances from customers and security deposits. In accordance with the new policy, 90.0 per cent. of new advances from customers in respect of construction and installation of equipment at a customer's project site are now classified as a non-current liability (rather than all balances being treated as a current liability) given the long-term nature of the project. With respect to security deposits received against new electricity and water consumer accounts, 85.0 per cent. of the total outstanding amount is now classified as a non-current liability and 15.0 per cent. is now classified as a current liability (based on historic trends which indicates that on a yearly basis, refunds are in the range of approximately 15.0 per cent. of the outstanding balance). Previously, the entire outstanding balance for security deposits was recognised as a current liability. Accordingly, ''other liabilities and charges'' and ''trade and other payables'' in the Restated 2007 Results and the Restated 2008 Results have been adjusted to provide for a consistent comparison.

(6) In 2009, ''interest paid'' was reclassified from ''cash flows from operating activities'' to ''cash flows from financing activities''. Accordingly, AED 581.903 million of interest paid in the Restated 2007 Results and AED 514.453 million of interest paid in the Restated 2008 Results have been reclassified from ''cash flows from operating activities'' to ''cash flows from financing activities'' provide for a consistent comparison.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information included in "Selected Historical Financial Data", the Financial Statements and the related notes thereto included elsewhere in this Supplement and Base Prospectus. References in this discussion to "2007", "2008" and "2009" are to the Restated 2007 Results, the Restated 2008 Results and the 2009 Results, respectively. For more information relating to the restatements of the results for 2007 and 2008, see "Presentation of Financial Information – Charges in Accounting Policies".

This discussion of DEWA's financial condition and results of operations is based upon DEWA's consolidated financial statements, which have been prepared in accordance with DEWA's internal accounting policies or DEWA GAAP. DEWA GAAP is not an internationally recognised body of accounting principles and accordingly should not be considered as such. Additionally, there are certain differences between DEWA GAAP and IFRS or U.S. GAAP. For a description of the differences between DEWA GAAP and IFRS, see "Presentation of Financial Information" and "Summary of Significant Differences Between DEWA GAAP and IFRS" in the Base Prospectus.

This discussion contains forward-looking statements that involve risks and uncertainties. DEWA'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 Supplement and Base Prospectus, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

Overview

DEWA is the exclusive supplier of electricity and potable water in Dubai and is wholly-owned by the Government. As at 31 August 2010, DEWA's installed electricity generation capacity was 7,829 MW and its installed water desalination capacity was 330 MIGD. DEWA expects that by the end of 2012, it will have increased its installed electricity generation capacity by approximately 20 per cent. and its installed water desalination capacity by approximately 40 per cent. from their current capacities.

Factors Affecting Financial Condition and Results of Operations

The following is a discussion of the most significant factors that have affected, or are expected to affect, DEWA's financial condition and results of operations.

Revenue Growth

Substantially all of DEWA's revenue is derived from the sale of electricity and water to its customers in Dubai. Tariffs for electricity and water in Dubai are controlled by the Government (previously through the Executive Council, and since June 2009, through the Supreme Council of Energy) and are binding on DEWA. Therefore, any proposed adjustment to tariff levels must be approved by the Government before it can be implemented.

On 1 March 2008, following a proposal by DEWA and approval of the Executive Council, the 2008 Tariff Increase, which is based on a "slab rate", or a tiered billing system, was implemented. Aimed at promoting energy efficiency, the new tariffs increase incrementally based on the volume of electricity and water consumed. The net effect of the adjustment has been an increase in average tariffs across DEWA's aggregate customer base, with the exception of UAE nationals, who continue to be charged a flat rate for their residential electricity and water consumption (which were unaffected by the 2008 Tariff Increase).

The 2008 Tariff Increase was the first increase the Government had approved since 1998, notwithstanding increasing costs of production due to growth in demand, inadequacy of natural gas supplies and increasing fuel oil prices. The Government had historically maintained tariffs at low levels to mitigate the effects of inflation on Dubai's residents and businesses. See "*Description of the Business – Principal Operations – Electricity – Sales*" and "*Description of the Business – Principal Operations – Water – Sales*". Accordingly, prior to 1 March 2008, increases in DEWA's revenue were driven exclusively by increases in the volume of electricity and water sold to its customers. Following the implementation of the 2008 Tariff Increase, DEWA experienced a substantial increase in its revenue in 2008, principally as a result of the increase in tariffs as well as an increase in customer demand. However, in 2009 and the first six months of 2010, revenue was again driven by changes in volume of electricity and water sold, and it is expected to continue as such until another tariff change is implemented.

Set forth below are the tables showing the volume of electricity and water sold (consumed by customers in Dubai) for the periods presented, as well as the percentage change between these periods:

	Year ended 31 December			Change		Six months ended 30 June		Change
	2007	2008	2009	2007/2008	2008/2009	2009	2010	2009/2010
				(percentage)				*(percentage)*
Electricity (MWh/year)	22,448,503.71	25,550,252.16	27,469,496.74	13.8%	7.5%	11,606,916.74	12,514,658.28	7.8%
Water (MIG/year)	72,904.19	81,170.88	85,431.86	11.3%	5.3%	40,449.90	40,274.81	(0.4)%

The volume of electricity sold in the six months ended 30 June 2010 grew more than the volume of water sold during the same period because of the slowdown in growth in the residential real estate market. In Dubai, it is typical for a landlord to operate a property's air conditioning units, lighting and appliances, regardless of whether a tenant is occupying the property. Water, however, is not turned on in a property unless a tenant is residing in the property. Another factor affecting the growth in volume of water sold has been the decrease in new construction projects in Dubai, as construction companies tend to use more water at the beginning of a project than in the final stages.

Although the rate of growth has slowed during the periods presented due to the global economic recession, DEWA expects demand for electricity and water to continue to increase in future periods, reflecting the expected growth in both commercial and residential demand for electricity and water as a result of the growth in infrastructure and population of Dubai. There can be no assurance that the Government will approve any further adjustment to DEWA's tariffs in response to increases in demand or increases in cost of production. See "*Risk Factors – Risks Relating to DEWA – Electricity and water tariffs are set by the Government of Dubai and may not reflect DEWA's cost of production*".

Relationship with the Government – Revenue and Non-Cash Receivables

DEWA supplies electricity and water to the Government at the same tariffs as other customers (with the exception of UAE nationals, who are charged reduced tariffs). All such sales are included within DEWA's revenue.

Prior to the implementation of the 2008 Tariff Increase, the Government paid the electricity and water invoices for certain Government ministries and departments on a monthly basis through the issuance of credit notes to DEWA. Such ministries and departments did not pay their invoices to DEWA in cash. In addition, the Government also issued credit notes each month to cover DEWA's electricity and water invoices to certain institutions in Dubai (such as hospitals, mosques, schools and charitable institutions) (collectively, "**Designated Institutions**"), as well as to cover any unpaid residential water invoices of UAE nationals (UAE nationals are required to pay their own electricity invoices). Credit notes issued by the Government are booked as a Government receivable by DEWA until formal approval of the credit note is obtained from the Ruler's Court. Upon approval of the credit note, the Government receivable is offset against DEWA's retained earnings for the relevant period. If retained earnings for the period are insufficient, the remaining receivable amount is offset against the general reserve account in equity. Accordingly, while all such sales are recognised as revenue, the issuance of credit notes by the Government reduces cash flows from operations as well as retained earnings and/or the general reserve account on DEWA's balance sheet.

In March 2008, a Government decree was issued stating that all Government entities must pay their invoices to DEWA in cash and were no longer able to rely on the issuance of credit notes by the Government. This decree does not apply to the payment of invoices by Designated Institutions or the unpaid residential water invoices of UAE nationals. Accordingly, the aggregate amount of credit notes issued by the Government decreased from AED 1,038.5 million in 2007 to AED 622.4 million in 2008 and AED 586.8 million in 2009 as a result of the Government decree. The aggregate amount of credit notes issued by the Government in the six months ended 30 June 2010 was AED 420.1 million as compared to AED 116.7 million in the six months ended 30 June 2009. This increase was principally due to the payment by the Government of a significant portion of invoices (relating to electricity and water consumption by Designated Institutions) issued in respect of the fourth quarter of 2009 during the six months ended 30 June 2010 using credit notes.

In 2007, due to declining profitability, retained earnings were insufficient to offset the entire approved credit note balance and so the remaining approved credit note balance was offset against the general reserve account. Following the 2008 Tariff Increase, DEWA's retained earnings have been sufficient to offset any credit notes approved in 2008, 2009 and the six months ended 30 June 2010.

Cost and Availability of Fuel

DEWA's fuel costs decreased significantly between 2007 and 2008. The principal component of expenditure driving this change was the decreased use of fuel oils in DEWA's generation and desalination plants and the increased use of natural gas. Generally, the cost of natural gas necessary to produce one KiloWatt hour of electricity or one imperial gallon of water is significantly lower than the cost of diesel or other fuel oils necessary to produce an equivalent amount. This situation has been exacerbated in recent years as fuel oil prices have increased at a higher rate than local natural gas prices. Accordingly, DEWA seeks to maximise the use of natural gas to operate its production facilities.

Pursuant to Government regulations, DEWA is required to purchase all of its natural gas requirements from the Government through DUSUP. DUSUP is mandated to seek to obtain sufficient natural gas supplies to meet all of DEWA's requirements. In 2006 and 2007, DUSUP was unable to obtain sufficient supplies of natural gas and DEWA was required to purchase more expensive fuel oils to make up the shortfall necessary to operate its production facilities. This resulted in significantly higher fuel costs in 2007 as compared to 2008. In order to mitigate the high costs of running its production facilities on fuel oils, DEWA negotiated to purchase electricity from ADWEC in 2007 at lower rates than its production cost using fuel oils.

As a result of additional sources of natural gas becoming available at the end of 2007 and a new supply agreement entered into with Dolphin, DUSUP was able to meet substantially all of DEWA's natural gas requirements during 2008 and 2009 and the six months ended 30 June 2010. Accordingly, DEWA's fuel costs decreased significantly in 2008 as compared to 2007, and it no longer needed to purchase electricity from ADWEC. DEWA's fuel costs increased in the six months ended 30 June 2010 as compared to the six months ended 30 June 2009 due to an increase in natural gas prices as well as increased consumption, which was partially offset by a decrease in fuel oil prices. During the six months ended 30 June 2010, DEWA was also required to utilise fuel oil in its generation and desalination plants due to a few days unavailability of natural gas as a result of routine maintenance works on the DUSUP supply pipeline, resulting in an increase in fuel costs as compared to the prior period in 2009. The increase in the cost of natural gas was in large part due to decreased availability resulting from increased global demand. For 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010, DUSUP supplied DEWA with 201,196,307 one million British thermal units ("**MMBTU**"), 314,525,244 MMBTU, 324,589,276 MMBTU, 147,017,984 MMBTU and 150,960,212 MMBTU of natural gas, respectively. DEWA receives natural gas from DUSUP at pre-agreed prices, which are generally lower than the market price for natural gas, and represent a fixed price plus a small margin linked to DUSUP's cost of sales. In 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010, the average cost of one MMBTU of natural gas purchased from DUSUP was U.S.$1.53, U.S.$1.94, U.S.$2.00, U.S.$2.00 and U.S.$2.26, respectively.

The effects of the volatility in availability of natural gas on DEWA's total fuel and electricity costs can be seen in the table below which sets forth total natural gas and fuel oil costs, as well as cost of electricity purchases, in respect of the periods presented:

	Year ended 31 December			**Six months ended 30 June**	
	2007 (restated) (unaudited)	**2008 (restated) (unaudited)**	**2009 (audited)**	**2009 (unaudited)**	**2010 (unaudited)**
			(AED in thousands)		
Cost of Natural Gas	1,133,648	2,245,000	2,383,534	1,079,095	1,253,117
Cost of Fuel Oil(1)	2,178,894	121,009	55,813	49,968	141,657
Cost of Electricity Purchases	934,581	338(2)	2,682(2)	2,502(2)	—
Total Fuel and Electricity Costs	**4,247,123**	**2,366,347**	**2,442,029**	**1,131,565**	**1,394,774**

(1) DEWA also purchases a certain amount of fuel oils for plant maintenance purposes.

(2) Electricity purchases in 2008, 2009 and the six months ended 30 June 2009 represents purchases of excess electricity from DUBAL, which DEWA is required to purchase to maintain technical stability across the network. DEWA is also required to purchase any excess water from DUBAL. This water is desalinated and remineralised by DUBAL to match DEWA's standards and is therefore potable. See "*Description of the Business – Industry Overview – General Trends – The Purchase of Electricity from Third Parties*".

Pursuant to Government decree, DEWA and DUBAL, the other principal consumer of natural gas in Dubai that is also supplied by DUSUP, entered into a cost sharing arrangement. DEWA and

DUBAL agree to share the additional costs of utilising fuel oils in accordance with their respective energy consumption rates, being approximately 70 per cent. and 30 per cent., respectively. Any cost incurred or benefit obtained under this arrangement is included within "Cost of Sales" in DEWA's statement of income. Any required payments under the cost sharing arrangement are made on an annual basis.

Pursuant to conversations with DUSUP, DEWA expects that DUSUP will be able to meet all of DEWA's ongoing natural gas requirements through 2012 based on DEWA's current projected needs. However, there can be no assurance that DUSUP will be able to supply DEWA with sufficient amounts of natural gas as anticipated or beyond 2012. If DUSUP is unable to obtain additional sources of natural gas to supply DEWA's increased fuel needs, DEWA may again be required to increase its use of fuel oils or electricity purchases to cover any shortfall in the supply of natural gas, which could adversely affect its profitability. See "*Risk Factors – Risks Related to DEWA – DEWA is dependent on DUSUP for its entire supply of natural gas and there can be no assurance that there will be enough natural gas or other cost efficient sources of fuel available to meet DEWA's production needs*".

Costs Related to Employment

DEWA's staff costs increased during the periods under review principally due to an increase in the number of employees. The increase in the number of employees relates primarily to an increase in the number of stations in operation and an increase in maintenance activities to DEWA's transmission and distribution networks, reflecting DEWA's expanding business, as well as reduced employee attrition during the periods under review. Staff costs also increased between 2007 and 2009 as a result of an increase in salaries of approximately 3 to 4 per cent. per annum. Furthermore, in addition to its annual bonus programme, in 2008, DEWA made a one-time award of AED 57.0 million to its employees pursuant to the Dubai Government Excellence Programme (the "**2008 Special Award**"), which accordingly resulted in increased staff costs in that year. In 2008, DEWA also significantly expanded the coverage available under its medical insurance plan, resulting in an additional increase in staff costs in that year and future periods.

The table set forth below indicates the principal components of staff costs during the periods presented:

	Year ended 31 December			Change		Six months ended 30 June		Change
	2007 (restated) (unaudited)	2008 (restated) (unaudited)	2009 (audited)	2007/2008	2008/2009	2009 (unaudited)	2010 (unaudited)	2009/2010
	(AED in thousands)			*(percentage)*		*(AED in thousands)*		*(percentage)*
Consolidated Income Statement Data:								
Salaries	626,169	745,039	870,564	19.0%	16.8%	425,921	475,191	11.6%
Bonus	56,590	48,250	57,600	(14.7)%	19.4%	28,800	37,500	30.2%
Employee end of service indemnity	53,489	41,228	24,684	(22.9)%	(40.1)%	20,932	21,537	2.9%
Pension and other benefits	74,494	169,187	135,284	127.1%	(20.0)%	67,976	88,022	29.5%
Total	810,742	1,003,704	1,088,132	23.8%	8.4%	543,629	622,250	14.5%
Number of employees as of period end	6,830	7,612	8,133	11.4%	6.8%	7,778	8,347	7.3 %

DEWA expects that staff costs will continue to increase in the future reflecting both increases in staff necessary to satisfy maintenance requirements for its expanding transmission and distribution network and its increase in generation and desalination activities, as well as increases in salary levels due to the expected level of competition for qualified employees in Dubai.

Costs Incurred in Expanding Production Capacity and Transmission and Distribution Networks

During the periods under review, DEWA's electricity generation and water production capacity increased as new power and desalination plants were completed, with Phase II and Phase III of Station H and Phase I and Phase II of Station L being commissioned between 2007 and May 2010. Construction of Station M, which began in March of 2007, continued throughout the periods under review. DEWA expects construction of Station M to be completed by mid-2012. In addition, DEWA has rapidly increased its electricity transmission and water distribution networks in order to meet the demands of the growing Dubai market. DEWA relies on third parties to construct its production facilities, as well as portions of its transmission and distribution systems. These contracts are generally awarded on a "turnkey" basis. The costs associated with these projects are capitalised and depreciated in accordance with DEWA's accounting policies, with depreciation recognised from the moment that the plant becomes operational.

As a result of its capital expenditure programme, depreciation has been increasing during the periods under review and this trend is expected to continue for the foreseeable future as DEWA continues to incur significant capital expenditure to increase its production capacity and extend its transmission and distribution networks. However, during 2008, DEWA performed a review of the useful lives of its property, plant and equipment and revised the estimates of their useful lives from between 2 and 20 years to between 2 and 30 years, which, notwithstanding the significant capital expenditure on property, plant and equipment, resulted in a decrease in depreciation expense in 2008 of AED 422.9 million.

Transfers of Substations to DEWA and Amortisation of the Related Deferred Revenue

In order to accelerate their construction timetables, developers will sometimes construct substations for their properties to DEWA's specifications and then transfer ownership of the substations to DEWA once commissioned. To account for this transfer, these substations are recognised as an asset (valued at the price of construction to the developers) and a corresponding liability is created under "deferred revenue" on DEWA's balance sheet. These substations are depreciated in accordance with DEWA's accounting policies and an equivalent amount of the "deferred revenue" liability is amortised and included within "other income" in the income statement. Because there were a number of substations transferred to DEWA in the six months ended 30 June 2010 and in the year ended 31 December 2009, other income arising from the amortisation of deferred revenue increased significantly in those periods.

Transfer of Land to DEWA

On 26 July 2008, a Government order was issued stating that title to all existing and future land granted by the Government to DEWA would be transferred to DEWA. Accordingly, DEWA has capitalised certain plots of land on the basis of valuations obtained from the Land Department of Dubai and has treated such amounts as an equity contribution by the Government. The remaining plots have not yet been valued and will be capitalised once the valuation process has been completed.

As a result, the amount of property, plant and equipment on DEWA's balance sheet increased substantially in 2008, principally reflecting the amount of land that had been transferred to DEWA and capitalised. The amount of property, plant and equipment increased to a lesser degree in 2009 as a smaller amount of land (and at a lower value) was transferred as compared to 2008. In early 2010, a land plot of 16.4 million square metres was transferred to DEWA in connection with a proposed independent water and power production project (**"IWPP"**). As at 30 June 2010, the total number of plots valued was 1,821 (26.8 million square metres) out of a total estimated 3,588 plots (44.2 million square metres). Additional land transfers are expected during the remainder of 2010 and future years as the process of valuation continues.

The property, plant and equipment owned by DEWA (including the transferred land from the Government) may be used in connection with Shari'a compliant financing, including sukuk, and may be mortgaged to third parties but cannot be sold or used for any other purpose other than in connection with DEWA's day-to-day operations.

Net Finance Costs

Until 2006, DEWA was able to fund its capital expenditure programmes from its internal cash flow generation. However, as a result of increasing capital expenditure requirements, since 2007 DEWA has been required to fund a portion of its capital expenditure through borrowings and the capital markets. As a result of the foregoing, net finance costs increased during the periods under review, reflecting a significant increase in indebtedness. DEWA expects to continue to increase borrowings in the future in order to fund its significant capital expenditure programmes. See "*– Liquidity and Capital Resources*" for more information.

Net finance costs increased in the first six months of 2010, as compared to the same period in 2009, in large part due to costs related to DEWA's increased borrowings, including borrowings of U.S.$1 billion under this Programme in April 2010. Net finance costs increased in 2009 as a result of a restructuring of DEWA's interest rate swaps. In 2007, DEWA entered into interest rate swaps in connection with its floating rate indebtedness with aggregate notional amounts of AED 5.5 billion. In

2008, to take advantage of favourable interest rates in the market, these interest rate swaps were restructured to an aggregate notional amount of AED 5.6 billion, and DEWA recognised AED 6.1 million of interest income on the settlement of the previous swaps. In 2009, DEWA again restructured the interest rate swaps to align them with increasing interest rates, and as a result recognised AED 170.6 million of interest expense on settlement of the previous swaps.

Acquisition of controlling stake in Empower

On 23 November 2009, DEWA acquired an additional 20.0 per cent. equity interest in Emirates Central Cooling Systems Corporation ("**Empower**"), a joint venture that it established with the Technology, Electronic Commerce and Media Free Zone ("**TECOM**"), resulting in DEWA holding a 70 per cent. majority interest in Empower, which since that date, has been fully consolidated in DEWA's financial statements. See "*Description of the Business – District Cooling*". The acquisition of the additional equity interest in Empower contributed revenue of AED 25.5 million and net profit of AED 3.5 million for the period from the date of acquisition until 31 December 2009. The acquisition of the additional equity interest in Empower also resulted in an additional AED 1,104.2 million of indebtedness on DEWA's balance sheet as at 31 December 2009. DEWA's share of profit or loss from Empower prior to that period was recognised within DEWA's income statement as "share of profit in a joint venture". However, had the acquisition occurred on 1 January 2009, the contribution to DEWA's revenue would have been AED 357.4 million and net profit would have been AED 65.5 million. See note 7 "*– Business Combination*" to the 2009 Audited Financial Statements for more information.

Seasonality

DEWA's electricity sales are seasonal. Generally, demand for electricity in Dubai is up to three times higher in the warmer months of July, August, September and October than in the cooler months due to an increase in the use of air conditioning. There is very little seasonality in demand for water. As a result of the seasonality of electricity sales, DEWA's revenue and operating profit tends to be highest in the third quarter of the year.

Historical Results of Operations

The following discussion is based on DEWA's audited historical annual consolidated financial statements, which have been prepared in conformity with DEWA GAAP.

Explanation of income statement line items

Revenue

DEWA's revenue is comprised of income earned from tariffs charged on the provision of electricity and water in Dubai. Revenue is recognised upon issuance of an invoice to the customer. As discussed above, certain invoices to Designated Institutions and unpaid residential water invoices of UAE nationals are settled via credit notes issued to DEWA by the Government instead of cash payments. See "*– Factors Affecting Financial Condition and Results of Operations – Relationship with the Government – Revenue and Non-Cash Receivables*" for more information. These invoices, however, are included within revenue.

Cost of Sales

Cost of sales includes: expenditures arising from the generation of electricity and desalination of water, which principally consist of fuel costs, depreciation of generation and desalination plants, staff costs and costs relating to repairs and maintenance of plants; expenditures arising from the transmission and distribution of electricity and water, which principally consist of depreciation of supply lines, substation equipment and pipe installations, staff costs and costs relating to repairs and maintenance of networks; and expenses due to the purchase of electricity from ADWEC and the purchase of excess electricity and water from DUBAL.

Other income

Other income principally includes: amortisation of deferred income (relating to substation transfers); net income from customer installations (net of the costs of such installation); meter rental income; meter reconnection fees; testing and service charges; foreign currency translation gains or losses; and income from penalties, damage claims and sale of scrap. Penalty charges are imposed upon parties for the late delivery of goods in accordance with contractual terms, as well as damages caused to DEWA property during the construction process. Auctions are conducted for the disposal of scrap metals, cables and transformers.

Administrative expenses

Administrative expenses principally includes: staff costs (relating to administrative and general management employees); insurance; depreciation and amortisation of administrative property; provision for slow moving and obsolete inventory; and repairs and maintenance.

Net finance costs

Net finance costs principally include interest expense on bank borrowings and other debt and the amortisation of arrangement fees; interest expense and interest income recognised on the settlement of interest rate swap contracts; interest income on short term bank deposits; and the impact of amortisation of financial liabilities.

Share of profit/(loss) in a joint venture

Share of profit or loss in a joint venture in the periods presented reflects DEWA's share of profit or loss from Empower prior to 23 November 2009, the date on which a majority interest was acquired by DEWA. The financial results of Empower have been fully consolidated in DEWA's financial statements from that date.

Taxation

There is currently no corporate tax applicable to corporate entities operating in Dubai. Accordingly, during the years under review, DEWA was not required to recognise any taxation expense, whether deferred or actual.

Income Statement Data for the six months ended 30 June 2009 and 2010

The following table sets forth DEWA's income statement data for the periods under review:

	Six months ended 30 June		**Change**
	2009 (unaudited)	**2010 (unaudited)**	**2009/2010**
	(AED in thousands)		*(percentage)*
Revenue	4,507,089	4,660,385	3.4%
Cost of sales	(2,379,284)	(2,870,615)	20.7%
Gross profit	2,127,805	1,789,770	(15.9)%
Other income	177,003	544,760	207.8%
Administrative expenses.	(219,108)	(315,495)	44.0%
Operating profit.	2,085,700	2,019,035	(3.2)%
Finance income	72,991	184,680	153.0%
Finance costs	(517,803)	(700,552)	35.3%
Finance costs – net.	(444,812)	(515,872)	16.0%
Share of profit in a joint venture	2,995	—	—
Total comprehensive income for the period	1,643,883	1,503,163	(8.6)%

The following table sets forth the components of DEWA's revenue for the periods under review:

	Six months ended 30 June		Change
	2009 (unaudited)	2010 (unaudited)	2009/2010
	(AED in thousands)		*(percentage)*
Revenue			
Electricity	3,209,830	3,332,277	3.8%
Water	1,297,259	1,152,224	(11.2)%
Demand, consumption, connection and other charges	—	175,884	—
Total	4,507,089	4,660,385	3.4%

Six months ended 30 June 2009 compared to the six months ended 30 June 2010

Revenue

Revenue from the generation and sale of electricity and water for the six months ended 30 June 2010 was AED 4,660.4 million as compared to revenue of AED 4,507.1 million for the six months ended 30 June 2009, which represents an increase of 3.4 per cent., or AED 153.3 million. The increase in revenue reflects an increase in the volume of electricity sold partially offset by a decrease in the volume of water sold, as discussed above.

Cost of sales

Cost of sales for the six months ended 30 June 2010 was AED 2,870.6 million as compared to AED 2,379.3 million for the six months ended 30 June 2009, which represents an increase of 20.7 per cent., or AED 491.3 million. This increase reflects an increase in expenditure relating to generation and desalination plants and transmission and distribution networks as discussed below.

Generation and desalination expenditure for the six months ended 30 June 2010 was AED 2,166.5 million as compared to AED 1,740.1 million for the six months ended 30 June 2009, which represents an increase of 24.5 per cent., or AED 426.4 million. This was primarily due to an increase in the volume of fuel oil and natural gas used, as well as an increase in the average cost of natural gas from U.S.$2.00 per MMBTU for the six months ended 30 June 2009, to U.S.$2.26 per MMBTU for the six months ended 30 June 2010. Generation and desalination expenditure was also affected by an increase in depreciation, reflecting the commissioning of Phase II of Station L in May 2010, as well as an increase in staff costs.

Transmission and distribution expenditure for the six months ended 30 June 2010 was AED 704.1 million as compared to AED 634.0 million for the six months ended 30 June 2009, which represents an increase of 11.1 per cent., or AED 70.1 million. This was primarily due to an increase in depreciation due to the transfer of additional substations to DEWA and in operation, as well as an increase in staff costs relating to an increase in repairs and maintenance due to growth of the existing network.

Other income

Other income for the six months ended 30 June 2010 was AED 544.8 million as compared to AED 177.0 million for the six months ended 30 June 2009, which represents an increase of 207.8 per cent., or AED 367.8 million. The increase in other income was primarily due a foreign currency translation gain of AED 333.9 million from DEWA's Euro-denominated loans as a result of a decline in the value of the Euro against the dirham. Other income also increased as a result of an increase in the amortisation of deferred income due to the transfer of additional substations to DEWA, as discussed above, an increase in the overall number of customers, which resulted in an increase in net income earned from consumer installations and an increase in charges related to connecting and re-connecting properties to the electricity and water grids.

Administrative expenses

Administrative expenses for the six months ended 30 June 2010 were AED 315.5 million as compared to AED 219.1 million for the six months ended 30 June 2009, which represents an increase of 44.0 per cent., or AED 96.4 million. This increase was due in large part to an increase in the number of employees which increased from 7,778 as at the six months ended 30 June 2009 to 8,347 as at the six months ended 30 June 2010 (resulting in an increase in salaries and bonuses), as well as an increase in impairment charges relating to certain assets of Empower.

Operating profit

Operating profit for the six months ended 30 June 2010 was AED 2,019.0 million as compared to AED 2,085.7 million, a decrease of 3.2 per cent., or AED 66.7 million. This decrease was primarily due to an increase in cost of sales, offset in part by an increase in revenue and the large foreign currency translation gain in the six months ended 30 June 2010. Operating margin decreased to 43.3 per cent. in the six months ended 30 June 2010 as compared to 46.3. per cent. in the prior period.

Net finance costs

Net finance costs for the six months ended 30 June 2010 were AED 515.9 million as compared to AED 444.8 million for the six months ended 30 June 2009, which represents an increase of 16.0 per cent. or AED 71.0 million. The increase in net finance costs was primarily due to a significant increase in DEWA's borrowings, including borrowings in April 2010 under this Programme, and an increase in overall interest rates associated with borrowings. This increase was partially offset, however, by a significant increase in finance income, reflecting an increase in retentions relating to amounts payable under construction contracts following the completion of defect liability periods, resulting in income being recognised on the discounting of these financial liabilities.

Share of profit in joint venture

Share of profit in a joint venture for the six months ended 30 June 2009 was AED 3.0 million. The profit in the six months ended 30 June 2009 represents DEWA's share of profits in Empower prior to 23 November 2009 when it became fully consolidated.

Profit for the period

As a result of the factors described above, DEWA made a profit of AED 1,503.2 million for the six months ended 30 June 2010 as compared to a profit of AED 1,643.9 million for the six months ended 30 June 2009, which represents a decrease of 8.6 per cent., or AED 140.7 million, in the six months ended 30 June 2010.

Income Statement Data for the years ended 31 December 2007, 2008 and 2009

The following table sets forth DEWA's income statement data for the years under review:

	Year ended 31 December			Change	
	2007 (restated) (unaudited)	**2008 (restated) (unaudited)**	**2009 (audited)**	**2007/2008**	**2008/2009**
	(AED in thousands)			*(percentage)*	
Revenue	6,123,332	9,286,921	10,285,600	51.7%	10.8%
Cost of sales	(6,349,342)	(4,344,098)	(5,133,278)	(31.6)%	18.2%
Gross profit/(loss)	(226,010)	4,942,823	5,152,322	2287.0%	4.2%
Other income	189,013	251,840	476,428	33.2%	89.2%
Administrative expenses	(369,451)	(500,008)	(463,629)	35.3%	(7.3)%
Operating profit/(loss)	(406,448)	4,694,655	5,165,121	1255.0%	10.0%
Finance income	254,709	130,256	90,945	(48.9)%	(30.2)%
Finance costs	(585,363)	(590,481)	(1,128,763)	0.9%	91.2%
Finance costs – net	(330,654)	(460,225)	(1,037,818)	39.2%	125.5%
Share of profit/(loss) in a joint venture	(6,857)	791	36,169	111.5%	4472.6%
Total comprehensive income for the year	(743,959)	4,235,221	4,163,472	669.3%	(1.7)%

The following table sets forth the components of DEWA's revenue for the years under review:

	Year ended 31 December			Change	
	2007 (restated) (unaudited)	2008 (restated) (unaudited)	2009 (audited)	2007/2008	2008/2009
	(AED in thousands)			*(percentage)*	
Revenue					
Electricity	4,202,471	6,740,194	7,512,104	60.4%	11.5%
Water	1,920,861	2,546,727	2,747,985	32.6%	7.9%
Demand, consumption, connection and other charges(1)	—	—	25,511	—	—
Total	6,123,332	9,286,921	10,285,600	51.7%	10.8%

(1) Relates to revenue from Empower which was fully consolidated as of 23 November 2009.

2008 compared to 2009

Revenue

Revenue from the generation and sale of electricity and water for 2009 was AED 10,285.6 million as compared to revenue of AED 9,286.9 million for 2008, which represents an increase of 10.8 per cent., or AED 998.7 million. The increase in revenue reflects an increase in the volume of electricity and water sold, as discussed above, as well as the full year effect of the 2008 Tariff Increase.

Cost of sales

Cost of sales for 2009 was AED 5,133.3 million as compared to AED 4,344.1 million for 2008, which represents an increase of 18.2 per cent., or AED 789.2 million. This increase reflects an increase in expenditures relating to generation and desalination plants and transmission and distribution networks.

Generation and desalination expenditure for 2009 was AED 3,749.1 million as compared to AED 3,408.1 million for 2008, which represents an increase of 10.0 per cent., or AED 341.0 million. This was primarily due to an increase in the volume of natural gas used in connection with increased generation and desalination activities, as well as a small increase in natural gas prices. Generation and desalination expenditure was also affected by an increase in depreciation for the reasons discussed above.

Transmission and distribution expenditure for 2009 was AED 1,379.0 million as compared to AED 927.3 million for 2008, which represents an increase of 48.7 per cent., or AED 451.7 million. This was primarily due to an increase in staff costs relating to an increase in repairs and maintenance of the existing network, as well as an increase in depreciation due to an increase in the number of substations transferred to DEWA and in operation.

Other income

Other income for 2009 was AED 476.4 million as compared to AED 251.8 million for 2008, which represents an increase of 89.2 per cent., or AED 224.6 million. The increase in other income was primarily due to an increase in the amortisation of deferred income relating to substations transferred to DEWA by developers, as discussed above. Other income also increased as a result of a growth in customers for electricity and water, which resulted in an increase in net income earned from consumer installations and an increase in charges related to meter rentals arising from an increase in the number of installed meters. Other income was also affected by an increase in penalties associated with the late delivery of property, plant and equipment and the consolidation of Empower in late November.

Administrative expenses

Administrative expenses for 2009 were AED 463.6 million as compared to AED 500.0 million for 2008, which represents a decrease of 7.3 per cent., or AED 36.4 million. Although the number of employees' and accordingly the payment of salaries and bonuses increased in 2009, the decrease in administrative expenses reflected the payment of the 2008 Special Award, which was a one-time payment to all employees in 2008.

Operating profit

Operating profit for 2009 was AED 5,165.1 million as compared to AED 4,694.7 million, an increase of 10.0 per cent., or AED 470.4 million. This increase was primarily due to an increase in the volume of electricity and water sold, offset in part by an increase in cost of sales. Operating margin decreased to 50.2 per cent. in 2009 from 50.6 per cent. in 2008.

Net finance costs

Net finance costs for 2009 were AED 1,037.8 million as compared to AED 460.2 million for 2008, which represents an increase of 125.5 per cent. Or AED 577.6 million. The increase in net finance costs was primarily due to a significant increase in interest expense as a result of an increase in interest rates associated with borrowings (which also increased in 2009), as well as payments required in connection with the restructuring of DEWA's interest rate swaps in 2009, as discussed above. Net finance costs were also affected by a decrease in finance income due to a decrease in interest income on short term bank deposits as cash was primarily used to fund DEWA's capital expenditures in 2009.

Share of profit/(loss) in a joint venture

Share of profit in a joint venture was AED 36.2 million for 2009 as compared to a profit of AED 0.8 million for 2008. This represents DEWA's share of profits in Empower prior to 23 November 2009 when it became fully consolidated.

Profit for the year

As a result of the factors described above, DEWA made a profit of AED 4,163.5 million for 2009 as compared to a profit of AED 4,235.2 million for 2008, which represents a decrease of 1.7 per cent., or AED 71.7 million, in 2009.

2007 compared to 2008

Revenue

Revenue from the generation and sale of electricity and water for 2008 was AED 9,286.9 million as compared to revenue of AED 6,123.3 million for 2007, which represents an increase of 51.7 per cent., or AED 3,163.6 million. The substantial increase in 2008 was primarily due to the implementation of the 2008 Tariff Increase on 1 March 2008, which affected revenue in the last ten months of 2008, as well as an increase in the volume of sales of both electricity and water.

As a result of the 2008 Tariff Increase, the current electricity tariffs range from 20 to 33 fils/kWh for non-UAE nationals, private and public sector entities as compared to a flat rate of 20 fils/kwH prior to the 2008 Tariff Increase and the current water tariffs range from 3 to 4 fils/imperial gallon for non-UAE nationals, private and public sector entities as compared to a flat rate of 3 fils/imperial gallon prior to the 2008 Tariff Increase. The electricity and water tariffs for UAE nationals were unaffected by the 2008 Tariff Increase and are 7.5 fils/kWh and 1.5 fils/imperial gallon, respectively.

Cost of sales

Cost of sales for 2008 was AED 4,344.1 million as compared to cost of sales of AED 6,349.3 million for 2007, which represents a decrease of 31.6 per cent., or AED 2,005.2 million. This was due to a decrease in expenditures relating to generation and desalination plants and transmission and distribution networks.

Generation and desalination expenditure for 2008 was AED 3,408.1 million as compared to AED 4,428.9 million for 2007, which represents a decrease of 23.0 per cent., or AED 1,020.8 million. This was primarily due to an increase in supplies of natural gas from DUSUP, which was sufficient to meet all of DEWA's production requirements for 2008, resulting in a decrease in costs associated with the use of fuel oils, despite increased production of electricity and water. The increase in availability of natural gas also resulted in a decrease in the amount of electricity purchased from ADWEC in 2008. Generation and desalination expenditures was also affected by the revision in useful lives of property, plant and equipment as discussed above, which resulted in a decrease in depreciation in 2008, offset in part by increased repairs and maintenance expenses at DEWA's generation and desalination plants, in accordance with regular maintenance procedures.

Transmission and distribution expenditure for 2008 was AED 927.3 million as compared to AED 964.4 million for 2007, which represents a decrease of 3.8 per cent., or AED 37.1 million. The decrease in transmission and distribution expenditure primarily reflected a decrease in depreciation as a result of the revision in the useful lives of property, plant and equipment during 2008 as discussed above, notwithstanding an increase in staff costs.

Other income

Other income for 2008 was AED 251.8 million as compared to AED 189.0 million for 2007, which represents an increase of 33.2 per cent., or AED 62.8 million, in 2008. The increase in other income was primarily due to a growth in customers for electricity and water, which resulted in an increase in net income earned from consumer installations and an increase in charges related to meter rentals arising from an increase in the number of installed meters. Other income also increased due to a significant increase in penalties due from the late delivery of property, plant and equipment and damages caused to the transmission and distribution network by contractors.

Administrative expenses

Administrative expenses for 2008 were AED 500.0 million as compared to AED 369.5 million for 2007, which represents an increase of 35.3 per cent., or AED 130.5 million. The increase in administrative expenses primarily reflects increased staff costs, namely the payment of the 2008 Special Award, as well as an increase in salaries and the number of employees.

Operating profit

Operating profit for 2008 was AED 4,694.7 million as compared to a loss of AED 406.4 million in 2007. The significant increase in operating profit was due to the effects of the 2008 Tariff Increase and a significant decrease in DEWA's cost of sales driven by the availability of natural gas in amounts sufficient to meet DEWA's needs thereby reducing the need for costly fuel oils. Operating margin increased to 50.6 per cent. in 2008 as compared to margin of negative 6.6 per cent. in 2007.

Net finance costs

Net finance costs for 2008 were AED 460.2 million as compared to AED 330.7 million for 2007, which represents an increase of 39.2 per cent., or AED 129.5 million, in 2008. The increase in net finance costs represents an increase in finance costs associated with borrowings used to fund capital expenditure as well as a decrease in finance income due to a decrease in interest rates on short term bank deposits.

Share of profit/(loss) in a joint venture

Share of profit in a joint venture, namely Empower, was AED 0.8 million for 2008 as compared to a loss of AED 6.9 million for 2007. The Empower joint venture was in the start-up phase of operations in 2007 and became profitable in 2008.

Profit/(loss) for the year

As a result of the factors described above, DEWA made a profit of AED 4,235.2 million for 2008 as compared to a loss of AED 744.0 million for 2007.

Liquidity and Capital Resources

During the periods under review, DEWA has funded its working capital needs and capital expenditure requirements from cash from operations and borrowings. As at 31 August 2010, DEWA had AED 24,606.3 million of outstanding indebtedness (of which AED 1,074.1 million related to indebtedness of Empower). DEWA has a significant amount of borrowings coming due in the next few years, including AED 4,753.6 million (of which AED 892.4 million relates to indebtedness of Empower) of short term debt.

As discussed below under "– *Capital Expenditure*", DEWA has significant capital expenditure requirements for the foreseeable future relating to its planned expansion of production capacity in light of anticipated increased growth of electricity and water demand in Dubai, which it expects to fund through a combination of future operating cash flow and future external borrowings. DEWA also intends to repay some of its short-term debt over the next twelve months, and also intends to fund these repayments from operating cash flow and borrowings. DEWA currently intends to repay U.S.$734.4 million of its Syndicated Facilities (as defined below) on 13 April 2011, the first amortisation date of the Syndicated Facilities. DEWA also currently intends to voluntarily repay U.S.$111.4 million under its Securitisation Programme (as defined below) on 15 December 2010. DEWA is contractually obligated to repay AED 40 million per month in respect of its DIB Facility. Finally, the management of EMPOWER is currently in negotiations with banks to refinance, in full, its syndicated loan of U.S.$226 million, currently due in December 2010. As a result of the foregoing, DEWA will have significant refinancing requirements in the next 12 months.

As at 31 August 2010, the Syndicated Facilities and the DIB Facility (as defined below) had been fully utilised and €209.5 million was available under the ECA Agreement and AED 1,818.3 million was available for utilisation pursuant to an overdraft facility with Emirates Bank. DEWA may seek financing from the capital markets, subject to market conditions. In particular, DEWA may issue notes under the Securitisation Programme, of which U.S.$2,551.1 million (AED 9,371.3 million) was available for issuance as at 31 August 2010, or additional Notes under this Programme. For more information, see *"– Material Indebtedness" and "Summary of Material Contracts*".

DEWA expects that a substantial portion of its capital expenditure in the future will continue to be funded by borrowings from third parties as well as from the proceeds of the Notes or other debt instruments in the capital markets, subject to market conditions. There can be no assurance that funding from these sources will be available in the future or that such funding will be available on favourable terms, if at all. If DEWA is unable to obtain such funding, its ability to implement its growth strategy may be materially adversely affected. See "*Risk Factors – Risks Relating to DEWA – DEWA may not be able to adequately fund its capital expenditure*".

Cash Flow

The following table sets forth certain information about DEWA's cash flows for the periods under review:

	Year ended 31 December			**Six months ended 30 June**	
	2007 (restated) (unaudited)	**2008 (restated) (unaudited)**	**2009 (audited)**	**2009 (unaudited)**	**2010 (unaudited)**
	(AED in thousands)			*(AED in thousands)*	
Net cash from/(used in) operating activities	(112,811)	4,081,027	6,770,842	3,102,003	3,147,269
Net cash used in investing activities	(6,639,653)	(10,442,784)	(9,926,032)	(5,352,794)	(3,367,304)
Net cash generated from/(used in) financing activities	5,429,597	9,763,947	324,893	(367,525)	3,436,024
Net increase/(decrease) in cash and cash equivalents	(1,322,867)	3,402,190	(2,830,297)	(2,618,316)	3,215,989
Cash and cash equivalents, beginning of the year	85,062	(1,237,805)	2,164,385	2,164,385	(665,912)
Cash and cash equivalents, end of the year	(1,237,805)	2,164,385	(665,912)	(453,931)	2,550,077

Net cash from/(used in) operating activities. Net cash from operating activities for the six months ended 30 June 2010 was AED 3,147.3 million as compared to AED 3,102.0 million for the six months ended 30 June 2009. This increase primarily reflects an increase in consumer security deposits and inventories, offset in part by a decrease in operating profit. Net cash from operating activities for 2009 was AED 6,770.8 million as compared to AED 4,081.0 million net cash from operating activities in 2008 and AED 112.8 million net cash used in 2007. The increase in net cash from operating activities in 2009 primarily reflects an increase in operating profit due to an increase in customer demand in Dubai. The significant increase in net cash generated from operating activities in 2008 as compared to 2007 reflects a substantial increase in profits principally as a result of the 2008 Tariff Increase and the significant decrease in cost of sales as a result of increased supplies of natural gas.

Another important factor impacting DEWA's net cash generated from operating activities in 2008 and 2009 is that following the Government decree in March 2008, invoices to certain Government ministries and offices are paid directly to DEWA in cash rather than by the Government issuing credit notes. See *"– Factors Affecting Financial Condition and Results of Operations – Relationship with the Government – Revenue and Non-Cash Receivables*". These non-cash "payments" are referred to in the cash flow statement as "Adjustment in Government of Dubai Account" and the decrease in these non-cash payments and comparative increase in cash payments contributed to the increase in cash flow from operating activities during the years under review.

Net cash used in investing activities. Net cash used in investing activities for the six months ended 30 June 2010 was AED 3,367.3 million as compared to AED 5,352.8 million for the six months ended 30 June 2009. The decrease largely reflects a decrease in capital expenditure in the six months ended 30 June 2010 as a result of the deferral of projects due to adverse economic conditions and a decrease in forecasted rate of growth in demand for electricity and water. Net cash used in investing activities for 2009 was AED 9,926.0 million as compared to AED 10,442.8 million for 2008 and AED 6,639.7 million for 2007. The decrease in net cash used in investing activities in 2009 principally relates to a decrease in capital expenditures due to delaying completion dates for certain projects as a result of adverse global economic conditions and a decrease in the forecasted rate of growth in demand for electricity and water in Dubai over future periods. The increase in 2008 primarily reflects an increased level of capital expenditure during that year.

Net cash generated from/(used in) financing activities. Net cash from financing activities for the six months ended 30 June 2010 was AED 3,436.0 million as compared to net cash used in financing activities of AED 367.5 million for the six months ended 30 June 2009. In the six months ended 30 June 2009, a high level of borrowing (AED 8,361.6 million) was wholly offset by the repayment of AED 8,264.3 million of outstanding debt, while in the six months ended 30 June 2010, a lower level of borrowing (AED 4,693.6 million), was only partially offset by such repayments (AED 636.8 million of debt). DEWA made substantial repayment of debt in 2009 in order to reduce concentration risk as a result of a higher amount of available cash. Net cash generated from financing activities for 2009 was AED 324.9 million as compared to AED 9,763.9 million for 2008 and AED 5,429.6 million for 2007. The significant decrease in 2009 was principally due to the refinancing of DEWA's outstanding debt, offset in part by a slight increase in the amount of borrowings for capital expenditures. In 2009, DEWA's capital expenditures were primarily funded with cash flow from operations, as well as borrowings under the ECA Agreement. The increase in 2008 principally reflects an increase in borrowings used to finance capital expenditures, partially offset by the repayment of AED 6,175.0 million of indebtedness.

Material Indebtedness

The following is a description of DEWA's outstanding material indebtedness as at 31 August 2010.

DIB Facility

On 14 February 2010, DEWA entered into a AED 600.0 million bilateral ijara facility with Dubai Islamic Bank (the "**DIB Facility**") for a term of 18 months. Borrowings under the DIB Facility were used to make payments to certain of DEWA's contractors and bear interest at a fixed margin per annum plus one month EIBOR. The DIB Facility has been fully drawn, and as at 31 August 2010, was partially repaid in the amount of AED 200.0 million.

Overdraft Facility

DEWA is able to utilise an overdraft facility from Emirates Bank, which carries interest at a floating rate linked to 1 month EIBOR plus an increasing margin based on the outstanding overdraft amount. The overdraft facility is available in Dirham and U.S. dollars, up to a maximum amount not to exceed AED 2,000.0 million, and is next subject to renewal on 30 April 2011. As at 31 August 2010, AED 1,818.3 million was available under the overdraft facility and AED 181.7 million was outstanding.

ECA Facilities

On 14 May 2009, DEWA entered into a framework agreement with a consortium of banks (the "**ECA Agreement**") pursuant to which it may enter into multiple export credit agency loan facilities (each, a "**ECA Facility**") to borrow amounts up to an aggregate of U.S.$1,000.0 million (AED 3,673.2 million) (either in U.S. dollars or Euro), which amount was increased to U.S.$1,043.7 million (AED 3,833.5 million), that will be supported by European export credit agencies and used to finance certain plant and equipment imported from Europe. The ECA Agreement contains certain customary affirmative and negative covenants and customary events of default, including cross-default. In addition, the ECA Agreement contains a negative pledge over DEWA's assets (other than in connection with sukuk and securitisation) and limitations on DEWA's financial indebtedness.

As at 31 August 2010, DEWA entered into seven ECA Facilities pursuant to the ECA Agreement, six of which are denominated in Euro in an aggregate amount of €646.5 million and one which is denominated in U.S. dollars in an amount of U.S.$301.8 million (AED 1,108.6 million). Each ECA Facility has a maturity of 12 years (maturing between 2022 and 2023, depending upon the relevant borrowing date) and carries interest at LIBOR or EURIBOR (dependent upon the relevant currency) plus a fixed margin. As at 31 August 2010, U.S.$289.2 million (AED 1,062.3 million) and €421.6 million (AED 2,185.5 million) was outstanding under the ECA Agreement and €209.5 million was available for draw down under the ECA Agreement. See "*Summary of Material Contracts – Financing Arrangements – ECA Facilities*" for more information.

Syndicated Facilities

On 8 April 2009, DEWA entered into a U.S.$2,200.0 million (AED 8,080.9 million) multi-currency facility with a consortium of banks (the "**Syndicated Facilities**"), which comprises (i) three conventional facilities (denominated in U.S. dollars, Dirham and Euro) bearing interest at EIBOR, LIBOR or EURIBOR dependent on the relevant currency plus a fixed margin determined by reference to DEWA's rating and certain mandatory costs (if applicable) and (ii) three Shari'a compliant facilities (denominated in U.S. dollars, Dirham and Euro), each of which is structured on the basis of an *ijara*. The Syndicated Facilities are for a term of three years (maturing on 13 April 2012). The Syndicated Facilities have the benefit of a payment undertaking from the Government. The proceeds from the Syndicated Facilities were used to refinance a U.S.$200.0 million (AED 734.6 million) *ijara* facility and U.S.$2,000.0 million (AED 7,346.3 million) *ijara* facility, both of which matured on 13 April 2009. The downgrade in DEWA's corporate ratings by Fitch on 26 November 2009 and by Moody's on 2 December 2009 resulted in a step-up of the margin payable on the Syndicated Facilities. This margin was reset to its previous level on 1 January 2010 following a waiver of the step-up by the banks.

The Syndicated Facilities contain certain customary affirmative and negative covenants and customary events of default, including cross-default. In addition, the Syndicated Facilities restrict DEWA's ability to incur additional indebtedness in amounts, that, would cause it to exceed a certain leverage ratio at the end of each financial half year and also require DEWA to maintain an interest cover ratio of no less than 1.25 to 1 (in terms of consolidated EBITDA to consolidated net finance costs (in each case as defined in the Syndicated Facilities)). The Syndicated Facilities were fully drawn as at 31 August 2010 and have a term of three years (maturing on 13 April 2012). DEWA currently intends to repay U.S.$734.4 million of its Syndicated Facilities (as defined below) on 13 April 2011, the first amortisation date of the Syndicated Facilities. See "*Summary of Material Contracts – Syndicated Facilities*" for more information.

Securitisation Programme

On 25 July 2007, DEWA, through a special purpose vehicle ("**SPV**") and two commercial paper conduits, established a U.S.$4,000.0 million (AED 14,690.2 million) commercial paper securitisation programme (the "**Securitisation Programme**") and, in August 2007 and May 2008, completed three issuances thereunder for a total of U.S.$2,000.0 billion (AED 7,346.3 million). All obligations to the SPV by DEWA have been irrevocably and unconditionally guaranteed by the Government. Interest is determined on the basis of the commercial paper conduits' monthly commercial paper interest rate plus a fixed margin. The Securitisation Programme is scheduled to end in 2016 and may be extended to 2021 at the option of the commercial paper conduits under certain conditions. The proceeds from the Securitisation Programme were used by DEWA to fund its capital expenditure requirements. Future issuance under the Securitisation Programme will be subject to market conditions and there can be no assurance that DEWA will make any such additional issuance in the future.

On 17 August 2009, 17 December 2009, 19 January 2010, 16 February 2010 and 14 July 2010, DEWA made early voluntary prepayments of U.S.$50.0 million (AED 183.6 million), U.S.$265.3 million (AED 974.3 million), U.S.$13.2 million (AED 48.5 million), U.S.$111.4 million (AED 409.2 million) and U.S.$111.4 million (AED 409.2 million), respectively. DEWA currently intends to voluntarily repay U.S.$111.4 million under its Securitisation Programme on 15 December 2010.

On 30 November 2009 and 3 December 2009, the ratings of the notes issued by the SPV were downgraded below A- by Fitch (to BBB-) and A- by S&P (to BB+) thereby triggering a "specified event", resulting in a step-up in the margin payable on the notes issued under the Securitisation Programme and requiring DEWA to repay the full amount outstanding on the notes. DEWA received waivers from the commercial paper conduit banks on 9 December 2009 and 8 February 2010 stating, *inter alia*, that the occurrence of the "specified event" would be waived, which waiver periods were subsequently extended to 9 March 2010. On 10 March 2010, the terms of the Securitisation Programme were amended to ensure, *inter alia*, that the previous downgrades of the notes would no longer be considered a "specified event" and that in the event of any further ratings downgrade that would result in a "specified event", DEWA would have the ability to repay the full amount outstanding under the notes in twelve equal monthly instalments. See "*Summary of Material Contracts – Financing Arrangements – Securitisation Programme*" for more information.

As at 31 August 2010, U.S.$1,448.9 million (AED 5,321.0 million) was outstanding under the Securitisation Programme and U.S.$2,551.1 million (AED 9,371.3 million) was available for issuance under the Securitisation Programme, subject to market conditions.

Sukuk Al Ijara

On 16 June 2008, DEWA Funding Ltd. ("**DFL**"), a special purpose entity incorporated in the Cayman Islands, issued U.S.$871 million (AED 3,200 million) of trust certificates due June 2013 (the "**Trust Certificates**"). The Trust Certificates evidence an undivided beneficial ownership interest in certain assets held in trust by DFL. Each holder of Trust Certificates is entitled to periodic distribution amounts based on the product of EIBOR plus a margin equal to 1.25 per cent. per annum, funded through the payment of rent by DEWA to DFL. The proceeds of the Trust Certificates were used to fund DEWA's capital expenditure programme. See "*Summary of Material Contracts – Sukuk Al Ijara*" for more information.

DEWA is subject to certain customary covenants in connection with the Trust Certificates, including a restriction on the grant of security and on the sale and disposal of assets, as well as customary events of default.

MTN Programme

On 1 April 2010, DEWA established this Programme and on 22 April 2010, DEWA issued U.S.$1 billion of 8.5 per cent. notes due April 2015 under this Programme.

Capital Expenditure

In 2007, 2008, 2009 and the six months ended 30 June 2010, DEWA incurred capital expenditure of AED 6,748.9 million, AED 10,532.3 million, AED 9,957.5 million and AED 3,366.5 million, respectively. The increase in capital expenditure in 2008 was principally due to the construction of generation and desalination plants and the expansion of the transmission and distribution network in order to meet increases in demand for electricity and water in Dubai. Capital expenditure decreased in the first six months of 2010 and the year ended 2009, as a result of adverse global economic conditions and a decrease in the forecasted rate of growth in demand for electricity and water in Dubai over future periods, which resulted in less projects being awarded and undertaken in 2009. See "*Description of the Business – Principal Operations" and "Description of the Business Description – Expansion Projects*".

In order to meet future anticipated increases in the demand for electricity and water in Dubai, DEWA intends to significantly increase its installed production capacity for electricity and water from its current levels of 7,829 MW for electricity and 330 MIGD for water by approximately 20 per cent. and approximately 40 per cent., respectively, by the end of 2012. See "*Description of the Business – Industry Overview – General Trends – Rising Demand for Water and Electricity*". DEWA expects that its capital expenditure for this expansion programme will be between approximately AED 26.0 billion and AED 28.0 billion and expects to finance these amounts through a combination of future operating cash flows and future external borrowings, including proceeds from issuance of Notes under this Programme. A portion of these funds will be used to complete Station M as well as to augment the capacity of existing plants by process enhancements, including, among others, wet compression and co-generation turbines. There can be no assurance that funding from theses sources will be available in the future at favourable terms, if at all. See "*Risk Factors – Risks Relating to DEWA – DEWA's expansion strategy requires it to make substantial capital expenditures and there can be no assurance that it will be able to secure funding for its future capital expenditures*".

Contractual Obligations

The following table presents DEWA's contractual obligations as at 30 June 2010.

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	(AED in millions)				
Capital expenditure commitments...	7,297	2,919	2,919	1,095	365
Debt obligations.............................	24,828	7,659	6,525	4,104	6,539
Total..	**32,125**	**10,578**	**9,444**	**5,199**	**6,904**

As at 30 June 2010, DEWA also had outstanding interest rate swap contracts with a negative fair value of AED 1,221 million. See "*– Factors Affecting Financial Condition and Results of Operation – Net Finance Costs*" for more information.

Off-Balance Sheet Arrangements

Under DEWA GAAP, derivative financial instruments are not recognised on DEWA's balance sheet. See "*Summary of Significant Differences Between DEWA GAPP and IFRS*" and note 12(c) "*– Borrowings – Interest rate risk exposure*" to the 2010 Interim Financial Statements and the 2009 Audited Financial Statements for more information. Other than such derivative financial instruments, which as at 30 June 2010 had a total notional amount of AED 5.6 billion, DEWA does not have any material off-balance sheet arrangements that have had or are reasonably expected to have a material current or future effect on its financial condition, revenue, expenses, results of operations, liquidity, capital expenditure or capital resources.

Critical Accounting Policies and Estimates

In preparing its financial statements, management is required to make certain estimates, judgments and assumptions. These estimates, judgments and assumptions affect the reported amounts of DEWA's assets and liabilities, including the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of DEWA's revenue and expenses during the periods presented. DEWA evaluates these estimates and assumptions on an ongoing basis. DEWA bases its estimates and assumptions on historical experience and on various other factors that DEWA believes to be reasonable at the time the estimates and assumptions are made. However, future events and their effects cannot be predicted with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results may differ from these estimates and assumptions under different circumstances or conditions, and such differences may be material to the financial statements. A summary of DEWA's significant accounting policies and critical accounting estimate and judgements are contained in note 2 "*– Summary of significant accounting policies*" and note 4 "*– Critical accounting estimates and judgments*", respectively, to the 2010 Interim Financial Statements and the 2009 Audited Financial Statements.

DEWA believes the following critical accounting policies affect the more significant estimates and judgments in the preparation of DEWA's financial statements.

Impairment of property, plant and equipment

Management determines whether tangible assets are impaired on at least an annual basis. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. This requires an estimate of the recoverable amount of the assets and an estimate of the fair value of the assets and its value in use.

Revenue recognition

Revenue for electricity and water supply activities include an estimate of the value of units (kWh or imperial gallons) supplied to customers between the date of the last meter reading and the end of the accounting period (unread). Unread electricity and water is estimated by applying industry standards and using historical consumption patterns taking into account the industry reconciliation process for total electricity and total water usage. Management apply judgement to the measurement of the estimated electricity and water supplied to customers and to the valuation of that electricity and water consumption. Changes in these assumptions or material inaccuracies would impact the amount of recognised revenue.

Provision for slow moving inventory

The estimate for provisions for slow moving and obsolete inventory is based on the ageing of the inventory items, technological obsolescence, present conditions and historical experience. Changes to the estimated provisions may be required if the demand for slow moving items increases or a firm commitment from a customer has been received.

Qualitative Disclosures about Market Risk

Interest Rate Risk

DEWA is exposed to interest rate risk on its floating rate bank deposits and borrowings. DEWA enters into interest rate swaps in connection with its variable interest rate arrangements. In 2008 and 2009, DEWA restructured its interest rate swap contracts to align them with changes in market conditions, and as a result, recognised finance income of AED 6.1 million in 2008 and interest expense of AED 170.1 million in 2009 following settlement of the previous interest rate swap contracts. As at 30 June 2010, 27.2 per cent. of DEWA's total variable interest rate borrowings had been hedged with a total notional amount of AED 5.6 billion with a negative fair value of AED 1,221 million. DEWA intends to continue to monitor market conditions and intends to renegotiate its existing swap contracts in the future as it deems necessary.

Currency Risk

Although DEWA's operations and contracts are predominantly denominated in AED, DEWA does engage in certain purchase contracts denominated in Euro and Pounds Sterling, which DEWA does not believe to be significant in relation to the total amount of its liabilities. Any exposure to currency other than AED or U.S. dollar (to which the AED is pegged and therefore not subject to any foreign currency exposure) is managed when considered appropriate through the purchase of the relevant foreign currency or entering into forward exchange contracts, generally at the time of the execution of the relevant purchase agreement.

Credit Risk

DEWA's customers are predominantly based in Dubai with no significant concentration of credit risk. DEWA seeks to limit its credit risk by monitoring outstanding receivables and requiring its customers to pay security deposits.

DESCRIPTION OF THE BUSINESS

DEWA is the exclusive supplier of electricity and potable water in Dubai and is wholly-owned by the Government. DEWA generates, transmits and distributes electricity throughout Dubai and is a member of the ENG. It also produces potable water principally through a desalination process, and distributes it to end users throughout Dubai. As at 31 August 2010, DEWA's installed electricity capacity was 7,829 MW and its installed water desalination capacity was 330 MIGD. DEWA expects that by the end of 2012, it will have increased its installed electricity generation capacity by approximately 20 per cent. and its installed water desalination capacity by approximately 40 per cent. from their current capacities.

DEWA was formed in 1992 as a result of the merger of the Dubai Electricity Company ("**DEC**") and the Dubai Water Department ("**DWD**"), which were each established in 1959 by H.H. Sheikh Rashid bin Saeed Al Maktoum, the then Ruler of Dubai. Prior to the establishment of DEC and DWD, there were no specific authorities responsible for power generation and the supply of potable water in Dubai.

The merger of the two entities brought the provision of these essential public utilities within one commercial organisation under the control of the Government as its sole owner. Since then, DEWA has been the exclusive supplier of electricity and potable water in Dubai and its business has grown along with Dubai's expanding economy, population and infrastructure. Dubai's fast pace of development has resulted in a rapid increase in the demand for electricity and water, a demand, that to date, DEWA has been able to meet. DEWA is therefore both integral to, and has itself benefited from, Dubai's economic growth.

History and Development

A chronological overview of the principal events in connection with the history and growth of DEWA's business is set out below.

Dubai Electricity Company

DEC began supplying electricity to consumers in Dubai in 1961. Electricity was initially produced by diesel generators in small power stations. However, as the demand for electricity grew and the fuel oils used to power the generators became more expensive, it became necessary for DEC to build larger, more efficient power stations that utilised both gas and steam turbines. DEC built the Satwa Gas Turbine Power Station ("**Station C**") in 1974, the first phase of the Jebel Ali Power and Desalination Station ("**Station D**") in 1979. DEC took over the Hatta Power System in the same year. Each of these stations is described in more detail in "*– Principal Operations – Electricity – Generation*".

Dubai Water Department

DWD was the principal supplier of potable water in Dubai. Water was initially sourced from underground water reserves, or aquifers, in Dubai. DWD opened aquifers at Al Aweer in 1961, followed by Wahoush in 1972 and Habab in 1977. The water was transported via pipelines to Dubai and was then distributed to consumers through a distribution network. The aquifers at Wahoush and Habab are still in use as at the date of this Supplement.

As Dubai's population grew, it became evident that the aquifers might run dry in the future if water extraction continued at the same rate and an alternative feasible source of drinking water was therefore needed. The desalination of seawater became the most viable alternative, and accordingly DEC installed desalination units at Station D, which began producing potable water for sale in June 1979.

DEC and DWD Merge to Form DEWA

In 1992, DEC and DWD were merged by Decree No (1) of the Year 1992 Concerning the Formation of Dubai Electricity and Water Authority (**Decree No. 1**) of H.H. Sheikh Rashid bin Saeed Al Maktoum to form DEWA. The purpose of the merger was to bring the supply of electricity and water under the responsibility and management of a single commercial enterprise and reflected the fact that, since the development of Station D in 1972, electricity generation and water desalination processes had been combined within a single site, so that steam extracted or exhausted from the electricity generation process could be used in the desalination process. This made one process integral to the other.

DEWA implemented an expansion plan following the merger which involved the development of several additional power generation and water desalination plants. Between 1992 and 2007, DEWA "repowered or enhanced the capacity of Station D Phase II by converting it into a combined cycle plant, which improves electricity generation efficiency through the use of gas and steam turbines, and also added five new power generation and desalination stations to its network, namely: Jebel Ali Gas Power & Desalination Station E ("**Station E**"); Jebel Ali Gas Power & Desalination Station G ("**Station G**"); Jebel Ali Power & Desalination Station K ("**Station K**"); Jebel Ali Power Desalination Station L ("**Station L**", and together with Station D, Station E, Station G and Station K, the "**Jebel Ali Power and Desalination Complex**") and the Al Aweer Power Station ("**Al Aweer Power Station**" or "**Station H**"). See " *– Principal Operations – Electricity – Generation*".

Relationship with the Government

DEWA formed by Government decree

Decree No. 1, which was later amended by Decree No. (13) of 1999 Concerning Amendment of Some Provisions of Decree No. (1) of 1992 ("**Decree No. 13**"), appointed DEWA as the exclusive supplier of electricity and potable water in Dubai. There have been no changes to DEWA's decree of establishment since 1999, although DEWA is presently contemplating an amendment to broaden its powers and objectives to accommodate the introduction of IWPPs in Dubai. See " - *Strategy – Strategic Expansion Strategy".*

DEWA maintains an independent corporate status and has the power to own, operate and maintain power stations and desalination plants, aquifers, power and water transmission lines and power and water distribution networks. In addition, pursuant to Decree No. 13, the Government devolved each of the rights, property and assets previously owned by DEC and DWD to DEWA. DEWA has wide ranging powers to undertake projects relating to electricity generation and water production and the supply of electricity and potable water in order to satisfy consumer needs in Dubai. See "*Risk Factors – Risks Related to DEWA – The Government may alter its overall development strategy or its relationship with DEWA*".

Government as Sole Owner

The Government is the sole owner of DEWA and has the power to appoint its Board as well as its Managing Director, by way of a Government decree. Any renewal or change to the Board must also be approved by way of Government decree. Through its control of the Board, the Government has the ability to control the strategy, operations and management of DEWA.

Following the implementation of Law No. 7 of 2008 (Concerning the Procedures of Public Debt) (**Law No. 7**), any borrowings by government departments or entities wholly-owned by the Government require the prior approval of the Supreme Fiscal Committee. See "*Regulation – Financial Regulation*". As a Government owned entity, DEWA is required to ensure that its borrowings are approved by both the Supreme Fiscal Committee and its Board.

Although the Government has the power to control DEWA's borrowings, DEWA's financial obligations are not, absent an explicit guarantee, guaranteed by the Government. Pursuant to Law No. 24 of 2009 (**Law No. 24**), the Government established the Dubai Financial Support Fund with the objective of providing financial support to Government entities which require financial assistance in Dubai by granting, *inter alia*, loans and credit facilities. See "*Regulation*". As at the date of this Supplement, DEWA has not sought funding from the Dubai Financial Support Fund. See "*Risk Factors – Risks Related to DEWA – DEWA's financial obligations, including its obligations under the Notes, are not guaranteed by the Government absent an explicit guarantee*". In the absence of such funding and/or any explicit Government guarantee for DEWA's borrowings, DEWA is solely responsible for meeting its funding requirements and its payment obligations to its creditors, including its obligation under the Notes issued pursuant to this Programme.

Government as Regulator

As the sole owner of DEWA, the Government also has the power to regulate DEWA's business and operations. The water and electricity sector in Dubai has not historically been characterised by heavy or extensive regulation, with the exception of water and electricity tariffs, which are determined by the Government through the Supreme Council of Energy. See "*Regulation*".

Historically, in order to adjust its tariffs, DEWA was required to obtain the approval of the Dubai Executive Council (the "**Executive Council**"), a Government council which represents the interests of the Ruler and is chaired by H.H. Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum and of which His Excellency Saeed Mohammad Ahmad Al Tayer, the Managing Director and Chief Executive Officer of DEWA, is a member. The most recent tariff adjustment was implemented on 1 March 2008, following a proposal put forward by DEWA to increase its tariffs, which was approved by the Executive Council.

In June 2009, the Government established the Supreme Council of Energy, a new regulatory authority appointed to oversee the entire water and energy sector in Dubai, covering all aspects of production and distribution. See "*Regulation – Regulation of the water and energy sector in Dubai*". The Supreme Council of Energy has broad powers to regulate the activities of all water and energy providers including DEWA and also has powers to set the water and electricity tariffs charged by DEWA. As it is still in the early stages of operation, the Supreme Council of Energy has not, to date, implemented new regulations or policies which affect DEWA's business or operations and it is uncertain whether the Supreme Council of Energy will impose more extensive or stringent regulations on DEWA in the future. See "*Risk Factors – Risks Related to DEWA – The regulatory framework governing DEWA may change under the supervision of the Supreme Council of Energy*".

Government as Purchaser of Electricity and Water

The Government, including all Government ministries and offices, is a significant purchaser of water and electricity from DEWA. The Government is charged the same electricity and water tariffs as other consumers (with the exception of UAE nationals, who are charged reduced tariffs for their residential electricity and water bills). While the Government encourages UAE nationals to pay their own invoices, the Government issues credit notes to cover any unpaid residential water invoices of UAE nationals. UAE nationals are required to pay their own electricity bills.

Historically, the Government has also settled the unpaid electricity and water invoices of certain Government ministries and departments as well as Designated Institutions by issuing credit notes on a monthly basis to DEWA. Such credit notes are booked as a Government receivable and ultimately offset against DEWA's retained earnings for the relevant period. However, since March 2008, following a decree from the Government, all Government ministries and departments are required to settle their electricity and water invoices in cash. The Government continues to settle the unpaid electricity and water invoices of Designated Institutions and the unpaid residential water invoices of UAE nationals using monthly credit notes.

Government as Grantor of Land and Rights of Way

DEWA's offices and power and desalination stations are built on land transferred to it from the Government. By way of a Government order dated 26 July 2008, it was stated that full legal title to all land which had previously been granted to DEWA by the Government would be transferred to DEWA. The process of transferring legal title to this land to DEWA is ongoing as at the date of this Supplement. Although DEWA has been granted legal title to the land, it may only use the land for its own business and commercial operations. However, while DEWA is not permitted to sell its land to third parties, it is able to use it in connection with *Shari'a* compliant financing, including sukuk and may be mortgaged to third parties. Should the Government wish to re-possess any land granted to DEWA, it must provide a suitable substitute for the land and bear the cost of relocating any infrastructure built on it. As at the date of this Supplement, the Government has not re-possessed any significant parcels of land granted by it to DEWA, except for the land on which its head office was built (which was re-possessed in 1992) and for which substitute land was provided. However, none of DEWA's power and desalination stations or other major installations have been re-possessed and, given the size of the stations and installations and the costs and disruption involved in moving them, DEWA believes that the Government is unlikely to repossess any land owned by DEWA in the future, although no assurance can be provided.

DEWA has been granted rights of way for an indefinite period over specific corridors or routes reserved for use by DEWA through which it may lay cables and water pipelines for the transmission of electricity and water as well as fibre optic cables for data transmission. The rights of way over the corridors were previously granted to it by the Dubai Municipality but that function has now been taken over by the Road Transport Authority (the "**RTA**"), a public authority wholly-owned by the Government and represented on the Government's Infrastructure Committee. As DEWA holds the legal rights of way over the corridors, DEWA has the ability to lease the corridors to third parties. DEWA leases the use of the fibre optic cables it has laid in such corridors to the UAE telecommunications provider, Emirates Integrated Telecommunications Company PJSC ("**du**").

Government as Supplier of Natural Gas

Natural gas is the principal fuel used by DEWA in its generation and water desalination stations. All of DEWA's power and desalination stations are capable of burning both natural gas and fuel oils, but natural gas is preferred due to efficiency and cost. Supplies of natural gas in Dubai are arranged by the Government through DUSUP, which is the exclusive supplier of natural gas to DEWA. Pursuant to Government regulations, DEWA can only buy natural gas from DUSUP and may not enter into direct contracts with natural gas suppliers. DUSUP enters into gas purchase agreements with natural gas suppliers, receives natural gas transported through its pipelines to its gas control station at Jebel Ali and then sells natural gas to customers within Dubai. Currently, DUSUP's two largest customers are DEWA and DUBAL, a large scale industrial aluminium manufacturing company. DUSUP has not entered into any formal gas supply agreement with either DEWA or DUBAL but DUSUP is mandated by the Government to seek to obtain sufficient gas supplies to meet all of DEWA's and DUBAL's requirements. See "*Risk Factors – Risks Related to DEWA - DEWA has not entered into any formal contracts for the supply of natural gas from DUSUP*". DUSUP charges DEWA and DUBAL the same prices for natural gas and has typically charged prices which are generally lower than the market price for natural gas, and represent a fixed price plus a small margin. As at 30 June 2010, DUSUP charged DEWA U.S.$2.26 per MMBTU, compared to U.S.$2.00 per MMBTU as at 31 December 2009, U.S.$1.94 as at 31 December 2008 and U.S.$1.53 per MMBTU as at 31 December 2008.

Although the arrangements for the supply of natural gas by DUSUP to DEWA and DUBAL have to date been managed directly by the Government, it is possible that this arrangement will in the future be managed by the Supreme Council of Energy, which has been mandated to oversee the supply and distribution of natural gas supplies in Dubai.

Industry Overview

General Trends

Rising demand for water and electricity

Dubai's economic expansion and population growth has caused the demand for electricity and water to increase rapidly in recent years. The peak load (or highest demand recorded during the year) for electricity increased by approximately 12 per cent. between 2007 and 2008, from 4,736 MW to 5,287 MW. The peak demand for water increased by approximately 11 per cent. between 2007 and 2008, from 239 MIGD to 264 MIGD. Because of the increasing levels of consumption of electricity and water, DEWA has sought to ensure that it has sufficient installed capacity to meet peak loads at any point in time. DEWA increased its installed electricity generation capacity from approximately 5,448 MW in 2007 to approximately 6,676 MW in 2008 in order to meet expected increases in demand. DEWA's installed water desalination capacity was 275 MIGD in 2008.

Due to the global economic recession which began in late 2008, which resulted in a decreased rate of growth in Dubai's population and a slowdown in local development and construction activity, the peak load of water and electricity consumption grew at a less rapid pace than expected in 2009. Between 2008 and 2009, the peak load of electricity in Dubai increased by approximately 6 per cent. from 5,287 MW to 5,622 MW, compared to an anticipated increase of approximately 11 per cent. for the same period. The peak demand for water in Dubai increased by approximately 3 per cent. from 264 MIGD to 271 MIGD, compared to an anticipated increase of approximately 9 per cent. for the same period. Between 2009 and 2010, the peak load of electricity (which was recorded in the summer of each year) in Dubai increased by approximately 10 per cent. from 5,622 MW to 6,161 MW, compared to an anticipated increase of approximately 6 per cent. for the same period. The peak demand for water (which was recorded in the summer of each year) between 2009 and 2010 in Dubai increased by approximately 6 per cent. from 271 MIGD to 287 MIGD, compared to an anticipated increase of approximately 4 per cent. for the same period.

Even though the rate of increase in demand has decreased, DEWA expects demand for electricity and water to continue to increase. DEWA expects to continue to maintain sufficient capacity to generate electricity and water in sufficient quantities to meet any sudden surges in demand. DEWA expects to increase its current installed electricity generation capacity by approximately 20 per cent. and its installed water desalination capacity by approximately 40 per cent. by the end of 2012.

Controlled levels of electricity and water tariffs

DEWA's tariffs are regulated and controlled by the Government (which are binding on DEWA), previously through the Executive Council and, since June 2009, through the Supreme Council of

Energy. Historically, the Government has sought to keep tariffs at low levels in order to mitigate the effects of inflation on Dubai's residents and businesses, rather than to adjust tariffs in line with DEWA's increasing costs of production. However on 1 March 2008, the Executive Council approved the 2008 Tariff Increase, a new tariff structure for electricity and water which was aimed at promoting energy efficiency through the establishment of a "slab rate" or tiered billing system, where the tariffs increase incrementally based on the volume of electricity and water consumed. As the previous tariff adjustment was in 1998, the 2008 Tariff Increase represented a significant milestone for DEWA. The net effect of the adjustment has been an increase in the average tariff across DEWA's aggregate customer base (with the exception of UAE nationals who continue to be charged a flat rate for their residential electricity and water invoices which has remained unchanged since 1998).

Fluctuations in the supply of natural gas and high prices of fuel oils

DEWA's power and desalination plants run most efficiently on natural gas. Between 2006 and 2007, DUSUP experienced a shortage of natural gas supplies and was therefore unable to provide adequate levels of natural gas to meet DEWA's requirements. As a result, DEWA had to operate its power plants using fuel oils, which are more expensive than natural gas. In contrast to natural gas, DEWA purchases fuel oils directly from the market at spot prices and enters into annual contracts with oil suppliers for the supply of fuel oils by way of a tendering process. The cost of generating electricity using fuel oils is significantly more expensive than the cost of production using natural gas. For example, the average cost of producing 1 kWh of electricity using medium fuel oil between 2007 and 2009 was approximately six to eight times more than the cost of producing 1 KWh of electricity using natural gas. The average cost of producing 1 KWh of electricity using fuel oils during the same period was approximately ten to 12 times the cost of producing 1 KWh of electricity using natural gas. In view of the high cost of fuel oils, the Government introduced a cost-sharing initiative which took effect in February 2001, whereby the additional costs of fuel oils would be allocated to DEWA and DUBAL in accordance with their respective energy consumption rates, being approximately 70 per cent. and 30 per cent., respectively. The total cost of fuel oils incurred by DEWA and DUBAL is then totalled and settled at the end of the year and allocated between them in accordance with the aforementioned consumption rates.

As a result of additional sources of natural gas becoming available to DUSUP from the Dolphin gas pipeline in Qatar, as well as from gas pipelines in Abu Dhabi at the end of 2007, DUSUP was able to meet substantially all of DEWA's natural gas requirements during 2008, 2009 and during the six months ended 30 June 2010, thereby reducing DEWA's reliance on fuel oils for its production needs. DEWA currently expects that DUSUP will be able to meet all of its ongoing natural gas requirements through 2012 based on its current projected needs. See "*Risk Factors – Risks Related to DEWA – DEWA is dependent on DUSUP for its entire supply of natural gas and there can be no assurance that there will be enough natural gas or other cost efficient sources of fuel available to meet DEWA's production needs*".

The purchase of electricity from third parties

In order to mitigate the high operating costs resulting from the use of fuel oils, in 2007 DEWA entered into an arrangement with ADWEC, a subsidiary of ADWEA, for the purchase of electricity. The purchase price of electricity is set by mutual agreement and, in 2007 although higher than the tariffs charged by DEWA to its customers prior to the 2008 Tariff Increase, it was lower than the cost of producing an equivalent amount of electricity using fuel oils and therefore it was more economical for DEWA to purchase electricity than generate its own electricity using fuel oils. In 2007, DEWA purchased 25 per cent. of the total volume of electricity it sold from ADWEC. DEWA did not purchase any electricity from ADWEC during 2008 and 2009 as DUSUP was able to meet all of DEWA's natural gas requirements during those years. Furthermore, DEWA did not purchase any electricity from ADWEC during the six months ended 30 June 2010. As DEWA expects to receive sufficient amounts of natural gas from DUSUP to meet its production needs through 2012, DEWA expects that its purchases of electricity from third parties, if any, will continue to remain low. See "*Risk Factors – Risks Related to DEWA – DEWA may be unable to mitigate increases in its cost of production in the future by purchasing electricity from third parties*".

Water and Electricity Authorities

Although DEWA is the sole provider of electricity and water in Dubai, there are several other water and electricity authorities that operate within the UAE: ADWEA; the Sharjah Electricity and Water Authority ("**SEWA**"); and FEWA (which, together with ADWEA, SEWA and DEWA, are collectively referred to as the "**Authorities**"). The Authorities each provide electricity and water in their own respective emirates but do not sell electricity or water to customers within other emirates (other than electricity sold to other Authorities).

Emirates National Grid

A significant development in the UAE electricity market was the establishment of the ENG, which interconnects the electricity transmission grids of the four Authorities. In light of the rapid increase in the number of new developments and projects as well as the surge in the population of the UAE, the ENG was established with the objective of ensuring a constant and stable electricity supply throughout the UAE by allowing each of the Authorities to share one another's electricity reserves. Construction of the ENG commenced in 2003 and the first interconnection was established in May 2006 between ADWEA's Taweelah Power Station in Abu Dhabi and DEWA's Al Aweer Power Station via 400 kiloVolt ("**kV**") overhead transmission lines. The second interconnection was established between DEWA's Al Aweer Power Station and SEWA's Dhaid Station in Sharjah in mid-2007. The final interconnection was made between SEWA and FEWA in June 2009. The ENG is operated and monitored from a control centre at the Al Aweer Power Station and can accommodate a power flow of up to 1,450 MW.

The ENG establishes a framework to enable one Authority to purchase electricity from another in case a need arises. It is supervised by a High Committee established by the UAE federal government. Each Authority is represented on the High Committee. The Authorities may enter into individual purchase contracts for electricity, as and when required, and the cost of electricity will be determined by mutual agreement between the parties. No additional charges will be levied for the transmission of electricity between the electricity grids. The Authorities are not required to allocate particular amounts of electricity as reserves and will only be required to make electricity available via the ENG if they have a surplus. Each Authority is responsible for the maintenance of its respective section of the network.

GCC Power Grid

The ENG will form part of a Gulf-wide regional grid system, linking the national grids of the GCC, being the UAE, Qatar, Bahrain, Kingdom of Saudi Arabia, Kuwait and Oman. The first phase of the grid, which links the power grids of Kuwait, Saudi Arabia, Bahrain and Qatar, was completed in July 2009. The power grids of Oman and the UAE are planned to be linked during the second phase. These two sets of national power grids will then be linked in a final phase to form a regional power grid. The operation and usage of the GCC grid is overseen and regulated by the Gulf Cooperation Council Interconnection Authority ("**GCCIA**"), a corporate entity jointly owned by the GCC member states.

Once the GCC power grid is fully operational, it is expected that member states will be able to purchase electricity from one another, utilise their surplus output and ensure an uninterrupted electricity supply.

Competitive Strengths

Exclusive Supplier of Electricity and Potable Water in Dubai

DEWA has been granted the exclusive right and responsibility for supplying electricity and potable water in Dubai by Government decree. DEWA has significant discretion with respect to the generation and supply of electricity and potable water, including construction and commissioning of power and water desalination stations, as well as the transmission and distribution of electricity and water to end users in Dubai. As at the date of this Supplement, DEWA is not aware of any intention by the Government to revoke its exclusive mandate to supply electricity and potable water, although DEWA is anticipating changes to Decree No. 13 (the decree establishing DEWA), to accommodate IWPPs. Notwithstanding any such changes, DEWA would continue to be the sole transmission operator and distributor of electricity and potable water in Dubai.

DEWA does not currently face competition from any other entity in Dubai in connection with the generation, transmission and distribution of electricity and potable water. In exceptional cases, certain entities may be given the right by the Government to produce or distribute desalinated water for their own use or for specific projects. For instance, DUBAL produces non-potable desalinated water for use in its own operations. In addition, Palm Utilities (which is indirectly majority owned by the Government), purchases desalinated water from DEWA at its standard tariffs and transmits and distributes the water to the occupants of certain private developments (such as the Palm Jumeirah) using its own transmission and distribution pipelines. However, these entities are not permitted to sell or distribute water to the general public and the construction of desalination plants or transmission or distribution networks by any of these entities requires the prior consent of DEWA. In addition, DEWA does not face competition from the other Authorities, which may only sell electricity to one another through the ENG and may not sell electricity directly to consumers in other emirates.

Essential to Dubai's Economic Development

DEWA's management believes that Dubai has established itself as an important commercial and financial centre in the Middle East. The Government, under its present Ruler, H.H. Sheikh Mohammed Bin Rashid Al Maktoum, has invested heavily in Dubai's infrastructure and tourism industry. One of the cornerstones of Dubai's infrastructure is the constant and reliable supply of electricity and water to individuals, businesses, hotels and industrial and commercial zones. Despite a decrease in the rate of population growth, real estate development and construction activity, DEWA believes that the demand for electricity and water will still increase. It will therefore be necessary for DEWA to continue enhancing its levels of water and electricity output, by both expanding its production capacity and improving the efficiency of its processes.

Efficient Equipment, Operation and Processes

DEWA utilises efficient and modern equipment and processes in order to produce and supply electricity and potable water. In order to increase fuel efficiency and reduce its impact on the environment, DEWA's power and desalination plants combine the process of generating electricity with the production of desalinated water on a single site. Additionally, in order to expand its generation capacity, DEWA has converted many of its simple cycle gas turbine plants into combined cycle generation plants, which generate electricity more efficiently and incur lower energy losses. DEWA has also enhanced its electricity generation capacity by installing cooling systems in its gas turbines in order to generate additional amounts of electricity with only a marginal increase in fuel consumption. DEWA believes that by adopting efficient techniques and processes, it is able to produce a constant and regular supply of electricity and water in a manner which is cost-efficient and that minimises both fuel consumption and adverse effects on the environment.

Strategy

DEWA's vision is to be a recognised world-class utility supplier. This strategy is closely aligned with the Government's strategy to make Dubai a centre of commerce, industry and innovation and an attractive tourist and lifestyle destination. As the provision of electricity and water is one of the cornerstones of Dubai's infrastructure, DEWA aims to ensure that its production capacity is always sufficient to meet demand, while also ensuring that its operations and processes meet international standards and adopt the most up to date ''environmentally friendly'' technologies.

Strategic Expansion Strategy

DEWA has adopted a strategy of investing in capital expenditure to ensure a sufficient output of electricity and water to meet the growing demands of utility consumption in Dubai over the long term. It therefore initiated a series of expansion projects in 2006 to increase the production capacities of its existing power and water desalination stations as well as to construct new stations. DEWA's expansion strategy commenced in 2006 with the commissioning of Station L, and continued until 2008 with the construction of new phases of existing stations as well as the development of new stations, namely Station M. As a result of global economic conditions, DEWA adjusted its expansion plans in 2008 to take into account the decrease in the rates of growth of demand for water and electricity in Dubai caused by the decline in construction activity in Dubai and the resulting delay in completion of new developments. DEWA therefore deferred the construction of some of its power and water desalination stations, thereby ensuring that its operations continue to be aligned with Dubai's infrastructure requirements. In line with this strategy, DEWA expects to increase its installed electricity generation by approximately 20 per cent. and its installed water desalination capacity by approximately 40 per cent. by the end of 2012, which based on current anticipated demand, will provide sufficient operating capacity until 2015. The completion of these projects, together with the expansion and upgrade of DEWA's existing transmission and distribution network, will require capital expenditure of between approximately AED 26.0 billion and AED 28.0 billion between 2010 and 2012, which it intends to fund through a combination of future operating cashflows as well as future external borrowings, including proceeds from the issuance of Notes under this Programme. DEWA is also considering the establishment of an IWPP to further increase its electricity generation and water desalination capacity and reduce its capital expenditure requirements. As at the date of this

Supplement, DEWA has appointed an IWPP consultant to advise DEWA on the development of a 1500 MW power station with 120 MIGD desalination capacity at Hassyan. Should the Supreme Council of Energy approve this project, the power station is expected to be commissioned in 2014.

Adopt Innovative Environmental Programmes

Alongside its expansion strategy, DEWA is also pursuing ''green'' initiatives in order to minimise or counteract any negative effect that its power and water desalination plants may have on Dubai's environment. For example, all of DEWA's major generation and desalination operations are subject to environmental impact studies which are conducted by external consultants. These environmental impact studies are assessed against international environmental guidelines which are applied by the Dubai Municipality, with the particular aim of reducing the emission of greenhouse gases into the environment. In addition, DEWA has conducted a feasibility study for the implementation of a carbon credits programme pursuant to the Kyoto Protocol's Clean Development Mechanism (''**CDM**'') of the United Nations, following which DEWA has appointed a consultant to assist in establishing a CDM programme. It is expected that the CDM programme will assist each of DEWA's departments in identifying potential emission reduction programmes, thereby reducing DEWA's overall carbon emissions and increasing capacity and efficiency. Under the CDM programme, and upon establishing the eligibility of each project presented to the United Nations Framework Convention on Climate Change, DEWA would be granted carbon credits, having demonstrated that it has implemented initiatives to reduce the carbon emissions in respect of the approved projects. The carbon credits could then be sold in the international markets, creating additional revenue for DEWA. DEWA and its consultant have identified a number of potential projects that will be subject to due diligence by a nominated buyer.

In addition, DEWA is also exploring other sources of renewable energy, such as energy from waste, solar and wind power and geothermal power. As at the date of this Supplement, DEWA has no plans to build any renewable power plants.

Promote Energy and Water Conservation

DEWA seeks to promote conservation and the reduction of water and electricity waste through the structure of its ''slab rate'' tariffs and through public campaigns. In 2009, DEWA launched the ''Summer Peak-Load'' campaign to reduce energy usage by Government departments and the ''Conservation for Better Tomorrow Campaign'' to encourage schools and universities to reduce their energy and water consumption. Through campaigns on its website, DEWA seeks to educate the public on methods of saving water and electricity. Furthermore, DEWA has established a programme to reduce the consumption of electricity and water by Designated Institutions by providing them with energy saving lamps, modern air-conditioning systems and water saving taps.

Principal Operations

DEWA's power generation and desalination stations, their respective commission dates and capacities as at 31 August 2010 are shown in the table below:

			Power Generation Plants*			Water Desalination Plants**	
Station		**Commission Dates**	**No. of Plants(1)**	**Unit Capacity (MW)**	**Total Capacity (MW)**	**No. of Plants**	**Total Capacity (MIGD)**
Station D	Phase I	1979-1980	5 ST	68	340	5	16
	Phase II	1984	3 ST	70	210	3	19
	GT 9-10	1982/1983	2 GT	40	80	—	—
	Phase II Repowering	2002	3 GT	132.33	397	—	—
Station E	Phase I	1989/1991	3 GT	84	252	4	25
	Phase II	1992	2 GT	87	174	—	—
	Phase III	1996	1 ST	105	105	—	—
	Phase IV	1997	1 BPST	58	58	—	—
Station G	Phase I	1993-1994	4 GT	114.25	457	8	53
	Phase II	1996	1 GT	121	121	—	—
	Phase III	1997	2 BPST	70	140	—	—
	Phase IV	2000	—	—	—	1	7
Station H	Phase I	1998-1999	6 GT	101.14	607	—	—
	Phase II	2007/2008	3 GT	136.34	409	—	—

Station		Commission Dates	Power Generation Plants* No. of Plants(1)	Unit Capacity (MW)	Total Capacity (MW)	Water Desalination Plants** No. of Plants	Total Capacity (MIGD)
	Phase III	2009	4 GT	204.6	818	—	—
Station K	Phase I	2001	—	—	—	2	20
	Phase II	2002-2003	3 GT	186.66	561	3	40
	Phase II	2003	2 BPST	135	270	—	—
Station L	Phase I	2006-2007	3 GT	183	549	5	70
	Phase I	2007	2 BPST	156	312	—	—
	Phase II (part 1)	2007/2009	4 GT	235.4	941	4	55
	Phase II (part 2)	2009-2010	2 CEST	196	392	—	—
Station M		2010	2 GT	234	468	—	—
JAPS							
Augmentation					168		
JA RO(2)		2007	—	—	—	—	25
TOTAL					**7,829**		**330**

(1) "GT" refers to gas turbines, "ST" refers to steam turbines, "BPST" refers to back pressure steam turbines, "DG" refers to diesel generators, and "CEST" refers to Condensing Extraction Steam Turbines.

(2) Jebel Ali Reverse Osmosis water desalination plant.

* At an ambient temperature of 50ºC.

** At a seawater temperature of 37ºC and a high temperature operation.

In addition to the stations listed above, DEWA maintains Station C and the station at Hatta as standby facilities in the case of emergencies. Station C, which was commissioned between 1974 and 1979, has 16 gas turbines with a total capacity of 150 MW. Hatta, which was commissioned between 1980 and 1992 has one gas turbine with a total capacity of 15MW.

Each plant is designed to have an average useful life of approximately 30 years, after which it will need to be either upgraded or replaced.

Electricity

Generation

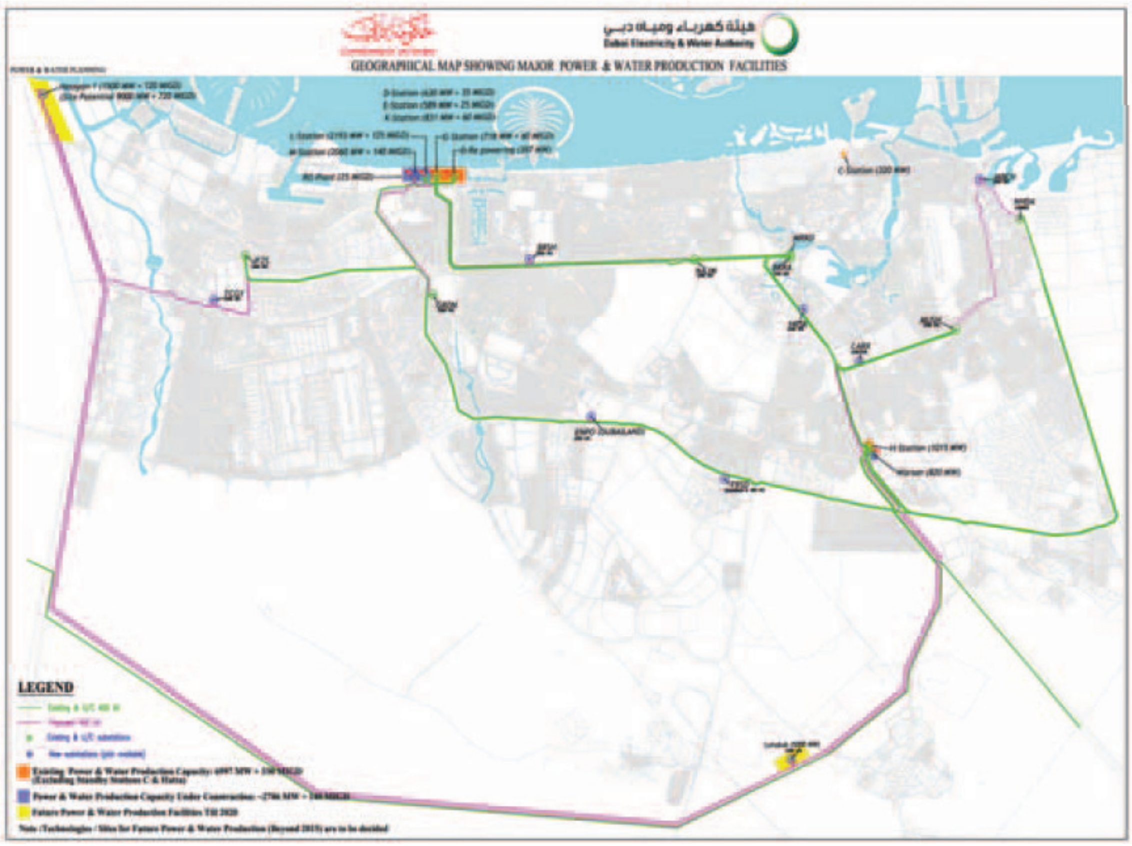
DEWA currently generates electricity from power stations located at the Jebel Ali Power and Desalination Complex, Al Aweer and Hatta. DEWA initially relied on simple cycle gas turbine generators and gas powered steam turbines, later switching to combined cycle co-generation plants associated with Multi-Stage Flash ("**MSF**") desalination units which combine the generation of electricity with the desalination of seawater in a single location. In the gas powered steam turbines, such as those found in Station D, thermal power is generated by firing natural gas (or fuel oils as a standby) into steam boilers in order to generate high pressure steam. The steam is then passed through a steam turbine consisting of several levels of both fixed and rotating blades. The steam turbine drives the electrical generator coupled to it, thereby generating electricity. Part of the steam produced by the steam turbines is also extracted and used in the desalination process.

DEWA also utilises combined cycle co-generation plants consisting of gas turbines, waste heat recovery boilers ("**WHRBs**"), steam turbines and MSF desalination plants. The combined cycle co-generation plants rely on gas turbines which compress the atmospheric air to a high pressure, with the resulting hot compressed air flowing into the combustion chamber into which natural gas or fuel oil is fired. The hot gases from the combustion chamber flow through the gas turbine consisting of various stages of fixed and rotating blades. The hot gases drive the gas turbine, which in turn drive the generator coupled to the turbines, thereby generating electricity. In order to use the waste heat available in the gas turbine exhaust, a WHRB is installed alongside the gas turbine which utilises the waste heat to produce steam, which in turn is used in the steam turbines to produce additional electricity and in the desalination process.

Several of DEWA's earlier simple cycle gas turbine plants were later converted into combined cycle co-generation plants by combining gas turbines with condensing extraction steam turbines ("**CESTs**") (as in Station E Phase II) or back pressure steam turbines ("**BPSTs**") (as in Station E Phase IV). The energy contained in the steam produced in the WHRB drives the CEST or BPST and the steam extracted from the CEST or from the exhaust of the BPST is used in the desalination process. Combined cycle plants have higher capacities and generate electricity more efficiently than single cycle plants. At its maximum operating capacity, 88 per cent. of heat input is utilised in the combined cycle co-generation and desalination process, with the remaining 12 per cent. being lost through flue gas exhaust from chimneys, or through the cooling of sea water and other miscellaneous sources such as steam or water drains.

The demand for electricity in Dubai tends to vary throughout the year (being up to three times higher in the warmer months of July, August and September than in the cooler months due to an increase in the use of cooling systems) but the demand for water does not tend to be seasonal. In order to allow for this variation in power demand, each power and desalination station is equipped with auxiliary boilers which produce steam for the desalination process. This supplements the steam produced by the WHRBs at the relevant plant, which may be insufficient due to a lower demand for electricity during the winter months.

Set out below is a map indicating the locations of DEWA's existing power and desalination plants.



Station C

Station C was commissioned between 1974 and 1979 and consists of 16 simple cycle gas turbine generators with a total current installed capacity of 150 MW. Although this station is not currently used by DEWA, the gas turbines have been retained on standby for use in emergencies as peak lopping machines, which are back-up generators that automatically switch on during system disturbances. As at the date of this Supplement, DEWA has no plans to upgrade or replace Station C.

Station D

Phase I of Station D was commissioned during the period of 1979 to 1980. It consists of five steam turbines, each with an installed capacity of 68 MW and five MSF desalination plants, each with an installed capacity of 3.2 MIGD. In addition to the steam turbines, two simple cycle gas turbine generators of 40 MW capacity each were added during 1982 and 1983 to the power plants at Station D to be used primarily during peak demand hours in the summer months. These gas turbines can be brought into operation immediately during system emergencies.

Phase II of Station D was constructed in 1984 and consists of three steam turbines, each with an installed capacity of 70 MW, together with three MSF desalination plants, each with an installed capacity of 6.33 MIGD. The capacity and efficiency of Station D Phase II was enhanced in 2002 by converting it into a combined cycle co-generation plant with the addition of three 132 MW (total 396 MW) gas turbines with evaporative cooling systems and three WHRBs to improve cycle efficiency. The three existing desalination units of Phase II were also upgraded in the same year. The total installed capacity of Station D is 1,026 MW and 35 MIGD.

Station E

Station E is located adjacent to Station D. The first phase of Station E was commissioned in 1989 and the last phase, Phase IV, was commissioned in 1997. Phase I involved the installation of a gas turbine power plant with an installed capacity of 252 MW (consisting of three gas turbines, each with a capacity of 84 MW) and four MSF desalination plants with a total installed capacity of 25 MIGD.

Phase II of Station E involved adding two simple cycle gas turbine generators of 87 MW capacity each, both of which were commissioned in 1992. In 1996, DEWA initiated Phase III whereby the simple cycle gas turbine generators of Station E Phase II were converted into a combined cycle co-generation plant by adding two WHRBs and a CEST unit to the existing plant. A further expansion under Phase IV was initiated in 1997 whereby a BPST was added to the plants in Phase I, bringing Station E's total installed capacity to 589 MW and 25 MIGD.

Station G

Phase I of Station G, located adjacent to Station E, was completed between 1993 and 1994 and consists of four gas turbine power plants with a combined installed capacity of 456 MW and eight MSF desalination plants with a combined capacity of 53 MIGD. The gas turbines were commissioned over the course of 1993 and 1994 and the desalination plants were commissioned in 1994. In 1996, Station G was extended under Phase II by the addition of a fifth gas turbine with an installed capacity of 121 MW. Under the expansion of Station G into Phase III in 1997, the gas turbines were converted into combined cycle co-generation plants by the addition of two BPSTs and the further addition of one MSF desalination plant with a capacity of 7 MIGD under Phase IV, which brought the overall installed capacity of Station G to 718 MW and 60 MIGD.

Station H /Al Aweer Gas Turbine Power Station

The Al Aweer Power Station H Phase I consists of six gas turbine power plants commissioned between 1998 and 1999. Unlike the Jebel Ali Power and Desalination Complex, Station H does not include desalination plants because it is situated inland, making it more difficult to supply cooling seawater to the site. Moreover, it was mainly designed to function as a peak lopping power station to meet the increase in demand for electricity at peak hours of the day during the hot summer months. During the winter months, this station serves as a standby plant and is used as a complement to Station C in order to provide electricity during an emergency.

Phase I of Station H consists of six simple cycle gas turbines, each with an installed capacity of 101 MW as well as a 400 kV substation which supplements the existing 400 kV substation at Al Quoz and Mushrif. In addition, 400 kV overhead transmission lines were laid to interconnect Station H Phase I to the Dubai network.

A unique feature of Phase I of Station H is that the gas turbines are also capable of being remote controlled from the new system control centre at Al Quoz. This means that the gas turbines can be brought into service quickly during system emergencies and are less dependent on manual intervention.

Phase II of Station H was commissioned between 2007 and 2008 and was completed in April 2009. It consists of three gas turbines with a combined installed capacity of 408 MW. In addition, 400 kV overhead transmission lines were laid to interconnect Station H Phase 2 to the Dubai network.

Phase III of Station H was commissioned in 2009 and consists of four gas turbines, bringing the overall capacity of Station H to 1,834 MW.

Station K

Station K was commissioned in two phases between 2001 and 2003. Phase I of Station K was commissioned in 2001 and consists of two MSF desalination plants with a combined installed capacity of 20 MIGD. Phase II of Station K consists of a combined cycle co-generation plant which was commissioned between 2002 and 2003 and consists of three gas turbines with a combined installed capacity of 561 MW, three WHRBs and two BPSTs with a combined installed capacity of 270 MW and three MSF desalination plants with a total installed capacity of 40 MIGD.

Station L

Phase I of Station L was commissioned between 2006 and 2007 and consists of a combined cycle co-generation plant comprising three gas turbines with a combined installed capacity of 549 MW and two BPSTs with a combined capacity of 312 MW, three WHRBs and five MSF desalination plants with total installed capacity of 70 MIGD.

Phase II of Station L was commissioned between 2007 and May 2010. It consists of four gas turbines and two CEST units with a combined installed capacity of 1,333 MW and four desalination plants with a total capacity of 55 MIGD.

Station M

As at the date of this Supplement, two gas turbines with a combined capacity of 468 MW have been completed at Station M. These gas turbines were commissioned in August 2010. DEWA expects that Station M will be fully commissioned during 2012. See further "*– Expansion Projects – Jebel Ali Power and Desalination Station M*".

Hatta Power System

DEC took over the existing power station in 1979. It initially contained four diesel generators with a total installed capacity of 2.56 MW. Later, nine more diesel generators were installed and a gas turbine generator was added, bringing Hatta Power System's total installed capacity to 14.7 MW. In 1995, the Hatta Power System was integrated with the Dubai power distribution system via 132 kV transmission lines and since November 1995, all consumers in Hatta have been receiving power from DEWA's other stations. The Hatta Power Station is not currently in use but is kept on standby for emergencies.

Jebel Ali Power and Desalination Complex Augmentation

As at the date of this Supplement, Jebel Ali Power and Desalination Complex Augmentation ("**JAPS Power Augmentation**") has taken place on Stations G, L, E and H, resulting in a total increase in electricity generation capacity of 168 MW. See further "*– Expansion Projects – JAPS Power Augmentation*".

Sales

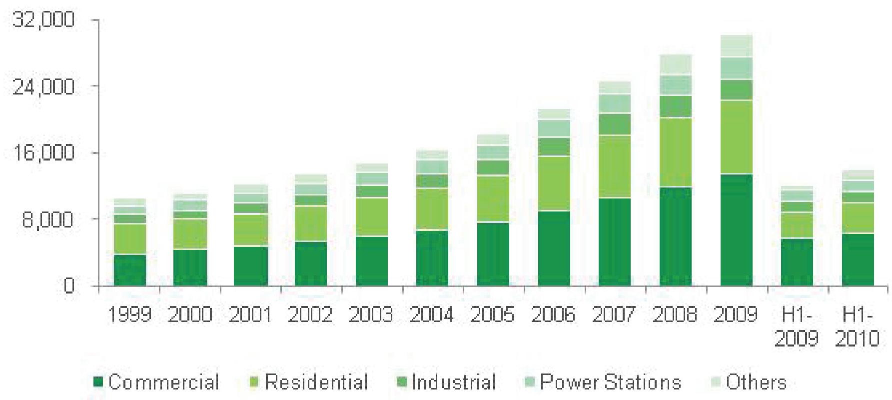
Since 2004, the commercial sector has been the largest consumer group due to the significant increase in commercial developments as well as an increase in the number of hotels and businesses in Dubai.

For the six month period ended 30 June 2010, the commercial sector accounted for approximately 45 per cent. of electricity consumed, the residential sector accounted for approximately 27 per cent., the industrial sector accounted for approximately 9 per cent. and DEWA's own power stations accounted for approximately 10 per cent., as compared to 48 per cent., 26 per cent., 10 per cent. and 10 per cent., respectively, in the six month period ended 30 June 2009. In the year ended 31 December 2009, the commercial sector accounted for approximately 44 per cent. of electricity consumed, the residential sector, accounted for approximately 29 per cent., the industrial sector accounted for approximately 8 per cent. and DEWA's own power stations accounted for approximately 9 per cent. as compared to, 43 per cent., 30 per cent., 9 per cent. and 9 per cent., respectively, in the year ended 31 December 2008 and 43 per cent., 31 per cent., 11 per cent. and 6 per cent., respectively, in the year ended 31 December 2007, respectively, with the remainder of electricity being consumed by other entities, such as Government ministries, schools, hospitals and mosques.

As at 30 June 2010, DEWA served 560,629 electricity customers, as compared to 530,993 customers as at 31 December 2009, representing an increase of 5.6 per cent.

The trend in electricity consumption (electricity sold by DEWA) is shown in the chart below:

Electricity Consumption by Sector (GWH)



Following the 2008 Tariff Increase, tariffs are based on a tiered billing system whereby the price per kWh increases incrementally based on the volume of electricity consumed. Different rates apply to each consumer sector, except for UAE nationals who are charged a flat rate reduced tariff for their residential consumption. The current electricity tariffs range from 20-33 fils/kWh for non-UAE nationals (as compared to a flat rate of 20 fils/kWh prior to the tariff increase) and both private and public sector entities and 7.5 fils/kWh for UAE nationals (which has remained unchanged). Notwithstanding the 2008 Tariff Increase, DEWA believes that its electricity and water tariffs still remain amongst the lowest in the world.

Customers are charged on the basis of monthly meter readings. DEWA also charges an initial connection fee, a meter rental for each residence or unit and requires customers (apart from UAE nationals and certain Designated Institutions) to pay a security deposit charged at a flat rate. This security deposit payable by each DEWA customer is equal to approximately two months consumption of electricity and water. DEWA does not impose any distribution or transmission charges on the basis that these are already embedded in the electricity tariff. Any unpaid bills must be settled within 47 days, after which DEWA will issue a final warning and may disconnect the electricity and/or water supply. DEWA believes that its rates of delinquency are low because of the deterrent effect posed by the potential disconnection in the event of non-payment.

Power Transmission

DEWA operates an electricity supply network which transmits and distributes electricity generated by the power stations to its customers. Electricity is mainly carried through a 400 kV, 132 kV and 33kV network of overhead transmission lines connected to substations set up in districts across Dubai. Electricity is then distributed to customers within those districts through underground cables. The table below shows the number of substations, the length of overhead transmission lines and underground cables in DEWA's network as at 31 December 2007, 2008, 2009 and 30 June 2010:

Number of Substations	**As at 31 December 2007**	**As at 31 December 2008**	**As at 31 December 2009**	**As at 30 June 2010**
400 kV	11	12	14	14
132 kV	88	116	139	152
33 kV	137	136	136	135
11 and 6.6 kV	17,886	20,041	22,224	23,723
Length of Overhead Transmission Lines (km)				
400 kV	636	766	870	870
132 kV	518	466	466	459
33 kV	113	113	113	113
Length of Underground Cables (km)				
132 kV	663	867	1,002	1,130
33 kV	1,795	1,853	1,863	1,871
6.6 and 11 kV	14,633	17,943	20,920	22,172

The operation of the electricity supply network is monitored through a system control centre which utilises the Supervisory Control and Data Acquisition ("**SCADA**") system, a sophisticated and centralised monitoring system which ensures that a reliable and continuous supply of electricity is provided to consumers at the correct frequency and voltage. Under the SCADA system, real-time data is collected by Remote Terminal Units ("**RTUs**") and is transmitted to a primary computer at the control centre which then processes the data. The primary computer then transmits the appropriate signals and commands from the control centre to the field equipment. Through this sophisticated monitoring system, DEWA has been able to minimise the occurrence of power outages or power interruptions. The only significant power outage in recent years took place in June 2005 due to power surges in two of the stations in the Jebel Ali Power and Desalination Complex. However, DEWA was able to re-establish the power supply to hospitals and palaces within 15 minutes and to the rest of Dubai within a few hours. DEWA subsequently appointed an external consultant to analyse the causes of the power failure and recommend preventative measures which have since been implemented principally through the SCADA system.

The transmission lines, substations and cables are frequently checked by DEWA engineers and regularly maintained so as to minimise electricity line losses. DEWA's electricity network has sustained a low level of electricity line losses of approximately four per cent. or less which, according to the World Bank (in 2006), ranks amongst the lowest level of electricity line losses sustained by electricity grids worldwide.

Water

Desalination

DEWA's desalination stations (Stations E, G, K and L) are located at Jebel Ali because of its proximity to the sea. The capacity of the desalination plants is determined by DEWA on the basis of a seawater temperature of 37 degrees Celsius and a high temperature operation. Most of DEWA's desalination plants use MSF technology whereby seawater is passed through a series of evaporator stages that serve as heat exchangers. The seawater is gradually heated by steam which raises the temperature of the seawater to boiling point. The steam is either extracted from a CEST (as in Station D) or from the exhaust of BPSTs (as in Station E, Station G and Station K). The seawater is heated to boiling point and is allowed to expand in a series of evaporator stages that are held under a vacuum which causes the seawater to "flash" into steam. The steam then condenses on the exterior of the metal cooling tubes through which seawater passes at lower temperatures, extracting heat from the steam and the water is then collected in distiller water trays. The distilled water is then treated in a blending plant so as to make it potable. About two-thirds of the high saline water or "brine resulting from the desalination process is then discharged back into the sea. However, due to naturally occurring sea currents, DEWA does not believe that the brine has a material adverse effect on the sea or the environment.

The desalination plants also contain auxiliary boilers which produce additional steam to supplement the steam produced by WHRBs in the power plants which tends to be lower during the winter months due to lower electricity generation as a result of reduced electricity demand.

Seawater is supplied to the desalination plants through pipes or intake channels that extend approximately 1km into the sea. The seawater is pumped to the Jebel Ali Power and Desalination complex and is pre-treated before being supplied to the desalination plants and steam turbine condensers.

The potable water received from the Jebel Ali Power and Desalination complex is stored in reservoirs. DEWA operates five water reservoir complexes: Jebel Ali reservoir complex (with a capacity of 100 million gallons ("**MIG**")), Mushrif reservoir complex (with a capacity of 180 MIG); Rashidiya reservoir complex (with a capacity of 12 MIG); Hatta reservoir complex (with a capacity of 5.3 MIG); and Lusailly reservoir complex (with a capacity of 5.2 MIG). In addition to providing water reserves, these reservoirs assist in balancing daily flows of water through the water transmission system. DEWA requires all customer premises (including homes) to maintain on-site water reserves equivalent to one day's supply, which helps DEWA balance daily peak flows. By ensuring sufficient water is stored in its reservoirs, DEWA has been able to ensure that it has water reserves equal to at least two days of peak demand, including customer storage. Each of the stations in the Jebel Ali Power and Desalination Complex also has an in-plant storage reservoir to balance water production and demand. As part of its expansion strategy, DEWA intends to build a new water desalination station over the next two years, thereby increasing its capacity to supply desalinated water by more than 40 per cent. compared to the current levels. DEWA expects that its water output capacity will increase to 470 MIG per day when the new station becomes fully operational. Approximately 95 per cent. of potable water supplied by DEWA comes from DEWA's desalination plants, with the remaining 5 per cent. coming from underground acquifiers.

In addition to Stations E, G, K and L, DEWA also has a standalone water desalination plant ("**JA RO**"), using reverse osmosis technology, at the Jebel Ali Power and Desalination Complex. JA RO was completed in September 2007 and has a total capacity of 25 MIGD.

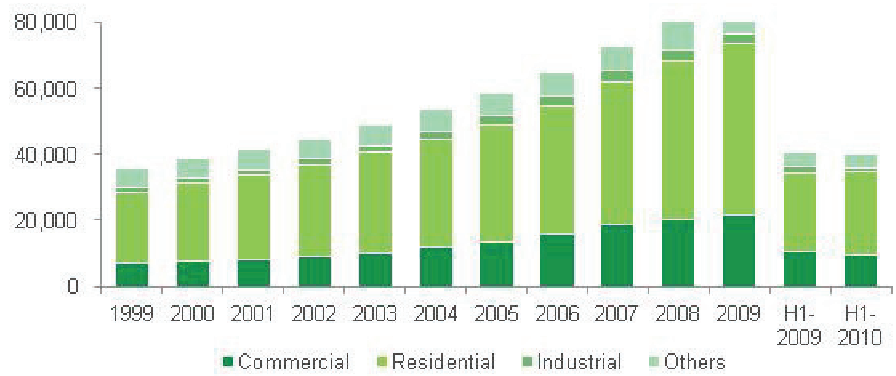
Sales

The residential sector has been and continues to be the largest consumer group for potable water. For the six month period ended 30 June 2010, the residential sector accounted for approximately 63 per cent. of water consumed, the commercial sector accounted for approximately 23 per cent. and the industrial sector accounted for approximately 3 per cent., as compared to 58 per cent., 26 per cent. and 4 per cent. in the six month period ended 30 June 2009, 61 per cent., 25 per cent. and 4 per cent. in the year ended 31 December 2009, 60 per cent., 25 per cent. and 4 per cent. in 2008 and 60 per cent., 25 per cent. and 5 per cent. in the year ended 31 December 2007, respectively, with the remainder being consumed by other entities, such as Government ministries, schools, hospitals and mosques.

As at 30 June 2010, DEWA served 490,480 water customers, as compared to 469,712 customers as at 31 December 2009, representing an increase of 4.4 per cent.

The levels of water consumption (potable water sold by DEWA) have risen steadily due to Dubai's growing population as is indicated in the chart below:

Water Consumption by Sector (MG)



Certain customers, such as those in the commercial agricultural or industrial sectors, do not receive water supplies from DEWA as they do not require potable water. Instead they rely on their own or alternative sources of water. For example, DUBAL supplies its own water from its own water desalination plants and the Dubai Municipality supplies water from waste treatment plants to farms for irrigation purposes.

As a result of the 2008 Tariff Increase, water tariffs range from 3 to 4 fils/imperial gallon (as compared to a flat rate of 3 fils/imperial gallon prior to the 2008 Tariff Increase) for non-UAE nationals and public and private sector entities and are based on a tiered billing system where the price per gallon increases incrementally as more water is consumed. The tariff charged to UAE nationals has remained unchanged at a flat rate of 1.5 fils/imperial gallon. DEWA charges customers on the basis of meter readings for each residence or unit and also levies a minimal charge for sewerage which it collects on behalf of the Dubai Municipality. The sewerage levy is based on the amount of water consumed during the collection process. DEWA does not own or require any additional infrastructure for the performance of this service.

While the Government encourages UAE nationals to pay their own invoices, the Government still issues credit notes on a monthly basis to cover any unpaid residential water bills of UAE nationals.

Transmission and Distribution

Desalinated water is pumped from the Jebel Ali Power and Desalination Complex directly into the transmission system and, through a series of interconnecting transmission mains and booster pumping stations, to the water reservoirs. The water is then transported via the main transmission pipeline to a further network of transmission pipelines, ranging in size from 550 mm to 900 mm in diameter, to convey water to the major consumption areas. Additional transmission capacity is provided through some of the larger distribution pipelines ranging between 225 mm and 300 mm in diameter, which run in parallel with the transmission lines. A booster pumping station located at Al Quoz boosts the flow of water through 1,200 mm and 900 mm diameter water mains so as to restore the water pressure which may be reduced by friction caused by the transmission of water from Jebel Ali to Al Quoz. A smaller booster pumping station is located at Rashidiya to boost the flow to the Khawaneej area and the higher elevation areas in Rashidiya. The water flow is controlled by switching the pumps on and off at Al Quoz, which is done manually based on the water level indication of the Mushrif and Rashidiya reservoirs.

Water is transmitted from distribution lines which are then tapped to provide each residence or building with water. In 2009, the total length of the distribution network in Dubai was measured at 1079 km. In the early stages of DEWA's water supply network, a considerable percentage of water was lost as a result of leakages in the distribution pipelines. This was because the distribution pipelines consisted of polyethylene pipes which were suitable for well water, the initial source of potable water in Dubai, but were less durable for the transmission of desalinated water, which reaches approximately 40 degrees centigrade when it is transmitted through the network. To solve this problem, DEWA initiated the Leakage Detection and Network Restitution Project (the "**LNDR Project**") which involved an extensive upgrade of the network to reinforce and improve the quality of the pipes so as to withstand soil and climatic conditions. As a result of the LNDR Project, DEWA managed to significantly reduce the amount of water lost through leakages to 10.26 per cent. in 2009.

The supply and demand of water is monitored by bulk flow meters which measure the total input of water contributed to the water supply system by each water source, the flows entering and leaving the reservoirs and pumping stations as well as the flows entering or leaving selected parts of the transmission and/or distribution system.

District Cooling

DEWA also diversified its range of operations by entering into a venture in December 2003 with the TECOM, a subsidiary of Dubai Holding, to establish Empower. On 23 November 2009, DEWA acquired an additional 20 per cent. equity stake in Empower at a cost of AED 165 million, increasing its shareholding to 70 per cent. Empower provides district cooling services to various real estate projects operated by subsidiaries of Dubai Holding such as Jumeirah Beach Residences, Dubai Healthcare City and Business Bay as well as other developments, which are not owned by Dubai Holding, such as the Dubai International Financial Centre. District cooling is a system of air conditioning which produces chilled water and distributes it through a network of insulated pipes to individual customer buildings. It is more efficient and environmentally sound than conventional air-cooled chiller systems for individual buildings.

DEWA supplies water to Empower for use in the chilling process at its standard tariff. The tariffs charged by Empower to customers for providing district cooling are not regulated by the Government but are charged at commercial rates.

Power cable production

In March 2009, DEWA entered into a joint venture with ADWEA and Dubai Cable Company (Private) Limited ("**DUCAB**") to manufacture, sell and install high-voltage cable systems. DEWA and ADWEA each acquired a 25 per cent. equity stake in the joint venture ("**DUCAB-HV**") for AED 100 million each, while DUCAB holds the remaining 50 per cent. DEWA has invested an additional AED 350 million in DUCAB through loans. The board of DUCAB-HV has four members, including DEWA's Managing Director and Chief Executive Officer. DUCAB-HV, will operate from a 22,000 square meter manufacturing facility that will be built next to DUCAB's facility in Jebel Ali and is expected to commence operations in late 2010. At present, DUCAB only produces 132 KV and lower voltage cables while high voltage cables need to be imported. Once the new manufacturing facility is operational, the UAE will be able to produce high voltage cables locally, which will be a significant development in the UAE's industrial sector.

Expansion projects

In order to meet the anticipated future increase in the demand for water and electricity, DEWA has initiated an expansion plan to build new power and desalination plants in addition to making substantial investments in order to expand and upgrade its existing transmission and distribution network. The expansion plan envisages a medium growth scenario which anticipates that the demand for electricity and potable water will continue to grow at a steady pace. Should the predicted growth in DEWA's business deviate from current projections, DEWA has the flexibility to move towards either a low or high growth scenario expansion plan. A high growth expansion plan would necessitate an increase in capital expenditure as compared to the medium and lower growth scenarios. See "*Risk Factors – Risks Related to DEWA – DEWA cannot guarantee the accuracy of its forecasts for future demand for electricity and potable water in Dubai*". Part of its medium growth expansion strategy involves augmenting the JAPS Power Augmentation. Furthermore, as a long term strategy, DEWA believes it will be necessary to construct more power and desalination plants outside the Jebel Ali area so as to service newly developed areas as well as to mitigate the potential risks caused by the concentration of power and desalination plants in Jebel Ali. See "*Risk Factors – Risks Related to DEWA – DEWA's operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events that are beyond DEWA's control*".

Pursuant to its expansion strategy and in order to meet anticipated demands, DEWA intends to increase its electricity generation capacity by approximately 20 per cent. and its water desalination capacity by approximately 40 per cent. by the end of 2012. These additional power and desalination stations projects, expected completion dates and anticipated capacities are shown in the table below. The completion of these generation and desalination projects, together with the expansion and upgrade of DEWA's existing transmission and distribution network, will require capital expenditure of between approximately AED 26 billion and AED 28 billion between 2010 and 2012.

Station	Location	Total Additional Power Capacity (MW)	Total Additional Water Capacity (MIGD)	Year of Commission/ Expected Year of Commission
Station M	Jebel Ali	1,592	140	2012
JAPS Power Augmentation[1]	Jebel Ali	222	—	2010-2011

1 Augmentation will affect Stations K and M.

It is expected that the completion of Station M and the JAPS Power Augmentation will increase DEWA's total power electricity generation capacity to 9,643 MW and its total water desalination capacity to 470 MIGD by 31 December 2012. DEWA expects that these additional plants and upgrades will be able to meet forecasted demands until 2015. Thereafter DEWA may consider additional projects as necessary to meet customer needs. As at the date of this Supplement, DEWA has received approval from its Board and the Supreme Council of Energy for the construction of an IWPP at Hassyan. See "– *Hassyan*" below.

Jebel Ali Power and Desalination Station M

A contract was awarded to a consortium of Doosan Heavy Industries and Fisia Italiampianti in March 2007 for the commissioning of the Jebel Ali Power & Desalination Station M (Station M). The expected total installed capacity of Station M after completion in 2012 will be approximately 2,060 MW and 140 MIGD. As at the date of this Supplement, two gas turbines with a combined capacity of 468 MW have been commissioned at Station M.

Natural gas will be supplied to Station M from the already existing pipeline provided by DUSUP. Seawater will be sourced from seawater intake facilities constructed under Phase I of Station L although Station M will eventually have its own seawater discharge facilities.

JAPS Power Augmentation

Pursuant to DEWA's plan to upgrade its existing plants, between 2010 and 2011, DEWA plans to augment a number of its existing power stations and Jebel Ali. As at the date of this Supplement, Stations G, L, E and H have already been augmented. DEWA plans to augment Stations K and M during 2010 and 2011.

The augmentation process will result in increased capacity and improved levels of efficiency. The augmentation process will involve, amongst other things, upgrading turbine blades and lowering the gas turbine inlet temperatures.

Hassyan

As the rate of increase in demand for electricity and water is anticipated to grow at a slower pace than in previous years, it is expected that DEWA's existing stations (including the phases currently under construction) will have sufficient capacity to meet future increases in demand up to 2015. However, as part of its long-term expansion strategy, DEWA intends to construct new power generation and water desalination plants at the Hassyan site by 2014. This site was granted to DEWA by the Government for the building of new power and desalination stations to service certain master-planned developments such as Dubai World Central, Dubai Industrial City and Dubailand.

DEWA has also signed three memoranda of understanding to conduct feasibility studies for the establishment of IWPPs. One of these studies will specifically assess the feasibility of building power and water transmission facilities in Fujairah, with a view to exporting electricity and water from the plant and integrating it with DEWA's own electricity and water network. The other two studies will focus on the use of syngas (a gas mixture which contains varying amounts of carbon monoxide and hydrogen) and coal as a substitute for natural gas.

In December 2009, the Supreme Council of Energy approved the establishment of IWPPs in Dubai. DEWA expects that the first IWPP project will be located at the Hassyan site. As at the date of this Supplement, DEWA has appointed an IWPP consultant in relation to the development of a 1500 MW power station with 120 MIGD desalination capacity. The consultant will submit a detailed study in relation to the implementation of an IWPP in power generation and water desalination. The study will include proposals for establishing a regulatory, legal and technical framework for the IWPP and also an implementation strategy for DEWA. As at the date of this Supplement, DEWA expects that the relevant IWPP frameworks will be established and that it will be in a position to float the IWPP construction tender towards the end of 2010. If the IWPP project proceeds, DEWA expects that the Hassyan Power Station would be commissioned in 2014.

Sub-station Construction

In 2006, DEWA approved the construction of 14 new sub-stations at Dubai Investments Park ("**DIP**"), an industrial and logistics hub, to service the current tenants at DIP, as well as to cater for future demand. The project has been undertaken by DEWA, in conjunction with DIP and will comprise a total of 13 132/II KV substations and one large capacity 400KV sub-station. As at the date of this Supplement, five 132/II KV substations have been commissioned by DEWA and two sub-stations are under construction.

Relationship with Third Parties

Construction Firms

DEWA relies on third party construction firms for the design and construction of its power and desalination plants, substations and networks. DEWA seeks construction projects on an open tender basis and awards contracts exclusively on a turnkey basis. Leading international construction companies such as Mitsubishi Corporation, Fisia Italimpianti S.p.A, Siemens Aktiengesellschaft, Hyundai Engineering & Construction and Doosan Heavy Industries have all participated in the design, construction and delivery of DEWA's projects. The construction firm will generally be required to carry out the design, construction and commissioning of the plant and assume the majority of the risks related to design and construction. Typically, the turnkey contracts would also include the provision of a performance guarantee by the contractor for the satisfactory and timely completion of the project and DEWA would be entitled to deduct a certain percentage from the contract price in the event that the deadline is not met.

Developers

DEWA also plans and co-ordinates the development of its new projects in order to meet the electricity and water requirements of large scale property development companies in Dubai such as Dubai Properties LLC, Emaar Properties PJSC and Nakheel PJSC. These property development companies are in the process of building large-scale master planned communities consisting of residential units, businesses and hotels that will require access to the electricity and water distribution network. As part of the master plan, the property development companies will reserve land within the development area in order to build substations and reservoirs. In some cases, these substations or reservoirs may even be built by the property development companies themselves and then handed over to DEWA for operation. The RTA also grants a right of way to DEWA over service corridors to lay power cables, fibre optic cables, overhead transmission lines and water pipelines within the development project. These service corridors are usually reserved for DEWA at the initial planning stage. In other cases, property developers may engage certain private companies (such as Palm Utilities) to purchase water from DEWA and then transmit and distribute the water to the occupants of the developments using a separate transmission and distribution network.

Consultants

DEWA engages engineering consultancy firms to provide consultancy services for project management, including engineering, design and site supervision, during the construction phase and in connection with the commissioning of power and desalination stations and substations as well as to conduct feasibility studies and carry out risk assessments with respect to its projects. The consultancy contracts are awarded by way of competitive tenders. Consultancy contracts in respect of power and desalination stations projects are typically awarded for a five year period and require the consultant to provide a performance guarantee.

Employees

As at 31 August 2010 the total number of employees employed by DEWA was 8,396, as compared to 8,133, 7,612 and 6,830 employees as at the years ended 31 December 2009, 2008 and 2007, respectively. The table below sets forth DEWA's total number of employees by division as at 31 August 2010.

	Number of employees as at 31 August 2010
General Management Division	165
Power and Water Planning	131
Business Support	329
Information Technology	145
Human Resources	144
Consumer Services	844
Project and Engineering	299
Generation	1,974
Transmission Power	780
Distribution Power	2,450
Water and Civil	1,135
Total number of employees	**8,396**

Employee benefits

DEWA endeavours to provide employee compensation that it considers to be competitive with other organisations in Dubai. DEWA also provides a range of employee benefits such as health insurance and performance linked bonuses as well as additional benefits to senior executives such as overseas flight tickets and a children's educational allowance. These employee benefits are periodically reviewed based on market studies by external consultants, to ensure that DEWA can attract and maintain a skilled workforce.

In accordance with the laws of the UAE, DEWA provides end of service benefits to non-UAE national employees. Entitlement to these benefits is based on the employee's length of service and the completion of a minimum service period. UAE national employees benefit from a Government instituted pension plan to which both DEWA and UAE national employees contribute at prescribed rates.

Emiratisation

DEWA is committed to increasing the proportion of staff who are UAE nationals and to develop their training and expertise. For the eight months ended 31 August 2010, UAE nationals made up approximately 17.0 per cent. of DEWA's workforce. Although the Government does not impose a mandatory quota on the number of UAE nationals DEWA entered must employ, DEWA has taken initiatives to involve more UAE nationals in its business. For example, it entered into a contract with the Higher College of Technology to implement the Electrical Engineering Diploma Programme to train UAE nationals as electrical engineering technicians for future employment by DEWA. The students will receive financial aid from DEWA while studying and once they have completed their studies, will be offered a position in DEWA's workforce. In June 2009, DEWA entered into a Partnership and Sponsorship Agreement with the National Institute for Vocational Education ("**NIVA**") to sponsor local students in various specialities, after which they will immediately be offered a position at DEWA.

Health and Safety

DEWA seeks to ensure that strict health and safety standards are observed throughout its operations. It established the Occupational Health & Safety section (the "**OH&S Section**") under the Shared Services Division to monitor health and safety standards at every level of DEWA's business. The OH&S Section implements health and safety standards that DEWA believes exceed those required by federal and local laws and regularly audits the health and safety practices in each division. DEWA also requires all contractors and technicians to qualify for an Electrical Contractor's Competency Licence in order to install electrical connections in any dwelling or building in Dubai. In addition, any person who conducts works near DEWA's water or electricity network must first obtain a certificate of no-objection ("**NOC**") from DEWA prior to commencement of works and must comply with the conditions in the NOC. As this requirement has been imposed by law, any person who fails to obtain an NOC or does not comply with its conditions may be subject to prosecution, which may result in fines, as well as confiscation of equipment. In recognition of its consistently excellent standards in health and safety, DEWA was awarded the British Safety Council Sword of Honour in 2007. DEWA has also been the recipient of the British Safety Council's 5-Star Grading Certificate for five straight years, scoring the highest five star rating of any UAE-based company in 2010.

DEWA is ISO 9001, ISO 14001 and OHSAS 18001 certified and has received Bureau Veritas certification for its health and safety procedures. DEWA also maintains quality control procedures for the purchase of any equipment exceeding AED 1.0 million in value. In order to purchase any such product, a senior DEWA engineer must first verify that the product conforms to certain specifications, which ultimately reduces any costs associated with defective products.

Insurance

DEWA has arranged for property insurance in respect all of its assets, including all buildings, plant and equipment as well as stock in trade, fuel, electrical goods and spare parts, but excluding underground cables and water pipelines, which covers machinery breakdown as well as fire, but not lost profits. The assets are evaluated by independent consultants who advise DEWA of any particular risks and carry out asset valuations and risk assessment surveys in order to enable DEWA to take all necessary preventative steps to minimise the risks of accidents and losses. DEWA has also obtained insurance for employers liability against employee negligence and general tort claims. In addition, DEWA has a provision for self insurance for a certain portion of machine breakdown. See "*Risk Factors – Risks Related to DEWA – DEWA may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business*".

Information Technology

SCADA

DEWA's extensive electricity supply and distribution network is monitored and controlled centrally from the main Systems Control Centre in Najma, which gives the operators the ability to perform certain operational functions remotely. An identical system control centre is located in Mushrif. Both system control centres utilise the SCADA system and both monitor the status of DEWA's power stations, substations and distribution substations; however an operator can only control and issue a command from one control centre at any given time. All indications and alarms are presented on both systems in the form of graphical and topological displays, printouts and mimic indications. Real-time data is collected from all parts of the network by RTUs which are then transmitted to the main System Control Centre in Najma and the emergency control centre in Mushrif. DEWA intends to enhance the reliability of its electricity supply and distribution network further by commissioning two new distribution control centres ("**DCC1& DCC2**"), which are currently under construction, and two new transmission control centres ("**TCC1 & TCC 2**"), which are still in the design and engineering phase. Each distribution control centre will control a specified region and will be able to take over the responsibility of the entire distribution network at any time or in case of one control centre failing. The new transmission control centre project will utilise the same concept of having two control centres of equal capability and capacity.

Through the implementation of the SCADA system, DEWA has been able to minimise the occurrence of power outages or power interruptions. The only significant power outage in recent years took place in June 2005, due to a fault at one of the 400 kV substations in the Jebel Ali Power and Desalination Complex. However, DEWA was able to re-establish the power supply to hospitals and palaces within a short period of time on a priority basis and to the rest of Dubai within a few hours. DEWA subsequently appointed an external consultant (Tractebel) to analyse the causes of the power failure. The preventive measures recommended by Tractebel were reviewed by DEWA's operation committee and implemented principally through the SCADA system.

Geographical Information Systems

DEWA further updated its information technology system by adopting the Geographical Information System in 1997, which computerised the mapping of all of DEWA's installations, facilities and transmission and distribution lines. Although SCADA and the Geographical Information System are not integrated, their functions complement one another. Problems detected by SCADA in the cables, transmission or distributions lines, substations or installations can be easily located through the Geographical Information System which allows technicians to quickly locate the physical assets needing attention in order to rectify the problem as quickly as possible.

SAP

The SAP program consists of four phases, with the first phase relating to the management of customer relationships and accounting. In October 2009, DEWA implemented a new billing system that is tied to the identity of the customer rather than the location of the premises being serviced. As a result, DEWA has created profiles for each of its customers such that outstanding bills are now sent to the person responsible for payment, even if they move to another location. The second phase of SAP implementation relates to the upgrade of DEWA's billing system and the division of Dubai into geographical cycles for the purposes of billing, and is expected to be completed in early 2011. The third and fourth phases relate to human resources and strategic planning, respectively, which have not yet begun the process of implementation.

Demand Forecasting

The efficiency of DEWA's transmission network is largely dependent on its ability to carry electricity loads at peak times. In order to maintain a particular voltage and frequency throughout an electricity grid, the amount of electricity drawn from the grid and the amount generated must balance. It is therefore essential for DEWA to be able to make accurate forecasts so it can predict the demand for electricity at any given time and ensure an adequate supply. There are various methods of forecasting and each method requires a large amount of historical data on energy consumption, floor space and land use inventory, the use of energy consuming appliances, the pace and trends of economic development as well as demographic parameters. DEWA also utilises information gathered from developers and the Dubai Municipality to create its forecasting models.

E-services

In addition to DEWA's eight collection offices and an agreement with Etisalat Telecommunication Corporation ("**Etisalat**") enabling DEWA's customers to settle bills at Etisalat payment terminals in Dubai, DEWA believes that it can enhance customer satisfaction by making its services available to consumers online via its website such as online bill payments and setting up accounts for connection. For the year ended 31 December 2009, there was a 129 per cent. increase in customer enrolment for e-billing and payments made online increased by 39 per cent. over the same period. DEWA's promotion of e-services is aligned with the Government's objective of promoting "e-government" or the provision of public services via the internet. DEWA's internet systems were recognised in 2009 at the e-Government First Gulf Conference where DEWA received the second place award in the "Best E-Service" category for the electronic payment service for electronic invoices and was awarded third place in the "Best E-Project" for its integration of the SAP system in its Billing and Customer Relationship Department.

Litigation

DEWA has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which DEWA is aware) during the last 12 months preceding the date of this Supplement which may have, or have had, a significant effect on its financial position or profitability.

MANAGEMENT

Board of Directors

DEWA's Board is appointed by the Government by Decree No. (40) of the year 2009 concerning the formation of the Board of Directors of Dubai Electricy and Water Authority. The Board has wide ranging corporate powers including the power to ratify DEWA's annual budget, approve electricity and water supply services and authorise and enter into agreements. The Board also issues governing regulations and approves DEWA's administrative, financial and technical affairs. The regulations issued by the Board are binding on DEWA although the Government may amend the regulations or exempt any party from complying with part or all of the regulations adopted by the Board.

The members of the Board are as follows:

Name	Position
Matar Humaid Al Tayer	Chairman of the Board
Saeed Mohammad Ahmad Al Tayer	Member
Hilal Khalfan Bin Dhaher	Member
Abdulla Al Sayed Mohammad Al Hashemi	Member
Khalfan Ahmad Harib	Member
Majid Hamad Al Shamsi	Member
Obeid Saeed Bin Mes har	Member
Saeed Mohammad Al Sharid	Member
Nabil Abdul Rahman Arif	Member

The term of service of the Board is three years and is automatically renewable. Saeed Mohammad Ahmad Al Tayer is the Managing Director and Chief Executive Officer of DEWA.

Mr. Matar Humaid Al Tayer

Mr. Al Tayer has been Chairman of DEWA since 2004. He has also been the Chairman of Oman Insurance since 2002. Between 1992 and 1996, he was the Under Secretary at the UAE Ministry of Communication and, between 1997 and 2004, was the UAE Minister of Labour and Social Affairs. Mr. Al Tayer obtained a degree in business administration from the University of Denver, Colarado, U.S.A. in 1981.

Mr. Saeed Mohammad Ahmad Al Tayer

Mr. Al Tayer was appointed Managing Director and Chief Executive Officer of DEWA in 2004. He has more than 23 years experience in Dubai in the fields of telecommunication, energy and water. He was appointed as General Manager of DEC in 1991 and subsequently, upon the Merger, was appointed as General Manager of DEWA. Mr. Al Tayer is also a member of Dubai Executive Council, Dubai Economical Council, Emirates National Grid Committee, Director on the board of directors of DUBAL, Chairman of the Infrastructure Committee, Chairman of EMPOWER, Member of the Higher Committee for Dubai Quality Award and Deputy Chairman of Zayed International Prize.

Mr. Hilal Khalfan Bin Dhaher

Mr. Bin Dhaher has been a director of DEWA since 2002. He has 25 years experience working for Citibank N.A., U.A.E., including as Outsource Director Vice President since 1996. He is also a member of the Technical Committee of the UAE Bankers Association and a member of the board of directors of DUBAL. Mr. Bin Dhaher obtained a Bachelor of Science in business administration from the University of Arizona, Tucson, Arizona, U.S.A. in 1982.

Mr. Khalfan Ahmad Harib

Mr. Harib has been a director of DEWA since 2002. He is currently a director of H.H. The Ruler's Court, Managing Director of the Victory Team, Chairman of the Social Development Committee, Chairman of Sheikh Mohammed Bin Rashid National Housing, Chairman of the Retired Employees Committee, Deputy Chairman of the Judiciary Council of the Dubai Government, Deputy Chairman of the Sheikh Zayed Housing Programme, Deputy Chairperson of Dubai International Humantarian City and a member of the Executive Council. Mr. Harib holds a degree in Management Information Systems from the University of Arizona, U.S.A.

Mr. Abdulla Al Sayed Mohammad Al Hashemi

Mr. Al Hashemi has been a director of DEWA since 2004. He is currently a director of AWQAF & Minors Affairs Foundation (the Department of Islamic Affairs). He also acts as an arbitrator for the UAE Federal Government and for the Government and is involved in the design of all projects undertaken by the Al Hashemi Consultant Office, a legal consultancy firm providing support to the Dubai courts.

Mr. Majid Hamad Al Shamsi

Mr. Al Shamsi has been a director of DEWA since 1990.

Mr. Obeid Saeed Bin Mes'har

Mr. Mes'har has been a director of DEWA since 2004. He is also Chairman of Etisalat Investment Committee, Chairman of Canartel (CDMA) Operator in Sudan, Chairman of Zantel (Fixed and Mobile Operator in Tanzania), Chairman of the Etisalat Academy, a member of the Dubai e-Government Executive Team, a member of the board of directors of Ettihad Etisalat, a member of the board of directors of Cable TV Co. (e-vision), a member of the board of directors of Sheikh Mohammed Bin Rashid Housing Establishment, a member of the Dubai University College (Business School) Advisory Committee and a member of the American University – Dubai Advisory Committee. Mr. Mes'har obtained a degree in finance and business administration from the University of the UAE in 1983 and, as at the date of this Supplement, is in the process of completing an EMBA at the University of Minnesota.

Mr. Saeed Mohammad Al Sharid

Mr. Al Sharid has been a director of DEWA since 1990. He is also General Manager of Emirates Transport, Chairman of the board of directors of Emirates Islamic Bank, a director of Etisalat and a member of the UAE Accounting Association.

Mr. Nabil Abdul Rahman Arif

Mr. Arif has been a director of DEWA since 1990.

The business address for each of the directors is P.O. Box 564, Dubai, UAE.

Mr. Saeed Mohammed Ahmed Al Tayer and Mr. Khalfan Ahmed Harib are both members of the Executive Council, which, from time to time, due to the role of the Executive Council in the Government, may give rise to potential conflicts of interest with their duties to DEWA. The Executive Council has a wide remit in that it is responsible for ensuring coordination among Government departments, implementing an overall strategy for the Government, preparing an overall budget to fund the requirements of the various Government departments and recommending new laws and regulations. See "*Overview of the UAE and the Emirate of Dubai – The Emirate of Dubai – Government of Dubai*". The Executive Council is not able to consider or promote the interests and strategies of one Government department or authority to the exclusion of any other. Potential conflicts of interest may therefore arise in situations where Mr. Al Tayer and Mr. Harib feel obliged to discharge their duties as members of the Executive Council in a manner which would not necessarily serve the interests of DEWA.

Except as stated above, no member of the Board or any member of senior management described below has any actual or potential conflict of interest between his duties to DEWA and his private interests or other duties.

Senior Management

DEWA's business is divided into the following divisions: the Power & Water Planning Division; the Generation Power & Water Division; the Transmission (Power) Division; the Distribution (Power) Division; the Water and Civil Division; the Human Resources Division; the Information Technology Division; the Business Support Division; the Projects & Engineering Division; and the Customer Service Division.

The members of senior management are as follows:

Name	Position(s)
Saeed Mohammed Ahmad Al Tayer	Managing Director and Chief Executive Officer
Thomas Varghese	Chief Financial Officer
Jassim Ali Rajab	Financial Controller
Nasser Akil Abbas	Director – Treasury
Abdullah Obaidullah	Executive Vice President – *Water and Civil*
Rashid Humaidan	Executive Vice President – *Distribution Power*
Nasser Mohammed Hussain Bin Lootah	Executive Vice President – *Generation Power and Water*
Hussain Eissa Ibrahim Lootah	Executive Vice President – *Transmission Power*
Khalid Al Khaja	Executive Vice President – *Projects & Engineering*
Yousef Badi	Chief Legal Adviser
Yousef Jebril	Executive Vice President – *Power and Water Planning*
Haneef Lakhani	Vice President – *Internal Audit*
Dr Yousef Al Akraf	Vice President – *Human Resources*
Mr. Waleed Ali Ahmed Salman	Vice President – *Strategy & Business Development* and *Project Transmission*

Mr. Saeed Mohammed Ahmad Al Tayer – Managing Director and Chief Executive Officer

See "*– Board of Directors*" above.

Mr. Thomas Varghese – Chief Financial Officer

Mr. Varghese joined DEWA in 1998. He has 30 years experience in a range of industrial and commercial organisations, including as a Finance Manager at Galadari Automobiles Co. Ltd. (KKC), Dubai, a Financial Controller at Emirates Stone Co. Ltd., Sharjah and a Manager in Project Finance at The Associated Cement Co. Ltd., Mumbai.

Mr. Jassim Ali Rajab – Financial Controller

Mr. Rajab has been in the Finance Department at DWD and subsequently upon the Merger, at DEWA since 1987. Between 1982 and 1987, Mr. Rajab worked at EMARAT, the UAE petroleum company.

Mr. Nasser Akil Abbas – Director – Treasury

Mr. Abbas joined DEWA in 2007. He has 23 years experience in banking and finance, including as the Director, Treasury at the Department of Finance, a Manager at the Union National Bank and a Branch Manager at the Bank of Fujairah.

Mr. Abdullah Obaidullah – Executive Vice President – Water and Civil

Mr. Obaidullah is the Executive Vice President of the Shared Services (Human Resources, IT, Commercial and Administration Division). He joined DEWA in 1993 as Deputy Head of Systems and was promoted to Assistant General Manager of the Administration & Distribution and Production Department.

Mr. Rashid Humaidan – Executive Vice President – Distribution Power

Mr. Humaidan is the Executive Vice President of the Customer Services Division. He joined DEWA in 1993 and has previously held positions as an Electrical Engineer, Deputy Head of the Customer Services Department and Head of the Customer Services Department.

Mr. Nasser Mohammed Hussain Bin Lootah – Executive Vice President – Generation Power and Water

Mr. Bin Lootah has been the Executive Vice President of the Generation (Power & Water) Division since 2004. He joined DEWA as Deputy Station Manager of the Jebel Ali Power Station in 1996.

Mr. Hussain Eissa Ibrahim Lootah – Executive Vice President – Transmission Power

Mr. Lootah has been the Executive Vice President of the Transmission and Distribution Division since 1996. He joined DEWA in 1993 and has been Vice President of Transmission (Operations & Maintenance), Deputy Head of the Field Services Sector, Maintenance Department Manager, Deputy Manager of the Maintenance Department and a Maintenance Engineer (Relays & Meter). Mr. Lootah is also Chairman of the Committee of Empower.

Mr. Khalid Al Khaja – Executive Vice President – Projects & Engineering

Mr. Al Khaja is the Acting Executive Vice President of the Projects and Engineering Division, responsible for all of DEWA's projects. He joined DEWA in 1991 and has served as Vice President of the Projects and Engineering (Projects-Generation) Division, Senior Manager of the Projects & Engineering (Projects – Generation) Division and Superintendent and Deputy Senior Engineer of Station H.

Mr. Yousef Badi – Chief Legal Adviser

Mr. Badi has been Chief Legal Advisor to DEWA since 1994. Between 1986 and 1993 he was a Civil Judge at the Abu Dhabi Civil Court and in 1985 was a Judge of the Supreme Court of Sudan. Since 1995, Mr. Badi has been a member of the Commercial Arbitration Centres in Dubai and Bahrain and has over 30 years legal experience.

Mr. Yousef Jebril – Executive Vice President – Power and Water Planning

Mr. Jebril joined DEWA in 1997. He is a chartered engineer with 28 years experience in the utilities and consultancy sector and in electrical power systems engineering, which includes system analysis and planning, technical specification and standards, engineering works, construction and testing and system operations.

Mr. Haneef Lakhani – Vice President – Internal Audit

Mr. Lakhani joined DEWA in 1993. He has several years experience in external audits, internal audits, finance and accounting departments.

Dr. Yousef Al Akraf- Vice President Human Resources

Dr. Al Akraf joined DEWA in 2000. Dr. Al Akraf holds a PhD from the University of Ohio, U.S.A. The business address of each of the members of senior management named above is P.O. Box 564, Dubai, United Arab Emirates.

Mr. Waleed Ali Ahmed Salman

Mr. Salman joined DEWA in 2008. He is also a member of the Supreme Council of Energy (Dubai) and is the Vice Chairman of the Dubai Nuclear Energy Committee. Mr. Salman has over 18 years of experience in the energy sector. He is currently the Vice President of Strategy & Business Development and the Vice President of Project Transmission at DEWA.

Compensation

For the year ended 31 December 2009, the aggregate total remuneration paid by DEWA to its directors and key management was AED 17.0 million as compared to AED 17.8 million and AED 9.5 million for the years ended 31 December 2008 and 2007, respectively.

Corporate Governance

DEWA has established a corporate governance manual (the "**CGM**") which set forth its corporate governance Standards. The CGM provides a set of procedures, principles and standards in relation to matters such as DEWA's corporate structure, accountability and delegation of authority, internal audit, establishment of management committees, risk management, internal and external reporting, health and safety, social responsibility and retention of records, which DEWA expects its Board, senior management and employees to follow. The CGM also incorporates policies and procedures to protect against unlawful practice, including the acceptance of gifts and bribes, and enforces strict compliance of all employees. As at the date of this Supplement, there is no record of complaints alleging any such illegal conduct by DEWA or its directors, employees, representatives, agents or consultants. Also as at the date of this Supplement, the Board has not established any committees relating to corporate governance, other than the Budget Committee which is described below.

Budget Committee

Certain members of the Board constitute a committee to review and approve DEWA's budget. The members of the Budget Committee are appointed by the Board on a yearly basis. The members of the Budget Committee for 2009 are Mr. Majid Hamad Al Shamsi, Mr. Khalfan Ahmed Hareb, Mr. Saeed Mohammad Al Sharid and Mr. Nabil Abdul Rahman Al Arif, Mr. Majid Hamad Al Shamsi is the present Chairman of the Budget Committee.

OVERVIEW OF THE UAE AND THE EMIRATE OF DUBAI

Introduction

The UAE is a federation of seven emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Fujairah and Ras Al Khaimah (the "**Federation**"). Formerly known as the Trucial States, the emirates were a British protectorate until they achieved independence in December 1971 and merged to form the Federation. H.H. Sheikh Khalifa bin Zayed Al-Nahyan, Ruler of Abu Dhabi, has been President of the UAE since November 2004 and H.H. Sheikh Mohammed bin Rashid Al Maktoum, Ruler of Dubai, has been Prime Minister of the UAE since January 2006. The emirates enjoy significant autonomy and each has its own budget. The UAE's federal budget is funded by each emirate in agreed amounts.

The UAE enjoys good relations with the other states in the GCC. However, the UAE does have a longstanding territorial dispute with Iran over three islands in the Gulf.

Economy of the UAE

The UAE is the second largest economy in the GCC after Saudi Arabia. It has a more diversified economy than most of the other countries in the GCC. According to OPEC data, at 31 December 2008, the UAE had approximately 7.5 per cent. of the world's proven global oil reserves (giving it the seventh largest oil reserves in the world), generating approximately one-third of the UAE's gross domestic product ("**GDP**") in 2007 and approximately one-half of its export earnings (including re-exports) in 2008, according to data produced by the UAE Central Bank. The UAE enjoys one of the highest GDPs per capita in the region. The International Monetary Fund ("**IMF**") estimates that the UAE's GDP per capita based on purchase power parity was approximately U.S.$36,536, in 2009.

Based on IMF data (extracted from the World Economic Outlook (April 2010)) real GDP growth in the UAE increased by 6.1 per cent. in 2007, and 5.1 per cent. in 2008 and decreased by 0.7 per cent. in 2009. However, the UAE is projected to return to growth in 2010.

UAE Credit Ratings

On 18 December 2008, Moody's reaffirmed the UAE's long-term credit rating of Aa2 with a stable outlook despite recent declines in the price of oil. In its report, Moody's cited the fact that the federal government of the UAE is fully supported by the government of Abu Dhabi, which has a strong asset position and ability to withstand financial shocks.

Constitution, Governance and Judiciary of the UAE

UAE Constitution

The original constitution of the UAE (the "**Constitution**") was initially provisional and provided the legal framework for the federation. The Constitution was made permanent pursuant to a constitutional amendment in December 1996.

The Constitution apportions powers between the federal government (based in Abu Dhabi) and the governments of the constituent emirates. The federal government is entrusted with the task of promulgating substantive legislation concerning and regulating the principal and central aspects of the UAE. The local governments of each emirate are authorised to regulate local matters not confined to the federal government. Articles 120 and 121 of the Constitution specifically state that certain matters, such as foreign affairs, security and defence and public health must be governed by federal law. All other matters not specifically assigned to the exclusive jurisdiction of the federal government may be regulated by the local government of each emirate.

The Constitution also states that the Federation shall form a single economic and customs entity with free movement of capital and goods between the emirates. The natural resources and wealth in each Emirate shall be considered to be the public property of that emirate.

Governance of the UAE

The governance of the UAE at the federal level is divided between the Federal Supreme Council (the "**Supreme Council**"), the Federal Council of Ministers (the "**Cabinet**") and the Federal National Council. The Supreme Council is the highest federal governing body and consists of the rulers of the seven emirates. The Supreme Council elects the President and the Vice President of the UAE from its own membership (for renewable five year terms). Decisions relating to substantive matters are decided by a majority vote of five emirates, provided that the votes of both Dubai and Abu Dhabi are included in that majority, but matters which are purely procedural are decided by a simple majority vote. The Supreme Council is vested with legislative as well as executive powers and ratifies federal laws and decrees and sets federal policies.

The Cabinet is described in the Constitution as the executive authority of the UAE and is responsible for implementing policy decisions of the Supreme Council. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget. The Federal National Council is a parliamentary body and has both a legislative and supervisory role under the Constitution. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself.

Legal and Court System

There are three primary sources of law in the UAE, namely (i) federal laws and decrees (applicable in all seven emirates), (ii) local laws and decrees (laws and regulations enacted by the emirates individually), and (iii) the *Shari'a* (Islamic law). The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government of each emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter-emirate disputes and disputes between the federal government and individual emirates.

In accordance with the Constitution, three of the seven emirates (Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective emirates. The judicial system in Dubai is comprised of (i) a Court of First Instance, (ii) a Court of Appeal and (iii) a Court of Cassation.

The Emirate of Dubai

Dubai is the second largest emirate in the UAE, after the emirate of Abu Dhabi, and is situated on the west coast of the UAE in the south western part of the Arabian Gulf. It covers an area of 4,114 square kilometers (including reclaimed land) and lies approximately at longitude 55 degrees east and latitude 25 degrees north. Except for a tiny enclave in the Hajar Mountains at Hatta, the emirate of Dubai comprises one contiguous block of territory.

The population of Dubai was approximately 1.8 million as at 30 June 2010 according to the Dubai Statistics Centre, of which a significant portion is comprised of non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. According to the Dubai Statistics Centre, approximately 78 per cent. of this population is estimated to be male and 22 per cent. female, reflecting the large male expatriate workforce.

Government of Dubai

The key entities in the structure of the Government are (i) the Ruler's Court, (ii) the Supreme Fiscal Committee and (iii) the Executive Council. The Dubai Department of Economic Development and the Dubai Department of Finance are administrative bodies. All five of these entities have distinct roles:

The Ruler's Court: Except in relation to applicable federal laws, His Highness the Ruler of Dubai is the sole legislator for the emirate and all Dubai laws are passed by His Highness after drafts of the laws have been approved by the Ruler's Court in consultation with the Executive Council. All other matters that require the involvement of His Highness the Ruler of Dubai are channelled through the Ruler's Court.

Supreme Fiscal Committee: The Supreme Fiscal Committee was established in November 2007 to formulate the fiscal policies of the Government and to regulate Dubai government borrowings. The Supreme Fiscal Committee is authorised to approve borrowings by the Government and Government owned entities on behalf of the Government. The Supreme Fiscal Committee also aims to improve coordination between various Dubai government entities, and to enable government entities to meet their respective development targets in a cost efficient manner.

Executive Council: The Executive Council seeks to ensure coordination amongst Government departments such as the courts, the police and health authorities. The Executive Council works with these departments to implement an overall strategy for the Government, while considering the requirements and strategies of each particular department. In addition, the Executive Council works with the Department of Finance to prepare an overall budget to fund the requirements of the various Government departments. In addition to this broad coordination role, the Executive Council also recommends new laws and regulations, and is involved in the implementation of laws promulgated at both the emirate and federal levels.

Department of Economic Development: The Department of Economic Development is a regulatory and administrative body responsible for licensing and regulation of the business sector. All businesses operating in Dubai are required to be registered with and licensed by the Department of Economic Development. The Department of Economic Development also helps formulate Government policy in relation to economic planning and the promotion of Dubai as a business centre. The Department of Economic Development works closely with relevant government bodies such as the Ministry of Labour and the Real Estate Regulatory Authority.

Department of Finance: The Department of Finance is the local ministry of finance and treasury for the Government. All revenues of the Government are collected within the Department of Finance and all Government authorities are funded through the Department of Finance. In addition, the Department of Finance also functions as an administrative office of the Supreme Finance Committee for executing and monitoring compliance with the Supreme Fiscal Committee's decisions.

The Economy of Dubai

According to the Dubai Statistics Centre Statistical Yearbook the wholesale and retail trade sector is the principal contributor to nominal GDP, accounting for approximately 39 per cent. of Dubai's nominal GDP in 2008.

Other significant economic sectors for Dubai are real estate and business services; manufacturing; construction; transport, storage and communications; and financial services. Each of these sectors has benefitted from the Government's policies aimed at improving the business and investment environment and positioning Dubai as a tourist destination, including specific high profile developments initiated by the Government and the establishment of a range of specialised free zones designed to attract new companies and investment. In addition, other factors supporting the emirate's economic growth have included the availability of labour and land for real estate development, increased levels of liquidity and increasing consumer wealth in the GCC and elsewhere, in part reflecting relatively high oil and gas prices, an appropriate legal and regulatory framework and good infrastructure.

Since the middle of 2008, as a result of the global financial crisis and sharp falls in international oil and gas prices, there have been significant declines in real estate sales prices and rental rates in both Dubai and the UAE as a whole as well as a slowdown in construction activity in the UAE.

Foreign Direct Investment and Free Zones

The Government has set up a number of free zones in Dubai to encourage foreign investment. Foreign corporate entities can freely operate in the free zones and free zone entities can be 100 per cent. foreign owned, unlike entities registered elsewhere in the UAE which require various degrees of local participation. There are no currency restrictions levied on the capital or the profits of free zones entities and 100 per cent. of their capital and/or profit can be repatriated.

The most prominent free zones in Dubai are the Jebel Ali Free Zone, the Dubai Technology and Media Free Zone, the Dubai International Financial Centre and the Dubai Airport Free Zone. In addition, a number of sector-specific free zones for services and industry have been established, including Dubai Healthcare City, Dubai Textile City, Dubai Outsource Zone and Dubai Gold and Diamond Park.

Government Related Entities

The Government of Dubai owns or has significant investments in certain Government related strategic entities ("**GREs**"). Certain GREs, such as DEWA, are directly held by the Government while others are held through holding companies such as the Investment Corporation of Dubai or Dubai World. The Investment Corporation of Dubai is the principal investment entity of the Government and was formed in 2006 as a holding company for a series of investments that had previously been held directly by the Department of Finance. Dubai World is a holding company operating through four segments: transport and logistics; drydocks and maritime; urban development; and investment and financial services. Certain of the GREs have incurred indebtedness including indebtedness in the international capital markets. However, the Government has no financial obligation in respect of the indebtedness of GREs, unless it has specifically provided a guarantee in respect of such indebtedness. See "*Risk Factors – Risks relating to DEWA – DEWA's financial obligations, including its obligations under the Notes, are not guaranteed by the Government absent an explicit guarantee*".

Dubai Financial Support Fund

The Government established the Dubai Financial Support Fund in July 2009 pursuant to Law No. (24) of 2009, to provide financial support for strategic and development projects in Dubai. Such financial assistance may be provided to Government or non-Government entities (including GREs) in the form of loans, credit facilities, bonds or other financial instruments, provided that such entities are able to demonstrate sustainable business plans. Any such financial assistance will be provided on arm's length terms and the Government is under no obligation to extend support to any government entity or GRE.

The Dubai Support Fund is governed by a board of directors appointed by the Ruler of Dubai under the guidance of the Supreme Fiscal Committee. The Support Fund has been capitalised through the Government's U.S.$20.0 billion securities issuance to the UAE Central Bank.

Dubai World Proposal

Dubai World has been in discussion with its lenders and has presented a proposal to all its creditors for the restructuring of its debts. As part of this proposal the Government of Dubai is offering to (i) recapitalise Dubai World through the equitisation of the U.S.$8.9 billion debt owed by Dubai World to the Dubai Financial Support Fund; and (ii) commit up to a further U.S.$1.5 billion in new funds.

On 20 May 2010, Dubai World announced that it had agreed headline economic terms with a coordinating committee of seven banks formed to represent the interests of lenders to the Dubai World Group (accounting for approximately 60 per cent. of its lenders) and the Government of Dubai for the restructuring of its outstanding indebtedness. Under the agreed terms, Dubai World's post restructuring financial indebtedness will be approximately U.S.$14.4 billion in total, comprising two tranches, Tranche A of U.S.$4.4 billion and Tranche B of approximately U.S.$10.0 billion, with five and eight year maturities respectively.

Under the plan currently being negotiated, bank lenders will be entitled to elect different options for which they are eligible for different parts of their debt. Depending upon the options elected by the lenders, some lenders may benefit from a shortfall guarantee provided by the Government of Dubai. The Government of Dubai's maximum contingent liability under the shortfall guarantee is approximately U.S.$4.0 billion; however, not all lenders are expected to elect options covered by the shortfall guarantee and the Government of Dubai's actual liability may be less than U.S.$4.0 billion.

The restructuring proposal requires the agreement of Dubai World's financial creditors.

On 25 July 2010, Dubai World announced that it held a meeting in Dubai with its financial creditors to formally present the proposed restructuring plan for Dubai World, as described above.

On 10 September 2010, Dubai World announced that it has received formal agreement from over 99 per cent. by value and approximately 99 per cent. by number of its financial creditors to its restructuring proposal.

Increased Provisions and Insolvencies

A number of UAE and Dubai banks have announced exposures to well known GCC-based companies which have become insolvent or are being restructured. These include the Saad and Algosaibi groups of Saudi Arabia and the Dubai World group in the UAE. As a result of declining economic conditions since late 2008, the provisions recorded by banks in the UAE have increased from AED 25.0 billion, or 1.7 per cent. of total UAE bank assets, at 31 December 2008 to AED 50.5 billion, or 3.3 per cent. of total UAE bank assets, at 31 December 2009 and AED 49.9 billion, or 3.2 per cent. of total UAE bank assets, at 30 June 2010. It is possible that bank provisions may continue to increase in 2010 in light of the Dubai World or other similar regional developments.

REGULATION

Introduction

DEWA is subject to the regulatory control of the Government. See "*Business Description – Relationship with the Government of Dubai – Government of Dubai as Regulator*". The Government regulates the water and energy sector in Dubai and also imposes infrastructure, environmental and financial regulations that impact DEWA's business, operations and financial condition. DEWA is also subject to certain environmental laws imposed by the UAE Federal Government.

Supreme Council of Energy

On 28 June 2009, the Government established the Supreme Council of Energy, a new authority appointed to regulate the water and energy sector in Dubai. The Supreme Council of Energy was established pursuant to Law No. 19 of 2009 (Establishing the Supreme Council of Energy) and has been granted broad powers to regulate any public or private authority licensed to operate in the energy and water sector in Dubai ("**Service Providers**"), including those entities involved in the generation, transmission and distribution of electricity, water, oil, gas and central cooling. The Supreme Council of Energy is composed of a Chairman, a Deputy Chairman and members of not less than five representatives from the energy and water sector in Dubai, which include DEWA, DUBAL and DUSUP. Pursuant to Decree No. (36) of 2009 (Forming the Supreme Council of Energy), DEWA's Managing Director and Chief Executive Officer was appointed as the Deputy Chairman of the Supreme Council of Energy.

The primary objectives of the Supreme Council of Energy are, *inter alia*, to ensure that Dubai's primary water and energy resources are supplied at a reasonable cost and in a manner that reduces the negative impact upon the environment; to regulate the rights and duties of each Service Provider and set the guidelines for their operations; and to ensure cooperation between each Service Provider and cooperation between the Service Providers and environmental and urban planning bodies. In order to achieve its objectives, the Supreme Council of Energy has powers to, *inter alia*:

- regulate the tariffs and fees charged by each Service Provider to the public;
- require each Service Provider to provide the Supreme Council of Energy with information relating to its strategic plans, operational plans, financial documents, contracts and records in order to ensure that strategies are effectively co-ordinated across the water and energy sector;
- evaluate the performance and service quality of each Service Provider; and
- make recommendations to the Government on all energy and water related policies.

As at the date of this Supplement, the Supreme Council of Energy has not promulgated or implemented any specific regulations which impact upon the business and operations of DEWA.

Infrastructure Regulation

Any major infrastructure projects, which include the building of roads, highways and the provision of utilities, also come under the scope of the Government's regulation. The Government's Infrastructure Committee (the "**Infrastructure Committee**") plans and monitors the overall development of infrastructure in Dubai. While the Infrastructure Committee has not promulgated or implemented any specific regulations in relation to the construction of power and desalination stations or transmission and distribution networks, it can direct DEWA to carry out its projects in a way that meets Dubai's infrastructure requirements. In addition, the grant of specific routes or corridors for the laying of cables and water pipelines is controlled by the RTA, which may impose certain regulations and specifications or require DEWA to move its corridors in order to, for example, accommodate new roads or other infrastructure, although the RTA would bear the costs of such relocation. Further to this, the Dubai Municipality exercises control over land allocation with respect to DEWA's power stations and other sub stations within Dubai. Pursuant to an order by H.H. Sheikh Mohammed bin Rashid al Maktoum on 26 July 2008, all existing and future lands utilised by DEWA shall be deemed to be DEWA's private property owned by DEWA and constituting part of its assets.

Environmental Regulation

DEWA is subject to environmental regulations issued under UAE federal law and under Dubai law. The UAE federal environmental laws provide the basic regulatory framework in respect of environmental matters, and are supervised by the Ministry of Environment. The Ministry of Environment has delegated the enforcement of the federal environmental laws in Dubai to the Dubai

Municipality, which has implemented them in Dubai through Federal Law 24. Dubai Municipality the legal enforcer for the environmental laws in Dubai pursuant to 61/91 Local Order (the "**Local Order**"). The Local Order applies to commercial and industrial establishments and contains a set of regulations covering a wide range of areas including the disposal of waste water on land and in marine waters, air pollution, the handling of hazardous substances and chemicals, occupational health and safety on construction sites and at the workplace and also dictates the level of liability for non-compliance with the regulations. The Environmental Protection and Safety Section of the Dubai Municipality issues environmental permits for these controlled activities and conducts environmental impact assessments on the activities of companies to ensure that they are in compliance with the regulations. Penalties for non-compliance include fines and the obligation to pay damages or compensation. In addition, any entity which has caused environmental damage could be subject to civil liability for negligence.

Financial Regulation

DEWA's borrowings are controlled by the Supreme Fiscal Committee, which was established in November 2007 pursuant to Decree No. 24 of 2007 (Concerning the formation of the Higher Committee for Financial Policy in the Emirate of Dubai). The Supreme Fiscal Committee was appointed to formulate the fiscal policies of the Government and to regulate borrowings by the Government and Government owned entities. The Supreme Fiscal Committee aims to improve coordination between various Government entities, and to enable them to meet their development targets in a cost efficient manner. Pursuant to Law No. 7 of 2008, any borrowings by the Government or Government owned entities would require a certificate of approval by the Supreme Fiscal Committee, either in respect of a specific financing or in respect of borrowings by the relevant entity up to a particular limit and for a specified period. Therefore or any borrowing by DEWA (including any bank financing, bond or sukuk issuance) must be approved by both the Board and the Supreme Fiscal Committee. DEWA has received a certificate of approval from the Supreme Fiscal Committee in respect of any issuance of Notes under this Programme.

On 17 December 2009, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Vice President of the UAE, in his capacity as the Ruler of Dubai, issued Law No. 35, which provides, *inter alia*, that:

(i) Government agencies which are deemed to be financially independent are required, *inter alia*, to refer their annual balance sheet to the Supreme Fiscal Committee for consideration and ratification, to be later referred by the Committee to the Department of Finance to give its opinion thereon;

(ii) such financially independent agencies are required to transfer their annual surplus revenues to the Investment Corporation of Dubai;

(iii) profits realised by Government companies and investments and surplus revenues of financially independent agencies will constitute a part of the Government's general revenues and the Investment Corporation of Dubai will manage these investments and surpluses. The Investment Corporation of Dubai will then transfer distributed profits earned from its management of such investments and surplus revenues to the Public Treasury; and

(iv) upon the approval of the Supreme Fiscal Committee, recommendation of the Department of Finance and coordination with the Investment Corporation of Dubai, the profits of government companies and investments and surplus revenues of financially independent agencies may be reinvested before transfer to the Public Treasury of the Government.

DEWA has received written confirmation dated 16 March 2010 (the "**Law No. 35 Waiver**") from the Supreme Fiscal Committee stating that even though DEWA is deemed to be a financially independent entity for the purposes of Law No. 35, the Supreme Fiscal Committee would have no objection to DEWA's reinvestment of its profits and surplus revenue in the implementation of its future projects. Accordingly, the Government, through the Supreme Fiscal Committee, has exempted DEWA from the requirement under Law No. 35 to transfer its annual surplus revenue to the Investment Corporation of Dubai and, in accordance with past practice, DEWA intends to continue to reinvest its profits and surplus revenue in the implementation of its projects. DEWA is not aware of any reason which would prevent the Dubai courts from recognising and giving judicial effect to the Law No. 35 Waiver.

Legislative Changes

DEWA is anticipating legislative changes to accommodate the IWPP programme initiated by DEWA. It is proposed that Decree No. 13, the decree establishing DEWA, be amended to broaden DEWA's powers and objectives to accommodate IWPPs and promote DEWA's partnership with private developers. It has also been proposed that a new law allowing IWPPs be issued, which would allow DEWA to act as the procurement agency for new IWPPs and retain significant control over the generation business. DEWA will continue to be the sole off-taker, transmission operator and distributor. See "*Description of the Business – Strategy – Strategic Expansion Strategy*" for more information.

SUMMARY OF MATERIAL CONTRACTS

The following is a summary of material contracts to which DEWA is a party:

Financing Arrangements

In order to meet the anticipated future demand for electricity and water in Dubai, DEWA must continue to increase its production capacity and expand its transmission and distribution networks. These operations require a significant amount of capital and other long term expenditures, a substantial portion of which has been funded through bank borrowings and the capital markets.

DIB Facility

On 14 February 2010, DEWA entered into a AED 600.0 million bilateral *ijara* facility with Dubai Islamic Bank for a term of 18 months. Borrowings under the DIB Facility were used to make payments to certain of DEWA's contractors and bear interest at a fixed margin per annum plus one month EIBOR. The DIB Facility has been fully drawn, and as at 31 August 2010, was partially repaid in the amount of AED 200.0 million.

MTN Programme

On 1 April 2010, DEWA established this Programme and on 22 April 2010, DEWA issued U.S.$1 billion of 8.5 per cent. notes due April 2015 under this Programme.

Syndicated Facilities

On 8 April 2009, DEWA entered into the Syndicated Facilities consisting of U.S.$2,200.0 million (AED 8,080.9 million) multi-currency facility with a consortium of banks, including Standard Chartered Bank as the facility agent. The Syndicated Facilities consist of three conventional facilities and three Shari'a compliant facilities, the proceeds of which were used to refinance a U.S.$200.0 million (AED 734.6 million) *ijara* facility and a U.S.$2,000.0 million (AED 7,346.3 million) *ijara* facility, both of which were entered into on 14 April 2008 and matured on 13 April 2009. The Syndicated Facilities have the benefit of a payment undertaking from the Government, pursuant to which the Government has undertaken that in the event DEWA does not pay any amount due under the Syndicated Facilities, the Government will pay such amounts immediately on demand as if it were the principal obligor in respect of that amount. The Syndicated Facilities were fully drawn down as at 31 August 2010 and have a term of three years (maturing on 13 April 2012). DEWA currently intends to repay U.S.$734.4 million of its Syndicated Facilities on 13 April 2011, the first amortisation date of the Syndicated Facilities.

The conventional U.S. dollar, Dirham and Euro facilities are for amounts of U.S.$20.0 million (AED 73.5 million, AED 2,350.2 million and Euro 50.0 million (AED 245.1 million) respectively. Each conventional facility is repayable in three instalments with interest payable in six month intervals.

The *Shari'a* compliant U.S. dollar, Dirham and Euro facilities are based on an *ijara* structure for which Dubai Islamic Bank PJSC acted as investment agent (the "**Investment Agent**"), and are for amounts of U.S.$225.0 million (AED 826.5 million), AED 9,224.0 million and Euro 75.0 million (AED 378.8 million), respectively. Under the *ijara* structure the Investment Agent, purchased certain assets of DEWA, including but not limited to, gas turbines, steam turbines, desalination plants and transmission lines, and pursuant to lease agreements, subsequently leased the assets back to DEWA for consecutive periods of six months, over a term of three years in return for a variable rent (calculated on the basis of LIBOR/EBOR/EURIBOR plus a margin) and amortised repayments of the purchase price. Following the occurrence of a dissolution event, DEWA will be required, pursuant to a purchase undertaking, to purchase the assets from the agent at an amount equal to the purchase price of the assets (less any amortised amounts already paid on the relevant rental payment dates) plus any outstanding variable rent.

The downgrade in DEWA's corporate ratings by Fitch on 26 November 2009 and by Moody's on 2 December 2009 resulted in a step-up of the margin payable on the Syndicated Facilities. This margin was reset to its previous level on 1 January 2010 following a waiver of the step-up by the banks.

The Syndicated Facilities contain certain customary affirmative and negative covenants and customary events of default, including cross-default. In addition, the Syndicated Facilities restrict DEWA's ability to incur additional indebtedness in amounts, that, would cause it to exceed a certain leverage ratio at the end of each financial half year and also require DEWA to maintain an interest cover ratio of no less than 1.25 to 1 (in terms of consolidated EBITDA to consolidated net finance costs (in each case as defined in the Syndicated Facilities)).

ECA Facilities

On 14 May 2009, DEWA entered into a framework agreement with Calyon, Citibank N.A., London Branch, Deutsche Bank AG and HSBC Bank PLC, London Branch (the "**Mandated Lead Arrangers**") pursuant to which it may enter into the ECA Facilities to borrow amounts up to an aggregate of U.S.$1,000.0 million (AED 3,673.2 million) (either in U.S. dollars or Euro), which amount was increased to U.S.$1,043.7 million (AED 3,833.5 million). The ECA Facilities are be supported by comprehensive guarantees from European export credit agencies (COFACE, HERMES and SACE) in respect of contracts awarded by DEWA to purchase certain plant and equipment from French, German and Italian suppliers, respectively. As at 31 August 2010, DEWA entered into seven ECA Facilities pursuant to the ECA Agreement, six of which are denominated in Euro in an aggregate amount of €646.5 million and one which is denominated in U.S. dollars in an amount of U.S.$301.8 million (AED 1,108.6 million). Each ECA Facility has a maturity of 12 years (maturing between 2022 and 2023, depending upon the relevant borrowing date) and carries interest at LIBOR or EURIBOR (dependent upon the relevant currency) plus a fixed margin. As at 31 August 2010, U.S.$289.2 million (AED 1,062.3 million) and €421.6 million (AED 2,185.5 million) was outstanding under the ECA Agreement and €209.5 million was available for draw down under the ECA Agreement. The proceeds of each ECA Facility will be used to support certain eligible costs paid by or due from DEWA under its supply contracts to which the relevant ECA Facility relates.

The ECA Agreement contains certain customary affirmative and negative covenants and customary events of default, including cross-default. In addition, the ECA Agreement contains a negative pledge over DEWA's assets (other than in connection with sukuks and securitisation) and limitations on DEWA's financial indebtedness.

Securitisation Programme

On 25 July 2007, DEWA, through Thor Asset Purchase Company Limited, a Cayman Islands incorporated SPV and two commercial paper conduits, established the Securitisation Programme with a maximum programme limit of U.S.$4,000.0 million (AED 14,690.2 million), pursuant to which DEWA may, from time to time, assign utility receivables from certain identified customer accounts (flagged accounts) to the SPV throughout the term of the Securitisation Programme. The SPV obtains the funds to purchase such receivables pursuant to a financing agreement with the commercial paper conduits, which in turn obtain the funds by issuing commercial paper in the capital markets. In August 2007, DEWA sold receivables to the SPV and received its first funding of U.S.$1,000.0 million (AED 3,672.7 million) under the Securitisation Programme. In May 2008, a third commercial paper conduit was added to the Securitisation Programme and DEWA sold further receivables to the SPV, receiving a further funding of U.S.$1,000.0 million (AED 3,672.7 million).

The SPV has made the following early prepayments to the commercial paper conduits: on 17 August 2009, it prepaid U.S.$50.0 million (AED 183.6 million) to one of the commercial paper conduits; on 17 December 2009, it prepaid U.S.$265.3 million (AED 974.3 million) which was apportioned between three of the commercial paper conduits; on 19 January 2010, it prepaid U.S.$13.2 million (AED 48.5 million) to one of the commercial paper conduits; on 16 February 2010 it prepaid U.S.$111.4 million (AED 409.2 million) to three of the commercial paper conduits; and on 14 July 2010, it prepaid U.S.$111.4 million (AED 409.2 million) to three of the commercial paper conduits. In each case, the SPV acted on the instructions of, and the payments were funded by, DEWA. DEWA currently intends to voluntarily repay U.S.$111.4 million under its Securitisation Programme on 15 December 2010.

The revolving period of the Securitisation Programme is scheduled to end in 2016 and may be extended to 2021 at the option of the commercial paper conduits (provided there has been no amortisation event, which includes, but is not limited to, the insolvency of DEWA, the breach of certain covenants and the occurrence of certain "specified events" (including, but not limited to, the downgrade of the credit ratings of the notes issued under the Securitisation Programme, the Government the UAE below certain thresholds)). During the revolving period (i) the SPV is required to pay only interest to the commercial paper conduits using the collections generated from the receivables and (ii) DEWA is entitled to any excess collections (after payment of interest and costs) through a "seller note issued by the SPV to DEWA. After the revolving period, the SPV is required to repay principal on an amortising basis using the collections generated from the receivables.

Under the Securitisation Programme, DEWA has also granted a liquidity facility in favour of the SPV pursuant to which DEWA undertakes to lend funds to the SPV in case of any shortfalls under the financing agreement between the SPV and the commercial paper conduits. In addition, the Government has irrevocably and unconditionally guaranteed all obligations of DEWA to the SPV, including, *inter alia*, (i) the obligation of DEWA as servicer to collect and pay collections received and (ii) the obligation of DEWA as liquidity facility provider to advance amounts to the SPV in case of any shortfalls under the financing agreement between the SPV and the commercial paper conduits.

On 30 November 2009 and 3 December 2009 respectively, the ratings of the notes issued by the SPV were downgraded below A- by Fitch (to BB-) and A- by S&P (to BB+), thereby constituting a "specified event", resulting in a step-up in the margin payable on the notes issued under the Securitisation Programme and requiring DEWA to repay the full amount outstanding on the notes. DEWA received waivers from the commercial paper conduit banks on 9 December and 8 February 2010 stating, *inter alia*, that the occurrence of a "specified event" would be waived, which waiver periods were subsequently extended to 9 March 2010. On 10 March 2010, the terms of the Securitisation Programme were amended to ensure, *inter alia*, that the previous downgrade of the notes would no longer be considered a "specified event" and that in the event of any further ratings downgrade that would result in a "specified event", DEWA would have the ability to repay the full amount outstanding under the notes in twelve equal monthly instalments. As at 31 August 2010, U.S.$1,448.9 million (AED 5,321.0 million) was outstanding under the Securitisation Programme and U.S.$2,551.1 million (AED 9,371.3 million) was available for issuance under the Securitisation Programme, subject to market conditions.

Sukuk Al Ijara

On 16 June 2008, DFL issued the Trust Certificates which evidence an undivided beneficial ownership interest in certain assets held on trust by DFL, in its capacity as trustee. The proceeds of the Trust Certificates were used by DFL to purchase plant and machinery including, but not limited to, gas turbines and desalination plants from DEWA (the "**Lease Assets**") and DEWA used the proceeds of such sale to fund its capital expenditure requirements. DFL in turn leased the Lease Assets back to DEWA in return for periodic rental payments, pursuant to a lease agreement (the "**Lease Agreement**").

Each holder of Trust Certificates is entitled to periodic distribution amounts based on the product of EIBOR and a margin equal to 1.25 per cent. per annum on the face amount of the Trust Certificates held by such holder (the "**Periodic Distribution Amounts**"). The Periodic Distribution Amounts are payable on the 16th day of each June and December in each year and are funded through the periodic rental payments made to DFL by DEWA as lessee of the Lease Assets pursuant to the Lease Agreement.

Upon maturity of the Trust Certificates or in the event of an early redemption, the Trust Certificates shall be redeemed at their outstanding face amount plus all accrued and unpaid Periodic Distribution Amounts (together, the "**Redemption Amount**"). The Redemption Amount will be funded through a purchase undertaking whereby DEWA has undertaken in favour of DFL (in its capacity as trustee) to purchase all of DFL's rights, benefits and entitlements in and to the Lease Assets upon the maturity of the Trust Certificates or in the event of an early redemption, in return for the payment of an exercise price which is equal to the Redemption Amount. The payment obligations of DEWA under the Purchase Undertaking shall rank at least *pari passu* with all its other unsecured, unsubordinated and general obligations.

Pursuant to the Lease Agreement, DEWA is subject to certain customary covenants, including a restriction on the grant of security and on the sale and disposal of assets, as well as customary events of default. The Trust Certificates are listed on the NASDAQ Dubai.

Contracts For Supply Of Fuel Oil

Order from H.H. Sheikh Hamdan bin Rashid Al Maktoum to DEWA and DUBAL dated 13 February 2001

Under the terms of this order, if DUSUP is unable to provide sufficient amounts of natural gas to satisfy the total requirements of DEWA and DUBAL, the cost of any fuel oils required by either DEWA or DUBAL will be shared between them in a ratio determined by their respective consumption rates of natural gas (being approximately 70 per cent. by DEWA and 30 per cent. by DUBAL). The overall effect of this arrangement is intended to diminish the cost of utilising fuel oils for both DEWA and DUBAL. See "*Business Description – Relationship with the Government of Dubai – Government as Supplier of Natural Gas*" for more information.

Turnkey Contracts

These contracts represent DEWA's material turnkey contracts for the construction of electricity and water production facilities and the transmission and distribution network.

Electricity – Generation

Agreement between Doosan Heavy Industries & Construction Co., Ltd. and DEWA to complete the Power Plant Package P of Jebel Ali Power & Desalination Station M

Doosan Heavy Industries & Construction Co., Ltd. ("**Doosan**") entered into an agreement with DEWA on 1 March 2007 relating to the completion of Power Plant Package P of Jebel Ali Power & Desalination Station M with a total value of AED 5,881.9 million, on a turnkey contract basis. The performance of the agreement has been guaranteed by Doosan pursuant to the terms of a performance guarantee. Under the terms of the agreement, DEWA has the right to ask for a reduction of the contract price should completion be delayed. Construction was scheduled for completion by June 2010 but, as at the date of this Supplement, completion of construction has been delayed to June 2011. DEWA has not, as at the date of this Supplement, exercised its right under the agreement to ask for a reduction of the contract price.

Agreement between Fisia Italimpianti S.p.A. and DEWA for the construction of the Desalination Plant Package D of Jebel Ali Power & Desalination Station M

Fisia Italimpianti S.p.A. ("**Fisia**") entered into an agreement with DEWA on 1 March 2007 relating to the construction of the Desalination Plant Package D of Jebel Ali Power & Desalination Station M with a total value of AED 3,902.2 million, on a turnkey contract basis. The performance of the agreement has been guaranteed by Fisia pursuant to the terms of a performance guarantee. Under the terms of the agreement, DEWA has the right to reduce the contract price should completion be delayed. Construction was scheduled for completion by June 2010, but as at the date of this Supplement, completion of construction has been delayed to June 2011. DEWA has not, as at the date of this Supplement, exercised its right under the agreement to ask for a reduction of the contract price.

Electricity – Transmission & Distribution

Agreement between Emirates Trading Agency LLC and DEWA for the supply, installation, testing and commissioning of Dhiyafa Substation (Section C), Dubai Silicon Oasis Substation (Section S), Bohaira Substation (Section Y), Khabessi Substation (Section E) and Sheikh Zayed Road Tower Substation (Section I)

Emirates Trading Agency LLC. ("**ETA**") entered into an agreement with DEWA on 20 May 2007 relating to the supply, installation, testing and commissioning of Dhiyafa Substation (Section C), Dubai Silicon Oasis Substation (Section S), Bohaira Substation (Section Y), Khabessi Substation (Section E) and Sheikh Zayed Road Tower Substation (Section I), with a total value of AED 351 million, on a turnkey contract basis. Under the terms of the agreement, ETA is liable for defects for a period of two years from the completion of each substation. ETA has agreed to provide a performance guarantee of 10 per cent. of the value of the agreement. Should there be a delay in completion, DEWA is entitled to deduct 1.25 per cent. of the contract value for the incomplete section for each week's delay, up to a maximum of 10 per cent. of the contract value. As at the date of this Supplement, substations C, S, E and I have been completed, with the expected completion of Substation Y delayed from December 2008 to the fourth quarter of 2010.

Water

Agreement between Mammut Group FZCO Dubai and DEWA for the construction of Mushrif reservoir Phases 4, 5 and 6 (180 MIGD)

Mammut Group FZCO Dubai ("**Mammut**") entered into an agreement with DEWA on 13 December 2007 relating to the construction of Mushrif reservoir Phases 4, 5 and 6, with a total value of AED 620 million. Mammut has provided a performance guarantee for 10 per cent. of the contract price which will be valid until the date of the final defects liability clearance certificate for the last section of the works. There is a defects liability period of 24 months from the date of issue of the taking over certificate, during which time Mammut will be liable for any defects. Construction has been completed, save for certain electro mechanical and SCADA works which are still ongoing as at the date of this Supplement.

Agreement between Ghantoot Gulf Contracting, Dubai and DEWA for the supply, installation, testing and commissioning of glass reinforced epoxy Water Transmission Pipelines and associated works along the gas pipeline corridor from Jebel Ali Habab Road to Al Ain Road and Al Barsha Parallel roads in Dubai, Section-C, Option-II-Glass Reinforced Epoxy Pipes

Ghantoot Gulf Contracting, Dubai ("**Ghantoot**") entered into an agreement with DEWA in June 2008 relating to the supply, installation, testing and commissioning of glass reinforced epoxy Water Transmission Pipelines and associated works along the gas pipeline corridor from Jebel Ali Habab Road to Al Ain Road and Al Barsha Parallel Roads in Dubai, with a total value of AED 355 million. Ghantoot has provided a performance guarantee for 10 per cent. of the contract price which will be valid until the date of the final defects liability clearance certificate for the last section of the works. There is a defects liability period of 24 months from the date of issue of the taking over certificate, during which time Ghantoot will be liable for any defects. Construction is scheduled to be completed during the second quarter of 2011.

Agreement between Ghantoot and DEWA for the supply, installation, testing and commissioning of glass reinforced epoxy Water Transmission Pipelines and associated works along Al Khalil Road, Emirates Road and Al Barsha cross roads, in Dubai, Section-D, Option-II-Glass Reinforced Epoxy Pipes

Ghantoot entered into an agreement with DEWA on 15 June 2008 relating to the supply, installation, testing and commissioning of glass reinforced epoxy Water Transmission Pipelines and associated works along Al Khalil Road, Emirates Road and Al Barsha cross roads in Dubai, with a total value of AED 450 million. Ghantoot has provided a performance guarantee for 10 per cent. of the contract price which will be valid until the date of the final defects liability clearance certificate for the last section of the works. There is a defects liability period of 24 months from the date of issue of the taking over certificate, during which time Ghantoot will be liable for any defects. Construction is scheduled to be completed by February 2011.

Agreement between Gulf Petro Chemical Services & Trading LLC, Dubai and DEWA for the supply, installation, testing and commissioning of fibre cement/glass reinforced epoxy Water Transmission Pipelines and associated works along Al Awir Road and Ras Al Khor and from Sheikh Zayed Road to Port Rashid (For Maritime City) in Dubai, Section-E, Option-II-Glass Reinforced Epoxy Pipes

Gulf Petro Chemical Services & Trading LLC, Dubai ("**GPCST**") entered into an agreement with DEWA on 15 June 2008 relating to the supply, installation, testing and commissioning of fibre cement/glass reinforced epoxy Water Transmission Pipelines and associated works along Al Awir Road and Ras Al Khor and from Sheikh Zayed road to Port Rashid (For Maritime City) in Dubai, with a total value of AED 416.0 million. GPCST has provided a performance guarantee for 10 per cent. of the contract price which will be valid until the date of the final defects liability clearance certificate for the last section of the works. There is a defects liability period of 24 months from the date of issue of the taking over certificate, during which time GPCST will be liable for defects. Construction is scheduled to be completed during the second quarter of 2011.

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Dubai Electricity and Water Authority

Condensed consolidated interim financial information for the six months ended 30 June 2010 (unaudited)

Dubai Electricity and Water Authority

Condensed consolidated interim financial information for the six months ended 30 June 2010 (unaudited)

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Review report to the Board of Directors on the condensed consolidated interim financial information of Dubai Electricity and Water Authority

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Dubai Electricity and Water Authority ("the Authority") and its subsidiaries (together called "the group") which comprises the condensed consolidated balance sheet as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with internationally acceptable accounting principles (Note 2.1). 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 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with internationally acceptable accounting principles as stated in Note 2.1 of the condensed consolidated interim financial information.

PricewaterhouseCoopers
10 August 2010

Jacques E. Fakhoury
Registered Auditor Number 379
United Arab Emirates

AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

Dubai Electricity and Water Authority

Condensed consolidated balance sheet

	Note	30 June 2010 AED'000	31 December 2009 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	78,188,381	74,120,865
Intangible assets	6	19,418	12,389
Investments in joint ventures	7	50,000	25,000
		78,257,799	74,158,254
Current assets			
Inventories	9	3,242,784	3,627,225
Trade and other receivables	8	3,280,680	3,104,460
Cash at bank and in hand	10	2,550,077	1,437,549
		9,073,541	8,169,234
Total assets		87,331,340	82,327,488
EQUITY			
Government of Dubai account		29,168,338	28,454,667
General reserve	11	12,532,339	11,457,145
Capital and reserves attributable to equity holders		41,700,677	39,911,812
Non-controlling interest		309,864	291,433
Total equity		42,010,541	40,203,245
LIABILITIES			
Non-current liabilities			
Borrowings	15	19,766,880	18,968,210
Retirement benefits obligations	12	291,454	281,822
Government grant	23	433,718	435,094
Other liabilities and charges	13	12,857,434	10,171,378
		33,349,486	29,856,504
Current liabilities			
Trade and other payables	14	6,907,411	7,982,195
Borrowings	15	5,061,130	4,282,772
Government grant		2,772	2,772
		11,971,313	12,267,739
Total liabilities		45,320,799	42,124,243
Total equity and liabilities		87,331,340	82,327,488

The condensed consolidated interim financial information was approved and signed on .10 August 2010 by:

....
Financial Controller

....
Managing Director &
Chief Executive Officer

The notes on pages 6 to 24 form an integral part of these condensed consolidated interim financial information. (2)

Dubai Electricity and Water Authority

Condensed consolidated statement of comprehensive income

	Note	Six months ended 30 June 2010 AED'000	2009 AED'000
Revenue	16	4,660,385	4,507,089
Cost of sales	17	(2,870,615)	(2,379,284)
Gross profit		1,789,770	2,127,805
Other income	20	544,760	177,003
Administrative expenses	18	(315,495)	(219,108)
Operating profit		2,019,035	2,085,700
Finance income	21	184,680	72,991
Finance costs	21	(700,552)	(517,803)
Finance costs – net		(515,872)	(444,812)
Share of profit in joint venture	7	-	2,995
Profit for the period		1,503,163	1,643,883
Other comprehensive income		-	-
Total comprehensive income for the period		1,503,163	1,643,883
Attributable to equity holders		1,495,265	1,643,883
Attributable to non-controlling interest		7,898	-
Total comprehensive income for the period		1,503,163	1,643,883

The notes on pages 6 to 24 form an integral part of these condensed consolidated interim financial information. (3)

Dubai Electricity and Water Authority

Condensed consolidated statement of changes in equity

	Government of Dubai account AED'000	General reserve AED'000	Retained earnings AED'000	Non-controlling interest AED'000	Total AED'000
At 1 January 2009	28,311,819	7,902,570		-	36,214,389
Total comprehensive income for the period	-	-	1,643,883	-	1,643,883
Transfer to general reserve	-	1,527,228	(1,527,228)	-	-
Transaction with Government of Dubai	(116,655)	-	-	-	(116,655)
Transfer to Government of Dubai account	116,655	-	(116,655)	-	-
At 30 June 2009	28,311,819	9,429,798	-	-	37,741,617
At 1 January 2010	28,454,667	11,457,145	-	291,433	40,203,245
Total comprehensive income for the period	-	-	1,495,265	7,898	1,503,163
Transfer to general reserve	-	1,075,194	(1,075,194)	-	-
Transaction with Government of Dubai	(420,071)	-	-	-	(420,071)
Transfer to Government of Dubai account	420,071	-	(420,071)	-	-
Capital contribution by Government of Dubai – value of land	713,671	-	-	-	713,671
Transactions with minority interest	-	-	-	10,533	10,533
At 30 June 2010	29,168,338	12,532,339	-	309,864	42,010,541

The notes on pages 6 to 24 form an integral part of these condensed consolidated interim financial information. (4)

Dubai Electricity and Water Authority

Condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2010 AED'000	Six months ended 30 June 2009 AED'000
Cash flow from operating activities			
Cash generated from operations	22	3,147,269	3,102,003
Cash flow from investing activities			
Purchase of property, plant and equipment net of movement in retentions, trade payable for capital projects and adjustments		(3,366,458)	(5,406,418)
Purchase of intangible assets	6	(8,959)	(701)
Investment in joint venture	7	(25,000)	(2,500)
Interest received		31,120	56,825
Proceeds from disposal of property, plant and equipment		1,993	-
Net cash used in investing activities		(3,367,304)	(5,352,794)
Financing activities			
Borrowings		4,693,580	8,631,550
Repayment of borrowings		(636,750)	(8,264,250)
Interest paid		(620,806)	(734,825)
Net cash from / (used in) financing activities		3,436,024	(367,525)
Net increase / (decrease) in cash and cash equivalents		3,215,989	(2,618,316)
Cash and cash equivalents, beginning of period	10	(665,912)	2,164,385
Cash and cash equivalents, end of period	10	2,550,077	(453,931)

The notes on pages 6 to 24 form an integral part of these condensed interim financial information.

1 Establishment and operations

Dubai Electricity and Water Authority ("DEWA" or "the Authority") was incorporated on 1 January 1992 in the Emirate of Dubai by a decree ("the Original Decree") issued by His Highness, the Ruler of Dubai, effective 1 January 1992, as an independent public authority having the status of a body corporate, and financially and administratively independent from the Government.

The principal activities of the Authority, in accordance with the Original Decree and Decree No. 13 of 1999 which amended some of the provisions of the Original Decree, comprise water desalination and distribution and the generation, transmission and distribution of electricity, throughout the Emirate of Dubai. The registered address of the Authority is P.O. Box 564, Dubai, United Arab Emirates.

Emirates Central Cooling Systems Corporation ("EMPOWER") was established on 23 November 2003 as a corporate entity in accordance with Article 3 of Law No. (10) "Emirates Central Cooling Systems Corporation Incorporation Law for the year 2003" and commenced commercial operations on 15 February 2004. On 23 November 2009, the Authority has acquired a majority shareholding of EMPOWER.

The principal activities of EMPOWER are the provision of district cooling services by acquisition, management, operation and maintenance of central cooling plants and related distribution networks. The registered address of EMPOWER is P.O. Box 8081, Dubai Health Care City, Dubai, United Arab Emirates.

Empower Logstor LLC, ('ELIPS') is registered as a limited liability company under UAE Federal Law No. (8) of 1984, as amended. Its principal activity is the manufacturing of pre-insulated pipes, mainly for district cooling. The Authority has acquired significant control in ELIPS through EMPOWER.

The Authority has incorporated special purpose entities ('SPE') for the purpose of facilitating its borrowings programme. During 2007, the Authority incorporated a SPE named Thor Assets Purchase Company Limited in the Cayman Islands for the purpose of its securitisation programme and, in 2008, the Authority incorporated a SPE named DEWA Funding Limited in the Cayman Islands for the purpose of its Sukuk bonds issue and listing of the bonds in Dubai International Financial Exchange (DIFX). As the SPEs are incorporated for the benefit of the Authority, they are consolidated in the financial statements of the Authority.

DEWA and its subsidiaries are collectively referred as the "Authority".

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been reviewed, not audited.

2 Accounting policies and basis of preparation

2.1 Accounting policies

The condensed consolidated interim financial information is prepared under the historical cost convention in accordance with internationally acceptable accounting principles ("DEWA GAAP"). The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, as described in those annual consolidated financial statements. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2009.

2.2 Basis of preparation

As at 30 June 2010, the Authority had negative working capital of AED 2.9 billion (31 December 2009: AED 4.1 billion) mainly on account of short term borrowings of AED 5.061 billion, which included EMPOWER short term borrowings of AED 0.892 billion. DEWA set up a Global Medium Term Note programme ("GMTN") for an amount of USD 3 billion (AED 11.020 billion) which is listed on the London Stock Exchange. DEWA has issued notes amounting to USD 1 billion (AED 3.673 billion) on 22 April 2010 under this programme. DEWA management has plans to issue another tranche of notes under the GMTN programme during 2011 and expects to utilise the additional borrowings to reduce the negative working capital position. Further, management of EMPOWER is currently negotiating with banks to reschedule the installment of their syndication loan of AED 0.826 billion which is currently due for repayment on December 2010. EMPOWER and DEWA management are confident about the favourable outcome of this negotiation. Accordingly, this condensed consolidated interim financial information for the six month ended 30 June 2010 has been prepared on the going concern basis.

3 Financial risk management

3.1 Financial risk factors

The Authority's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance. The Authority uses derivative financial instruments to economically hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Authority's foreign currency exposure arises mainly from purchases made in Euro and Pounds Sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities in foreign currencies. To manage this foreign exchange risk, the Authority enters into forward exchange contracts.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Authority is not exposed to equity securities price risk as the Authority holds no such investments.

(iii) Cash flow and fair value interest rate risk

The Authority's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Authority to cash flow interest rate risk. Borrowings issued at fixed rates expose the Authority to fair value interest rate risk.

The interest bearing assets of the Authority include bank deposits which are exposed to interest rate risk. The interest rates on these deposits range between 2% to 5.3% (31 December 2009: 0.70% to 8%) per annum and are for periods up to one week or more (31 December 2009: one week or more).

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Authority has policies in place to minimize its exposure to credit risk. For banks and financial institutions only independently rated parties with a certain minimum rating are accepted. Electricity and water customers are not independently rated. The Authority obtains deposits from these customers.

The Authority has a wide customer base in the Emirate of Dubai with no significant concentration of credit risk in relation to consumer and other receivables.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Management monitor a rolling forecast of the Authority's liquidity reserve (comprises undrawn borrowing facilities and cash and cash equivalents on the basis of the Authority's expected cash flows).

3 Financial risk management (continued)

3.2 Fair value estimation

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration received and given respectively. These financial assets and liabilities are subsequently measured at fair value or amortised cost, as the case may be.

The carrying value of financial assets and financial liabilities approximates their fair value.

4 Critical accounting estimates and judgments

4.1 Critical accounting estimates and assumptions

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate principally to the fair value of financial instruments.

4.2 Key sources of judgments

The key assumptions concerning the future, and other key sources of estimating uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment of tangible assets

The Authority determines whether tangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the assets. This requires the Authority to make an estimate of the fair value of the assets and their value-in-use.

(b) Revenue recognition – unread electricity and water meters

Revenue for electricity and water supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the period end (unread). Unread electricity and water is estimated by applying industry standards and using historical consumption patterns by customers. Management apply judgment to the measurement of the estimated electricity and water supplied to customers and to the valuation of that electricity and water consumption. The judgments applied, and the assumptions underpinning these judgments are considered to be appropriate. However, a change in these assumptions would impact the amount of revenue recognised.

4 Critical accounting estimates and judgments (continued)

4.2 Key sources of judgments (continued)

(c) Provision for slow moving inventory

The provision reflects estimates of slow moving and obsolete inventory. The charge is based on the ageing of the inventory items, technological obsolescence, present conditions and historical experience. Changes to the estimated provisions may be required if the demand for slow moving items increases or a firm commitment from a customer has been received.

5 Property, plant and equipment

	30 June 2010 AED'000	30 June 2009 AED'000
Cost		
At the beginning of the period	90,301,716	75,283,226
Additions	4,936,132	5,205,109
Disposals	(11,174)	-
At end of the period	95,226,674	80,488,335
Depreciation and impairment		
At the beginning of the period	16,180,851	14,470,118
Depreciation and impairment charge	868,494	679,282
Disposals	(11,052)	-
At end of the period	17,038,293	15,149,400
Net book value		
At the end of the period	78,188,381	65,338,935
At the beginning of the period	74,120,865	60,813,108

On 26 July 2008, by way of a Decree issued by His Highness, The Ruler of Dubai, all existing land held by the Authority has been transferred to the Authority and is considered as its assets. Any future land to be held by the Authority will also be transferred to the name of the Authority. Based on the Decree, the Authority had capitalised certain plots of land amounting to AED 19.916 billion up until 31 December 2009, on the basis of valuations obtained from the Land Department of Dubai and the same amount was treated as a capital contribution by the Government of Dubai. The total number of plots valued up until 30 June 2010 was 1,812 for the total of 26.8 million sq. m. out of a total estimated 3,588 plots for the total of 44.2 million sq.m. Capitalisation of the remaining plots of land is pending renewal of site affection plans and subsequent valuations from the Land Department of Dubai. As at the period end, the Authority was in the process of obtaining the title deeds of the plots of land which have been capitalised and for the remaining plots, the process will be undertaken based on renewal of site affection plans and valuations.

Six months ended

6 Intangible assets

	30 June 2010 AED'000	30 June 2009 AED'000
Cost		
At the beginning of the period	20,864	12,739
Additions	8,959	701
At the end of the period	29,823	13,440
Amortisation		
At the beginning of the period	8,475	6,094
Charge	1,930	1,001
At the end of the period	10,405	7,095
Net book amount		
At the end of the period	19,418	6,345
At the beginning of the period	12,389	6,645

7 Investments in joint ventures

	30 June 2010 AED'000	30 June 2009 AED'000
At the beginning of the period	25,000	245,828
Additions during the period	25,000	7,500
Profit earned	-	2,995
At the end of the period	50,000	256,323

In 2004, the Authority invested in a 50% equity stake in Emirates Central Cooling Systems Corporation ("EMPOWER"), established by Law No. (10) issued by His Highness The Ruler of Dubai. On 23 November 2009, EMPOWER has become a subsidiary of the Authority and accordingly has been consolidated in these condensed consolidated interim financial information.

In 2009, the Authority invested in a 25% equity stake in Ducab HV Cable Systems ("Ducab HV"), established by Law No. (17) of the year 2009 issued by His Highness, The Ruler of Dubai. During the six months ended 30 June 2010, the Authority has invested an additional AED 25,000,000 in Ducab HV.

	30 June 2010 AED'000	31 December 2009 AED'000

8 Trade and other receivables

	30 June 2010 AED'000	31 December 2009 AED'000
Consumer receivables	2,811,391	2,712,657
Less: provision for impairment of receivables	(33,372)	(13,420)
Consumer receivables – net	2,778,019	2,699,237
Due from related parties	134,560	127,300
Other receivables and advances	309,145	248,972
Prepayments	58,956	28,951
	3,280,680	3,104,460

9 Inventories

	30 June 2010 AED'000	31 December 2009 AED'000
Consumables and repair spares	2,542,885	2,742,516
Less: provision for slow moving and obsolete inventory	(172,472)	(165,772)
	2,370,413	2,576,744
Fuel	496,294	625,866
Goods-in-transit	376,077	424,615
	3,242,784	3,627,225

10 Cash and cash equivalents

	30 June 2010 AED'000	31 December 2009 AED'000
Term deposits with banks	1,862,934	691,999
Current and call accounts with banks	685,928	745,039
Cash on hand	1,215	511
Cash at bank and in hand	2,550,077	1,437,549
Less : bank overdraft (Note 15)	-	(2,103,461)
Cash and cash equivalents	2,550,077	(665,912)

11 General reserve

The general reserve has been established by the Directors to set aside funds to be utilised by the Authority for its future requirements.

12 Retirement benefits obligations

	30 June 2010 AED'000	30 June 2009 AED'000
Non – current	291,454	288,600
Current (Note 14)	10,320	22,116
	301,774	310,716
Provision for employees' end of service benefits (Note 12.1)	268,043	259,654
Provision for pension (Note 12.2)	33,731	51,062
	301,774	310,716

12.1 Provision for employees' end of service benefits

In 2007, an actuarial valuation was carried out to ascertain the present value of the obligation relating to the end of service benefits payable to expatriate employees in accordance with the Dubai Government Human Resources Management Law No. (27) 2006. The actuarial valuation indicated that the present value of the existing obligation for the end of service benefits was not significantly different from the provision existing at the valuation date.

12 Retirement benefits obligations (continued)

12.1 Provision for employees' end of service benefits (continued)

Movement in the provision for the end of service benefits is analysed below:

	30 June 2010 AED'000	30 June 2009 AED'000
At the beginning of the period	257,172	246,238
Provision made during the period (Note 19)	21,537	20,932
Payments made during the period	(10,666)	(7,516)
At the end of the period	268,043	259,654

12.2 Provision for pension

On 1 January 2003, the Authority joined the Federal General Pension and Social Security fund. Effective from that date, pension contributions for eligible UAE National employees are made in accordance with the provisions of Federal Law No. (7) of 1999 relating to Pension and Social Security Law.

In 2004, the Authority received a directive from the Federal General Pension and Social Security Fund in respect of the Authority's liability towards the past contributions relating to the services rendered by the eligible UAE National employees up to 31 December 2002. During 2007, the Authority received an updated directive finalising its liability to AED 61.2 million payable by monthly installments of AED 1.3 million over a period of 47 months.

For eligible employees who resigned before 31 December 2002, the Authority funds the pension cost based on the previous defined pension plan scheme.

Movement in the provision for the pension is analysed below:

	30 June 2010 AED'000	30 June 2009 AED'000
At the beginning of the period	42,624	60,692
Pensions paid	(8,893)	(9,630)
At the end of the period	33,731	51,062

12 Retirement benefits obligations (continued)

12.2 Provision for pension (continued)

The above provision includes both the past service cost that the Authority has to contribute under the Federal General Pension and Social Security Law and the pension cost for the eligible employees who have resigned before 31 December 2002 which the Authority contributed based on the previous defined pension plan scheme. In accordance with the actuarial valuation made in 2007 to ascertain the present value of the pension cost for the eligible employees who resigned before 31 December 2002, the amount was not significantly different from the provision existing at the valuation date. Based on the information currently available, the Authority believes the existing provision to be adequate in all material respects.

	30 June 2010 AED'000	31 December 2009 AED'000

13 Other liabilities and charges

	30 June 2010 AED'000	31 December 2009 AED'000
Advance for new connections	5,235,787	4,716,597
Deferred revenue	3,922,994	3,367,406
Retentions payable after one year	2,861,735	1,292,824
Consumers' security deposits	836,918	784,018
Loan from related parties	-	10,533
	12,857,434	10,171,378

14 Trade and other payables

	30 June 2010 AED'000	31 December 2009 AED'000
Capital projects payables and accruals	2,893,903	3,052,661
Trade payables	1,053,389	859,574
Retentions payable within 12 months	1,252,296	2,609,889
Retirement benefits obligations (Note 12)	10,320	17,974
Advances for new connections	581,754	524,066
Deferred revenue	147,009	125,304
Consumers' security deposits	183,745	170,738
Accrual for staff benefits	37,209	39,027
Due to related parties	8,455	2,495
Other payables	739,331	580,467
	6,907,411	7,982,195

15 Borrowings

	30 June 2010 AED'000	31 December 2009 AED'000
Non-current		
Securitisation of receivables	4,911,336	5,016,851
Sukuk bond	3,200,000	3,200,000
Loan from a consortium of banks	5,337,669	8,134,267
GMTN Loan	3,673,000	-
Export Credit Agency loans ("ECA")	2,780,382	2,775,824
Other loans	215,314	211,814
Less: deferred arrangement fees	(350,821)	(370,546)
	19,766,880	18,968,210
Current		
Bank overdraft (Note 10)	-	2,103,461
Loan from a consortium of banks	2,697,490	-
Securitisation of receivables	818,344	1,170,541
Export Credit Agency loans	172,871	116,345
Ijara loan	480,000	
Other loans	892,425	892,425
	5,061,130	4,282,772
	24,828,010	23,250,982

(a) Non-current borrowings

(i) Securitisation of receivables

In 2007, the Authority established a USD 4 billion (AED 14.69 billion) 24 year commercial paper securitisation programme ("the programme") pursuant to which it has sold and undertaken to assign utility receivables resulting from certain identified customer accounts to a SPE, to fund the Authority's expanding capital expenditures programme. As part of the structure, the Authority holds a seller note issued by the SPE which entitles the Authority to receive part of the collections from the sold and transferred receivables during the first nine years of the transaction. The first nine years represent interest payments on the principal amount. The remaining period until maturity comprises repayment of both principal and interest. In August 2007, the Authority received USD 1 billion (AED 3.673 billion) of funding under the programme and in May 2008 an amount of USD 1 billion (AED 3.673 billion) was received as a second drawdown.

15 Borrowings (continued)

(a) Non-current borrowings (continued)

(i) Securitisation of receivables (continued)

On 30 November 2009 and 8 December 2009, the ratings of the notes issued by the SPE were downgraded resulting in a "specified event" which was waived on 9 December 2009 and 8 February 2010 by the investors of the programme. On 10 March 2010, the terms of the Securitisation Programme were amended to ensure that the previous downgrading of notes will no longer be considered as a "specified event" but in the event of any further downgrading of the notes these would result in a "specified event", DEWA would be required to repay the full amount outstanding under the notes in twelve equal monthly instalments.

The programme bears an interest rate calculated on the basis of the conduit banks' monthly commercial paper interest rate plus a fixed margin. At 30 June 2010, the carrying amount of the assigned receivables that has been pledged as collateral amounts to AED 260,533,624 (31 December 2009: AED 329,769,022).

Up till 30 June 2010, the Authority had paid USD 440 million (AED 1,616 million) under the programme and a further amount of USD 222.8 million (AED 818.3 million) is to be paid during 2010.

(ii) Sukuk bond

On 16 June 2008, the Authority received an amount of AED 3.2 billion from DEWA Funding Ltd (DFL), a SPE funded through trust certificates that are listed on the DIFX. The trust certificates were issued by way of a Shari'a compliant Ijara (sale and leaseback of certain fixed assets owned by the Authority aggregating to AED 4.6 billion) agreement between DEWA and DFL. The total lease period is 5 years and carries variable lease rentals for each lease period at EIBOR plus a fixed margin payable semi annually.

(iii) Loan from a consortium of banks

On 13 April 2009, the Authority refinanced the short term syndication loan amounting to AED 8.08 billion with a long term syndication loan with tenure of 3 years, which will be repaid in 3 equal instalments, starting from the end of the second year. The loan includes a conventional loan facility which carries an interest rate at EIBOR/LIBOR/EURIBOR plus a fixed margin and an Islamic loan facility which is structured in accordance with a Shari'a compliant Ijara arrangement whereby the Authority sold and leased back certain fixed assets aggregating to AED 6.5 billion from the agent appointed by the participating banks and carries variable lease rentals at EIBOR/LIBOR/EURIBOR plus a fixed margin.

15 Borrowings (continued)

(a) Non-current borrowings (continued)

(iv) GMTN loan

DEWA set up a Global Medium Term Note programme for an amount of USD 3 billion (AED 11.02 billion) which is listed on the London Stock Exchange. On 22 April 2010, DEWA has issued notes amounting to USD 1 billion (AED 3.673 billion) which were fully subscribed and will be due for repayment in 2015. The note carries a fixed interest rate.

(v) Export credit agency loan

On 14 May 2009, the Authority entered into a framework agreement with a consortium of banks and export credit agencies to finance certain eligible capital expenditure. The facility is for an aggregate amount of USD 1 billion (AED 3.673 billion) with a tenure of 12 years. Up till 30 June 2010, the Authority has received an amount of USD 301 million (AED 1,109 million) and EURO 424.22 million (AED 2,074.36 million) under the facility. The facility loan is repayable in 24 equal instalments, after nine months from the commencement credit of the facility and carries interest at LIBOR plus a fixed margin.

(vi) Ijara loan

On 14 February 2010, the Authority secured a loan of AED 600 million, structured in accordance with a Shari'a compliant Ijara arrangement where the Authority sold and leased back certain fixed assets aggregating to AED 600 million and carries variable lease rentals at EIBOR plus a fixed margin. The loan is repayable in 15 equal instalments after completion of 3 months from the date of the drawdown.

(vii) Other loans

Details of interest rates, repayment terms and security relating to borrowings of EMPOWER and Empower Logster LLC are disclosed below:

Outstanding loan amount AED' 000	Terms of agreement
67,200	An unsecured loan with 5 equal yearly instalments commencing from July 2007 and bearing an interest rate of three months EIBOR plus margin.
162,000	A legal mortgage over plant and machinery of EMPOWER financed for a project with 5 equal yearly instalments commencing from December 2010 and bearing an interest rate of three months DIBOR plus margin.
826,425	An unsecured syndication loan with a lump sum repayment in December 2010 and bearing an interest rate of three months LIBOR plus margin.

15 Borrowing (continued)

(vii) Other loans (continued)

Outstanding loan amount AED' 000	Terms of agreement
52,114	A secured loan with charge over non current assets of ELIPS along with certain other securities repayable in 2 equal yearly instalments commencing from April 2010 and bearing an interest rate of three months EIBOR plus margin.

(b) Current borrowings

Under the ECA loan, USD 18.89 million (AED 69 million) and EUR 23.06 million (AED 103 million) is repayable by 30 June 2011. Under the Securitisation of receivables borrowing programme, loan of USD 223 million (AED 818 million) is repayable by 30 June 2011. Under the Ijara loan, AED 480 million is repayable by 30 June 2011. Under the Syndication loan from a consortium of banks, AED 2,697 million is repayable by 30 June 2011.

(c) Interest rate risk exposure

In 2007, the Authority entered into interest rate swap contracts with notional amounts aggregating to AED 5.51 billion. In 2008 the contracts were restructured to a notional value aggregating to AED 5.55 billion to give quarterly/semi annual interest settlements linked to 3/6 month USD LIBOR and other variable swap rate resets. In 2009, the contracts were restructured to align with changes in the market, had semi annual settlement terms and were linked to 3/6 months USD LIBOR and other variable swap rate resets. As at 30 June 2010, the interest rate swap contracts had a negative fair value of AED 1,221 million (31 December 2009: AED 967.288 million) which the Authority will endeavour to mitigate in future by monitoring and renegotiating the swap contracts, if so necessitated by market conditions, on terms to be mutually agreed by the individual counterparties. The negative fair value has not been in these condensed consolidated interim financial information.

16 Revenue

	Six months ended 30 June 2010 AED'000	30 June 2009 AED'000
Electricity	3,332,277	3,209,830
Water	1,152,224	1,297,259
Demand, consumption, connection and other charges	175,884	-
	4,660,385	4,507,089

	Six months ended 30 June	
	2010	2009
	AED'000	AED'000

17 Cost of sales

	2010 AED'000	2009 AED'000
Purchase of electricity	-	2,502
Purchase of water	-	2,682
Generation and desalination expenditure (Note 17.1)	2,166,492	1,740,130
Transmission and distribution expenditure (Note 17.2)	704,123	633,970
	2,870,615	2,379,284

17.1 Generation and desalination expenditure

	2010 AED'000	2009 AED'000
Fuel costs	1,394,774	1,129,063
Depreciation (Note 5)	439,842	338,858
Staff costs (Note 19)	156,937	148,360
Repairs and maintenance	127,923	103,325
Others	47,016	20,524
	2,166,492	1,740,130

17.2 Transmission and distribution expenditure

	2010 AED'000	2009 AED'000
Depreciation (Note 5)	382,434	331,836
Staff costs (Note 19)	277,928	251,331
Repairs and maintenance	34,283	39,852
Others	9,478	10,951
	704,123	633,970

	Six months ended 30 June 2010 AED'000	Six months ended 30 June 2009 AED'000

18 Administrative expenses

	2010 AED'000	2009 AED'000
Staff costs (Note 19)	187,385	143,938
Impairment of capital projects (Note 5)	40,777	-
Insurance	21,408	13,585
Depreciation (Note 5)	5,441	8,588
Provision for slow moving and obsolete inventory	6,700	3,400
Repairs and maintenance	5,869	3,517
Amortisation (Note 6)	1,930	1,001
Others	45,985	45,079
	315,495	219,108

19 Staff costs

	2010 AED'000	2009 AED'000
Salaries	475,191	425,921
Bonus	37,500	28,800
Employee's end of service benefits (Note 12.1)	21,537	20,932
Pension expense	16,740	14,402
Other benefits	71,282	53,574
	622,250	543,629

20 Other income

	2010 AED'000	2009 AED'000
Foreign currency transaction gain	339,879	3,322
Amortisation of deferred income	76,299	41,766
Net income from consumer installations	40,493	31,883
Meter rental	19,878	17,880
Meter reconnection, testing and service charges	21,035	12,263
Sale of scrap	6,175	5,940
Income from damage claims	7,609	11,894
Income from penalties	6,416	33,025
Profit on disposal of property, plant and equipment	1,871	-
Miscellaneous	25,105	19,030
	544,760	177,003

21 Finance costs – net

	Six months ended 30 June	
	2010	2009
	AED'000	AED'000
- Bank borrowings	(548,187)	(401,944)
- Amortisation of arrangement fees	(63,000)	(30,613)
- On settlement of interest rate swaps	(89,365)	(85,246)
Total finance cost	(700,552)	(517,803)
Finance income:		
- Interest income on short term bank deposits	33,452	58,427
- Discounting impact of financial liabilities	151,228	14,564
Total finance income	184,680	72,991
Net finance costs	(515,872)	(444,812)

22 Cash flow from operating activities

	Notes	Six months ended 30 June 2010 AED'000	2009 AED'000
Operating activities			
Comprehensive income for the period		1,503,163	1,643,883
Adjustments for:			
Depreciation and amortisation	5,6	829,647	680,283
Impairment	18	40,777	-
Provision for slow moving and obsolete inventory	9	6,700	3,400
Provision for impairment of receivables		16,852	3,077
Provision for employees' end of service benefits	12.1	21,537	20,932
Exchange (gain) / loss		(396,063)	39,219
Deferred income	20	(76,299)	(41,766)
Interest income	21	(33,452)	(58,427)
Discounting impact of financial liabilities	21	(151,228)	(14,564)
Interest on settlement of swap deals	21	89,365	85,246
Interest expense	21	548,187	401,944
Amortization of deferred arrangement fees	21	63,000	30,613
Profit on disposal of property, plant and equipment	5	(1,871)	-
Share of profit in joint venture		-	(2,995)
Operating cash flows before payment for employees' end of service benefits, payment for employees' pension plan, contribution received from employees, movement in consumers' security deposits and changes in working capital		2,460,315	2,790,845
Payment for employees' end of service benefits	12.1	(10,666)	(7,516)
Payment for employees' pension plan	12.2	(8,893)	(9,630)
Consumers' security deposits received during the period		191,893	147,217
Consumers' security deposits repaid during the period		(125,986)	(57,294)
Movement in Government of Dubai account		(420,071)	(116,655)
Changes in working capital:			
Inventories before movement in provision	9	377,741	3,284
Trade and other receivables excluding interest receivable before movement in provision		(190,740)	(547,948)
Trade payable and accruals excluding trade payable for capital projects, retentions, consumers' security deposits and deferred revenue		873,676	899,700
Net cash provided by operating activities		3,147,269	3,102,003

23 Government grant

	Six months ended	
	30 June 2010 AED'000	30 June 2009 AED'000
At the beginning of the period	437,866	-
Released during the period	(1,376)	-
At the end of the period	436,490	-
Less: current portion	(2,772)	-
Non current portion	433,718	-

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