

## PROSPECTUS



# Abu Dhabi National Energy Company PJSC

(incorporated with limited liability in the United Arab Emirates)

## U.S.\$9,000,000,000 Global Medium Term Note Programme

Under the Global Medium Term Note Programme described in this Prospectus (the “**Programme**”), Abu Dhabi National Energy Company PJSC (“**TAQA**” or the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the “**Notes**”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$9,000,000,000 (or its equivalent in other currencies).

This Prospectus has been approved as a base prospectus by the United Kingdom (the “**UK**”) Financial Conduct Authority (the “**FCA**”) in its capacity as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK Prospectus Regulation**”) for Notes issued under the Programme, other than Exempt Notes (as defined below). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Approval by the FCA should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA under Part VI of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”), for Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s main market (the “**Market**”). References in this Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”).

This Prospectus is valid as a base prospectus under the UK Prospectus Regulation for 12 months from 19 April 2021 in relation to Notes which are to be admitted to trading on a regulated market in the UK other than in circumstances where an exemption is available under Article 1(4) and/or Article 3(2) of the UK Prospectus Regulation. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Prospectus is no longer valid.

The requirement to publish a prospectus under the UK Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the UK and/or offered to the public in the UK other than in circumstances where an exemption is available under Article 1(4) and/or Article 3(2) of the UK Prospectus Regulation. References in this Prospectus to “**Exempt Notes**” are to Notes for which no prospectus is required to be published under the UK Prospectus Regulation. The FCA has neither approved nor reviewed information contained in this Prospectus in connection with Exempt Notes.

In addition, application may be made to admit the Notes to trading on the Abu Dhabi Securities Exchange. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined in “*Overview — The Programme — Method of Issue*”) of Notes will (other than in the case of Exempt Notes) be set out in a final terms document (the “**Final Terms**”) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange and will also be published on the website of the London Stock Exchange through a regulatory information service. In the case of Exempt Notes, notice of the aggregate nominal amount of such Exempt Notes, interest (if any) payable in respect of such Exempt Notes, the issue price of such Exempt Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the “**Pricing Supplement**”).

Each Series (as defined in “*Overview — The Programme — Method of Issue*”) of Notes will be evidenced by registered certificates (each, a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Notes of one Series. Certificates may be evidenced by (i) interests in a global unrestricted note certificate in registered form (each, a “**Regulation S Global Note Certificate**”) in the case of Notes offered to non-U.S. persons outside the United States in reliance on Regulation S (“**Regulation S**”) under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and/or (ii) interests in a global restricted note certificate in registered form (each, a “**Rule 144A Global**”).

**Note Certificate**” and together with the Regulation S Global Note Certificate, the “**Global Note Certificates**”) in the case of Notes offered within the United States only to qualified institutional buyers (“**QIBs**”) in reliance on Rule 144A (“**Rule 144A**”) under the Securities Act. Each Regulation S Global Note Certificate will be deposited on the relevant issue date with, and registered in the name of a nominee of, a common depository (the “**Common Depository**”) on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). Each Rule 144A Global Note Certificate will be deposited on the relevant issue date with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“**DTC**”). Beneficial interests in a Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See “Clearing and Settlement”.

The Issuer has been rated Aa3 by Moody’s Investors Service Limited (“**Moody’s**”) and AA- by Fitch Ratings Limited (“**Fitch**”). The Programme has been rated Aa3 by Moody’s and AA- by Fitch. Each of Moody’s and Fitch is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”).

Tranches of Notes to be issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, the applicable rating(s) will be disclosed in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same rating assigned to the Issuer by the relevant rating agency. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the UK and registered under the UK CRA Regulation will be disclosed in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes (as defined in “*Terms and Conditions of the Notes*”) may, if so specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes), be calculated by reference to one of the Euro Interbank Offered Rate (“**EURIBOR**”), the Hong Kong Interbank Offered Rate (“**HIBOR**”) or the CNH (offshore Renminbi) Hong Kong Interbank Offered Rate (“**CNH HIBOR**”). As at the date of this Prospectus, the administrator of EURIBOR (the European Monetary Markets Institute) appears on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of Regulation (EU) No. 2016/1011 as it forms part of domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”). As at the date of this Prospectus, the administrators of HIBOR and CNH HIBOR (the Treasury Markets Association of Banks) do not appear on the FCA’s register of administrators under the UK Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that the Treasury Markets Association of Banks is not currently required to obtain authorisation or registration (or, if located outside the UK, recognition, endorsement or equivalence).

**Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus.**

**The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States. Subject to certain exceptions, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and within the United States only to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of notes and distribution of this Prospectus see “Subscription and Sale” and “Transfer Restrictions”.**

*Arrangers and Dealers*

<b>Bank of China</b>	<b>Citigroup</b>	<b>First Abu Dhabi Bank</b>	<b>HSBC</b>
<b>Mashreqbank psc</b>		<b>Mizuho Securities</b>	<b>MUFG</b>

19 April 2021

## IMPORTANT INFORMATION

This Prospectus comprises a base prospectus in respect of all Notes (other than Exempt Notes) issued under the Programme for the purposes of the UK Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer, the information contained in this Prospectus and the Final Terms is in accordance with the facts and the Prospectus as completed by the Final Terms makes no omission likely to affect the import of such information.

Where information has been sourced from a third party, the Issuer confirms that such information has been accurately reproduced and so far as the Issuer is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information sourced from third parties contained in this Prospectus relates to the United Arab Emirates (the “UAE”) economic and commodity statistics and UAE government finance statistics and to certain historic oil and gas prices which are included under the headings “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Overview of the UAE and Abu Dhabi*”.

Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*”), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

In the case of any Notes which are to be admitted to trading on a regulated market within the UK or offered to the public in the UK in circumstances which require the publication of a prospectus under the UK Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the issue or sale of the Notes and, any information or representation not so contained must not be relied upon as having been authorised by the Issuer or any of the Dealers or any of the Arrangers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. None of the Issuer, the Arrangers or the Dealers represents that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except

under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “*Subscription and Sale*”.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes. None of the Dealers, the Arrangers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

To the fullest extent permitted by law, none of the Dealers or the Arrangers accept any responsibility for the contents of this Prospectus or any information incorporated by reference into this document or for any other statement which is consistent with the contents of this Prospectus made, or purported to be made, by an Arranger or a Dealer or on its behalf in connection with the Issuer, or the issue and offering of the Notes. Each Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States in reliance on Rule 144A under the Securities Act and the admission of the Notes to the Official List and to trading on the Market. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any QIBs and to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

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 (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## STABILISATION

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the “**Stabilisation Manager(s)**”) (or persons acting on behalf of any

Stabilisation Manager(s)) in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

### **THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS**

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- is 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.

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

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This Prospectus contains “forward-looking statements”, that is, statements related to future, not past, events. In this context, forward-looking statements often address TAQA's expected future business and financial performance, and often contain words such as “expects”, “anticipates”, “estimates”, “intends”, “plans”, “aims”, “believes”, “seeks”, “may”, “should”, “will” and other similar expressions. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For TAQA, particular uncertainties arise from future integration of acquired businesses, from unanticipated loss of power generation or water capacity and from numerous other matters of national,

regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause TAQA's actual future results to be materially different from those expressed in TAQA's forward-looking statements. These forward-looking statements speak only as of the date of this Prospectus. TAQA expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in TAQA's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The risks and uncertainties referred to above include those discussed under "*Risk Factors*".

## NOTICE TO INVESTORS

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES APPROVED THIS PROSPECTUS OR PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

## PROHIBITION OF SALES TO EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to Eea Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## PROHIBITION OF SALES TO UK RETAIL INVESTORS

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

## MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled “MIFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

### **UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET**

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

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

### **NOTICE TO RESIDENTS OF SINGAPORE**

**Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain (“**Bahrain**”), Notes issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the “**CBB**”) in Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Prospectus or any other related document or material be used in

connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or any related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of Notes will be made to the public in Bahrain, and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

## **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

Any Notes to be issued under the Programme will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (“**Qatar**”) (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in Qatar (including the Qatar Financial Centre). The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes and interests therein will not be offered to investors domiciled or resident in Qatar (including the Qatar Financial Centre) and do not constitute debt financing in Qatar (including the Qatar Financial Centre) under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of Qatar (including the Qatar Financial Centre).

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

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

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

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

### **TAQA – ADPOWER TRANSACTION AND ACCOUNTING PRESENTATION**

On 29 April 2020, the shareholders of Abu Dhabi Power Corporation (**ADPower**) and TAQA approved a proposed transaction (the **Transaction**) in accordance with the terms of a share purchase agreement entered into by TAQA and ADPower, whereby ADPower contributed the majority of its power and water generation, transmission and distribution assets (the **Perimeter Assets**) to TAQA. The contribution of the Perimeter Assets to TAQA was effected by ADPower through its wholly-owned newly established limited liability company, Al Maqam Energy Holding LLC (**Al Maqam**). See Note 1 to the 2020 Financial Statements (as defined below) for further details of the Transaction and the Perimeter Assets. In the Transaction, Abu Dhabi Transmission & Despatch Company PJSC (**TRANSCO**), the largest component entity of the Perimeter Assets contributed to TAQA, was determined to be the accounting acquirer given its relative size, resulting in a reverse acquisition for accounting purposes.



The Transaction was effective as of 1 July 2020.

## PRESENTATION OF FINANCIAL INFORMATION

Reflecting the Transaction, a number of different sets of financial information are described below and included or incorporated by reference in this Prospectus. The table below summarises this financial information:

	Post-Transaction		Pre-Transaction	
	2020	2020	2019	2018
	1 July to 31 December	1 January to 30 June	1 January to 31 December	1 January to 31 December
2020 Financial Statements	Post transaction TAQA	TRANSCO	TRANSCO	Not presented
TAQA Historical Financial Statements	Not applicable	Pre-Transaction TAQA	Pre-Transaction TAQA	Pre-Transaction TAQA
Al Maqam Financial Information	Not applicable	Al Maqam and Perimeter Assets	Al Maqam and Perimeter Assets	Al Maqam and Perimeter Assets
Unaudited Pro Forma Financial Information	<ol style="list-style-type: none"> <li>1. 2020 Financial Statements (post Transaction) plus</li> <li>2. TAQA Historical Financial Statements plus</li> <li>3. Al Maqam Financial Information plus</li> <li>4. eliminations and pro forma adjustments</li> </ol>			

The 2020 Financial Statements, the TAQA Historical Financial Statements (as defined below), the Al Maqam Financial Information (as defined below) and the Unaudited Pro Forma Financial Information (as defined below) have each been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB) except, as noted below, in the case of the Al Maqam Financial Information, for the assets and liabilities acquired in the Transaction which are recorded at their historical book value as described in Note 3 to the Al Maqam Financial Information.

Reflecting the Transaction, in this document and save as provided in the next sentence, references in this Prospectus to **Group** are:

- for the period after 30 June 2020, references to TAQA and its consolidated subsidiaries including all the subsidiaries legally acquired in the Transaction; and
- for the period up to 30 June 2020, references to TAQA and its consolidated subsidiaries excluding all the subsidiaries legally acquired in the Transaction.

Notwithstanding the foregoing, when used in relation to the 2020 Financial Statements and reflecting the accounting treatment of the Transaction which is described below, references to **Group** in this Prospectus are:

- for the period after 30 June 2020, references to TAQA and its consolidated subsidiaries including all the subsidiaries legally acquired in the Transaction; and
- for the period from 1 January 2019 up to 30 June 2020, references to TRANSCO.

The Group's financial year ends on 31 December, and references in this Prospectus to **2020**, **2019** and **2018** or any other specific year are to the 12-month period ended on 31 December of such year unless indicated otherwise.

### **2020 Financial Statements (TAQA Current Financial Information)**

The historical financial information incorporated by reference in this Prospectus comprises TAQA's audited annual consolidated financial statements as at and for the year ended 31 December 2020 (together with the audit report thereon, the **2020 Financial Statements**). See also "*—TAQA Historical Financial Statements*", "*—Al Maqam Financial Information*" and "*—Unaudited Pro Forma Financial Information*" below.

The 2020 Financial Statements are the first consolidated financial statements published by TAQA following the Transaction. The Transaction together with its accounting impact are described in Note 1 to the 2020 Financial Statements. Since the Transaction was accounted for as a reverse acquisition according to the requirements of IFRS 3 – *Business Combinations*, the comparative information provided in respect of the year ended 31 December 2019 in the 2020 Financial Statements is that of TRANSCO, the accounting acquirer, except for the share capital retroactively adjusted to reflect the share capital of TAQA. The 2020 Financial Statements are therefore a continuation of the financial statements of TRANSCO, and not of TAQA. Furthermore, the 2019 comparative information included in the 2020 Financial Statements reflects the results of operations and financial condition as at and for the year ended 31 December 2019 solely of TRANSCO, and does not reflect the acquisition of the Perimeter Assets or of TAQA, all of which are reflected in the 2020 Financial Statements only as of 1 July 2020, the effective date of the Transaction.

### **TAQA Historical Financial Statements**

The historical financial information incorporated by reference in this Prospectus also comprises:

- TAQA's unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2020 (together with the review report thereon, the **TAQA Historical Interim Financial Statements**);
- TAQA's audited annual consolidated financial statements as at and for the year ended 31 December 2019 (together with the audit report thereon, the **TAQA Historical 2019 Financial Statements** and, together with the TAQA Historical Interim Financial Statements, the **TAQA Historical Financial Statements**); and
- TAQA's audited annual consolidated financial statements as at and for the year ended 31 December 2018 (together with the audit report thereon).

### **Al Maqam Financial Information**

The historical financial information included in this Prospectus also comprises the Al Maqam Financial Information (as defined below).

The Perimeter Assets that were regrouped within Al Maqam for the purpose of contribution to TAQA were not operated as a stand-alone business during the years ended 31 December 2018 and 2019 and the interim period ended 30 June 2020 and no consolidated financial statements are available for the Perimeter Assets. The sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Al Maqam Financial Information – Six Months Ended 30 June 2020 and 30 June 2019 Compared*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Al Maqam Financial Information - Years Ended 31 December*

2019 and 2018 Compared” in this Prospectus are based upon (i) the combined unaudited condensed interim financial statements of Al Maqam, Abu Dhabi Distribution Company PJSC (**ADDC**), Al Ain Distribution Company PJSC (**AADC** and together with ADDC, the **DisCos**), TRANSCO, Butinah Power Holding Company PJSC, Al Mirfa Power Company PJSC, Al Mirfa Power Holding Company PJSC and Sweihan Energy Holding Company PJSC, which together comprise the Perimeter Assets, as at and for the six months ended 30 June 2020 (together with the review report thereon, the **Al Maqam Interim Financial Statements**) and (ii) the combined audited financial statements of Al Maqam and the Perimeter Assets as at and for the year ended 31 December 2019 (together with the audit report thereon, the **Al Maqam Annual Financial Statements** and, together with the Al Maqam Interim Financial Statements, the **Al Maqam Financial Information**), respectively. See further notes 1 and 2 to each of the Al Maqam Annual Financial Statements and the Al Maqam Interim Financial Statements for a description of the method of aggregation used to prepare the Al Maqam Financial Information. The arithmetic aggregation of financial data in the Al Maqam Financial Information combines only the financial positions and results of the combined entities within Al Maqam.

The Al Maqam Financial Information has been prepared in accordance with IFRS as issued by the IASB, except for the assets and liabilities acquired in the Transaction, which are recorded at their historical book value as described in Note 2 to the Al Maqam Annual Financial Statements. This presentation reflects the historical presentation of the Perimeter Assets, which was accounted for as a pooling of interest in a reorganisation of companies under common control, for which the historical cost convention was applied. These assets and liabilities were subsequently recorded at their fair value in the 2020 Financial Statements upon their contribution to TAQA in the Transaction, which was effected as a reverse merger in accordance with IFRS 3.

### **Unaudited Pro Forma Financial Information**

The financial information included in this Prospectus also comprises the unaudited pro forma consolidated financial information for the year ended 31 December 2020 (the **Unaudited Pro Forma Financial Information**), which has been prepared for illustrative purposes only and presents the consolidation of the statements of profit and loss derived from the 2020 Financial Statements, the TAQA Historical Interim Financial Statements and the Al Maqam Interim Financial Statements as if the Transaction had been completed on 1 January 2020. The Unaudited Pro Forma Financial Information does not purport to project the Group’s results of operations for any future period and it also does not reflect the impact of any potential synergies deriving from the Transaction. The Unaudited Pro Forma Financial Information also does not include any additional costs that might arise as a result of the Transaction.

### **Basis of Preparation and Accounting Policies used in 2020 Financial Statements**

The 2020 Financial Statements have been prepared on the historical cost basis except for assets and liabilities measured at fair value in accordance with IFRS as issued by the IASB and the applicable requirements of the UAE Federal Law No. (2) of 2015.

As at 31 December 2020, the retained earnings of the Group were AED 4,925 million. As at 31 December 2020, the Group’s current liabilities exceeded its current assets by AED 4,427 million. The 2020 Financial Statements were prepared on a going concern basis. As the Group has sufficient short to medium term liquidity through the Group’s undrawn committed borrowing facilities to meet its ongoing commitments, management concluded that adequate support was available to evidence that the going concern assumption is appropriate for the preparation of the 2020 Financial Statements.

The accounting policies adopted by the Group following the Transaction are those of TRANSCO. In addition, when preparing the 2020 Financial Statements the Group also adopted new accounting policies as part of the business combination as explained in note 1 to the 2020 Financial Statements and new accounting policies that became effective from 1 January 2020 as explained in note

2.4 to the 2020 Financial Statements. The accounting policies of TAQA and the Perimeter Assets have been aligned to those of TRANSCO. There were no adjustments required to address measurement differences as part of the alignment in accounting policies.

### **Auditors and Unaudited Financial Information**

The 2020 Financial Statements and the Al Maqam Annual Financial Statements have been audited by Deloitte & Touche (M.E.), independent accountants, (**Deloitte**) in accordance with International Standards on Auditing (**ISAs**), who have issued unqualified reports thereon.

The TAQA 2019 Historical Financial Statements have been audited by Ernst & Young, independent accountants, (**EY**) in accordance with ISAs, who have issued an unqualified report thereon.

The TAQA Historical Interim Financial Statements have been reviewed by EY in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, who have issued an unqualified report thereon.

The Al Maqam Interim Financial Statements have been reviewed by Deloitte in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, who have issued an unqualified report thereon.

Deloitte have reported on the compilation of the Unaudited Pro Forma Financial Information.

All financial information in this Prospectus (i) as at and for the six-month periods ended 30 June 2020 and 2019, (ii) in the Unaudited Pro Forma Financial Information and (iii) identified as an APM (as defined below) is unaudited. Where information is identified as unaudited, this means that the information has been extracted from information that has not been audited and does not imply that all other information in the table has been separately audited.

### **Non-IFRS Financial Measures**

This Prospectus includes Adjusted EBITDA data. Adjusted EBITDA is a non-IFRS financial measure that is used by management as an additional measure of performance. Adjusted EBITDA is also an alternative performance measure (**APM**) as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures. Adjusted EBITDA is not defined by IFRS or recognised within IFRS as a measure of performance and should therefore not be considered as an alternative to other IFRS measures, such as:

- profit/(loss) for the year (as determined in accordance with IFRS);
- cash flow from operating, investing or financing activities (as determined in accordance with IFRS);
- any other measures of performance under IFRS; or
- as a measure of operating performance or the Group’s ability to meet its cash needs.

The Group defines Adjusted EBITDA as loss or profit for the period before finance costs, income taxes, depreciation, depletion and amortisation, net foreign exchange losses or gains, other gains or losses, other income, interest income, gain or loss in fair value of derivatives and fair value hedges, dry hole expenses, gain on sale of land and oil and gas assets and impairment losses.

Adjusted EBITDA has limitations as an analytical tool and investors should not consider this measure in isolation, or as a substitute for other measures used in analysing the Group's results of operations. Some limitations of Adjusted EBITDA are that:

- it does not reflect the Group's cash expenditures;
- it does not reflect the Group's future requirements for capital expenditure or contractual commitments;
- it does not reflect the Group's cash requirements or changes in the Group's working capital needs;
- it does not reflect interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future and this measure does not reflect any cash requirements for such replacements; and
- other companies in the Group's industry may calculate this measure differently from how the Group does, limiting its usefulness as a comparative measure.

Adjusted EBITDA may not be indicative of the Group's historical operating results, and it is not meant to be a projection or forecast of future results. In particular, Adjusted EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of its business.

The Group believes that Adjusted EBITDA provides useful information to investors because it is used by management in analysing the Group's core performance excluding the impact of certain non-operating factors, as it removes the results of certain decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the stage of growth development, capital expenditure requirements and the jurisdictions in which certain of its companies operate and make capital investments.

In addition, the Group believes that Adjusted EBITDA is a measure commonly used by investors, analysts and other interested parties in the Group's industries. Adjusted EBITDA is not subject to audit or review by any independent auditors.

This Prospectus includes data relating to the Group's gross margin, return on equity, net debt to total capital, Adjusted EBITDA to net interest and net debt to Adjusted EBITDA ratios, each of which is also an APM provided because the Group believes that it is a measure commonly used by investors, analysts and other interested parties in the Group's industries. Each of these ratios is presented in "*Selected Historical Financial and Other Information*" and the calculation of each ratio is explained where it is presented.

## **PRESENTATION OF OTHER INFORMATION**

In this document, unless otherwise specified or the context otherwise requires, references to:

- **Abu Dhabi** means the Emirate of Abu Dhabi;
- **U.S.\$** and **U.S. dollars** are to the currency of the United States of America;
- **UAE dirham** and **AED** are to the currency of the United Arab Emirates;

- **£** and **sterling** are to the currency of the United Kingdom;
- **rupees** are to the currency of the Republic of India;
- **MYR** are to the currency of Malaysia;
- **MAD** are to the currency of Morocco;
- **Canadian dollars** and **C\$** are to the currency of Canada;
- **Renminbi, RMB** or **CNY** are to the currency of the People’s Republic of China (the **PRC**) which, for the purposes of this Prospectus, excludes the Hong Kong Special Administrative Region of the PRC (**Hong Kong**), the Macau Special Administrative Region of the PRC and Taiwan; and
- **euro** and **€** are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

References to a **billion** are to a thousand million.

See “*Glossary and Certain Defined Terms*” for the meaning of certain technical terms and abbreviations used in this Prospectus.

TAQA publishes its financial statements in AED rounded to the nearest million. This Prospectus contains a conversion of certain AED amounts into U.S. dollars solely for the convenience of the reader. These conversions should not be construed as representations that the AED amounts actually represent such U.S. dollar amounts or could actually be converted into U.S. dollars at the rate indicated. The UAE dirham has been pegged to the U.S. dollar at a fixed exchange rate of AED 3.6725 = U.S.\$1.00 since 22 November 1980 and, unless otherwise indicated, U.S. dollar amounts in this Prospectus have been converted from AED at this exchange rate.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following:

1. the 2020 Financial Statements (as defined on page 8 and available at: [https://www.taqa.com/wp-content/uploads/2021/02/20210214\\_TAQA-FY-2020-Financial-Statements-En.pdf](https://www.taqa.com/wp-content/uploads/2021/02/20210214_TAQA-FY-2020-Financial-Statements-En.pdf)) including the information set out at the following pages in particular:

	Page numbers*
Consolidated Financial Statements	Pages 16 to 22
Notes to the Consolidated Financial Statements	Pages 23 to 87
Audit Report	Pages 11 to 15

2. the TAQA Historical Interim Financial Statements (as defined on page 8 and available at: [https://www.taqa.com/wp-content/uploads/2020/08/20200813\\_TAQA-Q2-2020-Financials-En.pdf](https://www.taqa.com/wp-content/uploads/2020/08/20200813_TAQA-Q2-2020-Financials-En.pdf));
3. the TAQA Historical 2019 Financial Statements (as defined on page 8 and available at: [https://www.taqa.com/wp-content/uploads/2020/06/20200318\\_TAQA-Financials-Audited-FY-2019-En.pdf](https://www.taqa.com/wp-content/uploads/2020/06/20200318_TAQA-Financials-Audited-FY-2019-En.pdf));
4. TAQA's audited annual consolidated financial statements as at and for the year ended 31 December 2018 (together with the audit report thereon) (available at: [https://www.taqa.com/wp-content/uploads/2020/06/20190320\\_TAQA-Financials-Audited-FY-2018-En.pdf](https://www.taqa.com/wp-content/uploads/2020/06/20190320_TAQA-Financials-Audited-FY-2018-En.pdf)); and
5. the Terms and Conditions set out on pages 32 to 55 of the prospectus dated 25 November 2011 (available at: [https://www.taqa.com/wp-content/uploads/2020/06/20111125\\_TAQA-USD-9bn-GMTN-Base-Prospectus.pdf](https://www.taqa.com/wp-content/uploads/2020/06/20111125_TAQA-USD-9bn-GMTN-Base-Prospectus.pdf)), the Terms and Conditions set out on pages 36 to 59 of the prospectus dated 23 April 2014 (available at: [https://www.taqa.com/wp-content/uploads/2020/06/20140423\\_TAQA-USD-9bn-GMTN-Base-Prospectus.pdf](https://www.taqa.com/wp-content/uploads/2020/06/20140423_TAQA-USD-9bn-GMTN-Base-Prospectus.pdf)), the Terms and Conditions set out on pages 43 to 64 of the prospectus dated 7 June 2016 (available at: [https://www.taqa.com/wp-content/uploads/2020/04/20160607\\_TAQA-USD-9bn-GMTNBase-Prospectus.pdf](https://www.taqa.com/wp-content/uploads/2020/04/20160607_TAQA-USD-9bn-GMTNBase-Prospectus.pdf)), the Terms and Conditions set out on pages 42 to 63 of the prospectus dated 11 April 2018 (available at: [https://www.taqa.com/wp-content/uploads/2020/06/20180411\\_TAQA-USD-9bn-GMTN-Base-Prospectus.pdf](https://www.taqa.com/wp-content/uploads/2020/06/20180411_TAQA-USD-9bn-GMTN-Base-Prospectus.pdf)) and the Terms and Conditions set out on pages 33 to 57 of the prospectus dated 25 September 2019 (available at: [https://www.taqa.com/wp-content/uploads/2020/07/20190925\\_TAQA-USD-9bn-GMTN-Base-Prospectus.pdf](https://www.taqa.com/wp-content/uploads/2020/07/20190925_TAQA-USD-9bn-GMTN-Base-Prospectus.pdf)), each relating to the Programme, which have been previously published or are published simultaneously with this Prospectus and which have been approved by the FCA or filed with it. Such documents shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

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\* The page numbers refer to the page references of the PDF document.

The parts of the above-mentioned documents which are not incorporated by reference into this Prospectus (which, for the avoidance of doubt, means any parts not listed in the cross-reference list above) are either not relevant for investors or are covered elsewhere within this Prospectus.

### **SUPPLEMENTARY PROSPECTUS**

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to Article 23 of the UK Prospectus Regulation, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as required by Article 23 of the UK Prospectus Regulation.

### **AVAILABLE INFORMATION**

The Issuer has agreed that, for so long as any Notes are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act, it will during any period that it is neither subject to section 13 or 15(d) of the United States Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of Notes or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

### **SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES**

The Issuer is a corporation organised under the laws of the UAE, and a substantial portion of the assets of the Issuer are located outside the United States and the UK. As a result, it may not be possible for investors to effect service of process within the United States and/or the UK upon the Issuer or to enforce against it in the United States courts or courts located in the UK judgments obtained in United States courts or courts located in the UK, respectively, including judgments predicated upon the civil liability provisions of the securities laws of the United States or the securities laws of any state or territory within the United States. The Notes are governed by English law and disputes in respect of the Notes may be settled under the arbitration rules of the London Court of International Arbitration (the “**Arbitration Rules**”). In addition, actions in respect of the Notes may be brought in the English courts.

A substantial part of the Issuer’s assets are located in the UAE. In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the Abu Dhabi courts are unlikely to enforce a United States or an English court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Notes. Investors may have difficulties in enforcing any United States or English court judgments or arbitration awards against the Issuer in the Abu Dhabi courts. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions. See “*Risk Factors—Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Abu Dhabi*”.



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## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes).*

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

<b>Issuer:</b>	Abu Dhabi National Energy Company PJSC.
<b>Issuer Legal Entity Identifier (LEI):</b>	213800UNJSVQFNUIYYW03.
<b>Website of the Issuer:</b>	www.taqa.com
<b>Description:</b>	Global Medium Term Note Programme.
<b>Size:</b>	Up to U.S.\$9,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arrangers:</b>	Bank of China Limited, London Branch, Citigroup Global Markets Limited, First Abu Dhabi Bank PJSC, HSBC Bank plc, Mashreqbank psc, Mizuho International plc and MUFG Securities EMEA plc.
<b>Dealers:</b>	Bank of China Limited, London Branch, Citigroup Global Markets Limited, First Abu Dhabi Bank PJSC, HSBC Bank plc, Mashreqbank psc, Mizuho International plc and MUFG Securities EMEA 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. References in this Prospectus to “ <b>Permanent Dealers</b> ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “ <b>Dealers</b> ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches, where the context allows.
<b>Trustee:</b>	Citicorp Trustee Company Limited.
<b>Principal Paying and Transfer Agent:</b>	Citibank, N.A.
<b>Registrar:</b>	Citigroup Global Markets Europe AG.
<b>Paying and Transfer Agent:</b>	Citibank Europe plc.

**Method of Issue:**

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each, a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms or, in the case of Exempt Notes, Pricing Supplement.

**Issue Price:**

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.

**Form of Notes:**

The Notes will be issued in registered form only. The Notes will be evidenced by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Notes of one Series.

**Clearing Systems:**

Clearstream, Luxembourg, Euroclear (in the case of Regulation S Notes), DTC (in the case of Rule 144A Notes) and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Principal Paying and Transfer Agent, the Trustee and the relevant Dealer.

**Initial Delivery of Notes:**

Each Series of Notes may be evidenced by (i) interests in a Regulation S Global Note Certificate in the case of Notes offered outside the United States in reliance on Regulation S and/or (ii) interests in a Rule 144A Global Note Certificate in the case of Notes offered inside the United States to QIBs in reliance on Rule 144A. Each Regulation S Global Note Certificate will be deposited on or before the relevant issue date with, and registered in the name of a nominee of, the Common Depositary. Each Rule 144A Global Note Certificate will be deposited on or before the relevant issue date with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See “*Clearing and Settlement*”. The provisions governing the exchange of interests in Global Note Certificates for Individual Certificates are described in “*Summary of Provisions Relating to the Notes while in Global Form*”.

<b>Currencies:</b>	Subject to compliance with all applicable legal and/or regulatory requirements, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
<b>Maturities:</b>	Any maturity, subject to compliance with all applicable legal and/or regulatory requirements.
<b>Specified Denomination:</b>	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that (other than in the case of Exempt Notes): (i) the minimum denomination of each Note will be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); (ii) in the case of any Notes denominated in U.S. dollars, the minimum Specified Denomination shall be U.S.\$200,000; and (iii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
<b>Fixed Rate Notes:</b>	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes (as defined in “<i>Terms and Conditions of the Notes</i>”) will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>(i) 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., or</li> <li>(ii) on the basis of the reference rate set out in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).</li> </ul> <p>Interest periods will be specified in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).</p>
<b>Benchmark Replacement:</b>	On the occurrence of a Benchmark Event, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate failing which an Alternative Rate to be used in place of the Original Reference Rate. An Adjustment Spread may

also be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate as the case may be.

**Exempt Notes:**

The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the relevant Pricing Supplement.

**Zero Coupon Notes:**

Zero Coupon Notes (as defined in “*Terms and Conditions of the Notes*”) may be issued at their nominal amount or at a discount to it and will not bear interest.

**Interest Periods and Interest Rates:**

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).

**Redemption:**

The relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies) (other than Exempt Notes).

**Optional Redemption:**

The Final Terms (or Pricing Supplement, in the case of Exempt Notes) issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders (in addition to the option described in “— *Noteholder Put Option upon Change of Control*” below), and if so the terms applicable to such redemption.

**Noteholder Put Option upon Change of Control:**

If Abu Dhabi, including, without limitation, any agency of its government or any entity controlled by it, at any time ceases to own and control (directly or indirectly) more than 50 of the economic and voting rights in respect of the Issuer, then each Note in respect of which the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) specifies that the Change of Control Put Option is applicable will be redeemable at

the option of the holder at the Change of Control Redemption Amount set out in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes), together with (if applicable) interest accrued to but excluding the relevant Put Date (as defined in “*Terms and Conditions of the Notes*”) if such option is exercised within the period of 30 days after the relevant Change of Control Notice (as defined in “*Terms and Conditions of the Notes*”) is given.

**Status of the Notes:**

Subject as set out in “— *Negative Pledge*” below, the Notes are unsecured obligations of the Issuer which rank *pari passu*, without any preference among themselves and, subject as aforesaid, with all other outstanding present and future unsecured and unsubordinated obligations of the Issuer.

**Negative Pledge:**

The Notes contain a negative pledge in respect of the Issuer and any Material Subsidiary in relation to the creation of any Security Interest (other than certain Permitted Security Interests) to secure Relevant Indebtedness (as each such term is defined in “*Terms and Conditions of the Notes*”). See “*Terms and Conditions of the Notes — Covenants — Negative Pledge*”.

**Restriction on Disposals:**

The Notes contain a restriction on disposals for so long as any Existing Bonds remain outstanding (other than as approved by an Extraordinary Resolution (each such term as defined in “*Terms and Conditions of the Notes*”)) (1) by the Issuer or any Subsidiary (as defined in “*Terms and Conditions of the Notes*”) of shares in any Domestic Subsidiary (or any holding company of any Domestic Subsidiary), in each case if, and to the extent that, any such disposal would result in the proportion of the total issued share capital of such Domestic Subsidiary beneficially owned by the Issuer (either directly or indirectly) being less than the proportion so owned by the Issuer on the Existing Bonds Issue Date (as defined in “*Terms and Conditions of the Notes*”), and (2) by any Domestic Subsidiary of its assets other than:

- (i) sales of inventory (including, without limitation, electricity and desalinated water) in the ordinary course of business;
- (ii) sales or transfers between one or more Domestic Subsidiaries;
- (iii) sales of equipment which is uneconomic, obsolete or no longer useful in the business of the relevant Domestic Subsidiary; and

- (iv) disposals of assets to a bank or other financial institution made in connection with, and solely for the purpose of, any financing to be extended to the debtor on a Shari'ah compliant basis.

Domestic Subsidiary (as defined in “*Terms and Conditions of the Notes*”) includes any subsidiary of the Issuer which is engaged from time to time in the business of power generation and/or water desalination in the Emirates of Abu Dhabi or Fujairah.

**Cross Acceleration:**

The Notes contain a cross-acceleration provision in respect of other Borrowed Money Indebtedness (as defined in “*Terms and Conditions of the Notes*” and including for this purpose any guarantee or indemnity in respect of the relevant indebtedness) of the Issuer or any Material Subsidiary becoming due and payable prior to its stated maturity by reason of any actual or potential default or event of default or a failure by the Issuer or any Material Subsidiary to pay when due, or within any applicable grace period, any Borrowed Money Indebtedness subject to an aggregate threshold amount of such Borrowed Money Indebtedness of U.S.\$50,000,000. See “*Terms and Conditions of the Notes — Events of Default*”.

**Ratings:**

The Issuer has been rated Aa3 by Moody's and AA- by Fitch. The Programme has been rated Aa3 by Moody's and AA- by Fitch. Each of Moody's and Fitch is established in the UK and is registered under the UK CRA Regulation.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be disclosed in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the ratings assigned to the Programme.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Early Redemption:**

Except as provided in “*Optional Redemption*” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “*Terms and Conditions of the Notes — Redemption*”.

**Withholding Tax:**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the UAE or Abu Dhabi subject to customary

exceptions, all as described in “*Terms and Conditions of the Notes — Taxation*”.

**Governing Law:**

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

**Listing and Admission to Trading:**

Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange or as otherwise specified in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes). In addition, application may be made to admit the Notes to trading on the Abu Dhabi Securities Exchange. As specified in the relevant Pricing Supplement, in the case of Exempt Notes, a Series of Notes may be unlisted.

**Selling Restrictions:**

The United States, the EEA, the UK, the UAE (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market), the Dubai International Financial Centre, the Abu Dhabi Global Market, Japan, the Kingdom of Saudi Arabia (“**Saudi Arabia**”), Bahrain, Qatar (including the Qatar Financial Centre), State of Kuwait, Singapore, Hong Kong, the PRC, the State of Israel (“**Israel**”) and the Republic of Italy (“**Italy**”). See “*Subscription and Sale*”.



## RISK FACTORS

*TAQA believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur.*

*Factors which TAQA believes may be material for the purpose of assessing the market risks associated with any Notes issued under the Programme are also described below.*

*TAQA believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but TAQA may be unable to pay principal, interest or other amounts on or in connection with any Notes for other reasons, and TAQA does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. If any of the following risks actually materialises, the Group's revenue, financial condition and results of operations may be adversely affected.*

*Certain defined terms used in this section have the meaning given to them in "Glossary and Certain Defined Terms".*

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

#### **Risks Relating to the Group's Business Generally**

*The Group's results of operations may be adversely affected by any decline in general economic or business conditions or disruptions in the global credit markets*

The Group conducts three principal businesses:

- power and water generation in the UAE and power generation internationally which, in 2020, accounted for 29.9 per cent. of the Group's pro forma revenue;
- power and water transmission and distribution in the UAE, principally Abu Dhabi, which, in 2020, accounted for 59.9 per cent. of the Group's pro forma revenue; and
- upstream and midstream oil and gas activities in Canada, Europe and Iraq which, in 2020, accounted for 10.2 per cent. of the Group's pro forma revenue.

Each of these businesses is sensitive to economic conditions that can impact the demand for the power and water that the Group generates, transmits and distributes and the oil and gas that it produces, stores, transmits or transports. Many economies around the world, including many of those in which the Group operates, have or are likely to have suffered slowdowns and/or recessionary conditions in 2020 as a result of the COVID-19 pandemic and, in the case of countries whose economies depend on their hydrocarbon production, low hydrocarbon prices. See "*— The COVID-19 pandemic has caused significant disruption to economies and businesses around the world, including those countries in which the Group operates, and has impacted the Group's business, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption*" below. There can be no assurance that the economies in which the Group operates will recover quickly in 2021 or at all or that there will not be significant economic declines in future years. The Group's financial performance is likely to be adversely affected in the future by continued recessionary conditions, or any future deterioration of general economic and financial conditions, in the markets in which the Group operates if such conditions result in reduced demand for some of the products the Group produces. Furthermore, during periods of adverse economic conditions, TAQA and its subsidiaries may have difficulty accessing financial markets, which could make it more difficult or expensive to obtain funding for

existing or proposed projects on acceptable conditions or at all. Such adverse economic or financial conditions could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's businesses are all subject to significant inherent operational hazards and may be exposed to the effects of natural disasters and other potentially catastrophic events***

The Group's businesses are subject to a wide range of operating risks that include equipment failures, human error and adverse conditions, such as extreme weather and natural disasters that could lead to explosions, fires, losses of hydrocarbon containment and releases of other hazardous substances. Any of these risks individually or in combination could cause severe injury or loss of life, result in damage to, or destruction of, operating facilities and infrastructure, other property and equipment and the environment, as well as interrupt operations.

In 2018, the Group experienced a significant incident at its generation plant in Morocco that resulted in loss of life and, in February 2021, a fatality occurred at ADDC. For further details of the Group's health and safety record, see "*Description of the Group — Health, Safety, Security, Environmental Regulations and Compliance*".

The Group's facilities are exposed to the effects of natural disasters and other potentially catastrophic events, such as major accidents, armed conflicts, hostilities and terrorist attacks, as well as breaches of digital security which could result in reduced safety and heightened risk of operational incidents. This risk is increased by the broad geographical scope of the Group's operations and the fact that the Group's operations are commonly large, key infrastructure facilities located in sometimes remote or hazardous locations, or environmentally sensitive areas. In some of the geographic areas in which the Group operates, including Iraq in particular, see "*— Political and Regulatory Risks — The Group is subject to political conditions in the regions and countries in which it operates and any material increase in regional instability could negatively affect Abu Dhabi's security, attractiveness for foreign investment and capital and ability to engage in international trade and, as a result, its economy and financial condition*" below, where there is an enhanced threat of terrorist activity and other acts of war, or hostility.

There can be no assurance that the Group will be adequately protected or insured against all such events. Any risk event materialising could result in regulatory or legal action, including penalties, fines, losses, increased costs and liabilities, remediation commitments and the ability to maintain operating licences. Any such event could also significantly affect the Group's reputation and have a material adverse effect on the Group's business, results of operations and financial condition. The Group may also suffer similar adverse consequences from any such events affecting similar or related facilities in the countries or regions in which it operates, even if the Group's own facilities are not directly affected, particularly if the facilities affected are significant to the Group, such as pipelines or transmission infrastructure upon which it is reliant for continued operations.

***Certain of the Group's businesses are exposed to significant competition and/or a changing market environment***

Both the Group's power and water generation and oil and gas businesses are exposed to competition. Future demand for electricity and water is expected to increase in the UAE due to population growth, an expanding economy and climatic considerations. According to the UAE Energy Strategy 2050, a sharp increase in power demand throughout the country is expected over the coming decades, with an anticipated average annual increase in consumption of 3.6 per cent.

To meet the rising demand in a sustainable manner, the UAE is focusing on an energy mix combining renewable, nuclear and other clean energy sources to meet the UAE's economic requirements and environmental goals. The UAE Energy Strategy 2050 is targeting an energy mix that

comprises 44 per cent. clean energy, 38 per cent. gas, 12 per cent. clean coal and 6 per cent. nuclear. Both the UAE and the Group currently generate most of their electricity using natural gas-fired generation and renewable energy power generation that comes primarily from solar power. A number of solar energy projects have been planned in the UAE, some of which, including the Group's 60 per cent.-owned Solar PV generation plant in Sweihan, Abu Dhabi, are already operational. In addition, the construction of the first nuclear power plant in the UAE commenced in 2013 and the first of four nuclear reactors became operational and began dispatching to the national grid in late 2020. Although the Group has the right to participate in new power and water generation projects in Abu Dhabi until February 2030, no assurance can be given that the Group will participate in all new projects during that period or that the right will be extended after it expires. TAQA's Abu Dhabi and Fujairah power and water generation subsidiaries may be adversely impacted from competition arising from the renewable and nuclear generation capacity being added to the UAE grid, which could, in particular, limit the chances of those subsidiaries' offtake contracts being extended when they expire. These factors could have a material adverse effect on the Group's medium- to long-term business, financial condition and results of operations.

The oil and gas industry is highly competitive in all its phases. The Group competes with numerous other participants in the search for, and the acquisition of, oil and gas assets and in the marketing of oil and gas, including other oil and gas companies that may possess greater technical, physical and/or financial resources. The Group also faces competition from other oil generation processes, in particular shale oil. If the Group fails to develop new oil and gas reserves on a cost-effective basis, its oil and gas business could be materially adversely affected.

The Group also competes with other companies to attract and retain experienced skilled management and industry professionals.

***There can be no assurance that TAQA will be able to implement its new strategy in the timeframes envisaged or that the strategy, when implemented, will deliver all of the benefits envisaged***

Following the Transaction, which was driven by the strategic objective of consolidating Abu Dhabi's power and water assets to create one of the largest integrated utility companies in the Europe, Middle East and Africa (EMEA) region and positioning TAQA as one of the leading global utility companies, TAQA has developed a new vision and strategy which includes:

- capturing synergies across the Group's assets and strengthening implementation of proven digital solutions to enhance productivity and garner efficiencies; and
- selectively seeking growth opportunities in the UAE and internationally.

Following the Transaction, the Group's scope of activity has expanded significantly to include transmission and distribution of power and water, as well as, to a lesser extent, generation from renewable resources. The integration of the newly acquired assets to form one of the largest integrated utility companies in the EMEA region may require significant amounts of time and attention of senior managers and other resources, and the synergies expected at the time of the Transaction may not materialise in the time frame anticipated or at all. While the Group has senior management with experience in transmission and distribution activities, not all members of the senior management team are experienced in all of the businesses which the Group conducts. In addition, the Group may encounter difficulties in integrating the accounting and information technology systems of the acquired companies and in ensuring that the compliance systems and governance in acquired companies match those in the rest of the Group.

The Group's ability to develop adequate talent and resources is key to achieving its new strategy and there is a risk that TAQA may not be able to identify and hire or develop sufficient talent in the right timescale. Enhanced operations and maintenance capabilities are also key to enabling TAQA to

become a fully-fledged developer and operator and TAQA may not be able to realise its strategic ambitions if the Group is not successful in developing all the competencies and capabilities it needs to deliver its strategy.

In addition, TAQA's strategy to strengthen the implementation of proven digital solutions to enhance productivity and garner efficiencies may not be successful or proceed as swiftly as planned. A slower implementation of the digitalisation programme than currently envisaged may hinder TAQA in achieving its efficiency goals, may involve higher costs than expected and may require more resources than initially planned.

Furthermore, TAQA intends to grow outside the UAE. Investments or acquisitions in new geographic areas require TAQA to become familiar with new markets and competitors and to address new business risks. As a result, any growth outside the UAE may adversely affect the Group's results of operations and prospects.

***The COVID-19 pandemic has caused significant disruption to economies and businesses around the world, including those countries in which the Group operates, and has impacted the Group's business, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption***

The coronavirus disease 2019 (**COVID-19**) pandemic, as an outbreak of a communicable disease on a global scale, has had a significant impact on investment sentiment, resulting in volatility in global capital markets and materially adversely impacting hydrocarbon demand and commodity prices, in particular hydrocarbon prices. The resulting restrictions on travel and prolonged closures of workplaces have impacted trade and transportation of goods and severely disrupted economies around the world, including those in which the Group operates. This has caused equity and bond markets to be highly volatile, resulted in increased levels of unemployment, and negatively impacted the global demand for oil and oil prices. COVID-19 is expected to have a material adverse impact on global growth rates, which are likely to negatively impact GDP in the UAE and other countries in which the Group operates.

COVID-19 and low oil prices have also adversely affected the Group, including through the impact of COVID-19 driven deflation on revenue from the Group's transmission and distribution business, the impact of lower oil prices on its revenue from its oil and gas business, the impact of lower demand for power on its generation revenue from its merchant facility in the United States, increased costs in responding to the pandemic and deferrals of non-essential work.

The continuing impact of COVID-19 on the Group's business, financial condition and results of operations is not possible to determine as at the date of this Prospectus. It will depend, among other things, on how long oil prices continue to remain volatile and the manner in which any preventive measures which impact the Group remain in place and on how different economic sectors respond to any removal, lifting or re-introduction of preventive measures, as well as any longer term impact of these measures, and similar measures in other countries, together with any wider impact of COVID-19 more generally. Furthermore, if COVID-19 results in a lack of liquidity in the financial markets, this may also adversely affect the Group.

The COVID-19 pandemic is ongoing and the duration, impact and severity of the outbreak cannot be predicted and may be significant, particularly in the short term. There can be no assurance that COVID-19 or the outbreak of other communicable diseases around the world will not result in a prolonged or further decline in oil prices, or that this will not have a prolonged adverse effect on Abu Dhabi's or the UAE's economy or on the Group's business, financial condition and results of operations. Any material adverse effect on Abu Dhabi's economic position could result in a reduced ability for certain consumer segments to make payments in respect of their water and electricity supplies which would increase the Group's collection risk and could result in increased trade receivables.

***In the event of a winding up of the Group, the claims of the Noteholders will be structurally subordinated to the claims of creditors of TAQA's subsidiaries and TAQA's generating subsidiaries may be limited in their ability to pay dividends or make other distributions to TAQA***

As at 31 December 2020, TAQA's total borrowings amounted to AED 76,073 million. As at the same date, TAQA's generation subsidiaries accounted for AED 37,246 million, or 49.0 per cent., of this debt. The remainder represented debt securities issued by TAQA.

Generally, in the event of a winding-up or insolvency of a subsidiary of TAQA, claims of secured and unsecured creditors of such subsidiary will have priority with respect to the assets and revenue of such subsidiary over the claims of TAQA or creditors of TAQA. Claims in respect of the Notes will therefore be effectively subordinated to creditors of existing and future subsidiaries of TAQA.

In addition, the ability of TAQA's generation subsidiaries to pay dividends or make other distributions or payments to TAQA will be subject to, among other things, the availability of profits or distributable funds, restrictions on the payment of dividends in covenants given in connection with their financial indebtedness and restrictions in applicable laws and regulations, including any restrictions that may be imposed by regulatory authorities. The Terms and Conditions contain no covenants that prevent TAQA's generation subsidiaries from entering into agreements that may restrict their ability to pay dividends or make payments to TAQA, and the majority of TAQA's power generation and water desalination plants have been financed with limited recourse project finance facilities, which contain restrictive covenants, including a prohibition on the payment of dividends in certain circumstances, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Resources — Term loans*".

***Notwithstanding that TAQA is indirectly 98.6 per cent. owned by the government of Abu Dhabi, the Notes are not guaranteed by the government of Abu Dhabi and the government of Abu Dhabi is under no obligation to extend financial support to TAQA***

Although Abu Dhabi is a 98.6 per cent. indirect shareholder of TAQA, potential investors should note that the Abu Dhabi government does not guarantee the obligations of TAQA in respect of any Notes issued under the Programme and Noteholders therefore do not benefit from any legally enforceable government backing. Although the Abu Dhabi government has in the past provided significant financial support to companies in which it holds ownership interests, including TAQA, it is under no obligation to extend financial support to TAQA in the future and, accordingly, may not do so. TAQA's ability to meet its obligations under the Notes is solely dependent on its ability to fund such amounts from the Group's operations, profit and cash flow or from external borrowings. In addition, any sustained period of low oil prices in the future could materially reduce the likelihood of financial support for the Group from the government of Abu Dhabi.

### **Risks Relating to the Group's Power and Water Generation, Transmission and Distribution Businesses**

*In 2020, the Group's pro forma revenue from its power and water generation, transmission and distribution businesses accounted for 89.8 per cent. of its pro forma total revenue for the year.*

***The Group's power and water transmission and distribution revenue is determined by a regulatory asset base standard administered by its regulator in Abu Dhabi and is not within the Group's control, as a result of which permitted transmission and distribution revenue may not reflect the Group's actual transmission and distribution costs***

TRANSCO, the Group's transmission subsidiary, transmits power and water in Abu Dhabi and to the Sharjah Electricity and Water Authority (SEWA) and the Federal Electricity and Water Company

(FEWA) which distribute the power and water in the Emirate of Sharjah and the Northern Emirates (Ras Al Khaimah, Ajman, Umm al Quwain and Fujairah), respectively. ADDC and AADC, the Group's distribution subsidiaries, distribute power and water throughout Abu Dhabi, with AADC being the sole distributor in the eastern regions and ADDC being the sole distributor in the central and western regions. The revenue earned by each of TRANSCO (in relation to its transmission of power and water on behalf of Emirates Water and Electricity Company (EWEC) to the DisCos) and the two DisCos (in relation to the distribution of power and water by each of them to customers in the Emirate of Abu Dhabi) is regulated by the Abu Dhabi Department of Energy (the DoE). The revenue earned by TRANSCO in relation to its transmission of power and water to SEWA and FEWA is not regulated by the DoE.

Under the regulatory asset base (RAB) standard, the DoE sets the maximum allowed revenue (MAR) that TRANSCO and the DisCos (the **regulated entities**) may earn in respect of their regulated activities each year. The DoE calculates the MAR for a regulatory control period (the **Regulatory Control Period**), with the current Regulatory Control Period ending in 2022 and the next Regulatory Control Period expected to last from 2023 to 2026. The determination of MAR for each regulated entity is based on numerous criteria, including principally an agreed investment return on its RAB, its weighted average cost of capital (WACC), its operational expenditures and an agreed allowance for depreciation of assets.

The existing MAR for each regulated entity for the first Regulatory Control Period (RC1), for the years 2018 through 2021 (extended to 2022 as a result of COVID-19), is due to expire on 31 December 2022. Subject to the MAR determined:

- TRANSCO is entitled to Transmission Use of System (TUoS) charges for the transmission of water and electricity from generation and desalination plants to the distribution companies, which are calculated in accordance with the terms of the licence issued to TRANSCO by the DoE and are based on the costs for the provision of shared transmission network services at delivery points to the distribution companies; and
- the DisCos are entitled to tariffs for distribution of power and water within Abu Dhabi as well as connection charges for connections made to the distribution network.

As a result of this framework, the Group is subject to the risk that the DoE may not agree with any regulated entity's submissions in establishing the MAR. The DoE determines the MAR based on operational information submitted periodically by each regulated entity, and the DoE uses such information as part of its evaluation. The DoE may not agree with the information received from a regulated entity for the purposes of setting its MAR, which could result in the DoE setting a lower MAR than the relevant regulated entity expects or believes is appropriate, thereby lowering the amount of TUoS, distribution and/or connection charges that the relevant regulated entity may charge. For example, the DoE may, in its discretion, exclude some or all of a regulated entity's operational and capital expenditure or proposed depreciation levels or timing or set a lower investment return. The DoE may also reduce WACC compared to the relevant regulated entity's submission based on the DoE's view of the regulated entity's efficient capital mix which may be different from that of the regulated entity and is also subject to market risk. Any such differences between the DoE's and a regulated entity's estimates would have the effect of reducing the regulated entity's MAR.

In addition, due to the structure of the regulatory framework, a regulated entity may not be able to reflect all changes (even if approved by the DoE) in its actual expenses in any Regulatory Control Period due to the periodic or delayed nature of the regulatory review. If operating costs rise, a regulated entity may apply for tariff increases, and a resulting increase in MAR, but there can be no assurance that the DoE will approve any requested increases. Moreover, even if the DoE agrees or recognises an increase in a regulated entity's operating costs or other factors affecting the MAR, except in special circumstances existing outside the regulated entity's control, typically any related change in the MAR would not become effective until the next Regulatory Control Period. For example, the capital

expenditure allowance is approved for the Regulatory Control Period and is subject to ex-post reconciliation for over/under spend in the next/subsequent Regulatory Control Periods.

See also “—*Financial Risks Relating to the Group—The Group has significant ongoing capital expenditure and outstanding borrowings that pose material financing and refinancing risks*” below.

***The Group currently benefits from subsidies from the government of Abu Dhabi reflecting the fact that allowed tariffs for the distribution of power and water to residential customers in Abu Dhabi are below the permitted MAR for those activities***

The permitted tariffs for the consumption of power and water by residential customers in Abu Dhabi are currently insufficient to generate the MAR for those activities and the difference between the permitted tariffs and the MAR is subsidised by the Abu Dhabi government.

Particularly in light of the adverse impact of COVID-19 on Abu Dhabi government finances in 2020, there may be pressure from the government to reduce the subsidy in relation to the next Regulatory Control Period (which starts in 2022) when the MAR is reset by the DoE, which could result in a lower MAR or one which does not increase as much as the Group would have liked. There can be no assurance that the regulator will approve any increase in the tariffs in the future, even if the Group believes that the increase is justified, and residential distribution tariffs may remain below the MAR for an extended period of time. Accordingly, the Group will depend on continued subsidy support from the government. Any future reduction in the government subsidy which is not matched by an increase in permitted tariffs could have a material adverse effect on the Group’s business, financial condition, results of operations and cash flow. Even if a subsidy reduction is matched by a tariff increase, the Group’s collection risk will increase as a result and it may record increased provisions or write offs in respect of receivables as a result.

***The non-renewal or extension of long-term contracts could have a material adverse effect on the Group’s business, results of operations and financial condition***

The Group’s power generation and water desalination subsidiaries are largely dependent on their ability to produce and sell the power generated and desalinated water produced at their respective facilities. The arrangements typically take the form of off-take agreements, such as power purchase agreements (PPAs) or power and water purchase agreements (PWPAs), which are long-term in nature (typically with a term of 20 to 30 years). With the exception of its merchant facility in the United States and its facilities which are being decommissioned, all of the Group’s power generation and water desalination facilities currently have long-term arrangements in place with key off-takers of their power and desalinated water in the jurisdictions in which they operate, but there is no guarantee that these arrangements will, at the end of their respective terms, be extended or renewed. Prior to the expiry of any PPA, PWPA or other offtake agreement, TAQA’s management will seek to initiate discussions in relation to, and, if successful, will enter into negotiations relating to, the extension or renewal of these contracts. Should TAQA’s management determine that there is a significant risk of non-extension or be unable to extend any offtake agreement, the Group may recognise impairment charges in respect of certain of these assets in the future.

A particular concern in relation to the Group’s ability to negotiate future offtake agreement extensions is that recent advancements in both thermal generation and water desalination technologies have increased the efficiency gap between the Group’s older plants and new plants that could be constructed to replace them. The wider this gap is, the more economical it becomes for the off-taker to build new capacity rather than extending any existing off-take contract. Other factors involved in any extension decision include the evolving energy mix, the role of thermal generation (baseload, peak load or moth-balling), additional capacity from nuclear generation and expected growth in energy demand.

To the extent that, in the future, any of the Group's long-term off-take agreements expires and the Group is unable to replace the capacity, whether by extension or investment in new facilities, the Group's business, results of operations and prospects could be adversely affected by either or both of impairment charges and lost revenue.

***The Group is subject to operational risks in relation to its long-term generation off-take agreements***

The Group's long-term off-take agreements only retain their value to the extent that the requisite power and desalinated water capacity can be made available. If for any reason the Group is not able to make available the requisite capacity, including for any of the reasons discussed under “—*The Group's power and water facilities and infrastructure may experience equipment failures or may otherwise not operate as planned*” below, the Group's revenue could be affected and it could be in breach of its obligations under one or more of its agreements, which could result in litigation proceedings being brought against the Group or its relevant subsidiaries. Similarly, such agreements only retain their value to the extent that the off-taker is able to retain its creditworthiness. If the off-taker's creditworthiness materially deteriorates, the off-taker may no longer be able to fulfil its obligations under the agreement, such as paying for the capacity that has been made available or the electricity or desalinated water that has been supplied.

The Group's power generation and water desalination facilities are subject to changes in their operating cost structure. For the Group's UAE conventional facilities, there are long-term fuel supply arrangements whereby the off-taker assumes responsibility for purchasing and supplying primary fuel on a cost pass-through basis. However, if the Group's assets do not perform within the defined efficiency limits, then it becomes liable for certain penalties, which are subject to a cap. The operations and maintenance (O&M) arrangements of certain UAE assets, under the mechanism set forth in project documents have been transferred from a fixed price to a cost pass through basis, whereby the Group is exposed to fluctuations in O&M expenditures. In the future, more assets could be transferred from a fixed price model to a cost pass-through model exposing the Group to increasing fluctuations in O&M expenditures.

In relation to Jorf Lasfar plant in Morocco and the Neyveli plant in India, the project companies are responsible for purchasing fuel, but pass the cost through to the off-taker based on a formula that is intended to allow a full pass-through of costs. In the case of the Group's investment in TAQA Gen-X LP (TAQA Gen-X) in the United States, under the Tolling Agreement TAQA Gen-X has the right to dispatch the power produced by the Red Oak power plant to regional market by purchasing and supplying the plant with natural gas fuel. Accordingly, TAQA Gen-X bears the exposure that arises from: (i) variations in the market price of natural gas, (ii) market driven changes in the rates at which TAQA Gen-X sells electricity and (iii) the associated derivatives used to hedge fuel costs and power sales revenues. In addition, operations, maintenance and repair costs and costs relating to environmental compliance, such as the cost of purchasing emissions offsets and capital expenditure incurred in installing environmental emission equipment, may increase in the future.

If the Group is unable to meet its obligations under its off-take agreements, or if these agreements are terminated for any reason without suitable replacement arrangements being put in place, or if there are any adverse changes in the cost structure of the Group's power generation and water desalination facilities, the Group's business, results of operations and financial condition could be adversely affected.

***The Group's power and water facilities and infrastructure may experience equipment failures or may otherwise not operate as planned***

The operation of industrial facilities such as power generation and water desalination plants, as well as significant transmission and distribution facilities and infrastructure, means that the Group's power and water businesses are exposed to material operating risks. These can include, among other



things, unplanned outages (such as the damage to steam turbine rotor blades at Neyveli in India and to the steam turbine at Takoradi in Ghana during 2020, which adversely impacted capacity availability and production at both facilities in 2020), leading to a loss of revenue and profit, facilities operating inefficiently or below their designed capacity, unexpectedly high operating and maintenance costs, equipment failures and unforeseen third party liabilities.

The continual operation of power and water plants and its transmission and distribution infrastructure, as well as natural processes such as erosion and corrosion, have an impact on the condition of the equipment and components of the Group's power and water plants and its transmission and distribution infrastructure. The impact of such operation and processes tends to increase as the plant, equipment and infrastructure ages, and as a result, older plant, equipment and infrastructure generally requires greater maintenance, operates less efficiently than more modern plant, equipment and infrastructure and, accordingly, is significantly more expensive to operate. The Group cannot give any assurance that its inspection and maintenance practices, including the proactive repair or replacement of plant, equipment and infrastructure before they fail, will be successful and any failure could have a material adverse effect on its business, financial condition, results of operations and cash flow.

The Group has, in the past, experienced unplanned outages at its power generation and water desalination facilities and transmission and distribution infrastructure due to equipment failures or as a result of external factors, which negatively impacted the relevant operating subsidiary's net income through lost revenue, penalty payments for capacity unavailability and increased costs. For example, in the first quarter of 2019 the Group experienced an unplanned eight-day outage due to technical issues at its Red Oak plant in the United States. Furthermore, in 2020, in addition to the outages at Neyveli and Takoradi referred to above, both the Taweelah A2 and Fujairah 2 facilities experienced equipment failures. Also, in 2020, the Group's three plants at Taweelah shut down temporarily as a result of incoming oil spill caused by an unrelated entity that came to around 150 metres from the seawater intake. In addition, any planned outages that are a part of routine maintenance operations may last longer or cost more than anticipated, adversely affecting the Group's revenue and costs from its power and water businesses. Furthermore, the Group's power and water facilities and infrastructure may require unexpected maintenance outside the scope of the scheduled maintenance programme. If the performance of any plant, equipment or infrastructure is below its expected levels of output or efficiency for any reason, this could materially and adversely affect the return on the Group's investment in that plant, equipment or infrastructure and thereby significantly adversely affect the Group's business, results of operations and financial condition. In an extreme case, failure to operate any generation facility efficiently could result in the loss of the Group's licence to operate that facility.

Unusual weather conditions can also negatively impact the planned operation of certain of the Group's generation facilities thereby negatively affecting the Group's revenue from those facilities. In particular, TAQA Gen-X operates in a merchant market and, as a result, demand for its production is to an extent impacted by changes in weather conditions. In addition, the performance of the Group's Sweihan solar PV project is, and the Al Dhafra solar PV plant which is currently under construction and in which the Group has a 40 per cent. equity interest will be, affected by the level of solar irradiance and the performance of the wind farm in the United States in which it holds a 50 per cent. equity interest is affected by the level of the prevailing winds.

***Almost all of TAQA's generation subsidiaries are substantially dependent on a limited number of customers for almost all of their revenue and they are also dependent on third party suppliers***

TAQA's UAE power generation and water desalination subsidiaries sell their production to one related party, EWEC, which is a wholly-owned subsidiary of TAQA's majority shareholder, ADPower. EWEC is the Group's most significant customer, accounting for 23.7 per cent. of the Group's pro forma total revenue in 2020. Generally, TAQA's international power generation subsidiaries also sell their products to one party, which is typically a governmental entity. These concentrations of sales to a single

entity expose the Group to risks if the off-taker experiences financial or other difficulties, such as with TAQA's Indian and Ghanaian subsidiaries in past periods, or if contractual disputes arise between the relevant Group entity and the off-taker.

TAQA's UAE power generation and water desalination subsidiaries are dependent on supplies of gas and back-up fuel to operate their facilities. This fuel is supplied by EWEC, under the PPAs or PWPAs it has entered into with each generation subsidiary. EWEC in turn is dependent on the operation of the Dolphin gas pipeline to receive the gas which it supplies. As a result, the Group is exposed to any interruptions in gas supply through the Dolphin pipeline and to non-performance by EWEC in relation to its fuel supply obligations under the PPAs and PWPAs. TAQA's international power and water generation subsidiaries have similar exposures under their contractual documentation with fuel suppliers. For further information on the Group's PPAs, PWPAs and fuel supply agreements, see "*Summary of Material Contracts — Summary of Principal UAE Generation Agreements*" and "*— Summary of Certain International Generation Project Agreements*".

Any interruption to or termination of any of these contracts with one or more of the individually significant customers or suppliers to the Group's generation subsidiaries could have a material adverse effect on the Group's business, financial condition and results of operations.

### **Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transportation and Storage Businesses**

*In 2020, the Group's pro forma revenue from its crude oil and natural gas exploration, production, transportation and storage businesses accounted for 10.2 per cent. of its pro forma total revenue for the year.*

***Sustained low oil and gas price environments have, in the past, and could, in the future, contribute to volatility in the Group's revenue, operating income and cash flow and have, in the past, and may, in the future, lead to a reduction in the carrying value of the Group's assets, its planned level of spending for exploration and development and the level of its oil and gas reserves***

The Group has entered into a range of sale agreements in relation to its crude oil and natural gas production. The pricing mechanism for all these agreements is generally based either on the spot price or on monthly average prices for the relevant commodity at the time of delivery to the purchaser. As a result, the Group is exposed to volatility in the prices of the crude oil, natural gas and natural gas liquids it produces and sells.

Historically, the markets for crude oil and natural gas have been volatile, and those markets are likely to continue to be volatile in the future. For example, according to Bloomberg data, the average price per barrel for West Texas Intermediate crude oil (the most relevant reference price for the Group's North American crude oil production) was U.S.\$64.82 in 2018, U.S.\$57.04 in 2019 and U.S.\$39.34 in 2020. Similarly, the average price per barrel for Brent crude oil (the most relevant reference price for the Group's UK North Sea and Iraq crude oil production) was U.S.\$71.07 in 2018, U.S.\$64.16 in 2019 and U.S.\$43.21 in 2020. The significant declines in 2020 principally reflect the impact of the COVID-19 pandemic, including the lower demand as a result of restrictions put in place around the world to address the effects of the pandemic.

The average price per mmbtu for Henry Hub natural gas (the most relevant reference price for the Group's Canadian natural gas production) was U.S.\$3.15 in 2018, U.S.\$2.53 in 2019 and U.S.\$2.13 in 2020 according to Bloomberg data. Additionally, access to market affects regional price differentials, which may result in tightening or widening of basis between Henry Hub and the Group's Canadian natural gas sales price. The average Henry Hub to AECO (benchmark price for the majority of the Group's North America natural gas sales) basis differential was U.S.\$-1.89/mmbtu in 2018, U.S.\$-1.17/mmbtu in 2019 and U.S.\$-0.41/mmbtu in 2020.

Prices for crude oil and natural gas are based on world supply and demand and are subject to large fluctuations in response to relatively minor changes in demand or supply and a variety of additional factors beyond the control of the Group. These uncertainties and additional factors may include actions taken by OPEC and adherence or non-adherence to agreed production quotas, pandemic diseases, war, terrorism, government regulation, social and political conditions in oil and gas producing countries generally, economic conditions, prevailing weather patterns and meteorological phenomena such as storms and hurricanes and the availability of alternative sources of energy. Future oil and gas price movements cannot be predicted with any accuracy. Further information on the Group's production and international oil and gas prices can be found under "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Principal Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*".

Similarly, the revenue for services provided in connection with the Group's midstream business (which includes gas storage) is subject to market conditions. The markets for gas storage and similar services are not well developed and are based to some extent on other commodity prices, which have been and may continue to be volatile. As such, it is not possible to predict the actual prices at which the Group may be able to sell services associated with its midstream assets.

Significant changes in oil and gas prices have in past years materially impacted the Group's results of operations both through reduced revenue and as a result of impairment charges and reductions in fair value in respect of the Group's oil and gas assets. For example, in the first quarter of 2020, the Group recorded an AED 2.0 billion pre-tax impairment on its oil and gas assets due to the significant decline in oil prices experienced in the period and, in connection with the Transaction and reflecting the period of very low oil prices since March 2020, the fair value of the Group's oil and gas property, plant and equipment was significantly reduced, from AED 11.8 billion as at 30 June 2020 to AED 5.5 billion as at 31 December 2020.

Although oil prices recovered towards the end of 2020 and into 2021, should there be any extended decrease in the future, this would be likely to negatively affect the Group's revenue, operating income and cash flow, could also negatively impact its borrowing capacity and may lead to a further reduction in the carrying value of the Group's assets or impairment losses, its planned level of spending for exploration and development and the level of its reserves. No assurance can be given that prices will be sustained at levels that will enable the Group to operate its oil and gas business profitably.

### ***The Group may fail to replace its current oil and gas reserves***

The Group's future crude oil and natural gas production levels, and therefore its cash flow and profits from its oil and gas business, are highly dependent upon the Group's ability to increase its reserves base by drilling new wells. Particularly with regard to its UK North Sea assets, the producing crude oil and natural gas reserves are in decline. While the Group and its joint venture partners are involved in exploration and development, those efforts may not result in the discovery of hydrocarbons or may only discover hydrocarbons that cannot be produced economically under prevailing conditions. In addition, given the capital-intensive nature of exploration and development activities, the Group has in recent years delayed or cancelled a number of projects as a result of the low oil and gas price environment.

To the extent that the Group's cash flow from operations and external sources of financing are insufficient to sustain its drilling programme, its reserve base may be depleted and its reserve life could decline. New reserves from exploration wells are influenced by oil and gas prices, therefore the exploration programme could be affected by prevailing oil and gas pricing. If the Group is unsuccessful in expanding its reserve base through exploration and development and/or through acquisitions, its business, results of operations and financial condition will be materially adversely affected. The Group's net reserves replacement ratio (which measures the amount of probable and proved reserves attributable to the Group and added to its reserve base during the year, including through acquisitions,

relative to the amount of oil and gas produced that is attributable to the Group) was minus 36 per cent. in 2020, 81 per cent. in 2019 and 42 per cent. in 2018. The figures for 2019 and 2018 include the Group's United States oil and gas assets which were sold in early 2020. A reserves replacement ratio of less than 100 per cent. indicates that the resources produced in the year were not fully replaced while a negative reserves replacement ratio indicates the depletion of oil and gas reserves.

Even if the Group is able to obtain the funds it needs to sustain its drilling programme, there can be no assurance that any production will be obtained as a result of these activities, or that if such production is obtained, it will be profitable. As a result, the Group may expend substantial funds without benefit, possibly resulting in significant impairments in its oil and gas operations.

***The oil reserve and oil and gas resource data in this Prospectus are only estimates, and the Group's actual production, revenue and expenditure with respect to its reserves may be materially different from such estimates***

There are numerous uncertainties inherent in estimating quantities of proved, probable, possible and contingent reserves, including many factors beyond the Group's control. The reserves information set out in this Prospectus are estimates only, which the Group makes on an annual basis. In general, estimates of economically recoverable oil and gas reserves are based on a number of factors and assumptions made as of the date on which the reserves estimates are determined, such as geological and engineering estimates (which have inherent uncertainties), historical production from the assets, the assumed effects of regulation by governmental agencies and estimates of future commodity prices, capital expenditure and operating costs, all of which may vary considerably from actual outcomes. All estimates are, to varying degrees, uncertain, and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable oil and gas reserves attributable to any particular group of assets and the classification of such reserves based on risk recovery prepared by different engineers or by the same engineers at different times may vary substantially. In addition, due to the inherent risk in exploration and development activities, there can be no assurance that any of the Group's estimated oil and gas reserves will be converted into commercial production or that the Group will meet its targeted production timelines. The Group's actual production, revenue, taxes and development and operating expenditures with respect to its reserves are likely to vary from such estimates, and such variances could be material.

Estimates with respect to oil and gas reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves, rather than upon actual production history. Subsequent evaluation of the same reserves based upon production history will result in variation, which may be material, in the estimated or actually recovered reserves. In addition, significant reductions in commodity prices may make the exploitation of certain reserves uneconomic and this too can affect reserves figures from period to period. For example, in 2020, the Group significantly reduced its reserves estimates in Europe as a result of sustained low oil and gas prices.

The estimates for the Group's proven and probable reserves set out in this Prospectus were evaluated using the Society of Petroleum Engineers' Petroleum Resource Management System. The Group's annual crude oil and natural gas reserves and resources review process includes an annual external review conducted by appropriately qualified independent reserves auditors. Potential investors should note that the definitions and guidelines prescribed by the U.S. Securities and Exchange Commission or any other regulatory body may provide for a more conservative approach to reserve estimates and therefore result in lower reserve values than the approach currently followed by the Group. There can be no assurance that an assessment of the reserves using the Group's current methodology would be consistent with an assessment using any other methodology.

***Crude oil and natural gas exploration and development activities are inherently risky both from a commercial and operational perspective and the Group's operational risks are increased by the fact that certain of its oil and gas facilities have exceeded their original designed lives***

The Group's crude oil and natural gas exploration may involve unprofitable efforts, not only from dry wells but also from wells that are producing but do not produce sufficient net revenue to return a profit after drilling, operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Whether the Group ultimately undertakes an exploration or development project depends upon a number of factors, including the availability and cost of capital, current and projected oil and gas prices, receipt of government approvals, current and projected taxation levels, access to the property, the costs and availability of drilling rigs, completion services and other equipment, supplies and personnel necessary to conduct these operations, the success or failure of activities in similar areas and changes in the estimates for completing the projects. Further, additional information acquired during a project could cause the Group to alter its schedule or determine that the project should no longer be pursued, which could adversely affect the Group's business, results of operations and financial condition.

The Group's oil and gas operations are subject to all of the risks incidental to the drilling of crude oil and natural gas wells, laying pipelines, transporting and storing oil and gas and the operation and development of oil and gas properties, including encountering premature decline of reservoirs, invasion of water into producing formations, unexpected formations or pressures, blowouts, explosions, fires, equipment failures and other accidents, uncontrollable flows of oil, gas or well fluids, adverse weather conditions, adverse seismic conditions, chemical reactions in reservoirs, pollution and other environmental risks. The Group's offshore production facilities are also subject to the hazards inherent in offshore drilling, including loss of integrity as a result of the age of the facilities and their exposure to an extreme marine environment, capsizing, sinking, grounding, vessel collision and damage from severe weather conditions.

Furthermore, some of the Group's development and exploration projects are or may be located in environments that are difficult to operate in, or involve or may involve production from challenging reservoirs, which can exacerbate such problems. The climate and topography of some of the regions in which the Group's fields are located may limit access to certain fields and facilities during certain times of the year. For example, in winter, extreme weather could limit access to certain wells, and extreme cold could cause the temporary suspension of operations of wells with a high watercut. Such weather conditions could also limit the Group's exploration operations.

The Group conducts its operations in the UK North Sea and The Netherlands principally using facilities the Group acquired from BP Nederland Energie B.V. in 2007 and from various former owners in the UK. Certain of these facilities are over 30 years old, which exceeds their original designed life. Management may not always be able to anticipate where modernisation efforts are needed to continue operating the installations at their current output levels, or to execute such efforts prior to any failure of the installations. Such failures may require increased levels of capital expenditure to replace these facilities, or result in a higher likelihood of oil spills, operating outages or other hazards.

Any significant decline in operating integrity of any of the Group's installations, particularly those in the UK North Sea and The Netherlands, could lead to production shutdowns, an increase in health and safety risks, increased maintenance costs, financial losses and/or create significant reputational or legal liability, and could have a material adverse effect on the Group's business, results of operations and financial condition.

***The Group could incur significant decommissioning costs in relation to its oil and gas facilities which may be higher than its provisions and may require cash resources beyond those that it generates from its operating activities***

The costs of decommissioning oil and gas production, distribution and storage facilities are generally payable at a time when the assets being decommissioned are no longer generating cash. These decommissioning costs may be significant, depending on the location, size and length of operation of the facility being decommissioned. In addition, the final cost of decommissioning to the Group will be a function of a number of uncertainties, principally the cost itself, where relevant the ability of the Group's partners to pay or otherwise secure payment of their share of the decommissioning costs and, in some jurisdictions, the ability of the Group to obtain tax relief for the decommissioning costs incurred. In relation to its UK North Sea Assets, the Group has already commenced an extended decommissioning plan which it believes is currently unlikely to be fully funded by cash flow from assets as would be normal industry practice.

There can, however, be no assurance that the Group's provisions for its decommissioning costs will prove to be accurate or that the cash flow generated from its assets will be sufficient to meet the costs of decommissioning at the time when required to be incurred. To the extent that the Group is required to raise funds or to use more cash from other operations than it originally anticipated to meet decommissioning costs, its business, results of operations and financial condition could be materially adversely affected.

In addition, when Group companies have acquired facilities from third parties, as part of the consideration for such acquisitions, TAQA has, in most instances, been required to accept the decommissioning liabilities with respect to such facilities and to protect the selling parties from the future decommissioning liabilities. Some of these third parties have the right to require TAQA to secure its obligations with a parent company guarantee, letter of credit or other cash equivalent collateral. For example, a member of the Group has entered into decommissioning deeds for certain but not all of the UK North Sea assets acquired by it pursuant to which it is required to either (a) place monies in trust or procure the issuance of letters of credit in an amount equal to 150 per cent. of its share of the estimated pre-tax net decommissioning costs of the subject fields, (b) procure a guarantee from TAQA or an affiliate with a credit rating of AA- (Standard & Poor's) or Aa3 (Moody's) or better or (c) provide security in such other form as may be agreed by the parties to the deeds. TAQA initially provided a parent company guarantee. For a period its credit rating fell below the minimum credit rating specified in certain of the decommissioning deeds although, following the Transaction, TAQA's rating is again at the specified level, and the parent guarantee remains in place. If at any point in the future TAQA is required to replace the parent guarantee in its entirety, the amount it would have to place in trust, or procure through the issuance of letters of credit or other cash equivalent collateral, could be material. Given the potential size of the decommissioning liabilities, if these third parties were to require TAQA to post security for all or a material portion of these liabilities, TAQA could be required to divert funds or liquidity from other business purposes such that the Group's business, results of operations and financial condition could be materially adversely affected.

In respect of certain of its assets, TAQA is able to meet the security arrangements for decommissioning obligations by way of provision of a parent company guarantee, so long as TAQA continues to be majority-owned by the Abu Dhabi government. Accordingly, if TAQA ceases to be majority-owned by the Abu Dhabi government, this could significantly increase the cost to it of providing security for its decommissioning obligations, which could have a material adverse effect on the Group's business, results of operations and financial condition.

## Financial Risks Relating to the Group

***The results of operations and financial position of the Group for future periods may be materially different from those presented or implied by the Unaudited Pro Forma Financial Information and the Group's historical financial statements***

The Unaudited Pro Forma Financial Information was prepared to illustrate the impact of the Transaction as if it had occurred on 1 January 2020. The Unaudited Pro Forma Financial Information is based on a variety of assumptions detailed in it, is presented for illustrative purposes only and does not reflect the operating results that the Group would have obtained had the Transaction actually taken place on 1 January 2020. There can be no assurance that the assumptions made in the preparation of the Unaudited Pro Forma Financial Information are accurate, or that the trends indicated by the Unaudited Pro Forma Financial Information are representative of the future results or performance of the Group. Accordingly, the Group's results in the future may differ significantly from those portrayed or implied by the Unaudited Pro Forma Financial Information. In addition, the Unaudited Pro Forma Financial Information was prepared on the basis of the assumption that TRANSCO is the accounting acquirer, a determination requiring the application of significant judgment, and accordingly the Unaudited Pro Forma Financial Information has been prepared applying the accounting policies historically applied by TRANSCO.

Furthermore, the 2020 Financial Statements are the first consolidated financial statements published by the Group following the Transaction. Since the Transaction was accounted for as a reverse acquisition according to the requirements of IFRS 3, the comparative information provided in respect of 2019 in the 2020 Financial Statements is that of TRANSCO, the accounting acquirer, except for the share capital retroactively adjusted to reflect the share capital of TAQA. The 2020 Financial Statements are therefore a continuation of the financial statements of TRANSCO, and not of TAQA, and consequently are not comparable with the 2019 Financial Statements.

***TAQA's credit ratings may change and any ratings downgrade could adversely affect the value of Notes issued under the Programme***

TAQA has a long-term foreign currency debt rating of "AA-" with a stable outlook from Fitch and a long-term foreign currency issuer default rating of "Aa3" with a stable outlook from Moody's. These ratings were upgraded following the Transaction from "A" (in the case of Fitch) and "A3" (in the case of Moody's).

In its most recent rating report published on 3 July 2020, Fitch noted that the following factors could, individually or collectively, lead to a negative rating action or downgrade with respect to TAQA:

- a negative rating action on Abu Dhabi;
- a significant dilution of ownership or strategic importance resulting in weakening links with Abu Dhabi; and
- a more aggressive financial policy.

In its most recent rating report published on 5 July 2020, Moody's noted that a change in Moody's Abu Dhabi government support assumptions, for instance, as a result of adverse changes in regulation and oversight by the Abu Dhabi government or a significant reduction in Abu Dhabi government ownership could lead to a rating downgrade with respect to TAQA.

Any future reduction in either or both of TAQA's ratings could:

- adversely affect the Group's liquidity and competitive position;

- undermine confidence in the Group;
- increase its borrowing costs;
- limit its access to the capital markets; and/or
- limit the range of counterparties willing to enter into transactions with the Group, as many institutions require their counterparties to satisfy minimum ratings requirements.

In addition, to the extent that TAQA has rating dependent obligations in its contractual arrangements, any rating downgrade could trigger these obligations which could be material in amount. Further, a rating downgrade could trigger claims under the provisions of alternate securities for meeting decommissioning liabilities or potentially securing decommissioning costs with equivalent cash amounts, which could have an adverse impact on TAQA's ability to make payments on the Notes.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

TAQA cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

***The Group has significant ongoing capital expenditure and outstanding borrowings that pose material financing and refinancing risks***

The Group's business plan to exploit and commercialise its assets, including maintaining the integrity of its existing facilities, anticipates significant capital expenditure for a number of years. This capital expenditure is expected to be concentrated on the Group's transmission, distribution and generation businesses with its oil and gas capital expenditure being related to maintenance or licence protection and the possibility of additional development capital expenditure subject to market conditions.

The Group's ability to successfully implement its planned capital expenditure could be significantly impacted by a decline in general economic or business conditions in the markets in which it operates or disruptions in the global credit markets. In addition, the Group's future capital expenditure is likely to require external funding. If sufficient funding is not available to meet the Group's future capital expenditure requirements, this could have a material adverse effect on the Group's business and results of operations.

The Group's ability to obtain external financing and the cost of such financing are dependent upon numerous factors including general economic and market conditions in the UAE and internationally, international interest rates, credit availability from banks or other lenders, investor confidence in the Group and the success of the Group's business as well as restrictions contained in its existing debt agreements.

There can be no assurance that external financing or refinancing, either on a short-term or a long-term basis, will be available or, if available, that such financing will be obtainable on terms that are not onerous to the Group. Should the Group be unable to raise funds for its capital expenditures at any time, this could require it to scale back, defer or cancel existing projects which could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

As at 31 December 2020, the Group had AED 76 billion of outstanding borrowings. The Group's significant level of indebtedness and any increased indebtedness may require a substantial portion of cash flow from operations to be dedicated to the payment of principal, interest and other



financing costs in respect of the Group's indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditure and future business opportunities. This may also limit the Group's ability to raise capital to fund any future capital expenditure or operations, expose the Group to the risk of increased interest rates and/or increased costs to hedge interest rates, limit the Group's ability to adjust to changes in demand for the power and water and oil and gas that it produces and expose the Group to refinancing risk to the extent that the Group is unable to repay its borrowings out of internally generated cash flow. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

***Disruptions in global credit markets may adversely affect the Group and its ability to secure financing***

The Group anticipates that it will continue to require significant amounts of financing in the future, both to fund its planned capital expenditure (as discussed under “— *The Group has significant ongoing capital expenditure and outstanding borrowings that pose material financing and refinancing risks*” above) and to refinance its existing debt as it matures.

Global credit markets have been and continue to be affected by periods of uncertainty, volatility and disruption, including most recently as a result of the COVID-19 pandemic, events such as the United Kingdom's exit from the European Union (which was a prolonged process during which there was significant uncertainty as to the terms of the future relationship between the UK and the EU) and in the period following the global financial crisis of 2008-9. These challenging market conditions have resulted, at times, 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 expectations for international, regional or local growth rates, geopolitical tensions, commodity prices, international interest rates, exchange rates and returns from equity, property and other investments, may affect the Group's ability to secure financing on terms similar to those received in the past or at all. Furthermore, a lack of liquidity in the financial markets may also impact the ability of the Group's customers to honour their commitments to the Group or the ability of the Group's contractors to complete its three ongoing power and water generation projects or its other existing power and water transmission and distribution projects. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

**Political and Regulatory Risks**

***The Group is subject to political conditions in the regions and countries in which it operates and any material increase in regional instability could negatively affect Abu Dhabi's security, attractiveness for foreign investment and capital and ability to engage in international trade and, as a result, its economy and fiscal position***

TAQA is incorporated in Abu Dhabi and, currently, only a small proportion of the Group's operations and interests are located outside the UAE. While the UAE is seen as a relatively stable country, certain other regions and countries in which the Group operates or has interests, such as India, Ghana and some countries in the MENA region, are less stable. In particular, since early 2011, there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases such as Syria, Yemen, Libya and Iraq, ongoing armed conflict and civil war and has given rise to a number of regime changes and increased political uncertainty across the region. In particular, the armed conflicts in Syria, Iraq and Yemen have the potential to further destabilise the region, further increase uncertainty and have a material negative impact on the regional economy. Investors should be aware that the Group's business and financial performance could be adversely affected by political, economic or related developments both within and outside the MENA region because of interrelationships within the global financial markets.

Investors should also be aware that investments in the emerging markets in which the Group operates, including India, Iraq, Morocco and Ghana, are subject to substantially greater risks than those in more developed markets. For example, in these jurisdictions in particular there can be no assurance that an unforeseen defect in title, political event, change in law or change in the interpretation of an existing law will not arise to allow a third party to challenge the claim of the Group to one or more of its properties and/or assets or significantly limit its ability to use such properties or assets, or affect the nature of the Group's land or property rights going forward, which could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, the main Kurdistan export pipeline, which the Group uses to export crude production from the Atrush Block in Iraq, has, in the past, been attacked within Turkey by armed groups. The resultant pipeline outages have caused significant economic losses for the Kurdistan Regional Government (the **KRG**) and the international oil companies operating in the Kurdistan Region of Iraq. If similar pipeline outages, whether as a result of attacks or for other reasons, were to recur in the future, this may result in economic loss for the Group. No assurance can be given that the Group will not experience operational suspensions, additional costs for increased security and difficulty in attracting and retaining qualified service companies and related personnel in the future in relation to its operations in Atrush.

In the UAE, the Group depends on the continued operation of the Dolphin pipeline for the gas it needs to power its generation and desalination plants. The UAE is currently involved in discussions with the governments of Saudi Arabia and Qatar relating to a maritime corridor which Qatar has purported to grant to Saudi Arabia, from within Qatar's own maritime waters. This corridor crosses part of the route of the Dolphin gas pipeline between Qatar and the UAE, which the UAE considers to be a breach of pre-existing agreements between Qatar and the UAE.

In recent years, there have been terrorist attacks targeting oil and gas infrastructure in Saudi Arabia. For example, on 14 September 2019, the Abqaiq processing facility and the Kurais oil field in Saudi Arabia were damaged to a significant extent in apparent drone attacks, on 23 November 2020, an explosion took place as a result of a terrorist attack by a projectile, causing a fire in a fuel tank at a Saudi Aramco petroleum products distribution terminal in the north of Jeddah, and, in March 2021, a drone attack on an Aramco refinery in Riyadh took place which caused a fire. There can be no assurance that similar incidents could not occur elsewhere in the Gulf region. For further detail on the vulnerability of Abu Dhabi's economy to volatility in global oil prices, see "*— Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transportation and Storage Businesses — Sustained low oil and gas price environments have, in the past, and could, in the future, contribute to volatility in the Group's revenue, operating income and cash flow and have, in the past, and may, in the future, lead to a reduction in the carrying value of the Group's assets, its planned level of spending for exploration and development and the level of its oil and gas reserves*".

These and any similar developments in the future may contribute to instability in the region and may have a material adverse effect on Abu Dhabi's security, attractiveness for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and financial condition.

***The Group's licences may be suspended, terminated or revoked before their expiration and Group companies may be unable to obtain or maintain various permits or authorisations for their operations***

The Group conducts its oil and gas operations under numerous exploration, development and production licences. Its power and water operations are also conducted under numerous licences. Most of these licences can be suspended, terminated or revoked if the relevant Group licensee fails to comply with the licence requirements (including requirements relating to safety and operational reliability), fails to make timely payments of levies and taxes or fails to comply with emissions and other environmental requirements, among other matters. If the Group fails to fulfil the specific terms of any of its licences or if it operates under any licences in a manner that violates applicable law, government

regulators could impose fines or suspend or terminate such licences, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, to operate its business as currently contemplated, the Group must obtain permits and authorisations to conduct operations or for the construction of any facilities. These permits and authorisations relate to land allotments, approvals of designs and feasibility studies, environmental impact studies, pilot projects and development plans. The Group may be unable to obtain, in a timely manner or at all, the required permits and authorisations, including for reasons beyond its control. If the Group experiences any material delays in the receipt of any required permits or authorisations, or suspension of such permits or authorisations, it may have to delay its investment or development programmes, or both, which could materially adversely affect its business, results of operations and financial condition.

***Compliance with or any breach of environmental legislation may significantly increase the Group's operating costs***

The Group is subject to environmental laws and regulations in each jurisdiction in which it operates. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation, such as the requirement to monitor ground water at its Takoradi plant in Ghana to detect fuel spills and resultant impacts to adjacent estuarine wetlands, and further social and environmental obligations may be imposed upon the Group through the terms of its commercial contracts and finance documents.

Significant liabilities could be imposed upon the Group for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property purchased by Group companies or non-compliance with environmental laws or regulations. Should the Group fail to comply with these obligations, it may be subject to substantial penalties, including the loss of its operating licences, termination of its commercial contracts, default under its financing contracts and/or criminal sanctions, including fines. Any of these could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, governmental authorities in the jurisdictions in which the Group operates could increase enforcement sanctions associated with existing laws and regulations and could impose stricter environmental standards, with higher fines and penalties for violations. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of regulatory authorities, could in the future require the Group to pay material amounts for the installation and operation of systems and equipment for remedial measures, to pay fines for pollution or other breaches of environmental requirements and/or to curtail or cease certain operations. There can be no assurance that such environmental obligations will not have a material adverse effect on the Group's business, results of operations and financial condition.

***Group companies could be found to be in violation of the safety standards and regulations that apply to them***

The Group is subject to safety standards in each jurisdiction in which it operates in accordance with applicable law. These laws and regulations set various standards regulating certain aspects of health, safety and security. A violation of health and safety laws or failure to comply with the instructions of the relevant authorities could lead to, among other things, a temporary shutdown of all, or a portion of, individual facilities and the imposition of costly compliance procedures. If health and safety authorities suspend or shutdown any of the Group's facilities or impose costly compliance measures, the Group's business, results of operations and financial condition could be materially and adversely affected. In addition, any actual or alleged violation of safety standards may have an adverse effect on the Group's reputation.

***The Group's operations are subject to stringent regulation in all the jurisdictions in which it operates and changes in law and regulation may adversely affect the Group***

The Group's operations are subject to stringent regulation in the jurisdictions in which it operates. Applicable regulations include the need to comply with complex and varied legal and regulatory requirements, including with respect to the generation, transmission and distribution of power and desalinated water and prices, taxes, royalties, land tenure, allowable production, the extraction, production, transportation, storage and export of crude oil and natural gas.

Consequently, changes in law or regulation or regulatory policy and precedent in the countries in which the Group operates, including changes in tax law, could materially adversely affect the Group. In particular, decisions or rulings concerning, for example: (a) the renewal or modification of licences, approvals or agreements relating to land rights; (b) any breach of the terms of a licence, approval or regulatory requirement; (c) the ability to pass through commodity costs, a decoupling of energy usage and revenue; (d) implications of climate change; (e) structural changes in regulation; and (e) reallocation of risk relating to transportation of the Group's oil and gas products could each have a material adverse impact on the Group's business, results of operations and financial condition.

Given its breadth of operations, the Group is also subject to a wide range of laws designed to prevent criminal actions such as bribery, corruption, money laundering and unfair competition. Further, the Group must comply with laws relating to data protection across its operations and the acquisition of the DisCos, which together have approximately one million customer relationships in Abu Dhabi, has materially increased its compliance obligations in this respect, Failure to comply with any of this legislation could involve criminal sanctions, material fines and significant reputational damage.

It is also important that the Group maintain good relations with the governments and regulatory authorities of the jurisdictions in which the Group operates. This is particularly key in the emerging markets where there is significant scope for development of the Group's business. Any deterioration in the Group's relations with the governments and regulatory authorities in the jurisdictions in which it operates could adversely affect the Group's ability to develop its business in these jurisdictions.

The laws and regulations in some of the countries in which the Group operates change frequently and unexpectedly and may be subject to inconsistent application or enforcement, potentially causing problems for Group entities. This is a particular threat in countries where changes in law depend on the decisions of authoritarian governments. Changes in law, including delays in amendments to legislation, create uncertainty in relation to the Group's ability to comply with such changed laws or enforce its rights under contracts or licences, create potential restrictions on the Group's scope of operations and increase the Group's costs of doing business in the relevant countries, and may therefore adversely affect the Group's business, results of operations and financial condition.

***The management and control of petroleum resources in the Kurdistan region of Iraq is disputed and the Group may not be able to enforce its contractual rights to its resources in that region***

The management and control of petroleum resources in the Kurdistan Region of Iraq is disputed between the Government of Iraq and the KRG. On the assertion that oil and gas matters are constitutionally within the exclusive jurisdiction of Iraqi regions and governorates (rather than the Iraqi federal government), the Kurdistan Region National Assembly passed the Kurdistan Region Oil and Gas Law in 2007, which purports to provide a statutory framework for oil and gas production in the Kurdistan Region and is the legal basis for the award of production sharing contracts (PSCs) by the KRG. Since 2007, the KRG has entered into over 40 PSCs with international oil companies. The Government of Iraq does not recognise the terms of the PSCs and views the relevant resources as owned by the Iraqi people until title transfers to the purchaser after export. This has contributed to frequent tension and disruptions in the export of petroleum from the Kurdistan Region of Iraq. There are several

draft oil laws pending before the Iraqi parliament, all of which cast doubt on the enforceability of existing PSCs in the KRG.

## **Investment Risks**

*The Group has a number of ongoing generation and other projects which exposes it to a range of financial, regulatory, construction and other risks*

When undertaking a significant project, including for example, its three ongoing UAE power generation and/or water desalination projects which are currently under construction, the Group faces a number of risks, including:

- requirements to make significant capital expenditures without receiving cash flow from the project concerned until future periods;
- possible shortage of available cash to fund construction and capital improvements and the related possibility that financing for such construction and capital improvements may not be available to the Group on suitable terms or at all;
- delays in obtaining, or a failure to obtain, all necessary governmental and regulatory permits, approvals and authorisations;
- failure of the project to achieve agreed technical parameters at completion;
- an inability to complete projects on schedule or within budgeted amounts; and
- the fact that actual results might differ from modelled results due to a number of factors, including errors or erroneous assumptions in the models, such as unanticipated market and economic conditions or heightened competition from third parties, that may result in the Group's investment not being profitable or not generating the originally anticipated level of cash flows.

There can be no assurance that the Group's current or future projects will be completed within the anticipated timeframe or at all, whether as a result of the factors specified above or for any other reason. On one of its recent projects, a dispute between the contractor on a UAE generation project and the off-taker resulted in certain distributions being blocked by the lenders which impacted the Group's cashflows and equity returns from the project.

The Group's ongoing projects are also exposed to a number of construction risks, including the following:

- major design and/or construction changes, whether caused by changes in technological demand, market conditions or other factors;
- an inability to find a suitable contractor either at the commencement of a project or following a default by an appointed contractor;
- default or failure by the Group's contractors to finish projects on time and within budget;
- disruption in service and access to third parties;
- delays arising from shortages and long lead times for the delivery of complex plant and equipment or defective materials;

- shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances, for example COVID 19 has resulted in delays under one of the Group's current projects which the Group is discussing with the off-taker and which, if not concluded in line with the Group's current expectations, could result in financial losses; and
- escalating costs of construction materials, manpower and global commodity prices.

Any of these factors could materially delay the completion of a project or materially increase the costs associated with a project.

***The Group is subject to risks relating to its joint ventures, including conflicts with its joint venture partners and an inability to control the decision-making processes of the joint ventures***

Some of the Group's current and future operations and investments are or will be in jointly controlled entities and associated companies (together referred to as **joint ventures**). Joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group, (b) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or (c) experience financial, operational, reputational or other difficulties, any of which may materially adversely impact the success of the relevant investment. TAQA can give no assurance as to the performance of any of the Group's joint venture partners.

Further, TAQA (through the relevant Group joint venture company) may not be able to control the decision-making process of the joint ventures without reference to the joint venture partners, especially if, as is the case with its associated companies, it does not have majority control of the joint venture. Although TAQA will seek to exert a degree of influence over the management and operation of its investments, it may not always be successful. This could result in deadlock, which could lead to increased costs for the relevant joint ventures, delays to the projects they operate and failure to realise the relevant joint venture's business plans. In addition, the Group's joint venture partner could sell its stake to a third party, which may have goals and business plans for the joint venture that are not aligned with those of the Group. The consent of the Group's joint venture partners may also be required for the payment of distributions or dividends or for the sale of those investments, which could prevent the Group from managing its investments in the preferred manner and could hinder or prevent the Group from realising the benefits of its investments, including through the payment of dividends to TAQA. Any inability to receive dividends or distributions from TAQA's joint ventures could materially impact its ability to make payments under the Notes.

Any of the foregoing could materially and adversely affect the Group's business, results of operation and financial condition.

***Group companies may have significant liabilities relating to investments and divestments undertaken by them and the Transaction may give rise to additional significant liabilities***

In connection with an investment in, or divestment of, shareholdings in or assets of a company, the relevant Group company may not always be fully indemnified by the transferor, or may owe obligations to the transferee, as the case may be, in respect of certain liabilities relating to the companies or the assets transferred.

Although TAQA undertakes customary due diligence prior to any acquisition of assets or entities that it believes is consistent with industry best practice, such a process may not necessarily reveal all relevant existing or potential problems, nor will it permit TAQA to become sufficiently familiar with the properties to exhaustively assess their deficiencies and capabilities. TAQA does not inspect every oil and gas or power and water facility it acquires, and even when it inspects a facility it may not discover all structural, subsurface or environmental problems that may exist or arise and which

could have an adverse impact on the value of such asset. Structural or environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. As a result, the entities and assets acquired, including those acquired in the Transaction, could be subject to liabilities of which the relevant Group company or TAQA is unaware and for which it may have only limited or no recourse to the seller or transferor of the assets. For more information on significant liabilities resulting from certain of TAQA's investments and divestments, see note 31(iv) to the 2020 Financial Statements.

When selling shareholdings or assets, the relevant Group company will typically be required to give warranties or other protections to the purchaser to mitigate the purchaser's risks associated with the acquisition. In addition, the relevant Group company may be required to assume liabilities accrued prior to the transfer of its assets, including environmental, tax and other liabilities.

If any Group company incurs significant post-acquisition liabilities, or retains significant post-sale liabilities the extent of which were unknown at the time of sale, that it is unsuccessful in mitigating (whether through claims under applicable indemnities, if any, or otherwise), the Group's business, results of operations and financial condition could be materially adversely affected.

### **Shareholder-related Risks**

#### ***The interests of TAQA's majority shareholder may be different from those of its creditors***

ADPower, which is wholly-owned by Abu Dhabi Development Holding Company (ADQ) which in turn is wholly-owned by the Abu Dhabi government, is the majority shareholder of TAQA, holding 98.6 per cent. of its shares. EWEC, a company wholly-owned by ADPower, is also the primary supplier of fuel to the Group's UAE generation operations and the sole off-taker for their power and desalinated water output. Because of these different roles held by ADPower and EWEC, transactions may be entered into between members of the Group and these companies on terms not determined by market forces and such contracts may, or may not, be beneficial to the Group.

Potential investors should note that ADPower and the Abu Dhabi government have the ability to control the composition of TAQA's board of directors and the outcome of most actions requiring shareholder approval. The interests of ADPower and the Abu Dhabi government may be different from those of TAQA's creditors (including Noteholders).

Any future changes in the Abu Dhabi government's policy on water production or power generation as it applies to the Group's UAE generation subsidiaries, TRANSCO or the DisCos or any changes in the Abu Dhabi government's geographic investment priorities as they impact the Group's international operations could have a material adverse effect on the Group's results of operations and financial condition.

#### ***Abu Dhabi's economy is highly dependent upon its hydrocarbon-related revenue and the impact of COVID-19 and the associated sustained period of low oil prices may materially reduce the likelihood of financial support for the Group from the Abu Dhabi government should it be needed in future periods***

Abu Dhabi's economy is highly dependent upon its hydrocarbon-related revenue. Oil and gas prices have fluctuated in response to changes in many factors over which the Group has no control.

A sustained period of low crude oil prices between mid-2014 and mid-2016 materially adversely affected Abu Dhabi's fiscal position. In particular, Abu Dhabi's fiscal balance (which depends almost entirely on revenue from hydrocarbon royalties and taxes and dividends received from Abu Dhabi National Oil Company (ADNOC)) was a deficit of AED 25.9 billion in 2016 and a deficit of AED 28.4 billion in 2017. The fiscal deficit reduced to AED 1.1 billion in 2018 and AED 2.8 billion

in 2019 as oil prices generally recovered. Abu Dhabi's deficit for 2020 is budgeted at AED 30.4 billion, in significant part reflecting low oil prices since March 2020 and the measures put in place to combat COVID-19.

Abu Dhabi's recent fiscal deficits may materially reduce the likelihood of financial support for the Group from the Abu Dhabi government should it be needed in future periods and could impact the amount of the other operating revenue provided by related parties (effectively, the subsidy provided by the government in respect of electricity and water prices in Abu Dhabi) which could in turn materially adversely affect the Group's revenue from its distribution business.

## **Other Operating Risks**

### ***The Group's insurance policies may not always be adequate and may not cover all damage and losses***

The Group believes that it takes a conservative approach to managing risk and uses insurance products to mitigate the effects of unexpected events on its operating assets and infrastructure. In addition, its operating subsidiaries are often required by the terms of their commercial contracts and finance documents to procure comprehensive insurance and reinsurance packages. However, there can be no assurance that the Group's insurance will cover all the risks that it is exposed to or that sufficient amounts of insurance and reinsurance will always be available at a reasonable price and on reasonable commercial terms.

In many cases it is not currently possible to procure insurance on a full reinstatement basis against the risk of terrorist attack. Moreover, the capacity of the international reinsurance market may be materially affected by disasters occurring elsewhere in the world to an extent which may restrict or prevent the Group's ability to obtain new policies at acceptable prices or at all.

Even if a loss suffered by the Group is fully insured, the Group's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations, the Group may experience delays in recovering under its insurance policies and is also exposed to the risk that the relevant insurance company may become insolvent or otherwise be unable to make payment in full under the relevant policy or that the policy is invalidated through the Group's failure to comply with the terms of the policy.

In addition, the terms of TAQA's operating subsidiaries' finance documents often impose restrictions on distributions during periods where those companies are not in full compliance with their insurance procurement obligations.

Should an incident occur in relation to which the Group has no insurance coverage or inadequate insurance coverage, the Group could lose some or all of the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed and, in certain cases, the Group may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against the Group 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 the Group's business, financial condition and results of operations.

### ***Group companies may be unable to recruit and retain qualified and experienced technical and management personnel***

The Group's continued success and its ability to meet its growth targets will depend, in part, on its ability to attract, recruit and retain qualified and experienced technical and management personnel. Group companies are likely to face challenges in recruiting and retaining such personnel as a result of intense competition for personnel with relevant experience, which is in turn due to the relatively small



number of available qualified individuals. The geographic location of certain of the Group's operations may also make them less attractive to a large proportion of potential applicants. In addition, TAQA and its UAE generation, transmission and distribution subsidiaries are subject to Emiratisation targets, with which they are broadly in compliance. See "*Description of the Group — Emiratisation*". However, competition for suitable, qualified Emirati employees is intense and recruiting sufficient numbers of Emirati employees to comply with applicable targets may be challenging. An inability to recruit, train or retain necessary personnel could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, the Group depends to a large extent on its senior management team, in particular in relation to the transmission and distribution businesses acquired as part of the Transaction, which are new activities for the Group. The Group does not currently have insurance against costs or losses that may be incurred in the event of the loss or dismissal of key personnel. Following the Transaction, some members of TAQA's Board and a new senior management team was appointed. Any loss in the future of the services of key members of the Group's senior management or staff with institutional knowledge could cause delays in meeting its strategic objectives and could have an adverse effect on its business operations.

#### ***Litigation could adversely affect the Group's results of operations and financial condition***

From time to time, Group companies, including those acquired in the Transaction, may be subject to litigation arising out of their operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially and adversely impact the Group's business, results of operations and financial condition. While each relevant Group company assesses the merits of each lawsuit and defends itself accordingly, it may be required to devote significant expenses or resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, Group companies are subject to the risk of litigation or regulatory action by regulators in respect of their activities, including for breaches of applicable tax, environmental, health and safety and other laws and regulations. Any regulatory actions against one or more Group companies could lead to fines, the loss or restriction of operating licences, or other penalties, thereby having a material adverse effect on the Group's business, results of operations and financial condition.

For a discussion of certain litigation and other proceedings in which the Group is currently involved, see "*Description of the Group — Litigation*".

#### ***The Group may suffer a failure or interruption in or breach of its information systems***

The Group relies on its information systems to conduct its businesses and is dependent on its technology infrastructure for the effective operation of its businesses. The assets acquired in the Transaction have several information technology (IT) systems supporting their customers which differ from those used elsewhere in the Group, which could lead to performance issues and increased costs. To address this, the Group has initiated an IT transformation programme with the goal of delivering unified IT systems across the Group and thereby improving performance and cost efficiency. Complex IT projects, such as that initiated by the Group, may not be completed on time or within budget and any failure to complete the project as envisaged could negatively affect the Group's performance.

Sophisticated IT systems are vulnerable to a number of challenges and threats, such as software or hardware malfunctions, malicious hacking or other criminal cyber-attacks, physical damage to vital IT centres and infection by computer virus. IT systems also need regular upgrading to meet the needs of changing business and regulatory requirements and to keep pace with the requirements of existing

operations. The Group continues to experience security incidents in relation to its IT systems and there can be no assurance that it will always be successful in preventing loss from these.

Any failure, interruption or breach in security of the Group's IT or information systems could result in failures or interruptions in its risk management, financial accounting, or other important systems and could interfere with the Group's ability to operate certain aspects of its operational businesses. Although the Group has developed business continuity plans, back-up systems and a disaster recovery centre, no assurance can be given that failures or interruptions will not occur or that the Group will be able to adequately address them if they do occur.

***The Group's international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions***

U.S., European and other international economic or financial sanctions have in the past been imposed on companies engaging in certain types of transactions with specified countries, companies or individuals. Companies operating or investing in certain countries in the Middle East and Africa have been the target of such sanctions in the past. The terms of legislation and other rules and regulations that establish sanctions regimes are often broad in scope. Neither the Group nor any of its affiliates is currently the target of any economic or financial sanctions administered by the United States, the European Union, or any other sanctions authority, and it is the Group's policy to comply with sanctions regulations applicable to the Group.

In the United States, the U.S. Department of Treasury's Office of Foreign Assets Control of the U.S. Department of Treasury (**OFAC**) administers economic and financial sanctions. Certain of OFAC's regulations restrict the ability of U.S. persons to invest in, or otherwise engage in business with, directly or indirectly, certain individuals, entities, regions, and countries (together, **U.S. Sanctions Targets**). As the Group is not a U.S. Sanctions Target, OFAC regulations do not prohibit U.S. persons from investing in, or otherwise engaging in business with the Group. However, to the extent that the Group engages, directly or indirectly, in business with U.S. Sanctions Targets, U.S. persons investing in the Group, including through the purchase of the Notes, may incur the risk of being exposed, indirectly, to U.S. Sanctions Targets.

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

**Risks Related to the Structure of a Particular Issue of Notes**

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

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

An optional redemption feature is likely to limit the market value of Notes. During any period when TAQA 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.

TAQA 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.

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

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

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

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

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

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

Regulatory reforms, such as the Regulation (EU) 2016/1011 (the “EU Benchmarks Regulation”) or the UK Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of any such regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

In the UK, on 5 March 2021 the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021, (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023, (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the “IBA”) to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after the end of 2021) and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and

representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after the end of June 2023).

Similar regulatory developments in relation to other benchmarks may lead to similar consequences for such other benchmarks. Developments in this area are ongoing and could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Changes to the administration of an interbank offered rate (an “**IBOR**”) or the emergence of alternatives to an IBOR, may cause such IBOR to perform differently than in the past, or there could be other consequences which cannot be predicted. The discontinuation of an IBOR or changes to its administration could require changes to the way in which the Rate of Interest is calculated in respect of any Notes referencing or linked to such IBOR. The development of alternatives to an IBOR may result in Notes linked to or referencing such IBOR performing differently than would otherwise have been the case if the alternatives to such IBOR had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Notes linked to or referencing such IBOR.

Whilst alternatives to certain IBORs for use in the bond market are being developed, outstanding Notes linked to or referencing an IBOR may transition away from such IBOR in accordance with the particular fallback arrangements set out in their terms and conditions. The operation of these fallback arrangements could result in a different return for Noteholders (which may include payment of a lower Rate of Interest) than they might receive under other similar securities which contain different or no fallback arrangements (including which they may otherwise receive in the event that legislative measures or other initiatives (if any) are introduced to transition from any given IBOR to an alternative rate).

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Benchmark Events (as described in Condition 5(l)) include (amongst other events) (i) the permanent discontinuation of an Original Reference Rate and (ii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is (or will be

deemed by such supervisor to be) no longer representative of its relevant underlying market. If a Benchmark Event occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest is likely to result in Notes initially linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Conditions provide that the Issuer may vary the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for the consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate.

The Adjustment Spread is (i) the spread, formula or methodology which is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Rate, the spread, formula or methodology which the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, (iii) if the Independent Adviser determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be, or (iv) the spread, formula or methodology, which the Independent Adviser determines to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable, to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer is unable to appoint an Independent Adviser or, the Independent Adviser has failed, to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or, the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Floating Rate Notes, in effect, becoming Fixed Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the UK Benchmarks Regulation, the EU Benchmarks Regulation or any other benchmark regulation reforms in making any investment decision with respect to any Notes referencing a benchmark.

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

In the event that TAQA would be obliged to increase the amounts payable in respect of any Tranche due to certain changes affecting taxation in the UAE or Abu Dhabi or any political subdivision thereof, it may redeem all but not some only of the outstanding Notes of such Tranche in accordance with the Terms and Conditions of the Notes. This redemption feature is likely to limit the market value of Notes at any time when TAQA has the right to redeem them as provided in the Terms and Conditions, as the market value at such time may not rise substantially above the price at which they can be redeemed.

**Risks related to Notes denominated in Renminbi**

Notes denominated in Renminbi (“**RMB Notes**”) may be issued under the Programme. RMB Notes contain particular risks for potential investors, including:

***Renminbi is not freely convertible; there are significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Notes***

Renminbi is not freely convertible as at the date of this Prospectus. The government of the PRC (the “**PRC Government**”) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC Government of control over trade transactions involving the import and export of goods and services, as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong and a number of other jurisdictions have been permitted to engage in the settlement of current account trade transactions in Renminbi.

PRC regulation on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually. Generally, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system.

Although Renminbi was added to the Special Drawing Rights basket of currencies, in addition to the U.S. dollar, euro, Japanese yen and sterling, created by the International Monetary Fund as an international reserve asset in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by The People’s Bank of China (the “**PBoC**”) in 2018, there is no assurance that the PRC Government will liberalise its control over cross-

border remittance of Renminbi in the future, or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under any RMB Notes.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service RMB Notes***

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

As of the date of this Prospectus, licensed banks in Singapore and Hong Kong may offer limited Renminbi-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. While the PBoC has entered into agreements on the clearing of Renminbi business (the “**Settlement Agreements**”) with financial institutions in a number of financial centres and cities (the “**RMB Clearing Banks**”) including, but not limited to, Hong Kong, and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC, although the PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The relevant RMB Clearing Banks only have limited access to onshore liquidity support from the PBoC for the purpose of settling open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and are not obliged to settle for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to settle such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or that the Settlement Agreements will not be terminated or amended so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of RMB Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service RMB Notes, there is no assurance that the Issuer will be able to source Renminbi on satisfactory terms, if at all.

***Investment in RMB Notes is subject to exchange rate risks***

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. On 11 December 2015, the China Foreign Exchange Trade System (the “**CFETS**”), a sub-institutional organisation of the PBoC, published the CFETS Renminbi exchange rate index for the first time, which weighs the Renminbi based upon 13 currencies, to guide the market in order to measure the Renminbi exchange rate. Such change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to RMB Notes will be made in Renminbi unless a RMB Currency Event is specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes), and a RMB Currency Event occurs, in which case payment will be made in U.S. dollars converted at

the Spot Rate. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

***An investment in RMB Notes is subject to interest rate risks***

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in Renminbi interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

***There might be PRC tax consequences with respect to investment in RMB Notes***

In considering whether to invest in RMB Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws, as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of a Noteholder's investment in RMB Notes might be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those RMB Notes.

***Risks Related to the Notes Generally***

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

***Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures***

Notes issued under the Programme will be represented on issue by one or more Global Note Certificates that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note Certificate, investors will not be entitled to receive Notes in definitive form. Each of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note Certificate held through it. While the Notes are represented by a Global Note Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Note Certificates, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer and the Company have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note Certificate.

Holders of beneficial interests in a Global Note Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

***Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Abu Dhabi***

The payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.



Under current Abu Dhabi law, the Abu Dhabi courts are unlikely to enforce an English or a United States court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the perception of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors contribute to judicial uncertainty.

The Notes, the Agency Agreement, the Trust Deed and the Dealer Agreement are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules, with the seat of any such arbitration to be London, England.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”) entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Abu Dhabi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. In practice, however, whether Abu Dhabi courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention has yet to be tested. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. There is, however, no system of binding judicial precedent in the UAE and it is unclear if these decisions are subject to any appeal (it should be noted that only the Dubai Court of Cassation decision was a final decision). Therefore, how the New York Convention provisions would be interpreted and applied by the Abu Dhabi courts in practice and whether the Abu Dhabi courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention (or any other multilateral or bilateral enforcement convention), remain largely untested.

The uncertainty regarding the interpretation and application of the New York Convention provisions by the courts is further reinforced by the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Abu Dhabi courts will take the same approach in similar proceedings in the future. In practice, therefore, how the New York Convention provisions would be interpreted and applied by the Abu Dhabi courts, and whether the Abu Dhabi courts will enforce a foreign arbitration award in accordance with the New York Convention, remains largely untested.

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

UAE law provides that public or private assets owned by the UAE or any of the emirates may not be confiscated. Since the Issuer is majority-owned and controlled by the government of Abu Dhabi, there is a risk that the assets of the Issuer may fall within the ambit of government assets and as such cannot be attached or executed upon.

The Issuer has waived its rights in relation to sovereign immunity. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Notes, the Agency Agreement, the Trust Deed and the Dealer Agreement are valid and binding under the laws of Abu Dhabi and, to the extent applicable therein, the federal laws of the UAE. If the waiver of immunity is not valid and binding, there is a risk that investors may not be able to enforce against the Issuer in the UAE.

***The terms and conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. The Terms and Conditions of the Notes also provide that a written resolution signed by the holders of 75 per cent. in nominal amount of the Notes outstanding shall take effect as if it were an Extraordinary Resolution. In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer and the Trustee (as the case may be) will be entitled to rely upon:

- where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and
- where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer and/or the Trustee (as the case may be) (a) by accountholders in the clearing systems with entitlements to such global certificate and/or, (b) where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, DTC, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system and, in the case of (b) above, such clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting (where applicable) and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, and without regard to the interests of particular 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 the Notes or (ii) determine without the consent of the Noteholders that any Event of Default 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 TAQA or any previously substituted company, in the circumstances described in Condition 11 of the Terms and Conditions of the Notes.

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

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus. 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 issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

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

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

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

**Risks Related to the Market Generally**

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

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

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be liquid and investments in Notes may trade at a discount to their initial offering price depending on prevailing interest rates, market for similar securities, general economic conditions and TAQA's financial condition. 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.

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

TAQA will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated

principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency-equivalent value of the principal payable on the Notes and (3) the Investor’s Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note would not be available at such Note’s maturity.

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

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of Fixed Rate Notes, as an equivalent investment issued at the current market interest rate may be more attractive to investors.

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

One or more independent credit rating agencies may assign credit ratings to the Issuer or an issue of 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.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended, the “**CRA Regulation**”) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

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

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the

rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment which may impact the value of the Notes and their liquidity in any secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Conditions (as defined below) that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note Certificate(s) evidencing each Series. Either (i) the full text of these Conditions together with the relevant provisions of Part A of the Final Terms or (ii) these Conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Certificates evidencing such Notes. In the case of Exempt Notes, the final terms (or the relevant provisions thereof) are set out in Part A of the relevant Pricing Supplement. The relevant Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms (or, in the case of Exempt Notes, the relevant Pricing Supplement). Those definitions will be endorsed on the Certificates. References in these Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by an amended and restated Trust Deed (as amended or supplemented as at the date of issue of the first Tranche of the Notes (the “**Issue Date**”), the “**Trust Deed**”) dated 19 April 2021 between the Issuer and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Certificates referred to below. An amended and restated Agency Agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 19 April 2021 has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank, N.A. as initial principal paying and transfer agent and calculation agent, Citigroup Global Markets Europe AG as registrar and Citibank Europe plc as paying and transfer agent. The principal paying and transfer agent, the paying and transfer agents, the registrar and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Principal Paying and Transfer Agent**”, the “**Paying and Transfer Agents**” (which expression shall include the Principal Paying and Transfer Agent), the “**Registrar**” and the “**Calculation Agent(s)**”.

Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England) and at the specified offices of the Paying and Transfer Agents. If the Notes are to be admitted to trading on the main market of the London Stock Exchange plc (the “**London Stock Exchange**”) the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is a Note which is neither admitted to trading on a regulated market in the United Kingdom nor offered to the public in the United Kingdom in circumstances where a prospectus is required to be published under the UK Prospectus Regulation (an “**Exempt Note**”), the applicable pricing supplement (the “**Pricing Supplement**”) will only be obtainable by a Noteholder holding one or more such Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying and Transfer Agent as to its holding of such Notes and identity. Any reference in these Conditions to “**applicable Final Terms**” shall be deemed to include a reference to applicable Pricing Supplement where relevant. The expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects.

## 1 Form, Denomination and Title

The Notes are issued in registered form in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the United Kingdom or offered to the public in the United Kingdom in circumstances which require the publication of a prospectus under the UK Prospectus Regulation, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Notes are evidenced by registered certificates (“**Certificates**”) and, save as provided in Condition 2, each Certificate shall evidence the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate evidencing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” and “**holder**” (in relation to a Note) means the person in whose name a Note is registered. Capitalised terms have the meanings given to them hereon (the absence of any such meaning indicating that such term is not applicable to the Notes) and any terms defined in the Trust Deed and not in these Conditions shall have the same meaning when used herein except where otherwise indicated.

## 2 Transfers of Notes

- (a) **Transfer of Notes:** One or more Notes may be transferred upon the surrender (at the specified office of the Registrar or any Paying and Transfer Agent) of the Certificate evidencing such Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or any Paying and Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, such approval not to be unreasonably withheld or delayed. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (b) **Exercise of Options or Partial Redemption in respect of Notes:** In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a redemption of, some only of a holding of Notes evidenced by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in

Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Paying and Transfer Agent. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding.

- (c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) or (b) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate. Delivery of the new Certificate(s) shall be made at the specified office of the relevant Paying and Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Paying and Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Paying and Transfer Agent or the Registrar (as the case may be).
- (d) **Transfer Free of Charge:** Transfer of Notes and Certificates and exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Paying and Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Issuer, the Registrar or the relevant Transfer Agent may require).
- (e) **Closed Periods:** No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days prior to any date on which Notes are called for redemption by the Issuer at its option pursuant to Condition 6(d), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)).

### 3 Status

The Notes constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

### 4 Covenants

- (a) **Negative Pledge:** So long as any Note remains outstanding (as defined in the Trust Deed) the Issuer will not and will ensure that none of its Material Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each, a “**Security Interest**”) other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to the Notes the



same security as is created or subsisting to secure any such Relevant Indebtedness or Relevant Sukuk Obligation, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

In these Conditions:

**“Domestic Subsidiary”** means:

- (i) Emirates CMS Power Company PJSC, Gulf Total Tractebel Power Company PJSC, Arabian Power Company PJSC, Shuweihat CMS International Power Company PJSC, Taweelah Asia Power Company PJSC, Emirates SembCorp Water and Power Company PJSC, Fujairah Asia Power Company PJSC and Ruwais Power Company PJSC; and
- (ii) any other Subsidiary which is engaged from time to time in the business of power generation and/or water desalination in the Emirates of Abu Dhabi or Fujairah;

**“Excluded Subsidiary”** means any Subsidiary:

- (i) which is a single purpose company whose principal assets and business are constituted by the ownership, construction, acquisition, development and/or operation of an asset or group of related assets;
- (ii) whose indebtedness for borrowed money in respect of the financing of such ownership, construction, acquisition, development and/or operation of an asset or group of related assets is subject to no recourse (other than any Permitted Recourse) to any member of the Group (other than such Subsidiary or another Excluded Subsidiary) in respect of the repayment thereof; and
- (iii) which has been designated as such by the Issuer by written notice to the Trustee,

provided that the Issuer may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary;

**“Group”** means the Issuer and all the Subsidiaries;

**“Material Subsidiary”** means, at any time, any Subsidiary (other than an Excluded Subsidiary):

- (i) whose total assets exceed 10 per cent. of the consolidated total assets of the Issuer; or
- (ii) whose net profit before taxation exceeds 10 per cent. of the consolidated net profit before taxation of the Issuer.

For these purposes:

- (1) all calculations shall be determined in accordance with the generally accepted accounting principles used in the preparation of:

- (A) the then latest annual audited consolidated financial statements of the relevant Subsidiary (in the case of a Subsidiary preparing consolidated financial statements) or the then latest annual audited financial statements of the relevant Subsidiary (in the case of a Subsidiary preparing non-consolidated financial statements); and
  - (B) the then latest annual audited consolidated financial statements of the Issuer;
- (2) upon a Material Subsidiary transferring all or substantially all of its assets or business to another Subsidiary, the transferor shall cease to be a Material Subsidiary on the effective date of such transfer and thereupon the transferee shall be deemed to be a Material Subsidiary until the date of its next annual audited consolidated financial statements or, as the case may be, annual audited financial statements are prepared after which whether it is or is not a Material Subsidiary shall be determined in accordance with paragraphs (i) and (ii) above; and
  - (3) subject to paragraph (1) above, if as a result of any transfer, reconstruction, amalgamation, reorganisation, merger or consolidation of a company which, immediately before such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation, satisfied either of the tests set forth in paragraphs (i) and (ii) above, but immediately after such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation does not satisfy either such test, such company shall immediately cease to be a Material Subsidiary;

**“Permitted Recourse”** means recourse for any indebtedness that may be incurred in connection with the financing of the ownership, construction, acquisition, development, construction and/or operation of an asset or group of related assets by any member of the Group, so long as the terms of such recourse are restricted such that:

- (i) it shall be released following completion of the development or construction of such asset or group of related assets to the satisfaction of the holders of such indebtedness; or
- (ii) it is limited to:
  - (1) an agreed cash amount, and may only be enforced in the event that the development or construction of such asset or group of related assets cannot be completed or is subject to cost overruns or delays;
  - (2) the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset or group of related assets;
  - (3) shares, securities or other instruments representing ownership in, or indebtedness of, an Excluded Subsidiary;
  - (4) an agreement by the relevant member of the Group not to dispose of any or all of such shares, securities or other instruments;
  - (5) an agreement by the relevant member of the Group to subordinate its rights in respect of such shares, securities or other instruments for the

benefit of the holders of indebtedness incurred by an Excluded Subsidiary;

- (6) recourse for any indebtedness that may be incurred under a direct agreement entered into by the relevant member of the Group in connection with the project financing of such asset or group of related assets by an Excluded Subsidiary; or
- (7) recourse in respect of any policy of insurance (or similar instrument, but for the avoidance of doubt not including any financial guarantee) which may be granted by a member of the Group which is not an Excluded Subsidiary for the benefit of an Excluded Subsidiary;

**“Permitted Security Interest”** means a Security Interest:

- (i) securing indebtedness outstanding as of the Issue Date;
- (ii) securing indebtedness acquired on acquisition of any Material Subsidiary, or on the acquisition of any property or assets, if, in either case, such Security Interest was not created in contemplation of the acquisition; or
- (iii) securing any indebtedness incurred in respect of the refinancing of any of the above, so long as such indebtedness is for an amount not materially greater than the principal (and any capitalised interest and fees) of such indebtedness and does not extend to property or assets having, in aggregate, a greater value than those to which the Security Interest being replaced relates;

**“Project Finance Indebtedness”** means any present or future indebtedness for borrowed money incurred to finance the ownership, construction, acquisition, development and/or operation of an asset or group of related assets of a member of the Group:

- (i) which is incurred by an Excluded Subsidiary; or
- (ii) in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has no recourse (other than any Permitted Recourse) to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof;

**“Relevant Indebtedness”** means any indebtedness (other than Project Finance Indebtedness) which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (otherwise than to constitute or represent advances made by banks and/or other lending financial institutions) which (i) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market and (ii) are denominated or confer a right to payment of principal and/or interest in a currency other than the currency of the jurisdiction of incorporation of the Issuer;

**“Relevant Sukuk Obligation”** means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities issued in compliance with (or intended to be issued in compliance with) the principles of Shari’ah (other than where such trust certificates or other securities form part of any Project Finance Indebtedness), whether or not in return for consideration of any kind, which (i) for the time being are, or are intended to be or capable of being, quoted, listed

or dealt in or traded on any stock exchange or over-the-counter or other securities market and (ii) are denominated or confer a right to payment of principal and/or profit in a currency other than the currency of the jurisdiction of incorporation of the Issuer; and

“**Subsidiary**” means, at any time, any entity whose financial statements at such time are required by law or in accordance with applicable generally accepted accounting principles at such time to be fully consolidated with those of the Issuer.

- (b) **Disposals:** So long as any Existing Bonds remain outstanding (except as shall have been approved by an Extraordinary Resolution) (1) the Issuer will not and will procure that no Subsidiary will convey, lease, sell, transfer or otherwise dispose of (or agree to do so at any future time) all or any of the shares in any Domestic Subsidiary (or in any holding company of any Domestic Subsidiary) held by the Issuer or such Subsidiary, as the case may be, in each case if, and to the extent that, any such disposal would result in the proportion of the total issued share capital of such Domestic Subsidiary beneficially owned by the Issuer (either directly or indirectly) being less than the proportion so owned by the Issuer on the Existing Bonds Issue Date and (2) the Issuer will procure that none of the Domestic Subsidiaries will convey, lease, sell, transfer or otherwise dispose of (or agree to do so at any future time) all or any part of their assets except (in respect of the restriction in this sub-paragraph (2) only):
- (i) sales of inventory (including, without limitation, electricity and desalinated water) in the ordinary course of business;
  - (ii) sales or transfers between one or more Domestic Subsidiaries;
  - (iii) sales of equipment which is uneconomic, obsolete or no longer useful in the business of the relevant Domestic Subsidiary; and
  - (iv) disposals of assets to a bank or other financial institution made in connection with, and solely for the purpose of, any financing to be extended to the debtor on a Shari’ah compliant basis.

In these Conditions, “**Existing Bonds**” means the U.S.\$1,500,000,000 6.5 per cent. Bonds due 2036, issued on 27 October 2006 (the “**Existing Bonds Issue Date**”) by the Issuer.

- (c) **Certificates:** The Issuer shall, at the same time as sending the certificate referred to in the next paragraph, and also within 28 days of a request therefor made by the Trustee, provide to the Trustee a certificate of the Issuer signed by a duly authorised officer listing those Subsidiaries which as at the last day of the last financial year of the Issuer, or, as the case may be, as at the date specified in such request, were Material Subsidiaries, Excluded Subsidiaries and any Domestic Subsidiary falling within paragraph (ii) of the definition thereof (and, in the case of any entity which is a Material Subsidiary as a result of satisfying either of the tests set out in paragraphs (i) or (ii) of the definition thereof, the extracted figures used for the purpose of applying such test and the calculation thereof) provided that if no Existing Bonds remain outstanding the certificate need not identify Domestic Subsidiaries. The mathematical accuracy of the calculations in such certificate shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders and the Trustee shall be entitled to rely on such certificate without any further investigation and shall not be liable to any person for so doing.

The Issuer has undertaken in the Trust Deed to deliver to the Trustee, within 30 days of its annual audited financial statements being made available to its members, and also within 30 days of a request therefor made by the Trustee, a certificate of the Issuer signed by a duly authorised officer as to there not having been an Event of Default or Potential Event of Default or a Change of Control (as defined in Condition 5(l)(i) below) or other breach of the Trust Deed since the date of the last such certificate or, if none, the date of the Trust Deed, or if such an event has occurred, giving details of it. The Trustee shall be entitled to rely on such certificate and shall not be obliged to independently monitor compliance by the Issuer with the covenants set forth in this Condition 4, nor be liable to any person for not so doing and need not enquire further as to circumstances existing on the date of such certificate.

## 5 Interest and other Calculations

- (a) ***Interest on Fixed Rate Notes:*** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date (as defined in Condition 5(j)) at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date provided that, if the Specified Currency is Renminbi and any Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day. The amount of interest payable shall be determined in accordance with Condition 5(g).
- (b) ***Interest on Floating Rate Notes:***
- (i) ***Interest Payment Dates:*** Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) ***Business Day Convention:*** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day (as defined in Condition 5(j)), then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward

to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) *Rate of Interest*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period (as defined in Condition 5(j)) shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions (as defined in Condition 5(j)) and under which:

- (a) the Floating Rate Option is as specified hereon;
- (b) the Designated Maturity is a period specified hereon; and
- (c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination

- (a) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as defined in Condition 5(j)) (being either EURIBOR, HIBOR or CNH HIBOR as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (as defined in Condition 5(j)) as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or, in the case of CNH HIBOR, 11.15 a.m. (Hong Kong time) or 2.30 p.m. (Hong Kong time) if, at or around that earlier time it is notified that

the fixing will be published on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (b) If the Relevant Screen Page is not available or if sub-paragraph (a)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (a)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Brussels time if the Reference Rate is EURIBOR or Hong Kong time if the Reference Rate is HIBOR or CNH HIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (c) If paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.00 a.m. (Brussels time if the Reference Rate is EURIBOR or Hong Kong time if the Reference Rate is HIBOR or CNH HIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone interbank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the

Reference Rate at approximately 11.00 a.m. (Brussels time if the Reference Rate is EURIBOR or Hong Kong time if the Reference Rate is HIBOR or CNH HIBOR), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone interbank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) ***Linear Interpolation:***

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

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

(d) ***Zero Coupon Notes:***

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).



(e) ***Accrual of Interest:***

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(f) ***Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding:***

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

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

(iv) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.

(g) ***Calculations:*** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction (as defined in Condition 5(j)) for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:***

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any other determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or any Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying and Transfer Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(i) ***Determination or Calculation by Trustee:***

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount and the Issuer fails to appoint a leading bank or investment banking firm under Condition 5(k) below, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(j) ***Definitions:***

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency;
- (ii) in the case of euro, a day on which the TARGET2 System is open (a “**TARGET2 Business Day**”);
- (iii) in the case of Renminbi, a day (other than a Saturday or Sunday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; or
- (iv) in the case of a currency and/or one or more Business Centres specified hereon a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres (including in each case if TARGET2 System is specified as a Business Centre in the applicable Final Terms, a TARGET2 Business Day);

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “Actual/Actual” or “Actual/Actual — ISDA” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (v) if “30E/360” or “Eurobond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360 (ISDA)” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30;

(vii) if “Actual/Actual-ICMA” is specified hereon:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Date**” means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date;

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

**“Interest Amount”** means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part, provided that if the Specified Currency is Renminbi, the Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01 (with halves being rounded up); and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

**“Interest Commencement Date”** means the Issue Date or such other date as may be specified hereon;

**“Interest Determination Date”** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling, euro nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR;

**“Interest Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

**“Interest Period Date”** means each Interest Payment Date unless otherwise specified hereon;

**“ISDA Definitions”** means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

**“Rate of Interest”** means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

**“Reference Banks”** means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case

of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Chinese Yuan in the Hong Kong inter-bank market, in each case selected by the Calculation Agent;

“**Reference Rate**” means the rate specified as such hereon;

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon (or such replacement page, section, caption, column or other part of that service which displays the information);

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated; and

“**TARGET2 System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

- (k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee, such approval not to be unreasonably withheld or delayed) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

- (l) **Benchmark Discontinuation:**

- (i) *Independent Adviser*

Notwithstanding the provisions of Condition 5(b), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(l)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(l)(iv)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(l) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders, for any determination made by it, pursuant to this Condition 5.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(l)(i) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(l)(i).

(ii) Successor Rate or Alternative Rate

If the Independent Adviser, determines that:

- (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(l)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(l)).

(iii) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(l) and the Independent Adviser determines (i) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to



giving notice thereof in accordance with Condition 5(l)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two authorised officers of the Issuer pursuant to Condition 5(l)(v), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 5(l)(iv), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(v) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(l) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by two authorised officers of the Issuer:

- (A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(l); and
- (B) certifying that the Benchmark Amendments (if any) have been determined by the Independent Adviser in accordance with the provisions of this Condition 5(l) to be necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the

Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5(l)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(B) will continue to apply unless and until a Benchmark Event has occurred.

(vii) Definitions

As used in this Condition 5(l):

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

- (A) in the case of a Successor Rate, is formally recommended or formally provided as an option for parties to adopt in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (B) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied);
- (C) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or (if the Independent Adviser determines that no such spread is recognised or acknowledged); or
- (D) the Independent Adviser determines to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(l)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(l)(iv).

“**Benchmark Event**” means:

- (A) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist or be administered; or
- (B) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will, be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or
- (E) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is (or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (F) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (B) and (C) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (D) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (E) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

“**Independent Adviser**” means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer under Condition 5(l)(i).

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes (provided that if, following one or more Benchmark Events, such originally-specified benchmark or screen rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced

by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term “Original Reference Rate” shall include any such Successor Rate or Alternative Rate.

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee established, approved or sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

## 6 Redemption

(a) ***Final Redemption:***

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency. In the case of Fixed Rate Notes where the Specified Currency is Renminbi, if the Maturity Date falls on a day which is not a Business Day, the Maturity Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Maturity Date shall be brought forward to the immediately preceding Business Day.

(b) ***Early Redemption:***

(i) ***Zero Coupon Notes:***

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would

produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as provided in sub-paragraph (B) above except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable was the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in paragraph (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) ***Redemption for Taxation Reasons:*** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Abu Dhabi or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two duly authorised officers of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders.
- (d) ***Redemption at the Option of the Issuer:*** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other minimum and maximum notice periods as may be specified

in the applicable Final Terms), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together (if applicable) with interest accrued to but excluding the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount (if any) to be redeemed specified hereon and no greater than the Maximum Redemption Amount (if any) to be redeemed specified hereon. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall, unless otherwise specified hereon, also specify the nominal amount of Notes drawn and the holder(s) of such Notes, to be redeemed, which shall have been drawn in such place as the Trustee may in its sole discretion, approve and in such manner as it, in its opinion, deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) ***Redemption at the Option of Noteholders:***

- (i) If General Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other minimum and maximum notice periods as may be specified in the applicable Final Terms) redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together (if applicable) with interest accrued to but excluding the date fixed for redemption or purchase, as the case may be.
- (ii) If Change of Control Put Option is specified hereon and if a Change of Control occurs, the Issuer shall, at the option of the holder of any such Note (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c) or 6(d)), redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Put Date at its Change of Control Redemption Amount together (if applicable) with interest accrued to but excluding the Put Date.

Promptly upon the Issuer becoming aware that a Change of Control has occurred the Issuer shall, and, at any time following the occurrence of a Change of Control, the Trustee, if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution, shall, give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 16 specifying the nature of the Change of Control.

If 85 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or, as the case may be, purchased, pursuant to this Condition 6(e)(ii), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Put Date), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes at their Change of Control Redemption Amount together (if applicable) with interest accrued to but excluding the date fixed for redemption or purchase, as the case may be.

The Trustee is under no obligation to ascertain whether a Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control or other such event has occurred.

For the purpose of these Conditions:

- (a) a “**Change of Control**” shall occur if the Emirate of Abu Dhabi, including, without limitation, any agency of its government or any entity controlled by it, at any time ceases to own and control (directly or indirectly) more than 50 per cent. of the economic and voting rights in respect of the Issuer;
  - (b) “**Put Date**” shall be the tenth Business Day after the expiry of the Put Period; and
  - (c) “**Put Period**” shall be the period of 30 days after a Change of Control Notice is given.
- (iii) To exercise any option specified in this Condition 6(e) the holder must deposit the Certificate evidencing such Note(s) with the Registrar or any Paying and Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying and Transfer Agent or the Registrar (as applicable) within the Notice Period or the Put Period, as applicable. No Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.
- (f) **Purchases:** The Issuer and any Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.
  - (g) **Cancellation:** All Notes purchased by or on behalf of the Issuer or its Subsidiaries may be surrendered for cancellation by surrendering the Certificate evidencing such Notes to the Registrar and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 7 Payments

- (a) **Notes:**
  - (i) Payments of principal in respect of the Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Paying and Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
  - (ii) Interest on the Notes shall be paid to the person shown on the Register at the close of business on (in the case of Renminbi) the fifth day and (in the case of a currency other than Renminbi) the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Note shall be made, in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of

joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Paying and Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank. Payments of interest in Renminbi shall be made by transfer to the registered account of the holder.

- (iii) For the purposes of Condition 7(a)(ii), “**registered account**” means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear in the Register at the close of business on the Record Date.
- (b) **Payments subject to Fiscal Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.
- (c) **Appointment of Agents:** The Principal Paying and Transfer Agent, the Paying and Transfer Agents, the Registrar and the Calculation Agent initially appointed by the Issuer are set out above. The Principal Paying and Transfer Agent, the Paying and Transfer Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee, such approval not to be unreasonably withheld or delayed, to vary or terminate the appointment of the Principal Paying and Transfer Agent, any other Paying and Transfer Agent, the Registrar or the Calculation Agent(s) and to appoint additional or other Paying and Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying and Transfer Agent, (ii) a Registrar, (iii) one or more Calculation Agent(s) where the Conditions so require and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

Notice of any change of any specified office shall promptly be given to the Noteholders.

- (d) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in the relevant place of presentation, in such jurisdictions as shall be specified as “Additional Financial Centres” hereon (including if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a TARGET2 Business Day) and:
  - (i) (in the case of a payment in a currency other than euro or Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency;



- (ii) which (in the case of a payment in euro) is a TARGET2 Business Day; or
- (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

(e) ***RMB Currency Event:***

If “RMB Currency Event” is specified in the applicable Final Terms and notwithstanding any other provision in these Conditions, by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able, or it would be impracticable for it, to satisfy any payment due under the Notes in Renminbi, the Issuer shall, on giving not less than five and not more than 30 days’ irrevocable notice to the Noteholders prior to the due date for the relevant payment (unless this is not possible because the Issuer does not become aware of the Inconvertibility, Non-transferability or Illiquidity until the time at which payment is due to be made, when no such notice shall be required), settle such payment in the Relevant Currency on the due date at the Relevant Currency Equivalent of the relevant Renminbi amount.

In such event, payment of the Relevant Currency Equivalent of the relevant Renminbi amounts due under the Notes shall be made in accordance with Condition 7(a).

In this Condition 7(e):

“**Governmental Authority**” means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets of Hong Kong (including the HKMA);

“**HKMA**” means the Hong Kong Monetary Authority;

“**Illiquidity**” means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain a sufficient amount of Renminbi in order to satisfy in full its obligation to make any payment due under the Notes;

“**Inconvertibility**” means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date on which agreement is reached to issue the first Tranche of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

“**Non-transferability**” means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date on which agreement is reached to issue the first Tranche of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

“**Rate Calculation Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and the principal financial centre of the Relevant Currency;

“**Rate Calculation Date**” means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions;

“**Relevant Currency**” means U.S. dollars or such other currency as may be specified hereon;

“**Relevant Currency Equivalent**” means the Renminbi amount converted into the Relevant Currency using the Spot Rate for the relevant Rate Calculation Date; and

“**Spot Rate**”, for a Rate Calculation Date, means the spot rate between Renminbi and the Relevant Currency as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on such date in good faith and in a reasonable commercial manner; and if a spot rate is not readily available, the Calculation Agent may determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the People’s Republic of China domestic foreign exchange market.

## 8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Arab Emirates or the Emirate of Abu Dhabi therein or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note:

- (a) **Other connection:** To, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the United Arab Emirates or the Emirate of Abu Dhabi therein other than the mere holding of the Note; or
- (b) **Surrendered for payment more than 30 days after the Relevant Date:** In cases where surrender is required, in respect of which the Certificate is surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrender of such Certificate for payment on the thirtieth day assuming that day to have been a business day (as defined in Condition 7(d) above).

As used in these Conditions, “**Relevant Date**” in respect of any Note means whichever is the later of (i) the date on which payment in respect of it first becomes due and (ii) if the full amount payable has not been received by the Principal Paying and Transfer Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts (except as provided in Condition 7(a)), Amortised Face Amounts and all other amounts in the nature of

principal payable pursuant to Condition 5(1)(i) or any amendment or supplement to it, (ii) “**interest**” shall (except as provided in Condition 7(a)) be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

## 9 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10 Events of Default

If any of the following events (“**Events of Default**”) occurs, the Trustee at its discretion may, and if so requested by holders of at least one quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution and subject to being indemnified and/or secured and/or prefunded to its satisfaction shall, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest:

- (a) **Non-Payment:** The Issuer fails to pay in the Specified Currency any (i) principal in respect of any of the Notes when due and such failure continues for a period of seven days or (ii) interest on any of the Notes when due and such failure continues for a period of 14 days;
- (b) **Breach of Other Obligations:** The Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the written opinion of the Trustee capable of remedy, is not in the written opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee;
- (c) **Cross-Acceleration:** (i) any other Borrowed Money Indebtedness of the Issuer or any Material Subsidiary becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such Borrowed Money Indebtedness is not paid when due or, as the case may be, within any applicable grace period provided that the aggregate amount of the relevant Borrowed Money Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.\$50,000,000 or its equivalent in another currency (as reasonably determined by the Trustee);
- (d) **Enforcement Proceedings:** A distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or, in the opinion of the Trustee, any material part of the property, assets or revenues of the Issuer or any Material Subsidiary and is not discharged or stayed within 90 days;
- (e) **Security Enforced:** Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person, but excluding the issue of any notification to the Issuer or the relevant Material Subsidiary that such mortgage, charge, pledge, lien or other encumbrance has become enforceable);

- (f) **Insolvency:** The Issuer or any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Trustee, a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of the debts of the Issuer or any Material Subsidiary;
- (g) **Winding-up:** An order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any Material Subsidiary, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except, in any case, for the purpose of and followed by a transfer, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the relevant Material Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary;
- (h) **Illegality:** It is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (i) **Analogous Events:** Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

provided that (save in the case of paragraphs (a) and (c) and (in so far as they relate to the Issuer) paragraphs (f) and (g)) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purpose of this Condition, “**Borrowed Money Indebtedness**” means, in relation to any person, any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent, comprising or constituted by:

- (i) any liability to repay the principal of or to pay interest on borrowed money or deposits;
- (ii) any liability under or pursuant to any:
  - (a) letter of credit;
  - (b) acceptance credit facility;
  - (c) note purchase facility; or
  - (d) foreign currency transaction;
- (iii) any liability in respect of any purchase price for property or services, payment for which is deferred for a period in excess of 180 days after the later of taking possession or becoming the legal owner thereof; or
- (iv) any liability under or pursuant to any guarantee or indemnity in respect of any of the obligations referred to in paragraphs (ii) or (iii) above.

References in Condition 10(c) and (f) to “**Borrowed Money Indebtedness**” and “**debts**”, respectively, shall be deemed to include any analogous transaction entered into in compliance with (or intended to be entered into in compliance with) the principles of Shari’ah, whether entered into directly or indirectly by the Issuer or a Material Subsidiary, as the case may be and provided that (i) in the case of an analogous financing the proceeds accrue directly or indirectly for the benefit of the Issuer or a Material Subsidiary, as the case may be, and (ii) in the case of an analogous guarantee or indemnity, the guarantee or indemnity is given by the Issuer or a Material Subsidiary, as the case may be.

## 11 Meetings of Noteholders, Modification, Waiver and Substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25.0 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The consent or approval of the Noteholders will not be required for any, or any proposal to effect any, Benchmark Amendments pursuant to Condition 5(1).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification of the Trust Deed and Waiver:** The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed which is, in its opinion, of a formal, minor or technical nature or is made to correct

a manifest error, (ii) any modification to effect any Benchmark Amendments (in the circumstances and as set out in Condition 5(l)), and (iii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

- (c) ***Substitution:*** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of certain other entities (being the Issuer's successor in business or any Subsidiary or such Subsidiary's successor in business, subject, in the case of a Subsidiary or such Subsidiary's successor in business, to the Notes being guaranteed by the Issuer to the Trustee's satisfaction and all as further provided in the Trust Deed) in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (d) ***Entitlement of the Trustee:*** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

## 12 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## 13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

## 14 Replacement of Notes and Certificates

If a Note or Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying and Transfer Agent and of the Registrar or such other Paying and Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on

payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity as may be required by the Issuer. Mutilated or defaced Notes or Certificates must be surrendered before replacements will be issued.

## 15 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

## 16 Notices

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the first weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

## 17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 18 Governing Law and Dispute Resolution

- (a) **Governing Law:** The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Dispute Resolution:**
  - (i) Subject to Condition 18(b)(ii) below, the Trustee and the Issuer have irrevocably agreed in the Trust Deed that any dispute arising out of or connected with the Trust Deed (which includes the Certificates, these Conditions and this Condition 18(b)), including a dispute as to the validity, existence or termination of the Trust Deed or a dispute relating to any non-contractual obligations arising out of the Trust Deed (a “**Dispute**”) shall be resolved by arbitration in London, England conducted in the English language by three arbitrators, in accordance with the arbitration rules of the London Court of International Arbitration (the “**LCIA**”) (as amended from time to time, the “**Rules**”) (with party nomination of arbitrators), which Rules are deemed to be incorporated by reference into this Condition, save that, unless the parties agree otherwise, the third arbitrator, who shall act as chairman of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If he is not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, he shall be chosen by the LCIA.

- (ii) Notwithstanding Condition 18(b)(i) above, a Dispute may, at the sole option of the Trustee, be resolved by proceedings brought in the courts of England. If the Trustee wishes to exercise this option, it must do so by notice (the “**Notice**”) to the Issuer and, if a Request for Arbitration (as defined in the Rules) has been served, the Notice must be given within 28 days of such service. If the Trustee gives Notice pursuant to this Condition 18(b)(ii), the Dispute to which such Notice refers shall be determined in accordance with Condition 18(b)(iii) and any arbitration commenced under Condition 18(b)(i) in respect of the Dispute will be terminated. Subject, in the case of the Trustee, to its rights under Clause 9 of the Trust Deed, each of the parties to the terminated arbitration will bear its own costs in relation thereto and termination of the arbitration shall be without prejudice to:
  - (A) the entitlement of any arbitrator to be paid his proper fees and disbursements; and
  - (B) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
- (iii) If a Notice is given pursuant to Condition 18(b)(ii), the Courts of England shall have jurisdiction to settle any Dispute, and the Issuer has waived under the Trust Deed any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Dispute, and has agreed not to claim that any such court is not a convenient or appropriate forum. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts. This submission is made for the benefit of each of the Noteholders and the Trustee and shall not limit the right of any of them to take proceedings in respect of a Dispute in any other court of competent jurisdiction nor shall the taking of such proceedings in one or more jurisdictions preclude the taking of such proceedings in any other jurisdiction (whether concurrently or not), in each case to the extent allowed by law.
- (c) **Service of Process:** The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any legal action or proceedings in England in connection with a Dispute. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (d) **Waiver of immunity:** To the extent that the Issuer may in any jurisdiction claim for itself or its assets immunity from suit, execution, seizure, attachment or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets such immunity (whether or not claimed), the Issuer has in the Trust Deed irrevocably agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.



## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### THE GLOBAL NOTE CERTIFICATES

Each Series of Notes will be evidenced on issue by a Regulation S Global Note Certificate (deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg) and/or a Rule 144A Global Note Certificate (deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC).

Beneficial interests in each Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See “*Clearing and Settlement — Book-Entry Ownership*”. By acquisition of a beneficial interest in a Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, and that, if it determines to transfer such beneficial interest prior to the expiration of the 40-day restricted period, it will transfer such interest only to a person whom the seller reasonably believes (a) to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) to be a person who takes delivery in the form of an interest in a Rule 144A Global Note Certificate (if applicable). See “*Transfer Restrictions*”.

Beneficial interests in each Rule 144A Global Note Certificate may only be held through DTC at any time. See “*Clearing and Settlement — Book-Entry Ownership*”. By acquisition of a beneficial interest in a Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See “*Transfer Restrictions*”.

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth therein and in the Trust Deed, and with respect to Rule 144A Notes, as set forth in Rule 144A, and the Notes will bear the legends set forth thereon regarding such restrictions set forth under “*Transfer Restrictions*”. A beneficial interest in a Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note Certificate in denominations greater than or equal to the minimum denominations applicable to interests in such Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in a Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made to a non-U.S. person and in accordance with Regulation S.

Any beneficial interest in a Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in such Regulation S Global Note Certificate and become an interest in such Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note Certificate will, upon transfer, cease to be an interest in such Rule 144A Global Note Certificate and become an interest in such Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the

limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of the Individual Certificates. No Notes will be issued in bearer form.

## **AMENDMENTS TO TERMS AND CONDITIONS OF THE NOTES**

Each Global Note Certificate contains provisions that apply to the Notes that they evidence, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions:

### **Payments**

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate will be made against presentation for endorsement by the Principal Paying and Transfer Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note Certificate to or to the order of the Principal Paying and Transfer Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be entered in the Register and endorsed in the appropriate schedule to the relevant Global Note Certificate, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Notes.

All payments in respect of Notes evidenced by a Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

### **Meetings**

The holder of each Global Note Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

### **Trustee Powers**

In considering the interests of Noteholders while the Global Note Certificates are held through or on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to each Global Note Certificate and may consider such interests as if such accountholders were the holders of any Global Note Certificate.

### **Cancellation**

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by the Registrar making a notation of such event in the Register, and by reduction in the principal amount of the applicable Global Note Certificate.

### **Transfers**

Transfers of interests in the Notes in respect of which the applicable Global Note Certificate is issued shall be made in accordance with the Agency Agreement.

## Notices

So long as any Notes are evidenced by a Global Note Certificate and such Global Note Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for delivery of the relevant notice to the holder of the Global Note Certificate. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to the relevant clearing system as aforesaid. The Issuer shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which the Notes are for the time being, or by which they have for the time being been, admitted to trading.

## EXCHANGE FOR INDIVIDUAL CERTIFICATES

### Exchange

Each Global Note Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Individual Certificates if: (i) a Global Note Certificate is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar, or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 of the Terms and Conditions of the Notes which would not be suffered were the Notes in definitive form and a notice to such effect signed by two duly authorised officers of the Issuer or by any other person(s) empowered by the board of directors of the Issuer to sign on behalf of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar and the Noteholders of its intention to exchange the relevant Global Note Certificate for Individual Certificates on or after the Exchange Date (as defined below) specified in the notice.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Individual Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

“**Exchange Date**” means a day falling not later than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Paying and Transfer Agent is located.

### Delivery

In such circumstances, the relevant Global Note Certificate shall be exchangeable in full for Individual Certificates and the Issuer will, free of charge to the Noteholders (but against such indemnity as the Registrar or any relevant Paying and Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates and (b) in the case of the Rule 144A Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Individual Certificates issued in exchange for an interest in the Rule 144A Global Note Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*”.

## Legends

The holder of an Individual Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Paying and Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Individual Certificate bearing the legend referred to under “*Transfer Restrictions*”, or upon specific request for removal of the legend on a Rule 144A Individual Certificate, the Issuer will deliver only Rule 144A Individual Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

## Electronic Consent and Written Resolution

While any Global Note Certificate is registered in the name of any nominee for a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an “**Electronic Consent**” as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require a special quorum resolution (as defined in the Trust Deed) to be passed at a meeting), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, (a) by accountholders in the clearing system with entitlements to such Global Note Certificate and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, DTC, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## CLEARING AND SETTLEMENT

Custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of any Notes evidenced by a Global Note Certificate and cross-market transfers of such Notes associated with secondary market trading. See “— *Book-Entry Ownership*” and “— *Settlement and Transfer of Notes*” below.

Investors may hold their interests in a Global Note Certificate directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**”) and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

### EUROCLEAR AND CLEARSTREAM, LUXEMBOURG

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

### DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organization” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in a Rule 144A Global Note Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Note Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under “*Summary of Provisions Relating to the Notes while in Global Form — Exchange for Individual Certificates*”, DTC will cause its custodian to surrender the Rule 144A Global Note Certificate for exchange for Rule 144A Individual Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

## **Payments through DTC**

Payments in U.S. dollars of principal and interest in respect of a Global Note Certificate registered in the name of, or in the name of a nominee for, DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than U.S. dollars in respect of Notes evidenced by a Global Note Certificate registered in the name of, or in the name of a nominee for, DTC will be made or procured to be made by the Principal Paying and Transfer Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Principal Paying and Transfer Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Issuer by the Principal Paying and Transfer Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC Participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Principal Paying and Transfer Agent will convert amounts in such currency into U.S. dollars and deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC Participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

## **BOOK-ENTRY OWNERSHIP**

### **Euroclear and Clearstream, Luxembourg**

Each Regulation S Global Note Certificate evidencing Regulation S Notes will have an International Securities Identification Number (“**ISIN**”) and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

### **DTC**

Each Rule 144A Global Note Certificate evidencing the Rule 144A Notes will have an ISIN, Common Code and a Committee on Uniform Securities Identification Procedures (“**CUSIP**”) number and will be deposited with a custodian (the “**Custodian**”) for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

### **Relationship of Participants with Clearing Systems**

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer to the holder of such Global Note Certificate (save in the case of payments other than in U.S. dollars outside DTC, as referred to in “— *DTC — Payments through DTC*” above) and in relation to all other rights arising under such Global Note Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant

Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant common depository or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Paying and Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

## **SETTLEMENT AND TRANSFER OF NOTES**

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Individual Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or to otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

### **Trading between Euroclear and/or Clearstream, Luxembourg Participants**

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating

procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

### **Trading between DTC Participants**

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

### **Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser**

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in a Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of a Rule 144A Global Note Certificate will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by such Rule 144A Global Note Certificate of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

### **Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser**

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in a Rule 144A Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will transmit appropriate instructions to the custodian of such Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and instruct the Registrar to: (i) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note Certificate.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Note Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be



discontinued at any time. None of the Issuer, the Trustee or any Paying and Transfer Agent will have the responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

### **Settlement of Pre-issue Trades**

It is expected that delivery of Notes will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market are generally required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes will initially settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

## **USE OF PROCEEDS**

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes, including supporting liquidity and the repayment of outstanding debt, including with entities which may be underwriting a particular tranche of Notes issued under the Programme, or their affiliates. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).

## CAPITALISATION

The table below shows the Group's capitalisation and indebtedness as at 31 December 2020. This table should be read together with the 2020 Financial Statements incorporated by reference in this Prospectus.

	<i>As at</i> <u>31 December 2020</u> <i>(AED million)</i>
<b>Bank balances and cash<sup>(1)</sup></b> .....	<b>8,387</b>
<b>Debt:</b>	
Short-term debt <sup>(2)</sup> .....	9,095
Long-term debt <sup>(3)</sup> .....	66,978
<b>Total debt</b> .....	<b>76,073</b>
<b>Equity:</b>	
Issued capital .....	112,434
Other reserves <sup>(4)</sup> .....	(56,062)
Retained earnings .....	4,925
Foreign currency translation reserve .....	19
Cumulative change in the fair value of derivatives in cash flow hedges .....	593
Non-controlling interests, including loans .....	6,880
Loan from non-controlling interest shareholders in controlled subsidiaries	466
<b>Total equity</b> .....	<b>69,255</b>
<b>Total capitalisation<sup>(5)</sup></b> .....	<b>136,233</b>

Notes:

- (1) Comprises cash and bank balances that are readily convertible into cash.
- (2) Includes bank overdrafts, interest bearing loans and borrowings and Islamic loans with a maturity of less than 12 months.
- (3) Represents interest bearing loans and borrowings and Islamic loans with a maturity of more than 12 months. The Notes, when issued, will constitute long-term debt.
- (4) This represents a combination of the merger reserve which was (AED 56,443 million) as at 31 December 2020 and the the statutory reserve which was AED 381 million as at 31 December 2020.
- (5) Total equity plus long-term debt.

On 29 January 2021, the Group repaid AED 734 million (U.S.\$200 million) under its AED 12.6 billion (U.S.\$3.5 billion) multi-currency revolving credit facility and repaid an additional AED 183 million (U.S.\$50 million) and AED 918 million (U.S.\$250 million) on 26 February 2021 and 12 April 2021, respectively. The Group expects to continue to raise financing through issues of Notes under the Programme and through bank finance. Save as disclosed above, there has been no material change in the capitalisation of the Group since 31 December 2020.

## SELECTED HISTORICAL FINANCIAL AND OTHER INFORMATION

The AED selected financial information in this section comprises:

- financial information for the Group derived from the 2020 Financial Statements. This comprises financial information relating to TAQA and its consolidated subsidiaries (including the Perimeter Assets acquired in the Transaction) for the period from 1 July 2020 to 31 December 2020 and financial information relating to TRANSCO only for the six months ended 30 June 2020 and for 2019;
- annual and interim financial information for TAQA derived from the TAQA Historical Financial Statements. This comprises financial information relating to TAQA and its consolidated subsidiaries for all the periods to which TAQA Historical Financial Statements relate, being the six months ended 30 June 2020 and each of 2019 and 2018. Reflecting the periods to which the TAQA Historical Financial Statements relate, no financial information relating to the Perimeter Assets is included in the TAQA Historical Financial Statements; and
- financial information relating to the Perimeter Assets derived from the Al Maqam Financial Information. This comprises financial information relating to the Perimeter Assets for the six months ended 30 June 2020 and relating to 2019 and 2018.

Financial information in the 2020 Financial Statements, the TAQA Historical Financial Statements and the Al Maqam Financial Information is not directly comparable, see “*Presentation of Financial and Other Information — Presentation of Financial Information*”. For this reason, the selected financial information derived from the 2020 Financial Statements, the selected financial information derived from the TAQA Historical Financial Statements and the selected financial information derived from the Al Maqam Financial Information are presented separately below.

In addition, unaudited pro forma financial information for the 12-month period ended 31 December 2020 based on the assumption that the Transaction took place on 1 January 2020 is set out under “*Unaudited Pro Forma Financial Information*”.

## SELECTED FINANCIAL INFORMATION FROM THE 2020 FINANCIAL STATEMENTS

The 2020 Financial Statements are incorporated by reference in this Prospectus. The selected financial data derived from the 2020 Financial Statements and set forth below should be read in conjunction with “*Presentation of Financial and Other Information*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — 2020 Financial Statements - Years Ended 31 December 2020 and 2019 Compared*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — 2020 Financial Statements – Cash Flow Data*” and the 2020 Financial Statements.

Since the Transaction was accounted for as a reverse acquisition according to the requirements of IFRS 3, the comparative information provided in respect of the year ended 31 December 2019 in the 2020 Financial Statements is that of TRANSCO, the accounting acquirer, except for the share capital retroactively adjusted to reflect the share capital of TAQA. The 2020 Financial Statements are therefore a continuation of the financial statements of TRANSCO and not of TAQA. Furthermore, the 2019 comparative information included in the 2020 Financial Statements does not reflect the acquisition of the Perimeter Assets or of TAQA, all of which are reflected in the 2020 Financial Statements only as of and from 1 July 2020, the effective date of the Transaction.

## Consolidated Income Statement Data

The table below shows the Group's consolidated income statement data for the years ended 31 December 2020 and 2019.

	Years ended 31 December		
	2020 (U.S.\$ million)	2020 (AED million)	2019
<b>REVENUES</b>			
Revenue from generation of power and water .....	1,737	6,381	—
Revenue from transmission and distribution of power and water .....	4,188	15,380	6,057
Revenue from oil and gas.....	606	2,224	—
	<b>6,531</b>	<b>23,985</b>	<b>6,057</b>
<b>COST OF SALES</b>			
Operating expenses .....	(3,449)	(12,666)	(693)
Depreciation, depletion and amortisation.....	(1,529)	(5,617)	(1,811)
	<b>(4,978)</b>	<b>(18,283)</b>	<b>(2,504)</b>
<b>GROSS PROFIT</b> .....	<b>1,553</b>	<b>5,702</b>	<b>3,553</b>
General and administrative expenses .....	(352)	(1,294)	(455)
Finance costs.....	(430)	(1,581)	(1)
Net foreign exchange gain .....	20	73	—
Share of results of associates and joint ventures .....	15	55	—
Interest income.....	8	31	—
Bargain purchase gain.....	155	570	—
Other income.....	55	203	85
<b>PROFIT BEFORE TAX</b> .....	<b>1,024</b>	<b>3,759</b>	<b>3,182</b>
Income tax credit.....	70	258	—
<b>PROFIT FOR THE YEAR</b> .....	<b>1,094</b>	<b>4,017</b>	<b>3,182</b>
Attributable to:			
Equity holders of the parent.....	1,037	3,808	3,182
Non-controlling interest.....	57	209	—
<b>PROFIT FOR THE YEAR</b> .....	<b>1,094</b>	<b>4,017</b>	<b>3,182</b>

## Consolidated Statement of Other Comprehensive Income Data

The table below shows the Group's consolidated statement of comprehensive income data for the years ended 31 December 2020 and 2019.

	Years ended 31 December		
	2020 (U.S.\$ million)	2020 (AED million)	2019
<b>PROFIT FOR THE YEAR</b> .....	<b>1,094</b>	<b>4,017</b>	<b>3,182</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to income statement in subsequent periods:</i>			
Changes in fair values of derivative instruments in cash flow hedges .....	260	955	—
Exchange differences arising on translation of overseas operations.....	5	19	—
	<b>265</b>	<b>974</b>	<b>—</b>
<i>Items not to be reclassified to income statement in subsequent periods:</i>			
Remeasurement gains on defined benefit plans .....	1	3	—
<b>NET OTHER COMPREHENSIVE INCOME FOR THE YEAR</b> .....	<b>266</b>	<b>977</b>	<b>—</b>

<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,360</b>	<b>4,994</b>	<b>3,182</b>
Attributable to:			
Equity holders of the parent .....	1,204	4,423	<b>3,182</b>
Non-controlling interests.....	156	571	—
	<b>1,360</b>	<b>4,994</b>	<b>3,182</b>

### Consolidated Statement of Financial Position Data

The table below shows the Group's consolidated statement of financial position data as at 31 December 2020 and 2019.

	<i>At 31 December</i>		
	<i>2020</i> <i>(U.S.\$ million)</i>	<i>2020</i> <i>(AED million)</i>	<i>2019</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment.....	34,295	125,949	42,873
Operating financial assets.....	2,652	9,740	—
Intangible assets .....	5,237	19,232	—
Investment in and loans to associates and joint ventures .....	661	2,429	—
Deferred tax assets .....	1,531	5,622	—
Other assets .....	202	741	114
	<b>44,578</b>	<b>163,713</b>	<b>42,987</b>
<b>Current assets</b>			
Inventories.....	980	3,599	94
Amounts due from related parties .....	710	2,609	5,837
Operating financial assets.....	326	1,197	—
Accounts receivable, prepayments and other receivables.....	1,985	7,290	61
Cash and short-term deposits .....	2,320	8,519	220
	<b>6,321</b>	<b>23,214</b>	<b>6,212</b>
<b>TOTAL ASSETS</b> .....	<b>50,899</b>	<b>186,927</b>	<b>49,199</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the parent			
Share capital .....	30,615	112,434	5,992
Proposed increase in share capital.....	—	—	2,113
Statutory reserve.....	104	381	2,996
Legal reserve .....	—	—	2,996
Merger reserve.....	(15,369)	(56,443)	—
Retained earnings .....	1,341	4,925	3,182
Proposed dividend .....	—	—	2,805
Interest free loans from the shareholder .....	—	—	22,896
Foreign currency translation reserve .....	5	19	—
Cumulative changes in fair value of derivatives in cash flow hedges .....	162	593	—
	<b>16,858</b>	<b>61,909</b>	<b>42,980</b>
Non-controlling interests.....	1,873	6,880	—
Loans from non-controlling interest shareholders in subsidiaries.....	127	466	—
<b>Total non-controlling interests, including loans ...</b>	<b>2,000</b>	<b>7,346</b>	<b>—</b>
<b>TOTAL EQUITY</b> .....	<b>18,858</b>	<b>69,255</b>	<b>42,980</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings.....	18,025	66,198	—
Islamic loans.....	212	780	—
Deferred tax liabilities .....	357	1,312	—
Asset retirement obligations.....	4,331	15,905	—

	<i>At 31 December</i>		
	<u>2020</u>	<u>2020</u>	<u>2019</u>
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>	
Employees' end of service benefits .....	118	432	112
Loan from related party .....	7	24	—
Deferred income – grant .....	86	315	1,026
Other liabilities .....	1,379	5,065	77
	<b>24,515</b>	<b>90,031</b>	<b>1,215</b>
<b>Current liabilities</b>			
Accounts payable, accruals and other liabilities .....	4,430	16,271	2,755
Interest bearing loans and borrowings .....	2,411	8,856	—
Islamic loans .....	47	173	—
Amounts due to related parties .....	600	2,203	2,177
Bank overdrafts .....	18	66	—
Deferred income – grant .....	20	72	72
	<b>7,526</b>	<b>27,641</b>	<b>5,004</b>
<b>TOTAL LIABILITIES</b> .....	<b>32,041</b>	<b>117,672</b>	<b>6,219</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>50,899</b>	<b>186,927</b>	<b>49,199</b>

### Cash Flow Statement Data

The table below summarises the Group's consolidated statement of cash flow data for the years ended 31 December 2020 and 2019.

	<i>Years ended 31 December</i>		
	<u>2020</u>	<u>2020</u>	<u>2019</u>
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>	
Net cash generated from operating activities .....	2,917	10,713	1,729
Net cash generated from/(used in) investing activities .....	1,379	5,065	(1,409)
Net cash used in financing activities .....	(2,018)	(7,412)	(161)
Cash and cash equivalents at 1 January .....	60	220	61
Cash and cash equivalents at 31 December .....	2,266	8,321	220

### Adjusted EBITDA and Certain Ratios

The table below shows the Group's Adjusted EBITDA and a reconciliation of profit for the period to Adjusted EBITDA for each of the years ended 31 December 2020 and 2019.

	<i>Years ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
	<i>(AED million)</i>	
<b>Profit for the year</b> .....	<b>4,017</b>	<b>3,182</b>
Income tax credit .....	(258)	—
Other income .....	(203)	(85)
Interest income .....	(31)	—
Net foreign exchange gains .....	(73)	—
Finance costs .....	1,581	1
Bargain purchase gain .....	(570)	—
Depreciation, depletion and amortisation .....	5,617	1,811
<b>Adjusted EBITDA</b> .....	<b>10,080</b>	<b>4,909</b>

Adjusted EBITDA is a non-IFRS financial measure that is used by management as an additional measure of performance. Adjusted EBITDA is not defined by IFRS or recognised within IFRS as a measure of performance and should therefore not be considered as an alternative to other IFRS measures. For the periods under review, the Group defines Adjusted EBITDA as profit for the

period/year before finance costs, income tax credit, depreciation, depletion and amortisation, net foreign exchange gains, other income, interest income and bargain purchase gain. For further discussion of non-IFRS measures, see “*Presentation of Financial and Other Information — Presentation of Financial Information — Non-IFRS Financial Measures*”.

The table below shows certain financial ratios of the Group as at, and for each of the years ended, 31 December 2020 and 2019. Each of these ratios is a non-IFRS measure and an APM.

	<i>Years ended/as at 31 December</i>	
	<i>2020</i>	<i>2019</i>
Gross margin <sup>(1)</sup> (%) .....	23.8	58.7
Return on equity <sup>(2)</sup> (%) .....	6.2	7.4
Net debt/total capital <sup>(3)(4)</sup> (%) .....	49.6	—
Adjusted EBITDA/net interest <sup>(5)(4)</sup> (x).....	6.5	—
Net debt/ Adjusted EBITDA <sup>(4)</sup> (x).....	6.7	—

Notes:

- (1) Calculated as gross profit divided by total revenue.
- (2) Calculated as loss or profit attributable to equity holders of the parent divided by closing equity attributable to equity holders of the parent.
- (3) Net debt is calculated as total debt (current debt and non-current debt) less cash and cash equivalents. Total capital is calculated as net debt plus total equity less cumulative changes in fair value of derivatives in cash flow hedges.
- (4) There is no information for 2019 because there was no debt at TRANSCO before the Transaction.
- (5) Net interest comprises finance costs less interest income.



## SELECTED FINANCIAL INFORMATION FROM THE TAQA HISTORICAL FINANCIAL STATEMENTS

The TAQA Historical Financial Statements are incorporated by reference in this Prospectus. The selected financial information derived from the TAQA Historical Financial Statements and set forth below should be read in conjunction with “*Presentation of Financial and Other Information*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations— TAQA Historical Financial Statements - Six Months Ended 30 June 2020 and 2019 Compared*” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — TAQA Historical Financial Statements - Years Ended 31 December 2019 and 2018 Compared*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*

— *TAQA Historical Financial Statements – Cash Flow Data*” and the TAQA Historical Financial Statements. Financial information as at 30 June 2020 and for the six month periods ended 30 June 2020 and 30 June 2019 is unaudited.

### Consolidated Income Statement Data

The table below shows the Group's unaudited interim consolidated income statement data for the six-month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>		
	<i>2020</i>	<i>2020</i>	<i>2019</i>
	<i>Unaudited</i>		<i>Audited</i>
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>	
<b>Revenues</b>			
Revenue from oil and gas.....	451	1,656	3,007
Revenue from electricity and water.....	1,196	4,393	4,550
Fuel revenue.....	244	897	1,056
Gas storage revenue.....	47	174	119
Other operating revenue.....	49	178	260
	<b>1,987</b>	<b>7,298</b>	<b>8,992</b>
<b>Cost of sales</b>			
Operating expenses.....	(912)	(3,349)	(3,993)
Impairment losses.....	(546)	(2,004)	—
Depreciation, depletion and amortisation.....	(548)	(2,014)	(1,854)
	<b>(2,006)</b>	<b>(7,367)</b>	<b>(5,847)</b>
<b>GROSS (LOSS)/PROFIT</b> .....	<b>(19)</b>	<b>(69)</b>	<b>3,145</b>
General and administrative expenses.....	(84)	(307)	(283)
Finance costs.....	(509)	(1,868)	(2,024)
Gain in fair value of derivatives and financial instruments.....	13	48	16
Net foreign exchange gains/(losses).....	27	98	(15)
Share of results of associates and joint ventures.....	11	42	62
Gain on sale of land oil and gas assets.....	9	32	10
Interest income.....	7	25	42
Other gains.....	3	12	17
<b>(LOSS)/PROFIT BEFORE TAX</b> .....	<b>(542)</b>	<b>(1,987)</b>	<b>970</b>
Income tax credit/(expense).....	142	522	(305)
<b>(LOSS)/PROFIT FOR THE PERIOD</b> .....	<b>(400)</b>	<b>(1,465)</b>	<b>665</b>
Attributable to:			
Equity holders of the parent.....	(527)	(1,934)	214
Non-controlling interests.....	127	469	451
<b>(LOSS)/PROFIT FOR THE PERIOD</b> .....	<b>(400)</b>	<b>(1,465)</b>	<b>665</b>

The table below shows the Group's consolidated income statement data for the years ended 31 December 2019 and 2018.

	<i>Years ended 31 December</i>		
	<u>2019</u>	<u>2019</u>	<u>2018</u>
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>	
<b>Revenues</b>			
Revenue from oil and gas.....	1,504	5,522	5,555
Revenue from electricity and water.....	2,533	9,305	9,403
Fuel revenue.....	552	2,027	2,015
Gas storage revenue.....	74	273	147
Other operating revenue.....	126	461	620
	<b>4,789</b>	<b>17,588</b>	<b>17,740</b>
<b>Cost of sales</b>			
Operating expenses.....	(2,169)	(7,965)	(7,777)
Depreciation, depletion and amortisation.....	(1,040)	(3,819)	(3,716)
Dry hole expenses.....	(17)	(64)	(169)
	<b>(3,226)</b>	<b>(11,848)</b>	<b>(11,662)</b>
<b>GROSS PROFIT</b> .....	<b>1,563</b>	<b>5,740</b>	<b>6,078</b>
General and administrative expenses.....	(163)	(600)	(597)
Finance costs.....	(1,070)	(3,929)	(4,237)
(Loss)/gain in fair value of derivatives and financial instruments.....	(24)	(89)	59
Net foreign exchange gains/(losses).....	16	60	(98)
Share of results of associates and joint ventures.....	29	108	286
Gain on sale of land oil and gas assets.....	11	39	73
Finance income.....	21	76	76
<b>PROFIT BEFORE TAX</b> .....	<b>383</b>	<b>1,405</b>	<b>1,640</b>
Income tax expense.....	(55)	(201)	(288)
<b>PROFIT FOR THE YEAR</b> .....	<b>328</b>	<b>1,204</b>	<b>1,352</b>
Attributable to:			
Equity holders of the parent.....	64	234	398
Non-controlling interests.....	264	970	954
<b>PROFIT FOR THE YEAR</b> .....	<b>328</b>	<b>1,204</b>	<b>1,352</b>

### Consolidated Statement of Other Comprehensive Income Data

The table below shows the Group's unaudited interim consolidated statement of comprehensive income data for the six-month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>		
	<u>2020</u>	<u>2020</u>	<u>2019</u>
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>	
<b>(LOSS)/PROFIT FOR THE PERIOD</b> .....	<b>(400)</b>	<b>(1,465)</b>	<b>665</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:</i>			
Loss in fair values of derivative instruments in cash flow hedges, net.....	(267)	(983)	(569)
Exchange differences arising on translation of overseas operations.....	3	11	201
<b>NET OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b> .....	<b>(264)</b>	<b>(972)</b>	<b>(368)</b>

	<i>Six months ended 30 June</i>		
	<u>2020</u>	<u>2020</u>	<u>2019</u>
	<i>Unaudited</i>	<i>Audited</i>	
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>	
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b> .....	<b>(664)</b>	<b>(2,437)</b>	<b>297</b>
Attributable to:			
Equity holders of the parent .....	(672)	(2,469)	96
Non-controlling interests.....	8	32	201
	<b>(664)</b>	<b>(2,437)</b>	<b>297</b>

The table below shows the Group's consolidated statement of comprehensive income data for the years ended 31 December 2019 and 2018.

	<i>Years ended 31 December</i>		
	<u>2019</u>	<u>2019</u>	<u>2018</u>
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>	
<b>PROFIT FOR THE YEAR</b> .....	<b>328</b>	<b>1,204</b>	<b>1,352</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
<i>Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:</i>			
(Loss)/gain in fair values of derivative instruments in cash flow hedges - net .....	(140)	(514)	827
Exchange differences arising on translation of overseas operations .....	(25)	(92)	181
	<b>(165)</b>	<b>(606)</b>	<b>1,008</b>
<i>Other comprehensive loss not to be reclassified to income statement in subsequent periods:</i>			
Remeasurement loss on defined benefit plans.....	(3)	(10)	—
	<b>(3)</b>	<b>(10)</b>	<b>—</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b> .....	<b>(168)</b>	<b>(616)</b>	<b>1,008</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> .....	<b>160</b>	<b>588</b>	<b>2,360</b>
Attributable to:			
Equity holders of the parent .....	(41)	(149)	1,047
Non-controlling interests.....	201	737	1,313
	<b>160</b>	<b>588</b>	<b>2,360</b>

### Consolidated Statement of Financial Position Data

The table below shows the Group's consolidated statement of financial position data as at 30 June 2020 and as at 31 December 2019 and 2018. Information as at 30 June 2020 is unaudited.

	<i>As at 30 June 2020</i>	<i>At 31 December</i>		
		<u>2019</u>	<u>2018</u>	
		<i>Audited</i>		
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>		
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment.....	17,925	65,831	68,710	69,456
Operating financial assets.....	2,266	8,321	7,944	7,999
Intangible assets .....	404	1,482	1,797	2,207
Investment in associates and joint ventures.....	403	1,479	1,503	1,422
Advances and loans to associated.....	190	698	698	698

	<i>As at 30 June 2020</i>		<i>At 31 December</i>	
			<i>2019</i>	<i>2018</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>
	<i>(U.S.\$ million)</i>		<i>(AED million)</i>	
Deferred tax assets .....	1,656	6,082	5,491	5,516
Other assets .....	55	203	304	400
	<b>22,899</b>	<b>84,096</b>	<b>86,447</b>	<b>87,698</b>
<b>Current assets</b>				
Inventories.....	777	2,852	2,844	2,872
Operating financial assets.....	314	1,154	1,038	1,150
Accounts receivable and prepayments .....	1,137	4,174	4,277	4,160
Cash and cash equivalents.....	1,264	4,642	2,953	3,457
	<b>3,492</b>	<b>12,822</b>	<b>11,112</b>	<b>11,639</b>
<b>TOTAL ASSETS</b> .....	<b>26,391</b>	<b>96,918</b>	<b>97,559</b>	<b>99,337</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Issued capital .....	1,652	6,066	6,066	6,066
Contributed capital .....	7	25	25	25
Other reserves.....	814	2,991	2,991	3,781
Accumulated losses .....	(972)	(3,571)	(1,637)	(2,651)
Foreign currency translation reserve .....	(498)	(1,828)	(1,839)	(1,747)
Cumulative changes in fair value of derivatives in cash flow hedges .....	(538)	(1,976)	(1,430)	(1,149)
	<b>465</b>	<b>1,707</b>	<b>4,176</b>	<b>4,325</b>
Non-controlling interests.....	1,560	5,729	6,116	6,046
Loans from non-controlling interest shareholders in subsidiaries.....	28	102	136	188
	<b>1,588</b>	<b>5,831</b>	<b>6,252</b>	<b>6,234</b>
<b>TOTAL EQUITY</b> .....	<b>2,053</b>	<b>7,538</b>	<b>10,428</b>	<b>10,559</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings.....	15,847	58,199	59,483	59,943
Islamic loans.....	223	820	928	1,112
Deferred tax liabilities .....	261	959	953	937
Asset retirement obligations .....	3,933	14,444	14,904	13,638
Advances and loans from related parties.....	69	253	256	261
Other liabilities.....	995	3,655	2,607	2,037
	<b>21,328</b>	<b>78,330</b>	<b>79,131</b>	<b>77,928</b>
<b>Current liabilities</b>				
Accounts payable, accruals and other liabilities .....	1,289	4,729	4,905	5,486
Interest bearing loans and borrowings.....	1,630	5,988	2,734	5,013
Islamic loans.....	46	168	192	203
Amounts due to related parties .....	26	95	95	83
Bank overdrafts .....	19	70	74	65
	<b>3,010</b>	<b>11,050</b>	<b>8,000</b>	<b>10,850</b>
<b>TOTAL LIABILITIES</b> .....	<b>24,338</b>	<b>89,380</b>	<b>87,131</b>	<b>88,778</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>26,391</b>	<b>96,918</b>	<b>97,559</b>	<b>99,337</b>

### Cash Flow Statement Data

The table below summarises the Group's consolidated unaudited interim statement of cash flow data for the six-month periods ended 30 June 2020 and 2019.

<i>Six months ended 30 June</i>		
<i>2020</i>	<i>2020</i>	<i>2019</i>

	<u>Unaudited</u>	<u>Unaudited</u>	
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>	
Net cash generated from operating activities .....	914	3,358	3,852
Net cash used in investing activities.....	(376)	(1,381)	(814)
Net cash used in financing activities .....	(71)	(259)	(4,068)
Cash and cash equivalents at 1 January.....	784	2,879	3,392
Cash and cash equivalents at 30 June.....	1,245	4,572	2,575

The table below summarises the Group's consolidated statement of cash flow data for the years ended 31 December 2019 and 2018.

	<u>Years ended 31 December</u>		
	<u>2019</u>	<u>2019</u>	<u>2018</u>
	<i>(U.S.\$ million)</i>	<i>(AED million)</i>	
Net cash generated from operating activities .....	2,286	8,397	8,556
Net cash used in investing activities.....	(435)	(1,599)	(1,449)
Net cash used in financing activities .....	(1,976)	(7,257)	(8,124)
Cash and cash equivalents at 1 January.....	924	3,392	4,207
Cash and cash equivalents at 31 December.....	784	2,879	3,392

### Adjusted EBITDA and Certain Ratios

The table below shows the Group's Adjusted EBITDA and a reconciliation of (loss)/profit for the period to Adjusted EBITDA for each of the six month periods ended 30 June 2020 and 2019.

	<u>Six months ended 30 June</u>	
	<u>Unaudited</u>	
	<u>2020</u>	<u>2019</u>
	<i>(AED million)</i>	
<b>(Loss)/profit for the period .....</b>	<b>(1,465)</b>	<b>665</b>
Income tax (credit)/expense.....	(522)	305
Other gains .....	(12)	(17)
Net foreign exchange (gains)/losses .....	(98)	15
Gain in fair value of derivatives and fair value hedges .....	(48)	(16)
Finance costs .....	1,868	2,024
Gain on sale of land and oil and gas assets.....	(32)	(10)
Impairment losses.....	2,004	—
Depreciation, depletion and amortisation .....	2,014	1,854
<b>Adjusted EBITDA .....</b>	<b>3,684</b>	<b>4,778</b>

The table below shows the Group's Adjusted EBITDA and a reconciliation of profit for the year to Adjusted EBITDA for the years ended 31 December 2019 and 2018.

	<u>Years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
	<i>(AED million)</i>	
<b>Profit for the year .....</b>	<b>1,204</b>	<b>1,352</b>
Income tax expense .....	201	288
Other gains and interest income .....	(76)	(76)
Net foreign exchange (gains)/losses.....	(60)	98
Loss/(gain) in fair value of derivatives and fair value hedges.....	89	(59)
Finance costs .....	3,929	4,237
Gain on sale of land and oil and gas assets.....	(39)	(73)

Dry hole expenses .....	64	169
Depreciation, depletion and amortisation.....	3,819	3,716
Adjusted EBITDA .....	<u>9,131</u>	<u>9,652</u>

Adjusted EBITDA is a non-IFRS financial measure that is used by management as an additional measure of performance. Adjusted EBITDA is not defined by IFRS or recognised within IFRS as a measure of performance and should therefore not be considered as an alternative to other IFRS measures. For the periods under review, the Group defines Adjusted EBITDA as loss or profit for the period/year before finance costs, income tax (credit)/expense, depreciation, depletion and amortisation, other gains and interest income, net foreign exchange (gains)/losses, loss/(gain) in fair value of derivatives and fair value hedges, dry hole expenses, gain on sale of land and oil and gas assets and impairment losses. For further discussion of non-IFRS measures, see “*Presentation of Financial and Other Information — Presentation of Financial Information — Non-IFRS Financial Measures*”.

The table below shows certain ratios for the Group as at the dates and for the periods stated. Each of these ratios is a non-IFRS measure and an APM.

	<i>As at/six months ended 30 June<sup>(1)</sup></i>		<i>As at/year ended 31 December</i>	
	<i>Unaudited</i>		<i>Audited</i>	
	<i>2020</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>
Gross margin <sup>(2)</sup> (%) .....	-0.9	35.0	32.6	34.3
Return on equity <sup>(3)</sup> (%) .....	-226.6	9.7	5.6	9.2
Net debt/total capital <sup>(4)</sup> (%) .....	86	84	84	84
Adjusted EBITDA/net interest <sup>(5)</sup> (x) .....	1.9	2.3	2.3	2.2
Net debt/ Adjusted EBITDA (x) .....	8.2	6.5	6.6	6.5

Notes:

- (1) Profit and Adjusted EBITDA are calculated for the twelve months ended 30 June.
- (2) Calculated as gross profit (loss) divided by total revenue.
- (3) Calculated as loss or profit attributable to equity holders of the parent (annualized if profit is not for the full 12 months) divided by closing equity attributable to equity holders of the parent.
- (4) Net debt is calculated as total debt (current debt and non-current debt) less cash and cash equivalents. Total capital is calculated as net debt plus total equity less cumulative changes in fair value of derivatives in cash flow hedges.
- (5) Net interest comprises finance costs less interest income.

## SELECTED FINANCIAL INFORMATION FROM THE AL MAQAM FINANCIAL INFORMATION

The Al Maqam Financial Information is included in this Prospectus. The selected financial information derived from the Al Maqam Financial Information and set forth below should be read in conjunction with “*Presentation of Financial and Other Information*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Al Maqam Financial Information – Six Months Ended 30 June 2020 and 30 June 2019 Compared*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Al Maqam Financial Information – Years Ended 31 December 2020 and 2019 Compared*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Al Maqam Financial Information – Cash Flow Data*”, and the Al Maqam Financial Information.

### Combined Consolidated Income Statement Data

The table below shows the unaudited interim combined consolidated income statement data for Al Maqam and the Perimeter Assets for the six-month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>Unaudited</i>	
	<i>(AED million)</i>	
<b>Revenues</b>		
Revenue from generation of power and water.....	650	591
Revenue from transmission of power and water .....	515	869
Revenue from distribution and supply of power and water.....	11,577	10,998
	<b>12,742</b>	<b>12,458</b>
<b>Cost of sales</b>		
Operating expenses .....	(7,534)	(7,264)
Depreciation and amortisation.....	(1,920)	(1,833)
<b>GROSS PROFIT</b> .....	<b>3,288</b>	<b>3,361</b>
General and administrative expenses .....	(562)	(676)
Finance costs .....	(226)	(233)
Provision for slow moving and obsolete inventories.....	(27)	(15)
(Reversal)/provision of credit losses .....	(126)	21
Fair value gain on financial assets at fair value through profit or loss .....	448	—
Other income .....	145	64
<b>PROFIT FOR THE PERIOD</b> .....	<b>2,940</b>	<b>2,522</b>
Attributable to:		
Equity holders of the parent .....	2,904	2,510
Non-controlling interests.....	36	12
<b>PROFIT FOR THE YEAR</b> .....	<b>2,940</b>	<b>2,522</b>

The table below shows the combined consolidated income statement data for Al Maqam and the Perimeter Assets for the years ended 31 December 2019 and 2018.

	<i>Years ended 31 December</i>	
	<u>2019</u>	<u>2018</u>
	<i>(AED million)</i>	
<b>Revenues</b>		
Revenue from generation of power and water.....	1,285	1,055
Revenue from transmission of power and water .....	1,150	1,046
Revenue from distribution and supply of power and water.....	23,997	22,921
	<b>26,432</b>	<b>25,022</b>
<b>Cost of sales</b>		
Operating expenses .....	(15,617)	(15,482)
Depreciation and amortisation.....	(3,725)	(3,497)
	<b>(19,342)</b>	<b>(18,979)</b>
<b>GROSS PROFIT</b> .....	<b>7,090</b>	<b>6,043</b>
General and administrative expenses .....	(1,497)	(1,117)
Finance costs .....	(449)	(398)
Provision for slow moving and obsolete inventories.....	(18)	(36)
Management fees.....	—	54
(Charge)/reversal of credit losses .....	(3)	48
Other income .....	235	195
<b>PROFIT FOR THE YEAR</b> .....	<b>5,358</b>	<b>4,789</b>
Attributable to:		
Equity holders of the parent .....	5,266	4,756
Non-controlling interests.....	92	33
<b>PROFIT FOR THE YEAR</b> .....	<b>5,358</b>	<b>4,789</b>

#### Combined Consolidated Statement of Other Comprehensive Income Data

The table below shows the unaudited interim combined consolidated statement of comprehensive income data for Al Maqam and the Perimeter Assets for the six-month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<u>2020</u>	<u>2019</u>
	<i>Unaudited</i>	
	<i>(AED million)</i>	
<b>PROFIT FOR THE PERIOD</b> .....	<b>2,940</b>	<b>2,522</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Other comprehensive loss to be reclassified to income statement in subsequent periods:</i>		
Changes in fair values of derivative instruments in cash flow hedges, net ....	(1,070)	(337)
<b>NET OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b> .....	<b>(1,070)</b>	<b>(337)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> .....	<b>1,870</b>	<b>2,185</b>
Attributable to:		
Equity holders of the parent .....	2,262	2,307
Non-controlling interests.....	(392)	(122)
	<b>1,870</b>	<b>2,185</b>



The table below shows the combined consolidated statement of comprehensive income data for Al Maqam and the Perimeter Assets for the years ended 31 December 2019 and 2018.

	<i>Years ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
	<i>(AED million)</i>	
<b>PROFIT FOR THE YEAR</b> .....	<b>5,358</b>	<b>4,789</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
<i>Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:</i>		
Changes in fair values of derivative instruments in cash flow hedges - net .....	(759)	249
Gain on cash flow hedging instruments reclassified to profit or loss .....	63	77
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> .....	<b>4,662</b>	<b>5,115</b>
Attributable to:		
Equity holders of the parent .....	4,848	4,952
Non-controlling interests .....	(186)	163
	<b>4,662</b>	<b>5,115</b>

### Combined Consolidated Statement of Financial Position Data

The table below shows the combined consolidated statement of financial position data for Al Maqam and the Perimeter Assets as at 30 June 2020 and as at 31 December 2019 and 2018.

	<i>As at 30</i>	<i>At 31 December</i>	
	<i>June 2020</i>	<i>2019</i>	<i>2018</i>
	<i>Unaudited</i>	<i>Audited</i>	
		<i>(AED million)</i>	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment.....	88,652	89,236	88,353
Intangible assets .....	0	0	0
Financial assets at fair value through profit or loss .....	784	—	—
Amounts due from related parties .....	223	28	28
Advance and loans to an associate and joint venture .....	203	205	211
Investment in associates and joint ventures.....	0	0	0
Derivatives in effective hedges .....	—	—	24
	<b>89,682</b>	<b>89,469</b>	<b>88,616</b>
<b>Current assets</b>			
Inventories.....	1,039	1,069	1,126
Amounts due from related parties .....	2,333	7,638	19,155
Derivatives in effective hedges .....	—	—	48
Advance and loans to an associate and joint ventures.....	5	7	7
Accounts receivable and prepayments .....	5,839	4,351	4,199
Cash and short-term deposits .....	3,117	2,192	517
	<b>12,333</b>	<b>15,257</b>	<b>25,052</b>
Assets classified as held for sale .....	—	55	55
<b>TOTAL ASSETS</b> .....	<b>102,195</b>	<b>104,781</b>	<b>113,723</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital .....	3	13,178	13,178
Proposed increase in share capital.....	—	3,087	3,087
Statutory reserve.....	33	5,511	5,393
Legal reserve .....	33	5,511	5,393
Retained earnings .....	8,388	5,485	4,707
Proposed dividend .....	—	4,252	4,601
Government of Abu Dhabi .....	(23)	(23)	(23)

	<i>As at 30</i>	<i>At 31 December</i>	
	<i>June 2020</i>	<i>2019</i>	<i>2018</i>
	<i>Unaudited</i>	<i>Audited</i>	
		<i>(AED million)</i>	
Cumulative changes in fair value of derivatives in cash flow hedges.....	(1,422)	(780)	(362)
Interest free loans from shareholders .....	67,039	32,474	32,632
	<b>74,051</b>	<b>68,695</b>	<b>68,606</b>
Non-controlling interests.....	(136)	273	323
Loans from non-controlling interest shareholders in subsidiaries	209	214	68
	<b>73</b>	<b>487</b>	<b>391</b>
<b>TOTAL EQUITY</b> .....	<b>74,124</b>	<b>69,182</b>	<b>68,997</b>
<b>Non-current liabilities</b>			
Employees' end of service benefits.....	387	382	383
Deferred income - grant .....	1,368	818	884
Deferred income – connection fees .....	7	7	7
Interest bearing loans and borrowings.....	9,078	9,254	9,411
Asset retirement obligations.....	89	87	82
Lease liabilities.....	70	45	—
Accounts payable, accruals and other liabilities.....	104	263	314
Derivative financial instruments.....	1,849	1,192	616
	<b>12,952</b>	<b>12,048</b>	<b>11,697</b>
<b>Current liabilities</b>			
Accounts payable, accruals and other liabilities.....	11,706	11,415	9,343
Deferred income – grant.....	72	72	72
Interest bearing loans and borrowings.....	391	375	652
Amounts due to related parties .....	2,378	11,529	22,901
Lease liabilities.....	50	52	—
Derivative financial instruments.....	521	108	61
	<b>15,119</b>	<b>23,551</b>	<b>33,029</b>
<b>TOTAL LIABILITIES</b> .....	<b>28,071</b>	<b>35,599</b>	<b>44,726</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>102,195</b>	<b>104,781</b>	<b>113,723</b>

### Combined Cash Flow Statement Data

The table below summarises the combined consolidated unaudited interim statement of cash flow data for Al Maqam and the Perimeter Assets for the six-month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>Unaudited</i>	
	<i>(AED million)</i>	
Net cash generated from operating activities .....	2,610	3,177
Net cash used in investing activities.....	(1,265)	(1,844)
Net cash used in financing activities .....	(419)	(144)
Cash and cash equivalents at 1 January.....	2,192	517
Cash and cash equivalents at 30 June.....	3,117	1,706

The table below summarises the combined consolidated statement of cash flow data for Al Maqam and the Perimeter Assets for the years ended 31 December 2019 and 2018.

	<i>Years ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
	<i>(AED million)</i>	
Net cash generated from operating activities .....	5,318	4,894
Net cash used in investing activities.....	(2,870)	(6,259)
Net cash (used in)/from financing activities.....	(774)	1,302
Cash and cash equivalents at 1 January.....	517	579
Cash and cash equivalents at 31 December.....	2,192	517

## **UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*Prospective investors should read this unaudited pro forma financial information in conjunction with accompanying explanatory notes, the 2020 Financial Statements, the TAQA Historical Interim Financial Statements and the Al Maqam Interim Financial Statements, all either included or incorporated by reference in this Prospectus.*

**ABU DHABI NATIONAL ENERGY  
COMPANY PJSC (“TAQA”)**

**Unaudited pro forma financial information  
prepared in respect of  
acquisition of businesses**

**ABU DHABI NATIONAL ENERGY COMPANY PJSC (“TAQA”)  
Unaudited pro forma financial information**

	<b>Pages</b>
<b>Independent practitioner’s assurance report on the compilation of unaudited pro forma financial information</b>	<b>1 – 3</b>
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## **INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS ABU DHABI NATIONAL ENERGY COMPANY PJSC ("TAQA")**

### **Report on the Compilation of Unaudited Pro Forma Financial Information**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Abu Dhabi National Energy Company PJSC ("TAQA") prepared by the Board of Directors (the "Directors") of TAQA. The unaudited pro forma financial information consists of the unaudited pro forma statement of profit or loss for the year ended 31 December 2020 and related Notes 1 to 6 to the unaudited pro forma financial information. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Notes 1 to 4 (the "Applicable Criteria").

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the transaction described in Notes 3 to 4 (the "Transaction") on the statement of profit or loss of TAQA, as if the Transaction had taken place at 1 January 2020. As part of this process, information about TAQA has been extracted by the Directors from the audited consolidated financial statements of TAQA for the year ended 31 December 2020 on which an audit report has been published as described in Note 1.

### ***Directors' responsibility for the Pro Forma Financial Information***

The Directors are responsible for compiling the unaudited pro forma financial information on the basis of the Applicable Criteria.

### ***Our Independence and Quality Control***

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



**INDEPENDENT PRACTITIONER’S ASSURANCE REPORT ON THE COMPILATION  
OF UNAUDITED PRO FORMA FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS  
ABU DHABI NATIONAL ENERGY COMPANY PJSC (“TAQA”) (continued)**

*Independent practitioner’s responsibilities*

Our responsibility is to express an opinion about whether the unaudited pro forma financial information has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the independent practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the unaudited pro forma financial information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information is solely to illustrate the impact of the Transaction on unadjusted financial information of TAQA as if the Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the Transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the independent practitioner’s judgement, having regard to the independent practitioner’s understanding of the nature of TAQA, the Transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.





**INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON THE COMPILATION  
OF UNAUDITED PRO FORMA FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS  
ABU DHABI NATIONAL ENERGY COMPANY PJSC ("TAQA") (continued)**

*Opinion*

In our opinion, the unaudited pro forma financial information has been compiled, in all material respects, on the basis of the Applicable Criteria, and such basis is consistent with the accounting policies of TAQA as described in the notes to the financial statements of TAQA for the period ended 31 December 2020.

*Declaration*

For the purposes of Prospectus Regulation Rule 5.3.5R(2)(f) we are responsible for this report as part of the Base Prospectus and declare that to the best of our knowledge, the information contained in this report is, in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the Base Prospectus in compliance with Annex 7 item 1.2 of the Prospectus Delegated Regulation.

Deloitte & Touche (M.E.)

A handwritten signature in blue ink that reads "Deloitte &amp; Touche".

18 April 2021  
Abu Dhabi  
United Arab Emirates

**Unaudited Pro Forma Financial Information**

On 29 April 2020, the shareholders of Abu Dhabi Power Corporation (“AD Power”) and Abu Dhabi National Energy Company PJSC (“TAQA”) approved a proposed “Transaction” in accordance with the terms of the share purchase agreement entered into between TAQA and AD Power, whereby AD Power contributed the majority of its power and water generation, transmission and distribution assets (“Perimeter Assets”) to TAQA. This was effected through a newly established limited liability company, Al Maqam Energy Holding LLC (“Al Maqam”) wholly owned by AD Power. TAQA acquired AD Power’s energy and water generation, transmission and distribution assets in exchange for the issuance of a convertible instrument (the “Convertible Instrument”) from TAQA to AD Power and termination of an existing framework agreement between AD Power and TAQA in relation to the plots of land intended to be used for certain future Independent Water and Power Producers (“IWPPs”) in Abu Dhabi (the “Framework Agreement”). At Transaction closing, the Convertible Instrument was converted into 106,367,950,000 new shares and as a result, AD Power now owns 98.60% of TAQA’s share capital. TAQA now owns all of Abu Dhabi’s power and water transmission and distribution companies in addition to its existing international assets in Canada, Ghana, India, Iraq, Morocco, the Netherlands, Oman, Saudi Arabia, the UK and the US. Under the acquisition method, the acquired assets/liabilities are remeasured to Fair Value (FV), which is the price at which a market participant would be expected to pay for the asset as of the date of the transaction (i.e., 1 July 2020). The Transaction is accounted for as a business combination involving entities under common control, since the ultimate controlling party of the combining entities before and after the Transaction is the same, being AD Power. In the Transaction, Abu Dhabi Transmission & Despatch Company PJSC (“TransCo”), the largest component entity of the Perimeter Assets contributed to TAQA, was determined to be the accounting acquirer given its relative size and TAQA was determined to be the legal acquirer, resulting in a reverse acquisition for accounting purposes. As a result, TAQA’s financial statements as of and for the year ended 31 December 2020 (the “Group 2020 Financial Statements”) are a continuation of the audited financial statements for TransCo, and not of TAQA, and only include the results of operations of the other combining legal entities from 1 July 2020.

The (“Unaudited Pro Forma Financial Information”) illustrates the effects on the financial performance whereby contributed the majority of its power and water generation, transmission and distribution assets (“Acquired assets”) to (“TAQA”).

The unaudited Pro Forma consolidated statement of profit or loss for the year ended 31 December 2020 (the “Unaudited Pro Forma Financial Information”) has been prepared for illustrative purposes only and presents the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2020, giving effect to the Transaction as if it had taken place on 1 January 2020. A pro forma balance sheet is not presented, as the Transaction had already been reflected in the Group 2020 Financial Statements.

The purpose of the Unaudited Pro Forma Financial Information is to show the material effects that the transaction would have had on the historical consolidated statement of profit or loss as if the Group had already existed in the structure created by the Transaction at 1 July 2020. It is not representative of the financial situation and performance that could have been observed if the indicated business combination had been undertaken at an earlier date.

The unaudited Pro Forma Financial Information has been prepared based on (i) the Group 2020 Financial Statements, (ii) TAQA’s predecessor unaudited condensed consolidated interim financial statements as at and for the six months ended 30 June 2020 (the “TAQA Predecessor Interim Financial Statements”), and (iii) the unaudited combined condensed interim financial statements of Al Maqam and the Perimeter Assets, which includes the accounting acquirer TransCo, as at and for the six months ended 30 June 2020 (the “Al Maqam Unaudited Interim Financial Statements”).

**Unaudited Pro Forma Financial Information (continued)**

The Group 2020 Financial Statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The TAQA Predecessor Interim Financial Statements were prepared in accordance with IAS 34 – *Interim Financial Statements*. The Al Maqam Unaudited Interim Financial Statements were prepared in accordance with IAS 34, except for the combination of entities, which is inconsistent with the accounting of the Transaction by the Group as a business combination using the purchase price allocation method in IFRS 3, Business Combinations.

The presentation of the Unaudited Pro Forma Financial Information of the Group is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the Unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent and may not give a true picture of the financial position and profit of the Group. In addition, the Unaudited Pro Forma Financial Information does not reflect forward-looking information and is not intended to present the expected future results of TAQA, given that it has been prepared solely for the purposes of illustrating the identifiable and objectively measurable effects of the Transaction, applied to historical financial information.

The Unaudited Pro Forma Financial Information has not been prepared in compliance with Article 11 of Regulation S-X of the United States’ Securities Exchange Commission (“SEC”). The Unaudited Pro Forma Financial Information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the Transaction. The Unaudited Pro Forma Financial Information gives no indication of the results and future financial situation of the Group.

The Unaudited Pro Forma Financial Information is presented in United Arab Emirates Dirham (“AED”), which is the presentation currency of the Group.

Unaudited pro forma statement of profit or loss for the year ended 31 December 2020

	Group 2020 Financial Statements <i>Audited</i> Year ended 31 December 2020 <i>(Note 1)</i> AED million	TAQA Predecessor Interim Financial Statements <i>Unaudited</i> Six-months ended 30 June 2020 <i>(Note 1)</i> AED million	Al Maqam Interim Financial Statements <i>Unaudited</i> Six-months ended 30 June 2020 <i>(Note 2)</i> AED million	Eliminations <i>(Note 3)</i> AED million	Pro forma adjustments <i>(Note 4)</i> AED million	Pro Forma Financial Information <i>Unaudited</i> Year ended 31 December 2020 AED million
<b>REVENUES</b>						
Revenue from generation of power and water <sup>1 and 5</sup>	6,381	5,344	650	(4)	(57)	12,314
Revenue from transmission and distribution of power and water <sup>2</sup>	15,380	-	12,092	(2,813)	-	24,659
Revenue from oil and gas <sup>3 and 5</sup>	2,224	1,954	-	-	-	4,178
	<b>23,985</b>	<b>7,298</b>	<b>12,742</b>	<b>(2,817)</b>	<b>(57)</b>	<b>41,151</b>
<b>COST OF SALES</b>						
Operating expenses	(12,666)	(3,349)	(7,534)	206	11	(23,332)
Depreciation, depletion and amortisation	(5,617)	(2,014)	(1,920)	921	(976)	(9,606)
Impairment losses	-	(2,004)	-	-	-	(2,004)
	<b>(18,283)</b>	<b>(7,367)</b>	<b>(9,454)</b>	<b>1,128</b>	<b>(966)</b>	<b>(34,942)</b>
<b>GROSS PROFIT/(LOSS)</b>	<b>5,702</b>	<b>(69)</b>	<b>3,288</b>	<b>(1,689)</b>	<b>(1,023)</b>	<b>6,209</b>
General and administrative expenses	(1,294)	(307)	(715)	396	-	(1,920)
Finance costs	(1,581)	(1,868)	(227)	-	405	(3,271)
Gain (loss) in fair values of derivatives and fair value hedges	-	48	-	2	-	50
Net foreign exchange gain	73	98	-	(9)	79	241
Share of results of associates and joint ventures	55	42	-	8	-	105
Fair value gain on financial assets at fair value through profit or loss	-	-	448	(448)	-	-
Bargain purchase gain	570	-	-	-	-	570
Other income <sup>4</sup>	234	69	145	(215)	-	231
	<b>3,759</b>	<b>(1,987)</b>	<b>2,940</b>	<b>(1,955)</b>	<b>(539)</b>	<b>2,215</b>
<b>PROFIT BEFORE TAX</b>	<b>3,759</b>	<b>(1,987)</b>	<b>2,940</b>	<b>(1,955)</b>	<b>(539)</b>	<b>2,215</b>
Income tax credit	258	522	-	-	17	797
<b>PROFIT FOR THE YEAR</b>	<b>4,017</b>	<b>(1,465)</b>	<b>2,940</b>	<b>(1,955)</b>	<b>(522)</b>	<b>3,012</b>
Attributable to:						
Equity holders of the parent	3,808	(1,934)	2,903	(1,897)	(89)	2,788
Non-controlling interests	209	469	37	(58)	(433)	224
	<b>4,017</b>	<b>(1,465)</b>	<b>2,940</b>	<b>(1,955)</b>	<b>(522)</b>	<b>3,012</b>

<sup>1</sup> Includes "Revenue from electricity and water" and "Fuel revenue" per the TAQA Predecessor Interim Financial Statements.

<sup>2</sup> Includes "Revenue from transmission of power and water" and "Revenue from distribution and supply of power and water" per the Al Maqam Interim Financial Statements.

<sup>3</sup> Includes "Revenue from oil and gas", "Gas storage revenue" and "Other operating revenue" per the TAQA Predecessor Interim Financial Statements.

<sup>4</sup> Includes "Other gains" and "Interest income" per the Group 2020 Financial Statements and TAQA Predecessor Interim Financial Statements.

<sup>5</sup> Includes reclassification of AED 54 million from "Revenue from oil and gas" as part of "Other operating revenue" per the TAQA Predecessor Interim Financial Statements to "Revenue from generation of power and water".

**Notes to the unaudited pro forma financial information****1 Financial information of Abu Dhabi National Energy Company PJSC (“TAQA”)**

Information about TAQA has been extracted from the following sources:

- For 31 December 2020, the amounts have been extracted from the Group 2020 Financial Statements, prepared in accordance with International Financial Reporting Standards (‘IFRSs’), which were approved by the TAQA Board of Directors on 14 February 2021 (“Group 2020 Financial Statements”); and
- For 30 June 2020, the amounts have been extracted from the TAQA Predecessor Interim Financial Statements for the 6-months period ended 30 June 2020, prepared in accordance with IAS 34, which were approved by the TAQA Board of Directors on 12 August 2020 (“TAQA Predecessor Interim Financial Statements”).

**2 Financial information of Al Maqam Energy Holding LLC**

Al Maqam Energy Holding LLC (“Al Maqam”) is a limited liability company registered and incorporated in the United Arab Emirates (“UAE”) on 23 March 2020. The principal activity of Al Maqam is to own and invest in companies engaged in power and water generation, transmission and distribution.

Al Maqam is a wholly owned subsidiary of Abu Dhabi National Energy Company PJSC (“TAQA”).

Al Maqam owns and controls the following entities:

- Abu Dhabi Distribution Company PJSC (“ADDC”);
- Al Ain Distribution Company PJSC (“AADC”);
- Abu Dhabi Transmission & Despatch Company PJSC (“TRANSCO”);
- Butinah Power Holding Company PJSC (“BPHC”);
- Al Mirfa Power Company PJSC (“AMPC”);
- Al Mirfa Power Holding Company PJSC (“MPHC”); and
- Sweihan Energy Holding Company PJSC (“SEHC”).

Al Maqam Energy Holding LLC’s financial information has been extracted from the Al Maqam Unaudited Interim Financial Statements for the six-month period ended 30 June 2020, prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting” except that the assets and liabilities acquired in the Transaction are recorded at their historical book value using predecessor accounting, which were approved by management of TAQA on [xx April 2021] (“Al Maqam Unaudited Interim Financial Statements”).

**Notes to the unaudited pro forma financial information (continued)****3 Eliminations**

In order to prepare the Unaudited Pro Forma Financial Information, a number of elimination adjustments have been required in order to ensure appropriate presentation. The following points detail the rationale behind the amounts included within the elimination column.

3.1. Reversal of the duplication of TransCo revenues, expenses and profits for the period from 1 January 2020 to 30 June 2020. These amounts are recognised in statement of profit or loss of the TAQA Predecessor Interim Financial Statements for the year ended 31 December 2020 and in the Al Maqam Unaudited Interim Financial Statements. The adjustment are summarised below:

3.2.

	<b>AED million</b>
Revenue from transmission and distribution of power and water	2,818
Operating expenses	(385)
Depreciation, depletion and amortisation	(914)
General and administrative expenses	(95)
Finance costs	(1)
Other income	87

3.3. This fair value gain on financial assets at fair value through profit or loss relates to investment in subsidiaries of TAQA where the result of these subsidiaries for the six months period ended 30 June 2020 were reflected in the TAQA Predecessor Interim Financial Statements. As Al Maqam held minority investments in these subsidiaries and accounted for those at fair value through profit and loss in its Al Maqam Unaudited Interim Financial Statements, we recorded an adjustment to eliminate these fair value gains for the purposes of the Pro Forma Financial Information.

3.4. Reclassification of the share of results of 10% non-controlling interests in subsidiaries mentioned in 3.2 above to profit for the year attributable to equity holders of the parent.

**4 Pro forma adjustments**

These adjustments represent (1) the increase in depreciation and amortisation of property, plant and equipment and intangible assets amounting to AED 976 million and (2) amortisation of fair value adjustments of bonds amounting to AED 405 million, both related to the purchase price allocation adjustments for the period from 1 January 2020 to 30 June 2020 assuming the Transaction had taken place as at 1 January 2020.

The purchase price allocation adjustments from date of acquisition (i.e., 1 July 2020) is already recorded in the Group 2020 Financial Statements and the same adjustments were used for the preparation of these proformas. The purchase price allocation was finalized by 31 December 2020 as disclosed in the Group 2020 Financial Statements.

**5 Limitations of the Unaudited Pro Forma Financial Information**

For the purposes to understand the information provided in the Unaudited Pro Forma Financial Information, the following should be taken into account:

- given that the Unaudited Pro Forma Financial Information present a hypothetical situation, had the Transaction actually been completed at 1 January 2020, the results would not necessarily have been identical to the Pro forma data presented above;

## ABU DHABI NATIONAL ENERGY COMPANY PJSC

### Notes to the unaudited pro forma financial information (continued)

#### 5 Limitations of the Unaudited Pro Forma Financial Information

For the purposes to understand the information provided in the Unaudited Pro Forma Financial Information, the following should be taken into account:

- given that the Unaudited Pro Forma Financial Information present a hypothetical situation, had the Transaction actually been completed at 1 January 2020, the results would not necessarily have been identical to the Pro forma data presented above;
- the Unaudited Pro Forma Financial Information has been prepared solely for the purposes of presenting the objectively measurable effects of the Transaction and, therefore, does not take account of the potential effects resulting from changes in management strategy and operational decisions resulting from execution of the Transaction; and
- the Unaudited Pro Forma Financial Information does not reflect forward-looking information and is not intended in any way to present the expected future financial position of the TAQA following the Transaction and, therefore, should not be used in this sense.

#### 6 Approval of the Unaudited Pro Forma Financial information

The Unaudited Pro Forma Financial Information was approved by Management and authorised for issue on 18 April 2021.



Chief Executive Officer and Managing Director



Chief Financial Officer

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

*The following discussion and analysis should be read in conjunction with the information set out in "Selected Financial and Other Information" and the 2020 Financial Statements, the TAQA Historical Financial Statements and the Al Maqam Financial Information, each of which are included or incorporated by reference in this Prospectus. Factors that could cause or contribute to differences in future results of operations include, without limitation, those discussed in the sections entitled "Cautionary Statement Regarding Forward-Looking Information", "Risk Factors" and "Description of the Group" elsewhere in this Prospectus.*

*See "Presentation of Financial and Other Information" for a discussion of certain factors that affect comparative financial data included in this section, including in particular those relating to the Transaction.*

This section contains the following discussions and analyses:

- a discussion of the principal factors that have affected the Group's results of operations and the results of operations of Al Maqam and the Perimeter Assets in some or all of the periods under review;
- a discussion and analysis of the results of operations and cash flows of the Group for 2020 compared to 2019 and the financial condition of the Group as at 31 December 2020 based on the 2020 Financial Statements. The 2020 Financial Statements comprise financial information relating to TAQA and its consolidated subsidiaries (including the Perimeter Assets acquired in the Transaction) for the period from 1 July 2020 to 31 December 2020 and financial information relating to TRANSCO only for the six months ended 30 June 2020 and for 2019. As a result, the discussion and analysis of the results of operations and cash flows of the Group for 2020 compared to 2019 is of limited relevance given the significant change in the composition of the Group following the Transaction;
- a discussion and analysis of the results of operations and cash flows of TAQA for the six months ended 30 June 2020 compared to the six months ended 30 June 2019 and for 2019 compared to 2018 derived from the TAQA Historical Financial Statements. The TAQA Historical Financial Statements comprise financial information relating to TAQA and its consolidated subsidiaries for all the periods to which TAQA Historical Financial Statements relate. Reflecting the periods to which the TAQA Historical Financial Statements relate, no financial information relating to the Perimeter Assets is included in the TAQA Historical Financial Statements; and
- a discussion and analysis of the results of operations and cash flows of the Perimeter Assets for the six months ended 30 June 2020 compared to the six months ended 30 June 2019 and for 2019 compared to 2018 derived from the Al Maqam Financial Information. The Al Maqam Financial Information comprises financial information relating to Al Maqam and the Perimeter Assets only for all the periods to which the Al Maqam Financial Information relate.

The Group's future results could differ materially from those presented below, given that:

- the 2020 Financial Statements reflect the results of operations of TRANSCO for the period from 1 January 2020 to 30 June 2020 and the results of operations of the Group from 1 July 2020 to 31 December 2020;



- the TAQA Historical Financial Statements reflect the results of operations of TAQA and its then subsidiaries (which did not include any of the Perimeter Assets) for the six months ended 30 June 2020 and for 2019 and 2018; and
- the Al Maqam Financial Information reflects the combined results of operations of Al Maqam and the Perimeter Assets for the six months ended 30 June 2020 and for 2019 and 2018.

In addition, unaudited pro forma financial information for 2020 based on the assumption that the Transaction took place on 1 January 2020 is set out under “Unaudited Pro Forma Financial Information”.

References to Group when used in relation to the 2020 Financial Statements are:

- for the period after 30 June 2020, references to TAQA and its consolidated subsidiaries including all the subsidiaries acquired in the Transaction; and
- for the period from 1 January 2019 up to 30 June 2020, references to TRANSCO.

## OVERVIEW

The Group’s operating business since 1 July 2020 comprises three businesses: generation of power and water, transmission and distribution of power and water, and oil and gas.

The Group’s generation business includes the ownership and operation of power generation facilities in the Middle East, Africa, India and North America, and water desalination facilities in the UAE. The results of operations of the generation business are reflected in the 2020 Financial Statements for the six months from 1 July 2020 to 31 December 2020 only. The results of operations of the majority of the generation business are also reflected in the TAQA Historical Financial Statements and the results of operations of a small proportion of the generation business are reflected in the Al Maqam Financial Information, reflecting the fact that the Perimeter Assets included some generation facilities not owned by TAQA.

The Group’s transmission and distribution business comprises the ownership and operation of (i) electricity and water transmission networks that transmit electricity and water from independent power and water producers in the UAE to distribution companies in Abu Dhabi and to SEWA and FEWA, which serve Sharjah and the Northern emirates in the UAE, respectively, and (ii) the distribution networks that distribute power and water to end users throughout Abu Dhabi. The results of operations of the transmission business are reflected in the 2020 Financial Statements for all periods. The results of operations of the distribution business are reflected in the 2020 Financial Statements for the six months from 1 July 2020 to 31 December 2020 only. The results of operations of the transmission and distribution businesses are also reflected in the Al Maqam Financial Information, reflecting the fact that the Perimeter Assets included both TRANSCO and the two DisCos.

The Group’s oil and gas business includes upstream exploration and production and midstream processing, transmission and storage assets in Canada, Europe and the Kurdistan Region of Iraq. The results of operations of the oil and gas business are reflected in the 2020 Financial Statements for the six months from 1 July 2020 to 31 December 2020 only. The results of operations of the oil and gas business are also reflected in the TAQA Historical Financial Statements but are not reflected in the Al Maqam Financial Information.

The Group’s generation business generates long-term contracted revenue through offtake contracts, typically entered into with government entities in the countries in which it operates. The transmission and distribution business principally generates regulated income from the transmission of electricity and water both on behalf of the DisCos and to SEWA and FEWA and the distribution of

electricity and water by the DisCos to consumers in Abu Dhabi, with the revenue generated from the transmission of electricity and water on behalf of the DisCos being eliminated on consolidation. The oil and gas business' revenue is significantly more volatile and driven by commodity price fluctuations which have been significant in the periods under review.

## **PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS**

The following is a discussion of the principal factors that affected the Group's results of operations and the results of operations of the Perimeter Assets for the periods under review.

### **The Manner in which the Transaction has been Accounted for**

The Transaction has been accounted for as a reverse acquisition using IFRS 3 acquisition accounting.

IFRS 3 requires one of the combining entities is to be identified as the accounting acquirer and the accounting acquirer need not be the same as the legal acquirer. In the Transaction, TRANSCO was determined to be the accounting acquirer and TAQA was determined to be the legal acquirer, resulting in a reverse acquisition for accounting purposes.

In accordance with the principles of reverse acquisition, the information presented in the 2020 Financial Statements (both in the comparative period (2019) and the six-month period prior to the Transaction (1 January 2020 to 30 June 2020)) were those of the accounting acquirer, TRANSCO, and not TAQA, the legal acquirer.

Reflecting this accounting treatment, the key change affecting the Group's results of operations in the 2020 Financial Statements has been the consolidation, from 1 July 2020, of the results of operations of both Al Maqam and the Perimeter Assets and TAQA. This significantly increased the Group's revenue and costs, principally through the inclusion from 1 July 2020 of revenue and associated costs from:

- the generation of power and water (which was contributed by both the generation assets included within Perimeter Assets and TAQA);
- oil and gas (which was contributed by TAQA); and
- from the supply and distribution of power and water (which was contributed by the DisCos included within the Perimeter Assets).

### **Impairment of plant, property and equipment**

The Group's impairment testing for property, plant and equipment (**PP&E**) is most sensitive to certain key assumptions, namely: reserve and resource volumes, cash flows relating to gas storage, future cash flows beyond the term of the current PWPAs or PPAs, inflation rates, discount rates, foreign exchange rates and commodity prices used in the cash flow models. For further information, see Note 7 to the TAQA Historical Interim Financial Statements.

During 2018 and 2019, no impairment losses or reversals were recognised on PP&E at the Group level. During the six-month period ended 30 June 2020, the Group recorded a pre-tax impairment loss of AED 2,004 million on PP&E at the Group level due to the decline in oil and gas prices experienced in early 2020. See also "*Risk Factors — Factors that may Affect Taqa's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relation to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Businesses — Sustained low oil and gas price environments have, in the past, and could, in the future, contribute to volatility in the Group's*

*revenue, operating income and cash flow and have, in the past, and may, in the future, lead to a reduction in the carrying value of the Group's assets, its planned level of spending for exploration and development and the level of its oil and gas reserves".*

These impairment charges impacted the Unaudited Interim TAQA Historical Financial Statements.

## **Factors Affecting the Group's Revenue**

### ***Power and water sales revenue***

Power and water sales revenue is included in the 2020 Financial Statements (in respect of 12 generation subsidiaries for the period from 1 July 2020 to 31 December 2020 only), the TAQA Historical Financial Statements (in respect of eight generation subsidiaries only) and in the Al Maqam Financial Information (in respect of four generation subsidiaries only). On a pro forma basis, revenue from the generation of power and water accounted for 29.9 per cent. of the Group's total revenue in 2020.

Each of Group's 13 UAE generation subsidiaries (eight, prior to 30 June 2020) has entered into a PWPA or a PPA with EWEC. Under these offtake agreements, each operating subsidiary undertakes to make available, and EWEC undertakes to purchase, for the duration of the agreement, the available net capacity of the plants owned by the respective operating subsidiaries in accordance with the terms and conditions set out in the relevant agreement. Under each offtake agreement, the tariff has been structured such that revenue of each UAE generation subsidiary is expected to exceed its operating, maintenance and capital expenses by a margin intended to allow for debt service and to provide the owners of the plant with an agreed rate of return on their investment.

Payments under the offtake agreements consist, broadly, of capacity payments and payments for operating and maintenance expenses that are passed through to EWEC. EWEC is obliged to supply natural gas (which is the primary source fuel) free of cost to each UAE generation subsidiary. In addition, the offtake agreements contain a mechanism whereby the cost of procuring back-up fuel in the case where EWEC has failed to supply sufficient natural gas is passed on to EWEC. Capacity payments are determined and invoiced on a monthly basis. Capacity payments are increased or decreased to the extent that an operating subsidiary achieves power or water availability ratings which are above or below contracted targets. The effect of these adjustments is amplified during the summer period (defined as the period from 1 April to 31 October in each year) by a multiplication factor. Capacity payments are also calculated by reference to, among other things, a plant's thermal, or energy conversion, efficiency. Revenue broadly increases to the extent that the plant is able to achieve contracted availability with less than the corresponding contracted amount of fuel.

As a result of the number of factors that determine the calculation of the tariff in respect of any particular month, there is no strict correlation between the annualised figures for power and water availability and the actual amount of revenue of an operating subsidiary. For example, reduced availability during the winter period will have less impact on annual revenue than if the same reduced availability had occurred during summer. Moreover, as reduced availability will also, in some circumstances, lead to a reduction in operating and maintenance expenses, the impact on an operating subsidiary's operating profit caused by reduced availability may be partially offset by a reduction in operating costs.

TAQA's generation subsidiaries in Morocco, Ghana and India have each entered into a long-term PPA with a government-controlled entity in their respective jurisdictions of operation. These entities are the Office National de l'Electricité et de l'Eau Potable (**ONEE**) in the case of Jorf Lasfar in Morocco, the Volta River Authority in the case of Takoradi in Ghana and Tamil Nadu Generation and Distribution Corporation Limited (**TANGEDCO**) in the case of Neyveli in India. Under their respective

PPAs, each subsidiary undertakes to make available, and the respective off-takers undertake to purchase, for the duration of the PPA, the available net capacity of the plants in accordance with the terms and conditions set out in the relevant PPA. Under each PPA, the tariff has been structured such that expected revenue exceeds costs by a margin intended to allow for debt service and to provide the owners of the plants with an agreed rate of return on their investment.

These PPAs provide for capacity payments and for payments for fixed and variable and operating maintenance costs which are passed through to the respective off-takers. Capacity payments are affected by adjustments to capital costs and are increased or decreased to the extent that an operating subsidiary achieves availability ratings which are above or below contracted targets and energy payments.

TAQA Gen-X, which is 85 per cent. owned by TAQA, indirectly holds a 100 per cent. interest in a tolling agreement in relation to the Red Oak power generation plant located in New Jersey in the United States of America (the **Red Oak Tolling Agreement**), under which an indirect wholly-owned subsidiary of TAQA Gen-X is entitled to the economic rights (including revenue from the sale of electricity, capacity payments and payments for other ancillary services) related to the Red Oak power plant and is obliged to supply fuel and also to make certain fixed and variable payments to Red Oak Power, LLC (the owner/operator of the Red Oak Plant).

#### *Power and Water production*

The Group's revenue from electricity and water production is principally affected by net available capacity made available to the off-taker. Tariffs for power and water generation are set in the PWPAs and PPAs entered into by each of the Group's generation subsidiaries. In the case of TAQA Gen-X, revenues for available power generation capacity pursuant to the Red Oak Tolling Agreement are determined principally through tariffs established annually in three-year forward regional power market generation capacity auctions and revenues for electricity production dispatched from the Red Oak plant comprises sales of electricity production at prevailing power market prices. In addition, TAQA Gen-X records as revenue (or cost, as the case may be) the net result of its hedging activity for power prices, natural gas procurement costs and carbon dioxide emissions costs.

The table below shows the Group's power generation and water desalination production, as well as the average technical availability of its plants, for each of the six-month periods ended 30 June 2020 and 2019 and for each of 2019 and 2018. The figures in the table below do not include the Perimeter Assets.

	<i>Six months ended 30 June</i>		<i>Years ended 31 December</i>	
	<i>2020</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>
<b>UAE generation plants</b>				
Power generation ( <i>GWh</i> ).....	29,662	28,778	64,557	63,637
Water desalination ( <i>MIG</i> ).....	120,425	117,183	246,894	246,556
Technical availability .....	92.4%	94.3%	94.2%	93.6%
<b>International generation plants</b>				
Power generation ( <i>GWh</i> ).....	11,969	13,271	26,750	26,285
Technical availability .....	91.5%	87.9%	89.8%	90.6%
<b>Global technical availability .....</b>	<b>92.2%</b>	<b>93.1%</b>	<b>93.4%</b>	<b>93.1%</b>

The table below shows the power generation and water desalination production from the Perimeter Assets, as well as the average technical availability of the four plants comprised in the Perimeter Assets, for each of the six-month periods ended 30 June 2020 and 2019 and for each of 2019 and 2018.

	<i>Six months ended 30 June</i>		<i>Years ended 31 December</i>	
	<i>2020</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>

<b>UAE generation plants</b>				
Power generation (GWh).....	5,319	4,966	13,179	13,025
Water desalination (MIG).....	6,657	6,613	13,575	10,652
Technical availability .....	97.1%	94.6%	94.5%	90.5%

The table below shows the Group's power generation and water desalination production, as well as the average technical availability of its plants, for the six-month period from 1 July 2020 to 31 December 2020.

	<i>Six months from 30 June 2020 to 31 December 2020</i>
<hr/>	
<b>UAE generation plants</b>	
Power generation (GWh).....	45,408
Water desalination (MIG).....	143,557
Technical availability .....	96.0%
<b>International generation plants</b>	
Power generation (GWh).....	11,541
Technical availability .....	86.0%
<b>Global technical availability .....</b>	<b>94.6%</b>
<hr/>	

### ***Revenue from transmission and distribution of power and water***

Transmission revenue is included in the 2020 Financial Statements and in the Al Maqam Financial Information. Distribution revenue is included in the 2020 Financial Statements (for the period from 1 July 2020 to 31 December 2020 only) and in the Al Maqam Financial Information. On a pro forma basis, revenue from the transmission and distribution of power and water accounted for 59.9 per cent. of the Group's total revenue in 2020.

The Group earns revenue from the transmission of power and water from the generators of the power and producers of the water to distribution networks in the UAE, including the distribution networks owned and operated by TAQA's subsidiaries ADDC and AADC, and those owned and operated by SEWA and FEWA. ADDC and AADC in turn distribute the power and water to end-customers in the Emirate of Abu Dhabi.

Transmission revenue, which is recorded by TAQA's wholly-owned subsidiary, TRANSCO, is generated from licensed and unlicensed activities. Licensed activities are the transmission of power and water within the Abu Dhabi, which is sold to ADDC and AADC, the two distribution companies in Abu Dhabi. In the six-month period following the date of the Transaction (1 July 2020 to 31 December 2020), this revenue has been eliminated as intra-group transactions in the 2020 Financial Statements and, it has also been eliminated in the Al Maqam Financial Information. Unlicensed activities are the transmission of power and water to SEWA and FEWA, which are charged by TRANSCO to EWEC, and recorded in the 2020 Financial Statements and in the Al Maqam Financial Information.

Revenue from licensed activities, which is included in the 2020 Financial Statements for the whole of 2019 and for the period from 1 January 2020 to 30 June 2020 (but was eliminated on consolidation in the period from 1 July to 31 December 2020), comprises TUoS charges, which are calculated in accordance with the formula set out in the license granted to TRANSCO by the DoE. TUoS charges comprise the costs for the provision of shared transmission network services to the delivery points to ADDC and AADC, and are set for a given regulatory period. The current regulatory period (RC1) covers the period from 1 January 2018 to 31 December 2021. The TUoS charges are capped at the maximum allowed electricity and water revenue calculated in accordance with the terms of the license, as set by the DoE for a given regulatory period.

The TUoS charges are calculated by reference to the RAB at the start of each regulatory period based on the initial RAB, adjusted to reflect budgeted and allowed capital expenditure and regulatory depreciation, as well as a regulatory WACC that is defined for the entire regulatory period by the DoE. The WACC for RC1 is set at 4.6 per cent. The RAB is then used to calculate the required revenue component of the TUoS, which comprises depreciation, operating expenses and the regulatory WACC.

Revenue from unlicensed activities comprises the service charges for the transmission of water and electricity from TRANSCO transmission infrastructure to FEWA and SEWA and is charged to EWEC on behalf of FEWA and SEWA, and are calculated by reference to the costs associated with the operation of the dedicated assets

The Group also earns distribution revenue from supply and distribution of power and water in the Emirate of Abu Dhabi. This revenue is equal to the MAR, calculated in accordance with the formula set out in the license granted to each of AADC and ADDC by the DoE. This formula comprises a fixed term, variable term, performance incentives, other pass-through costs and a correction factor. The required revenue component of the TUoS calculated in respect of the transmission asset base determines the fixed and variable term components of the MAR. The MAR calculated in accordance with this formula is the cap on distribution revenue generated by the Group. End-customers pay AADC and ADDC for consumed and billed electricity and water at applicable tariffs, and the Government subsidises the gap between the MAR and the revenue billed to end-customers.

The Group also generates distribution revenue from distribution connections and the installation of meters and related equipment and pre-paid water cards.

### ***Oil and gas sales revenue***

Oil and gas sales revenue is included in the 2020 Financial Statements (for the period from 1 July 2020 to 31 December 2020 only) and the TAQA Historical Financial Statements. On a pro forma basis, revenue from oil and gas accounted for 10.2 per cent. of the Group's total revenue in 2020.

The Group's revenue from the sale of crude oil and natural gas produced by it is principally affected by changes in the prices it is able to achieve, which in turn principally depend upon prevailing market reference prices at the time of sale and, to a lesser extent, changes in its production volumes. Prevailing market reference prices are driven principally by changes in international supply and by demand for crude oil and natural gas products.

Crude oil and natural gas prices have been volatile in the periods under review and have fluctuated in response to changes in many factors over which the Group has no control. These factors include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil and gas products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil and gas producing or consuming countries;
- prices and availability of alternative fuels;

- global economic and political conditions;
- prices and availability of new technologies; and
- global weather and environmental conditions.

In early 2020, TAQA exited all of its oil and gas activities in the United States, a non-core region with mature assets and production of less than 1,000 boepd.

The prices trend for both Brent crude oil (which is the industry reference price for the Group's UK North sea crude oil and natural gas liquids production and its Netherlands crude oil production) and West Texas Intermediate (**WTI**) crude oil (which is the industry reference price for the Group's North American crude oil and natural gas liquids production) between 1 January 2018 and 31 December 2020 and the price trend for Henry Hub natural gas (which is an industry reference price for North American natural gas production) and AECO spot prices (by reference to which a large proportion of the Group's gas sales are priced) over the same period have been highly volatile. For example:

- Brent crude oil reached a low of U.S.\$19.33 on 21 April 2020 and a high of U.S.\$68.91 on 6 January 2020, with an average price of U.S.\$44.30 for the six months from 1 July 2020 to 31 December 2020, U.S.\$42.10 for the six months ended 30 June 2020 and U.S.\$64.16 and U.S.\$71.07 for the years ended 31 December 2019 and 2018, respectively.
- WTI crude oil reached a low of U.S.\$37.63 on 20 April 2020 and a high of U.S.\$63.27 on 6 January 2020, with an average price of U.S.\$41.81 for the six months from 1 July 2020 to 31 December 2020, U.S.\$36.82 for the six months ended 30 June 2020 and U.S.\$57.04 and U.S.\$64.82 for the years ended 31 December 2019 and 2018, respectively.
- Henry Hub natural gas reached a low of U.S.\$1.482 on 25 June 2020 and a high of U.S.\$3.36 on 30 October 2020, with an average price of U.S.\$2.44 for the six months from 1 July 2020 to 31 December 2020, U.S.\$1.81 for the six months ended 30 June 2020 and U.S.\$2.53 and U.S.\$3.15 for the years ended 31 December 2019 and 2018, respectively.
- AECO spot prices reached a low of U.S.\$0.9400 on 2 October 2020 and a high of U.S.\$2.5600 on 22 October 2020, with an average price of U.S.\$1.8631 for the six months from 1 July 2020 to 31 December 2020, U.S.\$1.4785 for the six months ended 30 June 2020 and U.S.\$1.3417 and U.S.\$1,705 for the years ended 31 December 2019 and 2018, respectively.

### Average daily production

The table below shows TAQA's average daily production of crude oil, natural gas liquids and natural gas for the six months from 1 July 2020 to 31 December 2020, for each of the six-month periods ended 30 June 2020 and 2019 and for each of 2019 and 2018.

	<i>1 July to 31</i>		<i>Years ended 31</i>		
	<i>December</i>	<i>Six months ended 30 June</i>	<i>December</i>		
	<i>2020</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	
	<i>(mboe/d for crude oil and natural gas liquids and mmcf/d for natural gas)</i>				
<b>Crude oil</b>					
North America.....	11.3	12.6	13.9	13.7	13.0
Europe .....	27.8	31.0	33.0	31.4	32.2
Iraq .....	9.9	10.7	5.7	7.1	3.9
<b>Total crude oil.....</b>	<b>49.0</b>	<b>54.3</b>	<b>52.6</b>	<b>52.2</b>	<b>49.1</b>
<b>Natural gas liquids</b>					
North America.....	9.6	10.1	10.7	10.8	10.9
Europe .....	0.1	0.3	0.6	0.5	0.7
<b>Total natural gas liquids .....</b>	<b>9.7</b>	<b>10.4</b>	<b>11.3</b>	<b>11.3</b>	<b>11.6</b>
<b>Natural gas<sup>(1)</sup></b>					
North America.....	305.2	308.3	320.9	322.5	324.3
Europe .....	24.1	37.6	44.6	42.5	50.3
<b>Total natural gas.....</b>	<b>329.3</b>	<b>345.9</b>	<b>365.5</b>	<b>365.0</b>	<b>374.6</b>
<b>Total production (mboe/d).....</b>	<b>113.6</b>	<b>122.4</b>	<b>124.8</b>	<b>124.4</b>	<b>123.1</b>

Note:

(1) Figures can be converted into barrels of oil equivalent by dividing by six.

### Impact of Purchase Price Allocations in the Transaction

In accordance with IFRS 3, the Group is required to measure the identifiable assets and liabilities assumed at their acquisition date fair values. The fair values of the assets and liabilities acquired as part of the Transaction were therefore fully determined and allocated as at 1 July 2020. These determinations and allocations are expected to impact the Group's results of operations in the year ending 31 December 2021 and in interim periods within that year as follows:

#### *PP&E and intangible assets*

The fair value exercise undertaken in relation to PP&E for all generation and distribution assets, oil and gas related PP&E and intangible assets resulted in a net increase to the value of PP&E and intangible assets. This will cause an increase to the Group's depreciation, depletion and amortisation expense in future periods that reflects the increase in PP&E value and the value of intangible assets.

#### *Operating financial assets*

Based on IFRIC 12, the Group's generation companies in Morocco, Ghana and India recognise operating financial assets due to their unconditional contractual rights to receive cash in return for constructing, operating and maintaining a power plant as a part of a power purchase agreement. As a result of the fair value exercise, there was an increase in fair value of the Group's operating financial assets. This will result in an increase in revenue from generation through recognition of finance income associated with the operating financial assets in future periods.



### ***Interest bearing loans and borrowings***

The Group's interest bearing loans and borrowings includes a portfolio of medium term notes which were fair valued based on their quoted market prices at the date of the Transaction. This fair value exercise resulted in a net increase to the carrying value of the Group's interest bearing loans and borrowings which will result in an associated decrease in finance costs as the increase in fair value is amortised over the remainder of the terms of the relevant medium term notes.

### **Exchange Rates**

The Group is exposed to currency transaction risks and currency translation risks in respect of its operations conducted in currencies other than the UAE dirham, its functional and reporting currency. The Group is subject to currency transaction risks when its revenue and costs are denominated in different currencies. For example, the revenue of the Group's oil and gas sales is primarily denominated in U.S. dollars, whereas part of its oil and gas expenses are denominated in euro, Canadian dollars and pounds sterling. In the Group's power and water operations outside the UAE, currency mismatches may arise if financing is denominated in a currency other than that of the revenue generated by the plant, as is currently the case in Morocco. In addition, financing for the operations of a Group company may be in a currency other than that company's functional currency, depending on market prices at the time. TAQA attempts to hedge against currency transaction risk primarily by matching revenue and costs in the same currency and, to a lesser extent, by entering into hedging transactions.

In addition, the Group is subject to currency translation risk in that the results of each of its operating companies are reported in the operating currency of the jurisdiction in which that company primarily operates. These amounts, if not reported in UAE dirham, are then translated into UAE dirhams for inclusion in the Group's consolidated financial statements.

### **Seasonality of Operations**

The Group's operations experience a degree of seasonality, driven principally by climatic conditions in its different regions of operations. Due to higher electricity demand in the summer period in the UAE, higher revenue and operating profits are usually recorded for UAE generation subsidiaries and the DisCos in the second and third quarters of the year compared to the first and fourth quarters of the year. Due to high demand for natural gas in Canada, Europe and the United Kingdom in the winter period, higher revenue and operating profits are usually recorded from oil and gas operations in the first and fourth quarters of the year compared to the second and third quarters of the year.

## **SIGNIFICANT ACCOUNTING POLICIES**

The application of TAQA's significant accounting policies has a material impact on TAQA's financial condition and results. The Group's significant accounting policies adopted in the 2020 Financial Statements are summarised in Note 2.2 to the 2020 Financial Statements. The Group's significant accounting policies adopted in the TAQA Historical Financial Statements are summarised in Note 2.5 to the TAQA Historical 2019 Financial Statements and Note 2.2 to the TAQA Historical 2020 Interim Financial Statements. The significant accounting policies adopted in the Al Maqam Financial Annual Financial Statements are summarised in Note 3 to the Al Maqam Annual Financial Statements and Note 3 to the Al Maqam Interim Financial Statements.

## **SIGNIFICANT CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group adopted IFRS 16 on 1 January 2019, through the simplified modified approach. See Note 2.3.1 to the TAQA Historical 2019 Financial Statements for information about the impact of this adoption on the consolidated income statement for 2019.

## SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, at the end of the reporting period. These estimates and judgements are subject to change based on experience and new information. The financial statement areas that required significant estimates, judgments and assumptions in the preparation of the 2020 Financial Statements are summarised in Note 2.3 to the 2020 Financial Statements. The financial statement areas that require significant estimates, judgments and assumptions in the preparation of the TAQA Historical Financial Statements are summarised in Note 2.4 to the TAQA Historical 2019 Financial Statements. The financial statement areas that required significant estimates, judgments and assumptions in the preparation of the Al Maqam Annual Financial Statements are summarised in Note 4 to the Al Maqam Annual Financial Statements.

### 2020 FINANCIAL STATEMENTS - YEARS ENDED 31 DECEMBER 2020 AND 2019 COMPARED

*This section discusses the Group's results of operations for 2020 and 2019 as presented in the 2020 Financial Statements.*

*For a discussion of the Group's results of operation for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see "— TAQA Historical Financial Statements — Six Months Ended 30 June 2020 and 2019 Compared" below and "— TAQA Historical Financial Statements — Years Ended 31 December 2019 and 2018 Compared" below.*

*For a discussion of the results of operations from Al Maqam and the Perimeter Assets for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see "— Al Maqam Financial Information — Six Months Ended 30 June 2020 and 2019 Compared" below and "— Al Maqam Financial Information — Years Ended 31 December 2019 and 2018 Compared" below.*

### Revenue

The table below sets out the Group's revenue for each of the years ended 31 December 2020 and 2019.

	<i>Years ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
	<i>(AED million)</i>	
Revenue from the generation of power and water.....	6,381	—
Revenue from the transmission and distribution of power and water .....	15,380	6,057
of which:		
<i>TUoS and connection charges for licensed activities.....</i>	<i>1,997</i>	<i>4,907</i>
<i>TUoS charges for unlicensed activities .....</i>	<i>1,011</i>	<i>1,150</i>
<i>Revenue from supply and distribution of power and water.....</i>	<i>6,963</i>	<i>—</i>
<i>Distribution connection and meter installation fees.....</i>	<i>453</i>	<i>—</i>
<i>Water coupons.....</i>	<i>49</i>	<i>—</i>
<i>Other operating revenue .....</i>	<i>4,907</i>	<i>—</i>
Revenue from oil and gas.....	2,224	—
<b>Total revenue .....</b>	<b><u>23,985</u></b>	<b><u>6,057</u></b>

The Group's total revenue was AED 23,985 million in 2020 compared to AED 6,057 million in 2019, an increase of AED 17,928 million. Of the increase, AED 20,977 million represented new sources of revenue from the Perimeter Assets and TAQA for the period 1 July 2020 to 31 December 2020. These comprised:

- AED 12,372 million from distribution activities undertaken by the DisCos, including in particular AED 6,963 million from the supply and distribution of power and water to customers in Abu Dhabi and AED 4,907 million which principally reflects the difference between the DisCo's MAR as determined for RC1 and their revenue relating to sales of water and electricity to their customers;
- AED 6,381 million from the generation of power and water attributable to the generation assets transferred in the Transaction; and
- AED 2,224 million from TAQA's oil and gas business.

TRANSCO's revenue for the period from 1 January 2020 to 30 June 2020 and for the year ended 31 December 2019 was derived solely from its transmission of power and water both to the DisCos (referred to as the licensed activities) and to the FEWA and SEWA (referred to as the unlicensed activities) and the TUoS and connection charges made in respect of those activities.

TRANSCO's revenue in respect of its licensed activities amounted to AED 1,997 million in 2020 and AED 4,907 million in 2019, a decrease of AED 2,910 million. This decrease principally reflects the fact that in the period from 1 July 2020 to 31 December 2020, the DisCos formed part of the Perimeter Assets and the AED 2,209 million in revenue derived from them was eliminated on consolidation.

TRANSCO's revenue from its unlicensed activities amounted to AED 1,011 million in 2020 and AED 1,150 million in 2019, a decrease of AED 139 million, or 12.1 per cent. This decrease was driven by lower transmission volumes.

### Cost of Sales

The table below shows the Group's cost of sales for each of the years ended 31 December 2020 and 2019.

	<i>Years ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
	<i>(AED million)</i>	
Operating expenses .....	(12,666)	(693)
of which:		
<i>Salaries and related expenses</i> .....	1,025	341
<i>Repairs, maintenance and consumables used</i> .....	1,561	349
<i>Bulk supply tariff</i> .....	7,106	—
<i>Fuel expenses</i> .....	805	—
<i>Charges by operating and maintenance contractors</i> .....	716	—
<i>Oil and gas operating costs</i> .....	1,171	—
<i>Transportation costs</i> .....	155	—
<i>Exploration and evaluation assets written off</i> .....	21	—
<i>Others</i> .....	106	3
Depreciation, depletion and amortisation.....	(5,617)	(1,811)
	<b>(18,283)</b>	<b>(2,504)</b>

The Group's total cost of sales was AED 18,283 million in 2020 compared to AED 2,504 million in 2019, an increase of AED 15,779 million. Of the increase, AED 10,674 represented new sources of cost of sales from the Perimeter Assets and TAQA for the period 1 July 2020 to 31 December 2020.

The remaining increase principally reflected the Group's enlarged asset base from 1 July 2020 which drove the higher repairs, maintenance and consumables used cost and the Group's higher depreciation charge in 2020 compared to 2019.

### **Gross Profit/(Loss)**

Reflecting the above factors, the Group's gross profit was AED 5,702 million in 2020, compared to a gross profit of AED 3,553 million in 2019, an increase of AED 2,149 million, or 60.5 per cent. The Group's gross profit margin was 23.8 per cent. in 2020 and 58.7 per cent. in 2019.

### **General and Administrative Expenses**

The Group's general and administrative expenses were AED 1,294 million in 2020 compared to AED 455 million in 2019, an increase of AED 839 million. Most categories of general and administrative expense increased in 2020 compared to 2019 principally as a result of the enlarged Group following the Transaction.

### **Finance Costs**

The Group's finance costs are almost entirely attributable to TAQA and the Perimeter Assets and the AED 1,581 million recognised in 2020 principally represents finance costs on TAQA's borrowings and associated derivatives transactions and those of certain of the generation assets included in the Perimeter Assets.

### **Other Operating income and Expense Items**

Apart from other income, all other items of operating income and expense, which amounted to AED 729 million in 2020, relate to TAQA, the Perimeter Assets and the Transaction. The most significant of these, a bargain purchase gain in the amount of AED 570 million, represented the difference between the AED 19,972 million share of net assets acquired by TAQA and the AED 19,402 million net consideration transferred for the reverse acquisition.

### **Profit for the Year**

Reflecting the above factors and taking into account an income tax credit of AED 258 million in 2020, the Group recorded a profit for the year of AED 4,017 million in 2020 compared to a profit for the year of AED 3,182 million in 2019.

## **2020 FINANCIAL STATEMENTS - CASH FLOW DATA**

*This section discusses the Group's cash flows for 2020 and 2019 as presented in the 2020 Financial Statements.*

*For a discussion of the Group's cash flows for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see "— TAQA Historical Financial Statements — Cash Flow Data" below.*

*For a discussion of the cash flows from Al Maqam and the Perimeter Assets for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see "— Al Maqam Financial Information — Cash Flow Data" below.*

The table below summarises the Group's cash flow data for the years ended 31 December 2020 and 2019.

	<i>Years ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
	<i>(AED millions)</i>	
Net cash from operating activities .....	10,713	1,729
Net cash generated from/(used in) used in investing activities .....	5,065	(1,409)
Net cash used in financing activities .....	(7,412)	(161)
Net foreign exchange differences .....	(133)	—
Cash and cash equivalents at 1 January .....	220	61
Cash and cash equivalents at 31 December .....	8,321	220

### ***Operating Activities***

The Group's net cash generated from operating activities in 2020 was AED 10,713 million, compared to AED 1,729 million in 2019. The Group's net cash generated from operations before working capital changes principally reflects its profit before tax adjusted to add back depreciation, depletion and amortisation and finance costs and, in 2020, to deduct revenue from operating financial assets and bargain purchase gain.

The Group's net cash generated from operations before working capital changes amounted to AED 9,717 million compared to AED 4,978 million in 2019 principally reflecting the Group's higher depreciation, depletion and amortisation and finance costs in 2020 reflecting the consolidation of the Perimeter Assets and TAQA from 1 July 2020.

The Group's principal working capital changes in 2020 were an AED 1,750 million outflow in respect of accounts payable, accruals and other liabilities and an AED 1,468 million inflow in respect of accounts receivable and prepayments.

The Group's principal working capital changes in 2019 were an AED 17,403 million outflow in respect of amounts due to related parties and an AED 13,774 million inflow in respect of amounts due from related parties following the dissolution of Abu Dhabi Water and Electricity Authority. (ADWEA) and a number of intercompany balances being settled.

### ***Investing Activities***

The Group's net cash generated from investing activities in 2020 was AED 5,065 million, principally reflecting an inflow of AED 7,458 million in respect of cash and cash equivalents acquired in the Transaction offset by an outflow of AED 2,250 million from purchases of PP&E.

The Group's net cash used in investing activities in 2019 was AED 1,409 million, which entirely related to purchases of PP&E.

### ***Financing Activities***

The Group's net cash used in financing activities in 2020 was AED 7,412 million. This principally reflected a net outflow of AED 3,443 million relating to the repayment of existing debt and the receipt of proceeds of new debt raised by TAQA in the second half of the year, an outflow of AED 1,745 million in respect of interest paid by TAQA and the Perimeter Assets in the second half of the year and an outflow of AED 1,687 million in respect of dividends paid to shareholders.

The Group's net cash used in financing activities in 2019 was AED 161 million. This principally reflected a net outflow of AED 159 million relating to the repayment of interest free loans from the shareholder.

## TAQA HISTORICAL FINANCIAL STATEMENTS - SIX MONTHS ENDED 30 JUNE 2020 AND 2019 COMPARED

*This section discusses the Group's results of operations for the six-month periods ended 30 June 2020 and 30 June 2019 as presented in the TAQA Historical Interim Financial Statements.*

*For a discussion of the Group's results of operations for each of 2020 and 2019, see “— 2020 Financial Statements — Years Ended 31 December 2020 and 2019 Compared” above.*

*For a discussion of the Group's results of operations for each of 2019 and 2018, see “— TAQA Historical Financial Statements — Years Ended 31 December 2019 and 2018 Compared” below.*

*For a discussion of the results of operations from Al Maqam and the Perimeter Assets for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see “— Al Maqam Financial Information — Six Months Ended 30 June 2020 and 2019 Compared” below and “— Al Maqam Financial Information — Years Ended 31 December 2019 and 2018 Compared” below.*

### Revenue

The table below sets out the Group's revenue for each of the six-month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>(AED million)</i>	
Revenue from oil and gas.....	1,656	3,007
Revenue from electricity and water.....	4,393	4,550
Fuel revenue.....	897	1,056
Gas storage revenue.....	174	119
Other operating revenue.....	178	260
<b>Total revenue.....</b>	<b>7,298</b>	<b>8,992</b>

The Group generates revenue primarily from oil and gas production, power generation, water desalination and gas storage. The Group's total revenue for the six months ended 30 June 2020 was AED 7,298 million, a decrease of AED 1,694 million, or 19.8 per cent., compared to total revenue of AED 8,992 million in the comparable period of 2019.

The Group had two business streams in the periods under review: (i) Power and Water and (ii) Oil and Gas. These business streams are based on products and services and geographical areas of operation. As such, the Group's five reporting segments in each six-month period were as follows:

#### Power and Water business stream

- Power and Water Generation – UAE; and
- Power Generation – Others.

#### Oil and Gas business stream

- Oil and Gas – North America;
- Oil and Gas – Europe; and
- Oil and Gas – Atrush.

Detailed information on the Group's reporting segments is set out in Note 6 to the TAQA Historical Interim Financial Statements. References to the results of a business stream below are to an aggregation of the equivalent results of each reporting segment within that business stream.

### ***Power and Water***

The Group's Power and Water business stream principally generates revenue from the sale of power and water and from fuel revenue, which represents reimbursements from offtakers in the power and water subsidiaries at market prices for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements. In the six months ended 30 June 2020, the Power and Water business stream generated revenue of AED 5,342 million, a decrease of AED 372 million, or 7 per cent. from AED 5,714 million generated in the comparable period of 2019.

The Group's revenue from the sale of electricity and water in the six months ended 30 June 2020 was AED 4,393 million, a decrease of AED 157 million, or 3 per cent., from the AED 4,550 million generated in the same period in 2019. This decrease was principally due to higher outages and unplanned maintenance work in TAQA's domestic generation facilities, while revenues from international assets declined principally due to lower market prices generated by the Red Oak tolling agreement and lower energy payments in Morocco following lower coal prices, which was offset by a decrease in associated fuel costs.

Fuel revenue in the six months ended 30 June 2020 was AED 897 million, a decrease of AED 159 million, or 15 per cent., from the AED 1,056 million recorded in the comparable period of 2019. This was principally due to lower coal price trends in the international market. Lower fuel revenues are partially offset by lower fuel costs.

Other operating revenue for the Power and Water business stream was AED 52 million in the six months ended 30 June 2020 and AED 108 million in the six months ended 30 June 2019, a decrease of AED 56 million, or 52.0 per cent., principally due to an unfavorable movement in finance income in the second quarter of 2020 for the Group's Ghanain subsidiary.

### ***Oil and Gas***

The Group's Oil and Gas business stream principally generates revenue from the sale of oil and gas. In addition, the business stream generates gas storage revenue and other operating revenue, comprising primarily net processing income, tariff income and gas trading. In the six months ended 30 June 2020, the Oil and Gas business stream generated revenue of AED 1,954 million, a decrease of AED 1,324 million, or 40 per cent., from the AED 3,278 million recorded in the same period in 2019.

The Group's revenue from the sale of oil and gas in the six months ended 30 June 2020 was AED 1,656 million, a decrease of AED 1,351 million, or 45 per cent., compared to AED 3,007 million recorded in the same period in 2019. This decrease principally reflected lower revenue in Europe (decrease of AED 992 million), North America (decrease of AED 298 million) and Iraq (decrease of AED 34 million), due primarily to lower oil prices in the first half of 2020 compared to the same period in 2019 and a decrease in overall production, from 122,390 boepd in the first half of 2020 compared to 124,760 boepd in the first half of 2019.

Further information on the Group's production and international oil and gas prices can be found under "*— Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*" above.

The Group's gas storage revenue was AED 174 million in the six months ended 30 June 2020 compared to AED 119 million in the same period in 2019, an increase of AED 55 million, or 46 per cent. The increase was principally due to improved reliability at the Bergermeer gas storage facility.

The Group's other operating revenue from the oil and gas business stream in the six months ended 30 June 2020 was AED 124 million, a decrease of AED 28 million, or 18 per cent., compared to AED 152 million in the same period in 2019. This decrease was principally driven by lower midstream performance (which will partially be offset by lower trading expenses) as well as lower processing income.

### Cost of Sales

The table below sets out TAQA's cost of sales for each of the six-month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<u>2020</u>	<u>2019</u>
	<i>(AED million)</i>	
Operating expenses .....	(3,349)	(3,993)
Impairment losses	(2,004)	—
Depreciation, depletion and amortisation .....	<u>(2,014)</u>	<u>(1,854)</u>
<b>Total cost of sales</b> .....	<b>(7,367)</b>	<b>(5,847)</b>

The Group's cost of sales comprises operating expenses, depreciation, depletion and amortisation (**DD&A**) costs, dry hole expenses and any net provisions for impairment. The Group's total cost of sales was AED 7,367 million in the six months ended 30 June 2020, an increase of AED 1,520 million, or 26 per cent., compared to the AED 5,847 million cost of sales recorded in the same period in 2019, due to an impairment losses of AED 2,014 million in 2020 in the oil and gas business stream and AED 160 million higher DD&A, offset by AED 644 million lower operating expenses in the first half of 2020.

### Power and Water

The Group's cost of sales in the Power and Water business stream in the six months ended 30 June 2020 principally comprised fuel expenses (which are substantially matched by fuel revenue), other operating expenses and DD&A costs. Other operating expenses in the Power and Water business stream include repairs, maintenance and consumables used, charges by operation and maintenance contractors and staff costs. In the six months ended 30 June 2020, the Power and Water business stream's cost of sales was AED 3,000 million, a decrease of AED 267 million, or 8 per cent., from AED 3,267 million in the same period in 2019.

The Power and Water business stream's operating expenses in the six months ended 30 June 2020 were AED 2,031 million, a decrease of AED 264 million, or 12 per cent., compared to AED 2,295 million recorded in the same period in 2019. This decrease was mainly due to a reduction in fuel costs in the international operations driven by the Red Oak tolling agreement in North America and Morocco, powered by natural gas and coal, respectively.

DD&A expenses for the Power and Water business stream were substantially unchanged at AED 969 million in the six months ended 30 June 2020 and AED 972 million in the six months ended 30 June 2018.

### Oil and Gas

The Group's cost of sales in respect of the Oil and Gas business stream in the six months ended 30 June 2020 principally comprised operating expenses and DD&A costs. Operating expenses include



staff costs, repairs, maintenance and consumables used, gas storage expenses and fuel expenses. In the six months ended 30 June 2020, the Oil and Gas business stream's cost of sales was AED 4,361 million, an increase of AED 1,781 million, or 69 per cent., from the AED 2,580 million cost of sales in the same period in 2019 due to the AED 2,004 million impairment losses recorded in the first quarter of 2020.

The Oil and Gas business stream's operating expenses were AED 1,315 million in the six months ended 30 June 2020, a decrease of AED 383 million, or 23 per cent., compared to AED 1,698 million in the same period in 2019. This decrease was mainly due to operating expense savings of AED 327 million in the European assets resulting from a deferral in non-critical repair and maintenance activities due to lower prices and COVID-19 challenges and the resultant manpower demobilisations.

The Oil and Gas business stream's DD&A expenses were AED 1,042 million in the six months ended 30 June 2020, an increase of AED 160 million, or 18 per cent., compared to AED 882 million in the same period in 2019. The increase was driven by the recognition of DD&A expense in relation to the European assets of AED 130 million in the six months ended 30 June 2020, compared to a DD&A credit of AED 220 million for the comparable period of 2019 as a result of revisions to asset retirement obligations estimates, which was partially offset by reduced DD&A due to lower production volumes.

The Oil and Gas business stream recorded a pre-tax impairment charge of AED 2,004 million on PP&E due to the decline in oil and gas prices experienced in early 2020 as a result of OPEC+ production decisions coupled with demand constraints caused by the COVID-19 pandemic. As a result of these challenging commodity price conditions, the Group reduced its 2020 and 2021 oil price assumptions, which in turn resulted in the impairment of certain of the Group's oil and gas assets.

### Gross Profit or Loss

Reflecting the above factors, the Group's gross loss was AED 69 million in the six months ended 30 June 2020, compared to a gross profit of AED 3,145 million in the comparable period of 2019. The Group's gross profit margin was negative for the six months ended 30 June 2020 compared to 35 per cent. for the comparable period of 2019. The loss in the six months ended 30 June 2020 principally reflected lower revenue and the charge for impairment losses in the Oil and Gas business stream recorded in 2020 as a result of lower oil and gas prices.

### Other Income and Expense Items

The table below sets out the Group's principal other income and expense items for each of the six month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<u>2020</u>	<u>2019</u>
	<i>(AED million)</i>	
Finance costs .....	(1,868)	(2,024)
Administrative and other expenses.....	(307)	(283)
Share of results of associates and joint venture .....	42	62
Interest income .....	25	42
Gain in fair value of derivatives and fair value hedges .....	48	16
Net foreign exchange gains (losses).....	98	(15)
Other gains <sup>(1)</sup> .....	44	27
<b>Total</b> .....	<b>(1,987)</b>	<b>(2,175)</b>

Note:

(1) Comprises the sum of gain on sale of land and oil and gas assets and other gains.

### Finance costs

The Group's finance costs primarily consist of interest expense on bank loans and outstanding bonds.

Finance costs were AED 1,868 million in the six months ended 30 June 2020, a decrease of AED 156 million, or 8 per cent. compared to finance costs of AED 2,024 million in the same period in 2019. The decrease in finance costs in the six months ended 30 June 2020 principally reflected a lower debt balance as a result of principal repayments from the generation assets as well as lower accretion charges in Europe due to a reduction in the asset retirement obligations discount rate.

#### ***Administrative and other expenses***

The Group's administrative and other expenses consist of salaries and related expenses, professional fees and other expenses.

Administrative and other expenses were AED 307 million in the six months ended 30 June 2020, an increase of AED 24 million, or 8 per cent., compared to the AED 283 million recorded in the same period in 2019. The increase is mainly due to an increase of AED 18 million in TAQA's Moroccan operations in the Power and Water business stream due to transaction costs relating to the PPA extension for units 1 – 4 at Jorf Lasfar in the first half of 2020.

#### ***Share of results of associates and joint venture***

The Group has one joint venture and three associates. See Note 2.5 to the TAQA Historical Financial Statements for a discussion of the Group's accounting treatment of its investments in joint ventures and associates. The Group's share of the results of its associates and joint venture was AED 42 million in the six months ended 30 June 2020 compared to AED 62 million in the same period in 2019. The AED 20 million decrease was due to increased operating costs in 2020.

#### ***Interest income***

The Group's interest income was AED 25 million in the six months ended 30 June 2020, a decrease of AED 17 million, or 40 per cent., compared to AED 42 million in the same period in 2019. The Group earns interest income principally on its balances with banks.

#### ***Gain in fair values of derivatives and financial instruments***

In the six months ended 30 June 2020, the Group's gain in fair values of derivatives and financial instruments was AED 48 million compared to AED 16 million in the same period in 2019. Substantially all of these changes in each period related to derivative contracts entered into in relation to the Red Oak Tolling Agreement.

#### ***Net foreign exchange gains and losses***

The Group's net foreign exchange gains and losses arise from the translation of net monetary assets and liabilities of subsidiaries and the settlement of transactions denominated in currencies other than the UAE dirham, TAQA's functional currency. The Group's net foreign exchange gain was AED 98 million in the six months ended 30 June 2020 compared to a loss of AED 15 million in the same period in 2019. The gain in the six months ended 30 June 2020 mainly reflected fluctuations in the rates of exchange between the U.S. dollar and the euro, Moroccan dirham and Indian rupee, while the loss in the six months ended 30 June 2019 principally reflected exchange rate fluctuations between the U.S. dollar and euro which significantly impacted a US dollar intercompany loan payable where the functional currency of the entity is euro.

#### ***Other gains***

In the six months ended 30 June 2020, the Group recorded a gain on the sale of land and oil and gas assets of AED 32 million and other gains of AED 12 million. This represented a total increase of AED 17 million, or 63 per cent., compared to a gain on the sale of land and oil and gas assets of AED 10 million and other gains of AED 17 million in the comparable period of 2019. The gains on oil and gas dispositions in the six months ended 30 June 2020 related to the sale of the North American business.

### Income Tax Credit or Expense

The table below shows the breakdown of the Group's total income tax credit or expense for the six month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<u>2020</u>	<u>2019</u>
	<i>(AED million)</i>	
Current income tax .....	(43)	(169)
Deferred income tax .....	<u>565</u>	<u>(136)</u>
<b>Total income tax credit (expense) .....</b>	<b>522</b>	<b>(305)</b>

The Group's income tax credit was AED 522 million in the six months ended 30 June 2020, comprising AED 43 million of current income tax expense and AED 565 million of deferred income tax credit. The Group's income tax expense was AED 305 million in the six months ended 30 June 2019 comprising AED 169 million of current income tax expense and AED 136 million of deferred income tax expense. This decrease of AED 827 million in income tax expense in the six months ended 30 June 2020 compared to the comparable period of 2019 was primarily driven by an AED 570 million deferred tax credit in Europe as a result of the impairment charge recorded in the first half of 2020. Current income taxes in the first half of 2020 were lower by AED 126 million compared to the same period in 2019 due to lower taxable profits from the Oil and Gas business stream.

### (Loss)/Profit for the Period

Reflecting the above factors, the Group recorded a loss for the six months ended 30 June 2020 of AED 1,465 million compared to a profit for the corresponding period in 2019 of AED 665 million.

### TAQA HISTORICAL FINANCIAL STATEMENTS - YEARS ENDED 31 DECEMBER 2019 AND 2018 COMPARED

*This section discusses the Group's results of operations for 2019 and 2018 as presented in the TAQA Historical Financial Statements.*

*For a discussion of the Group's results of operations for each of 2020 and 2019, see "— 2020 Financial Statements — Years Ended 31 December 2020 and 2019 Compared" above.*

*For a discussion of the Group's results of operations for each of the six-month periods ended 30 June 2020 and 30 June 2019, see "— TAQA Historical Financial Statements — Six Months Ended 30 June 2020 and 2019 Compared" above.*

*For a discussion of the results of operations from Al Maqam and the Perimeter Assets for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see "— Al Maqam Financial Information — Six Months Ended 30 June 2020 and 2019 Compared" below and "— Al Maqam Financial Information — Years Ended 31 December 2019 and 2018 Compared" below.*

### Revenue

The table below sets out the Group's revenue for each of the years ended 31 December 2019 and 2018.

	<i>Years ended 31 December</i>	
	<u>2019</u>	<u>2018</u>
	<i>(AED million)</i>	
Revenue from oil and gas.....	5,522	5,555
Revenue from electricity and water.....	9,305	9,403
Fuel revenue.....	2,027	2,015
Gas storage revenue.....	273	147
Other operating revenue.....	461	620
<b>Total revenue</b> .....	<b>17,588</b>	<b>17,740</b>

The Group's total revenue in 2019 was AED 17,588 million, a decrease of AED 152 million, or 1 per cent., compared to total revenue of AED 17,740 million in 2018. The decrease in 2019 was primarily driven by the Oil and Gas business stream where marginally higher oil and liquid gas production levels were outweighed by lower average oil and gas prices during 2019 compared to 2018. Revenues from the Power and Water business stream remained relatively stable with a slight increase of AED 95 million in 2019 compared to 2018.

Detailed information on the Group's reporting segments for each of 2019 and 2018 is set out in Note 3 to the TAQA Historical Financial Statements. References to the results of a business stream below are to an aggregation of the equivalent results of each reporting segment within that business stream.

### ***Power and Water***

The Group's Power and Water business stream principally generates revenue from the sale of electricity and water and from fuel revenue.

In 2019, the Group's Power and Water business stream generated revenue from external customers of AED 11,491 million, an increase of AED 95 million, or 1 per cent. from the AED 11,396 million generated in 2018. Revenues increased slightly for both the UAE Power and Water and the International Power businesses. This was mainly driven by the continued strong performance of the UAE power and water operations in 2019 that witnessed a 0.6 per cent. improvement in technical availability to 94.2 per cent. versus the 93.6 per cent. in 2018.

The Group's revenue from the sale of electricity and water in 2019 was AED 9,305 million, a decrease of AED 98 million, or 1 per cent., from AED 9,403 million generated in 2018. This decrease was primarily due to lower technical availability at the Group's Takoradi plant due to an increased maintenance requirement in 2019.

The Group's fuel revenue in 2019 was AED 2,027 million, an increase of AED 12 million, or 1 per cent., from the AED 2,015 million recorded in 2018. The slight increase was principally due to both higher availability at the Moroccan plant resulting in higher usage combined with higher coal prices.

The Power and Water business stream's other operating revenue was AED 64 million in 2019 compared to AED (22) million in 2018, a change of AED 86 million. The change was principally due to insurance claim proceeds received in 2019.

## **Oil and Gas**

The Group's Oil and Gas business stream principally generates revenue from the sale of oil and gas. In addition, the business stream generates gas storage revenue and other operating revenue.

In 2019, the Group's Oil and Gas business stream generated revenue from external customers of AED 6,082 million, a decrease of AED 252 million, or 4 per cent., from AED 6,334 million recorded in 2018.

The Group's revenue from the sale of oil and gas in 2019 was AED 5,522 million, a decrease of AED 33 million, or 1 per cent., compared to AED 5,555 million recorded in 2018. This decrease was primarily due a reduction in European revenues due to lower realised prices and lower volumes (a decrease of AED 342 million), partially offset by revenues from the Atrush block, which increased by AED 229 million due to a significant increase in production volumes in 2019.

The Group's gas storage revenue was AED 273 million in 2019 compared to AED 147 million in 2018, an increase of AED 124 million, or 84 per cent. The increase was principally due to better summer/winter spreads and capacity auction results. Gas storage was also positively impacted by improved reliability.

The Oil and Gas business stream's other operating revenue in 2019 was AED 287 million, a decrease of AED 345 million, or 55 per cent., compared to AED 632 million in 2018. This decrease was largely due to lower trading income as a consequence of improved gas storage reliability and was offset by a resultant decrease in trading expenses.

Further information on the Group's production and international oil and gas prices can be found under "*— Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*" above.

## **Cost of Sales**

The table below sets out the Group's cost of sales for each of 2019 and 2018.

	<i>Years ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
	<i>(AED million)</i>	
Operating expenses .....	(7,965)	(7,777)
Depreciation, depletion and amortisation (DD&A).....	(3,819)	(3,716)
Dry hole expenses .....	(64)	(169)
<b>Total cost of sales</b> .....	<b>(11,848)</b>	<b>(11,662)</b>

The Group's cost of sales for the years under review comprises operating expenses, DD&A costs and dry hole expenses. The Group's total cost of sales was AED 11,848 million in 2019, an increase of AED 186 million, or 2 per cent., compared to AED 11,662 million in 2018.

## **Power and Water**

The Group's cost of sales in the Power and Water business stream principally comprises fuel expenses (which are substantially matched by fuel revenue), other operating expenses and DD&A costs. Other operating expenses in the Power and Water business stream include repairs, maintenance and consumables used, charges by operation and maintenance contractors and staff costs.

In 2019, the Power and Water business stream's cost of sales was AED 6,516 million, an increase of AED 205 million, or 3 per cent., from AED 6,311 million in 2018.

The Power and Water business stream's operating expenses in 2019 were AED 4,626 million, an increase of AED 247 million, or 6 per cent., compared to the AED 4,379 million recorded in 2018. This increase was mainly due to increased maintenance costs in Ghana.

### **Oil and Gas**

The Group's cost of sales in respect of the Oil and Gas business stream principally comprise operating expenses and DD&A costs. Operating expenses include staff costs, repairs, maintenance and consumables used, gas storage expenses and fuel expenses.

In 2019, the Oil and Gas business stream's cost of sales was AED 5,297 million, a decrease of AED 52 million, or 1 per cent., from a cost of sales of AED 5,349 million in 2018.

The Oil and Gas business stream's operating expenses were AED 3,339 million in 2019, a decrease of AED 59 million, or 2 per cent., compared to AED 3,398 million in 2018. The slightly lower operating expenses in 2019 were mainly driven by favourable foreign exchange impacts relating to the GBP operating cost base, cost reductions in onshore terminal costs and a reduction in net gas storage and trading expense as a result of improved reliability at the Begemeer storage facility. General administrative costs also decreased by AED 12 million compared to 2018, mainly due to the adoption of IFRS 16 – *Leases* from 1 January 2019.

The Group's dry hole expenses were AED 64 million in 2019 compared to AED 169 million in 2018. The 2018 expense relates to write down of the Morrone drilling costs in the UK.

The Oil and Gas business stream's DD&A expenses were AED 1,894 million in 2019, representing an increase of AED 112 million, or 6 per cent., compared to AED 1,782 million in 2018. The increase was driven by higher production volumes, primarily in Atrush, and the shift of rental costs associated with operating leases to DD&A from general administrative costs as a result of the implementation of IFRS 16 from 1 January 2019.

### **Gross Profit**

Reflecting the above factors, the Group's gross profit was AED 5,740 million in 2019, compared to a gross profit of AED 6,078 million in 2018, a decrease of AED 338 million, or 6 per cent. The Group's gross profit margin was 33 per cent. in 2019 and 34 per cent. in 2018.

### **Other Income and Expense Items**

The table below sets out the Group's principal other income and expense items for each of 2019 and 2018.

	<i>Years ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
	<i>(AED million)</i>	
Finance costs .....	(3,929)	(4,237)
Administrative and other expenses.....	(600)	(597)
Share of results of associated and joint ventures .....	108	286
Finance income .....	76	76
Gain/(loss) in fair value of derivatives and fair value hedges .....	(89)	59
Net foreign exchange (losses)/gains.....	60	(98)
Gain on sale of land and oil and gas assets.....	39	73
<b>Total.....</b>	<b>(4,335)</b>	<b>(4,438)</b>

### **Finance costs**

The Group's finance costs were AED 3,929 million in 2019, a decrease of AED 308 million, or 7 per cent., compared to finance costs of AED 4,237 million in 2018. The decrease principally resulted from the lower overall debt levels as a result of continued principal repayments made on project debt throughout 2019.

#### ***Administrative and other expenses***

The Group's administrative and other expenses amounted to AED 600 million in 2019, an increase of AED 3 million, or 1 per cent., compared to AED 597 million recorded in 2018.

#### ***Share of results of associates and joint venture***

The Group had one joint venture and three associates in the years under review. See Note 2.5 to the TAQA Historical 2019 Financial Statements for a discussion of the Group's accounting treatment of its investments in joint ventures and associates.

The Group's share of the results of its associates and joint venture was AED 108 million in 2019, a decrease of AED 178 million, or 62 per cent., compared to the AED 286 million share in 2018. This decrease is mainly due to the effect of recognition of insurance proceeds at Sohar Aluminium in 2018.

#### ***Interest income***

The Group's interest income was stable at AED 76 million in 2019 and 2018, reflecting stable cash levels across the two years.

#### ***(Loss)/gain in the fair value of derivatives and financial instruments***

In 2019, the loss in the fair value of derivatives and financial instruments was AED 89 million compared to a gain of AED 59 million in 2018. These movements were due to mark to market movements on derivative contracts, including in particular an AED 148 million unfavourable movement driven mainly by Red Oak due to a decrease in local energy prices and the re-implementation of a regional greenhouse gas initiative in the State of New Jersey.

#### ***Net foreign exchange gains and losses***

The Group's net foreign exchange gain was AED 60 million in 2019, compared to a loss of AED 98 million in 2018. The gain in 2019 was mainly due to an AED 158 million favourable movement resulting from the weakening of the euro. The loss in 2018 was mainly due to the revaluation of a U.S. dollar intercompany payable recorded in a subsidiary with euro as its functional currency.

#### ***Gain on the sale of land and oil and gas assets***

In 2019 and 2018, the Group recognised gains of AED 39 million and AED 73 million, respectively, on the sale of land and oil and gas properties as part of normal business processes in Canada.

#### **Income Tax Expense**

The table below shows the breakdown of the Group's total income tax expense for each of 2019 and 2018.

<i>Years ended 31 December</i>	
<i>2019</i>	<i>2018</i>
<i>(AED million)</i>	

Current income tax .....	(181)	(314)
Deferred income tax .....	(20)	26
<b>Total income tax expense .....</b>	<b>(201)</b>	<b>(288)</b>

The Group's income tax charge was AED 201 million in 2019, comprising AED 181 million of current income tax expense and AED 20 million of deferred income tax liability, resulting in an effective tax rate (being the weighted average of the statutory rates applicable to it) of 38 per cent. The Group's income tax charge was AED 288 million in 2018, comprising AED 314 million of current income tax expense and AED 26 million of deferred income tax credit, resulting in an effective tax rate (being the weighted average of the statutory rates applicable to it) of 46 per cent. The decrease in the Group's total income tax charge in 2019 compared to 2018 was driven by lower taxable profits, mainly within the Group's Oil and Gas business stream, offset by an unfavourable movement in the Group's deferred tax position.

### Profit for the Year

Reflecting the above factors, the Group recorded a profit for 2019 of AED 1,204 million compared to a profit for 2018 of AED 1,352 million, a decrease of AED 148 million, or 11 per cent.

### TAQA HISTORICAL FINANCIAL STATEMENTS - CASH FLOW DATA

*This section discusses the Group's cash flows for for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018 as presented in the TAQA Historical Financial Statements.*

*For a discussion of the Group's cash flows for each of 2020 and 2019, see "— 2020 Financial Statements — Cash Flow Data" above.*

*For a discussion of the cash flows from Al Maqam and the Perimeter Assets for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see "— Al Maqam Financial Information — Cash Flow Data" below.*

The table below summarises the Group's cash flow data for each of the six-month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>(AED million)</i>	
Net cash generated from operating activities .....	3,358	3,852
Net cash used in investing activities.....	(1,381)	(814)
Net cash used in financing activities .....	(259)	(4,068)
Net foreign exchange differences.....	(25)	213
Cash and cash equivalents at 1 January.....	2,879	3,392
Cash and cash equivalents at 30 June.....	4,572	2,575

The table below summarises the Group's cash flow data for each of 2019 and 2018.

	<i>Years ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
	<i>(AED million)</i>	
Net cash from operating activities.....	8,397	8,556
Net cash used in investing activities.....	(1,599)	(1,449)
Net cash used in financing activities .....	(7,257)	(8,124)
Net foreign exchange differences.....	(54)	202
Cash and cash equivalents at 1 January.....	3,392	4,207
Cash and cash equivalents at 31 December.....	2,879	3,392



## Operating Activities

The Group's net cash from operating activities in the six months ended 30 June 2020 was AED 3,358 million, compared to AED 3,852 million in the same period in 2019. Net cash from operations in the six months ended 30 June 2020 principally reflected the Group's loss before tax for the period of AED 1,987 million adjusted upwards for the non-cash cost of DD&A of AED 2,014 million and impairment losses of AED 2,004 million, interest expense and notional interest of AED 1,625 million, and cash received from service concession arrangements of AED 835 million and adjusted downwards to reflect non-cash revenue from operating financial assets of AED 679 million. Net cash from operations in the six months ended 30 June 2019 principally reflected the Group's profit before tax for the period of AED 3,852 million adjusted upwards for DD&A of AED 1,854 million, interest expense and notional interest of AED 1,716 million and cash received from service concession arrangements of AED 679 million and adjusted downwards to reflect revenue from operating financial assets of AED 649 million.

The Group's net cash from operating activities in 2019 was AED 8,397 million, compared to AED 8,556 million in 2018. Net cash from operations in 2019 principally reflected a profit before tax of AED 1,405 million adjusted upwards for DD&A of AED 3,819 million, interest expense and notional interest of AED 3,374 million, cash received from service concession arrangements of AED 1,559 million and adjusted downwards to reflect revenue from operating financial assets of AED 1,445 million. Net cash from operations in 2018 principally reflected a profit before tax of AED 1,640 million adjusted upwards for DD&A of AED 3,716 million, interest expense and notional interest of AED 3,546 million, cash received from service concession arrangements of AED 1,791 million and adjusted downwards to reflect revenue from operating financial assets of AED 1,389 million.

## Investing Activities

The Group's net cash used in investing activities in the six months ended 30 June 2020 was AED 1,381 million compared to AED 814 million in the comparable period of 2019. Net cash used in investing activities in the six months ended 30 June 2020 principally related to the purchase of PP&E of AED 881 million which includes capital expenditures incurred in the amount of AED 799 million for PP&E additions. Net cash used in investing activities in the six months ended 30 June 2019 was AED 814 million, principally related to the purchase of PP&E (AED 941 million) which included the acquisition of an additional working interest of 7.5 per cent. in the Atrush block (representing an AED 116 million addition to PP&E).

The Group's net cash used in investing activities was AED 1,599 million in 2019 compared to AED 1,449 million in 2018. In 2019, the Group purchased property, plant and equipment of AED 1,707 million, primarily in relation to development and maintenance activity across the Group's Oil and Gas operations in Europe, North America and Iraq as well as maintenance spend across the power and water fleet in the UAE. It also spent AED 58 million on the purchase of intangible assets. Net cash used in investing activities was AED 1,449 million in 2018. In 2018, the Group purchased property, plant and equipment of AED 1,640 million, primarily in relation to development and maintenance activity across the Group's Oil and Gas operations in Europe, North America and Iraq as well as maintenance spend across the power and water fleet in the UAE. It also spent AED 54 million on the purchase of intangible assets.

## Financing Activities

The Group's net cash used in financing activities in the six months ended 30 June 2020 was AED 259 million compared to AED 4,068 million in the comparable period of 2019. Net cash used in financing activities in the six months ended 30 June 2020 principally reflected outflows of AED 1,471 million from external borrowings, both interest bearing and Islamic loans, being repaid, AED 1,625 million from interest paid and AED 398 million from dividends paid to non-controlling interest

shareholders, which were offset by an inflow of AED 3,322 million from interest bearing loans received (including drawings of AED 2,900 million from its credit facilities to further secure the Group’s liquidity in light of the uncertainties resulting from the COVID-19 pandemic). Net cash used in financing activities in the six months ended 30 June 2019 principally reflected outflows of AED 2,548 million from external borrowings, both interest bearing and Islamic loans, being repaid, AED 1,707 million from interest paid and AED 407 million from dividends paid to non-controlling interest shareholders, which were offset by an inflow of AED 772 million from interest bearing loans and borrowings received.

The Group’s net cash used in financing activities was AED 7,257 million in 2019 compared to AED 8,124 million in 2018. Net cash used in financing activities in 2019 principally reflected outflows of AED 12,089 million from external borrowings, both interest bearing and Islamic loans, being repaid and AED 3,374 million from interest being paid, which were offset by an inflow of AED 9,150 million from new external borrowings. Net cash used in financing activities in 2018 principally reflected outflows of AED 10,312 million from external borrowings being repaid and AED 3,496 million from interest being paid, which were offset by an inflow of AED 6,461 million from new external borrowings.

TAQA did not pay any dividends in the six months ended 30 June 2020 or in each of the years ended 31 December 2019 and 2018.

## **AL MAQAM FINANCIAL INFORMATION - SIX MONTHS ENDED 30 JUNE 2020 AND 2019 COMPARED**

*This section discusses the results of operations from Al Maqam and the Perimeter Assets for the six-month periods ended 30 June 2020 and 30 June 2019 as presented in the Al Maqam Financial Information.*

*For a discussion of the Group’s results of operations for each of 2020 and 2019, see “— 2020 Financial Statements — Years Ended 31 December 2020 and 2019 Compared” above.*

*For a discussion of the Group’s results of operations for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see “— TAQA Historical Financial Statements — Six Months Ended 30 June 2020 and 2019 Compared” above and “— TAQA Historical Financial Statements — Years Ended 31 December 2019 and 2018 Compared” above.*

*For a discussion of the results of operations from Al Maqam and the Perimeter Assets for each of 2019 and 2018, see “— Al Maqam Financial Information — Years Ended 31 December 2019 and 2018 Compared” below.*

### **Revenue**

The table below sets out the revenue derived from Al Maqam and the Perimeter Assets for each of the six-month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>(AED million)</i>	
Revenue from the generation of power and water.....	650	591
Revenue from the transmission of power and water .....	515	869
Revenue from the distribution of power and water .....	11,577	10,998
<b>Total revenue .....</b>	<b>12,742</b>	<b>12,458</b>

The total revenue derived from Al Maqam and the Perimeter Assets was AED 12,742 million in the six months ended 30 June 2020 compared to AED 12,458 million in the comparable period of 2019, an increase of AED 284 million, or 2.3 per cent. This increase reflected:

- an increase of AED 579 million, or 5.3 per cent., in revenue from the distribution of power and water in the six months ended 30 June 2020 compared to the comparable period in 2019, which was driven by an increase in other operating revenue due to an increase in pass through costs (a major element of which is the TUoS charged by TRANSCO) and a reduction in revenue relating to sales of water and electricity impacting the MAR calculation; and
- an increase of AED 59 million, or 10.0 per cent., in revenue from the generation of power and water in the six months ended 30 June 2020 compared to the comparable period in 2019, which was driven by the commencement of operations at the Shweihan solar PV plant at the end of April 2019.

These increase were offset by a decrease of AED 354 million, or 40.7 per cent., in revenue from the transmission of power and water in the six months ended 30 June 2020 compared to the comparable period in 2019, which was driven by a reduction in transmission changes on unlicensed activities.

### Cost of Sales

The table below shows the cost of sales for Al Maqam and the Perimeter Assets for each of the six month periods ended 30 June 2020 and 30 June 2019.

	<i>Six months ended 30 June</i>	
	<u>2020</u>	<u>2019</u>
	<i>(AED million)</i>	
Operating expenses .....	(7,534)	(7,264)
Depreciation and amortisation.....	(1,920)	(1,833)
	<u>(9,454)</u>	<u>(9,097)</u>

The total cost of sales for Al Maqam and the Perimeter Assets was AED 9,454 million in the six months ended 30 June 2020 compared to AED 9,097 million in the comparable period of 2019, an increase of AED 357 million, or 3.9 per cent. The operating expenses for Al Maqam and the Perimeter Assets increased by AED 270 million, or 3.7 per cent., and the depreciation and amortisation for Al Maqam and the Perimeter Assets increased by AED 87 million, or 4.7 per cent., principally as a result of the capitalisation of additional assets.

### Gross Profit

Reflecting the above factors, the gross profit for Al Maqam and the Perimeter Assets was AED 3,288 million in the six months ended 30 June 2020 compared to AED 3,361 million in the comparable period of 2019, an increase of AED 73 million, or 2.5 per cent.

### General and Administrative Expenses

The general and administrative expenses for Al Maqam and the Perimeter Assets were AED 562 million in the six months ended 30 June 2020 compared to AED 676 million in the comparable period of 2019, an increase of AED 114 million, or 6.9 per cent. The increase in the 2020 period was mainly driven by higher professional service costs to deliver a number of strategic projects.

### Finance Costs

The finance costs for Al Maqam and the Perimeter Assets were AED 227 million in the six months ended 30 June 2020 compared to AED 234 million in the comparable period of 2019, a decrease of AED 7 million, or 3.0 per cent.

## Fair Value Gain on Financial Assets at Fair Value through Profit and Loss

In the six months ended 30 June 2020, an AED 448 million fair value gain on financial assets at fair value through profit and loss was recognised in relation to Al Maqam and the Perimeter Assets which related to 10 per cent. investments in independent power and water producers held by ADPower and transferred to Al Maqam during 2020. No such gain or loss was recorded in the six months ended 30 June 2019.

## Reversal/provision of credit losses

In the six months ended 30 June 2020, an AED 126 million provision for credit losses was recognised in relation to Al Maqam and the Perimeter Assets compared to an AED 21 million reversal of credit losses in the six months ended 30 June 2019. The reversal in the 2020 period related to the recovery of old outstanding receivables in the DisCos.

## Other Operating income and Expense Items

The other items of operating income and expense for Al Maqam and the Perimeter Assets amounted to AED 145 million in the six months ended 30 June 2020 compared to AED 64 million in the comparable period of 2019.

## Profit for the Period

Reflecting the above factors, profit for the period for Al Maqam and the Perimeter Assets was AED 2,939 million in the six months ended 30 June 2020 compared to AED 2,522 million in the comparable period of 2019, an increase of AED 417 million, or 16.5 per cent.

## AL MAQAM FINANCIAL INFORMATION - YEARS ENDED 31 DECEMBER 2019 AND 2018 COMPARED

This section discusses the results of operations from *Al Maqam and* the Perimeter Assets for each of 2019 and 2018 as presented in the Al Maqam Financial Information.

*For a discussion of the Group's results of operations for each of 2020 and 2019, see "— 2020 Financial Statements — Years Ended 31 December 2020 and 2019 Compared" above.*

*For a discussion of the Group's results of operations for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see "— TAQA Historical Financial Statements — Six Months Ended 30 June 2020 and 2019 Compared" above and "— TAQA Historical Financial Statements — Years Ended 31 December 2019 and 2018 Compared" above.*

For a discussion of the results of operations from *Al Maqam and* the Perimeter Assets for the six-month periods ended 30 June 2020 and 30 June 2019, see "— Al Maqam Financial Information — Six Months Ended 30 June 2020 and 2019 Compared" above.

## Revenue

The table below sets out revenue derived from Al Maqam and the Perimeter Assets for each of the years ended 31 December 2019 and 2018.

	<i>Years ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
	<i>(AED million)</i>	
Revenue from the generation of power and water.....	1,285	1,055
of which:		

	<i>Years ended 31 December</i>	
	<u>2019</u>	<u>2018</u>
	<i>(AED million)</i>	
<i>Operating lease revenue</i> .....	1,096	933
<i>Energy payments and other related revenue</i> .....	105	117
<i>Backup fuel reimbursed by EWEC</i> .....	0	0
Others.....	84	5
Revenue from the distribution of power and water .....	23,998	22,921
of which:		
<i>Revenue from the distribution and supply of power and water</i> .....	12,581	12,003
<i>Distribution connection and meter installation fees</i> .....	260	272
<i>Other operating revenue</i> .....	11,156	10,646
Revenue from the transmission of power and water .....	1,150	1,046
<b>Total revenue</b> .....	<b>26,432</b>	<b>25,022</b>

The total revenue derived from Al Maqam and the Perimeter Assets was AED 26,432 million in 2019 compared to AED 25,022 million in 2018, an increase of AED 1,410 million, or 5.6 per cent. This increase reflected:

- an increase of AED 1,077 million, or 4.7 per cent., in revenue from the distribution of power and water in 2019 compared to 2018, which was driven by increased MAR determined for RC1;
- an increase of AED 230 million, or 21.8 per cent., in revenue from the generation of power and water in 2019 compared to 2018, which was driven by higher operating lease revenue as the Sweihan solar PV generation facility was fully commissioned and started generating at the end of April in 2019; and
- an increase of AED 104 million, or 10.0 per cent., in revenue from the transmission of power and water in 2019 compared to 2018, which was driven by higher TUoS charges billed to EWEC for transmission of power and water to the Northern Emirates.

### Cost of Sales

The table below shows the cost of sales for Al Maqam and the Perimeter Assets for each of the years ended 31 December 2019 and 2018.

	<i>Years ended 31 December</i>	
	<u>2019</u>	<u>2018</u>
	<i>(AED million)</i>	
Operating expenses .....	15,617	15,482
of which:		
<i>Bulk supply tariff</i> .....	13,299	13,252
<i>Staff costs</i> .....	1,531	1,538
<i>Repairs, maintenance and consumables used</i> .....	595	469
<i>Charges by operating and maintenance contractors</i> .....	73	66
<i>Derogation charges</i> .....	65	40
<i>Tank hire cost</i> .....	27	15
<i>Insurance</i> .....	16	17
<i>Amortisation of advance to Mirfa Shared Facilities Company</i> .....	7	7
<i>Purchase of water and electricity from Abu Dhabi Company for Servicing Remote Areas</i> .....	—	137
<i>Fuel expenses</i> .....	4	0
<i>Less: Financial adjustment charged for RASCO</i> .....	—	(60)
Depreciation and amortisation.....	3,725	3,497
	<b>19,342</b>	<b>18,979</b>

The total cost of sales for Al Maqam and the Perimeter Assets was AED 19,342 million in 2019 compared to AED 18,979 million in 2018, an increase of AED 363 million, or 1.9 per cent.

The operating expenses for Al Maqam and the Perimeter Assets increased by AED 135 million, or 0.9 per cent., in 2019 compared to 2018 which reflected increases in most items of operating expense offset by no purchases of water and electricity from Abu Dhabi Company for Servicing Remote Areas in 2019 as that company was wound up at 1 January 2019 and its assets were transferred to the Group.

The depreciation and amortisation expenses for Al Maqam and the Perimeter Assets increased by AED 228 million, or 6.5 per cent., principally as a result of the capitalisation of additional assets.

### **Gross Profit**

Reflecting the above factors, the gross profit for Al Maqam and the Perimeter Assets was AED 7,090 million in 2019 compared to AED 6,044 million in 2018, an increase of AED 1,046 million, or 17.3 per cent.

### **General and Administrative Expenses**

The general and administrative expenses for Al Maqam and the Perimeter Assets were AED 1,497 million in 2019 compared to AED 1,117 million in 2018, an increase of AED 380 million, or 34.0 per cent. This principally reflected increases in most categories of general and administrative expense, with the major increases being AED 162 million, or 35.8 per cent., in salaries and related expenses which was driven by an increase in recruitment, and AED 59 million, or 44.0 per cent., in administration service charge from ADPower for delivery of a number of strategic projects.

### **Finance Costs**

The finance costs for Al Maqam and the Perimeter Assets were AED 449 million in 2019 compared to AED 398 million in 2018, an increase of AED 51 million, or 12.8 per cent., which was principally due to higher interest expense on interest bearing loans and borrowings offset by lower interest expense on interest and currency rate swaps.

### **Other Operating Income and Expense Items**

The other operating income and expense items for Al Maqam and the Perimeter Assets were AED 235 million in 2019 compared to AED 195 million in 2018, a decrease of AED 40 million, or 20.5 per cent.

### **Profit for the Year**

Reflecting the above factors, the profit for the year for Al Maqam and the Perimeter Assets in 2019 was AED 5,358 million compared to AED 4,789 million in 2018, an increase of AED 569 million, or 11.9 per cent.

## **AL MAQAM FINANCIAL INFORMATION - CASH FLOW DATA**

This section discusses the cash flows from *Al Maqam and the Perimeter Assets* for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018 as presented in the Al Maqam Financial Information.

*For a discussion of the Group's cash flows for each of 2020 and 2019, see "— 2020 Financial Statements — Cash Flow Data" above.*

For a discussion of the Group's cash flows for each of the six-month periods ended 30 June 2020 and 30 June 2019 and for each of 2019 and 2018, see "— TAQA Historical Financial Statements — Cash Flow Data" above.

The table below summarises cash flow data for Al Maqam and the Perimeter Assets for each of the six month periods ended 30 June 2020 and 2019.

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>(AED million)</i>	
Net cash generated from operating activities .....	2,609	3,177
Net cash used in investing activities.....	(1,265)	(1,844)
Net cash used in financing activities .....	(419)	(144)
Cash and cash equivalents at 1 January.....	2,192	517
Cash and cash equivalents at 30 June.....	3,117	1,706

The table below summarises the cash flow data for Al Maqam and the Perimeter Assets for each of 2019 and 2018.

	<i>Year ended 31 December</i>	
	<i>2019</i>	<i>2018</i>
	<i>(AED million)</i>	
Net cash from operating activities.....	5,318	4,894
Net cash used in investing activities.....	(2,870)	(6,258)
Net cash (used in)/from financing activities.....	(773)	1,302
Cash and cash equivalents at 1 January.....	517	579
Cash and cash equivalents at 31 December.....	2,192	517

## Operating Activities

The net cash from operating activities for Al Maqam and the Perimeter Assets in the six months ended 30 June 2020 was AED 2,609 million compared to AED 3,177 million in the same period in 2019. Net cash from operations in the six months ended 30 June 2020 principally reflected Al Maqam and the Perimeter Assets' profit before tax for the period of AED 2,940 million adjusted upwards for the non-cash cost of depreciation and amortisation of AED 1,933 million and interest expense and notional interest of AED 224 million and adjusted downwards to reflect non-cash fair value gain from financial assets of AED 448 million and working capital changes of AED 2,202 million. Net cash from operations in the six months ended 30 June 2019 principally reflected Al Maqam and the Perimeter Assets' profit before tax for the period of AED 2,522 million adjusted upwards for depreciation and amortisation of AED 1,839 million and interest expense and notional interest of AED 231 million and adjusted downwards to reflect non-cash working capital changes of AED 1,413 million.

The net cash from operating activities for Al Maqam and the Perimeter Assets in 2019 was AED 5,318 million compared to AED 4,894 million in 2018. Net cash from operations in 2019 principally reflected Al Maqam and the Perimeter Assets' profit before tax of AED 5,358 million adjusted upwards for depreciation and amortisation of AED 3,786 million and interest expense and notional interest of AED 441 million and adjusted downwards to reflect working capital changes of AED 4,352 million. Net cash from operating activities in 2018 principally reflected Al Maqam and the Perimeter Assets's profit before tax of AED 4,789 million adjusted upwards for depreciation and amortisation of AED 3,538 million and interest expense and notional interest of AED 394 million and adjusted downwards to reflect working capital changes of AED 3,951 million.

## Investing Activities

The net cash used in investing activities for Al Maqam and the Perimeter Assets in the six months ended 30 June 2020 was AED 1,265 million compared to AED 1,844 million in the comparable period of 2019. Net cash used in investing activities in both periods related entirely to the purchase of PP&E.

The net cash used in investing activities for Al Maqam and the Perimeter Assets was AED 2,870 million in 2019 compared to AED 6,258 million in 2018 and in both years related almost entirely to the purchase of PP&E.

## **Financing Activities**

The net cash used in financing activities for Al Maqam and the Perimeter Assets in the six months ended 30 June 2020 was AED 419 million compared to AED 144 million in the comparable period of 2019. Net cash used in financing activities in the six months ended 30 June 2020 principally reflected outflows of AED 227 million from interest paid and AED 163 million from the repayment of borrowings. Net cash used in financing activities in the six months ended 30 June 2019 principally reflected outflows of AED 449 million from the repayment of borrowings and AED 234 million from interest paid, which were offset by inflows of AED 225 millions from new borrowings raised, AED 166 million from loans by non-controlling interest shareholders in subsidiaries and AED 149 million from share capital contributed by non-controlling interest shareholders.

The net cash used in financing activities for Al Maqam and the Perimeter Assets was AED 773 million in 2019 compared to net cash from financing activities of AED 1,302 million in 2018. Net cash used in financing activities in 2019 principally reflected outflows of AED 579 million from the repayment of borrowings, AED 437 million from interest being paid and a net AED 159 million from movement in shareholders loans, which were offset by inflows of AED 149 million from share capital contributed by non-controlling interest shareholders and AED 141 million from new borrowings raised. Net cash from financing activities in 2018 principally reflected an inflow of AED 2,063 million from new borrowings raised, which was offset by outflows of AED 442 million from interest paid and AED 282 million from borrowings being repaid.

## **LIQUIDITY AND CAPITAL RESOURCES**

*The information in this and the following sections is as at 31 December 2020 and is derived solely from the 2020 Financial Statements.*

### **Overview**

TAQA is a holding company and has no operations of its own. TAQA depends upon the earnings and cash flow of the power generation and water desalination plants, the power and water transmission and distribution networks and the upstream and midstream oil and gas facilities owned by its subsidiaries and the ability of those subsidiaries to pay dividends or repatriate funds to TAQA.

The ability of those subsidiaries to pay dividends or make other distributions or payments to TAQA is subject to, among other things, the availability of profits or distributable funds, restrictions on the payment of dividends set forth in covenants given in connection with financial indebtedness and restrictions in applicable laws and regulations, including as a result of TAQA's investments in regulated utilities. The Terms and Conditions of the Notes contain no covenants that prevent TAQA's subsidiaries or the other companies in which it invests from entering into agreements which may restrict their ability to pay dividends or make payments to TAQA and its affiliates. However, the majority of TAQA's power generation and water desalination plants have been financed with limited recourse project finance facilities, which contain certain restrictive covenants, including a prohibition on the payment of dividends in certain circumstances, see "*Risk Factors — Factors that may Affect Taqa's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Business*



*Generally — In the event of a winding up of the Group, the claims of the Noteholders will be structurally subordinated to the claims of creditors of TAQA’s subsidiaries and TAQA’s generating subsidiaries may be limited in their ability to pay dividends or make other distributions to TAQA”.*

The Group’s sources of funds include funds generated from operations, funds from external borrowing (including project financing) and the proceeds of asset sales.

The Group’s cash requirements arise primarily from the capital intensive nature of its power generation and water desalination operations, its power and water transmission and distribution operations, its oil and gas exploration and production activities and the operation of its gas storage facilities.

## **Capital Commitments**

### ***Capital expenditure***

The capital expenditure commitments under the Group’s ongoing operations are expected to be financed with cash flows generated from operations. As at 31 December 2020, the total authorised capital expenditure contracted, but not provided for in relation to ongoing operations, amounted to AED 3,080 million. The authorised capital expenditure contracted, but not provided for, by each business as at 31 December 2020 is set out in the table below.

	<i>At 31 December 2020</i>
	<i>(AED million)</i>
Generation .....	7
Transmission and distribution	2,653
Oil and gas.....	420
<b>Total</b> .....	<b>3,080</b>

Each of TAQA’s subsidiaries operating power generation and water desalination plants in the UAE and most of TAQA’s subsidiaries operating the international power generation plants have entered into limited recourse project finance arrangements, although in the case of some subsidiaries the financing has been fully repaid. Operating budget capital expenditure for these subsidiaries is non-contractual and discretionary.

### ***Other significant commitments and entitlements***

In Canada, the Group has entered into contractual commitments, mainly pipeline usage and commitments, under which it is committed to spend AED 871 million as at 31 December 2020.

The Group’s existing assets in the generation business are contracted on a long-term basis and the payment flows under the contracts are generally stable in nature. Factors such as technology changes, competition, inflation and commodity prices do not typically affect the payment flows as fuel costs are typically passed through to the offtaker under the contracts and many of the contacts also have a degree of change in law protection. The Group, as a lessor, had future minimum receipts under non-cancellable operating leases of AED 72,397 million as at 31 December 2020. These operating leases have remaining maturities ranging from one to 22 years.

For further details, see Note 31 to the 2020 Financial Statements.

## **Capital Resources**

The Group’s interest bearing loans and borrowings as at 31 December 2020 comprised:

- AED 31,175 million in conventional term loans and AED 348 million in Islamic term loans outstanding. These loans are denominated in U.S. dollars and UAE dirham (in the case of the UAE power and water generation subsidiaries), in euro and Moroccan dirham (in the case of the loans to the Jorf Lasfar project companies) and in U.S. dollars (in the case of the loans to TAQA itself and Takoradi International Company). The majority of the loans to the UAE power and water generation subsidiaries, some of the loans to the Jorf Lasfar project companies and the loan to Takoradi International Company bear interest at a floating rate determined by reference to a margin over LIBOR. The remaining international loans bear interest at fixed rates. The floating rate loans entered into by the UAE subsidiaries have margins to LIBOR that range between 0.5 per cent. and 3.15 per cent. The floating rate loans entered into by the international subsidiaries have margins to LIBOR that range between 4.25 per cent. and 5.60 per cent. The fixed rate loans have effective interest rates of 4.71 per cent. (in the case of the loan to TAQA itself) and 4.8 per cent. (in the case of the loan TAQA Morocco). For further details, see Note 24 to the 2020 Financial Statements;
- AED 32,893 million (including sukuk of AED 605 million) in debt securities issued by TAQA itself outstanding. These securities are denominated in U.S. dollars (save for the sukuk, which is denominated in Malaysian ringgit and one issue of notes which is denominated in euro) and all series bear interest at a fixed rate. The weighted average interest rate of these debt securities was 4.5 per cent. at 31 December 2018;
- AED 6,458 million in bonds outstanding issued by three of its subsidiaries. The bonds bear interest at fixed rates of 3.82 per cent., 4.79 per cent. and 6.18 per cent. and mature between February 2029 and March 2038, and are solely the obligation of these subsidiaries and not guaranteed by TAQA;
- AED 5,133 million in drawings under a revolving credit facility. These drawings are in U.S. dollars. The drawings bear interest at floating rates and had a weighted average interest rate of 0.85 per cent. at 31 December 2020.

As at 31 December 2020, the Group also had AED 66 million in bank overdrafts.

As at 31 December 2020, the Group had AED 8,154 million in unutilised committed funding.

### ***Term loans***

Term loans (excluding the Islamic loans described below), which are shown at amortised cost, have been incurred by the following subsidiaries. Each of these loans is described in more detail in Note 24 to the 2020 Financial Statements.

<i>Subsidiary</i>	<i>Amortised cost at 31 December 2020</i>
	<i>(AED million)</i>
<b>UAE power and water generation subsidiaries</b>	
Gulf Tractebel Power Company PJSC .....	2,250
Shuweihat CMS International Power Company PJSC (“SCIPCO”).....	370
Arabian Power Company PJSC (“Arabian Power”).....	862
Taweelah Asia Power Company PJSC.....	2,946
Emirates Sembcorp Water and Power Company .....	2,106
Fujairah Asia Power Company PJSC.....	5,363
Ruwais Power Company PJSC.....	3,933
Sweihaan PV Power Company PJSC.....	2,236
Shuweihat Asia Power Company .....	3,211

<i>Subsidiary</i>	<i>Amortised cost at 31 December 2020</i>
Mirfa International Power and Water Company PJSC.....	3,807
	<b>27,084</b>
<b>International power generation subsidiaries</b>	
TAQA Morocco S.C.A. (formerly Jorf Lasfar Energy Company S.C.A.) .....	587
Jorf Lasfar Energy Company 5&6 S.A, .....	2,074
Takoradi International Company.....	695
	<b>3,356</b>
<b>Total</b> .....	<b>30,440</b>

All of TAQA’s UAE power generation and water desalination subsidiaries (except for two where the financing has been repaid) and certain of its international power generation subsidiaries are financed by limited recourse project finance conventional loan facilities and, in the case of TAQA Morocco, a project finance bond. In certain cases, Islamic loan facilities have also been entered into, see “— *Islamic Loans*” below. The conventional loan facilities and the Islamic loan facilities rank equally and are subject to inter-creditor arrangements. The facilities to which the UAE generation subsidiaries are party all have substantially similar terms including a right and, in some circumstances, an obligation to prepay the loan in whole or in part. For example, certain insurance proceeds, compensation payments and asset disposal proceeds received by a UAE generation subsidiary are required to be used to prepay these facilities.

Each project financing restricts the ability of the UAE generation subsidiary to make distributions to its shareholders (including repayments of subordinated loans). The restrictions on making distributions include, without limitation, the achievement of a minimum debt service coverage ratio, the achievement of a minimum loan life coverage ratio and no default or potential event of default occurring under the relevant facility agreement, see “*Risk Factors — Factors that may Affect Taqa’s Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group’s Business Generally — In the event of a winding up of the Group, the claims of the Noteholders will be structurally subordinated to the claims of creditors of TAQA’s subsidiaries and TAQA’s generating subsidiaries may be limited in their ability to pay dividends or make other distributions to TAQA*”.

Under each project financing, the UAE generation subsidiary is obliged to open and operate certain onshore and offshore bank accounts. Amounts in the offshore operating accounts must be applied, broadly, in the following order of priority: project costs; operating and maintenance and other capital costs as they fall due; debt service; transfers to the maintenance reserve account; transfers to the debt service reserve account; and distributions to shareholders.

In addition, each project financing imposes a number of positive and negative covenants on the UAE generation subsidiary, including (in most cases) restrictions on creating liens; selling or otherwise disposing of assets; incurring additional debt; changing the general scope of business; entering into mergers or acquisitions or making investments; and amending project agreements.

The project financings are secured by security interests over substantially all the assets of the relevant UAE generation subsidiary and over its shares and other ownership interests.

The events of default under the project financings include (in most cases) a failure to make due payments; misrepresentation; non-compliance with covenants; cross default; insolvency and analogous events; change of control; illegality; termination or breach of certain finance and project documents; loss or material amendment of certain licences; expropriation; non-compliance with minimum debt service coverage ratio and loan life coverage ratio; destruction or abandonment of the project; and any

other event or circumstance which has a material adverse effect. In most cases, if an event of default occurs, the facility agent may, and must if so instructed by the majority lenders, accelerate the loan. In most cases, no individual lender can take any independent action to enforce the security for the loan or initiate any other creditor's process without the consent of the majority lenders. There have been no events of default under any of these loans to date.

### **Islamic Loans**

Islamic loans, which are shown at amortised cost, have been taken out with respect to the following subsidiaries. Each of these loans is described in more detail in Note 25 to the 2020 Financial Statements.

<i>Subsidiary</i>	<i>Amortised cost at 31 December 2020</i>
	<i>(AED million)</i>
Shuweihat CMS Power Company PJSC .....	93
Arabian Power Company PJSC.....	255
<b>Total</b> .....	<b>348</b>

A fluctuating rental payment is paid under the Islamic financing agreements, which is broadly equivalent to the conventional lenders' return. Each of the operating subsidiaries' Islamic lenders shares security with its conventional lenders.

### **Debt securities issued**

As at 31 December 2020, TAQA also had outstanding 10 series of U.S. dollar-denominated fixed rate notes issued under its global medium term note programme in an aggregate face amount of U.S.\$6,750 million and one series of euro-denominated fixed rate notes with a face amount of €180 million. In addition, at the same date the Group had U.S.\$1.50 billion in aggregate face amount of one series of directly issued bonds outstanding and U.S.\$1,225 million in face amount of bonds issued by Ruwais Power Company and Emirates Sembcorp Water & Power Company, two subsidiaries of TAQA.

TAQA also has a MYR 3.5 billion sukuk programme under which it can issue Shari'ah compliant securities. As at 31 December 2020, an MYR 650 million sukuk due March 2022 had been issued and was outstanding in the amount of AED 605 million.

The table below summarises the maturity profile of these securities:

<i>Repayment Date</i>	<i>Amount Outstanding at 31 December 2020</i>
	<i>(AED million)</i>
June 2021 .....	1,857
June 2021 .....	934
December 2021 .....	2,881
March 2022 .....	605
January 2023 .....	4,797
May 2024 .....	873
May 2024 .....	2,955
April 2025 .....	3,043
June 2026 .....	2,027
June 2026 .....	2,091
February 2029 to August 2035 .....	1,608
April 2030 .....	4,349
August 2036 .....	3,772
October 2036 .....	4,429
October 2049 .....	2,052

**Total**..... 38,273

### ***Revolving credit facility***

In December 2019, TAQA entered into a U.S.\$3.5 billion multi-currency revolving credit facility with a syndicate of 13 banks. Drawings under the facility bear interest at floating rates determined by reference to LIBOR or EURIBOR plus a margin. As at 31 December 2020, AED 5,133 million in drawings were outstanding under this facility.

### ***Repayment Profile***

Principal amounts repayable by TAQA and its subsidiaries (before purchase price allocation fair value adjustments and deducting prepaid finance costs) under the conventional and Islamic loans identified above outstanding at 31 December 2020 are as follows:

<i>Repayment Profile</i>	<i>At 31 December 2020</i>
	<i>(AED million)</i>
Within 1 year.....	8,752
Between 1 and 2 years.....	4,657
Between 2 and 3 years.....	7,209
Between 3 and 4 years.....	11,556
Between 4 and 5 years.....	5,742
After 5 years.....	36,729
<b>Total</b> .....	<b>74,645</b>

### ***Loans from related parties***

As at 31 December 2020, the Group had AED 146 million outstanding in non-current loans from related parties, see Note 30 to the 2020 Financial Statements.

## **EQUITY**

The Group's equity was AED 69,255 million as at 31 December 2020. See notes 20 and 21 to the 2020 Financial Statements for more detail about the Group's equity and the effects of the Transaction thereon.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As of the date of this Prospectus, consolidated Group companies have not entered into any off-balance sheet arrangements.

## **CONTINGENT LIABILITIES**

In addition to its obligations under guarantees and letters of credit entered into in the ordinary course of business, the Group is subject to claims lodged by contractors and consultants relating to its ongoing and completed projects, arising from extension of time and work performed but not paid, a contingent liability in respect of a guarantee entered into in connection with the Red Oak acquisition which is capped at U.S.\$ 100 million (AED 367 million) and expires in 2022 and a contingent liability under a bank guarantee in relation to Dutch decommissioning arrangements.

Furthermore, TAQA is subject to potentially significant additional costs in respect of its UK North Sea assets, see "*Risk Factors — Factors that may Affect Taqa's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Crude Oil and natural gas Exploration, Production, Transportation and Storage Businesses — The Group could incur significant decommissioning costs in relation to its oil and facilities which may be higher than its provisions and*

*may require cash resources beyond those that it generates from its operating activities*". TAQA Bratani Ltd. has entered into decommissioning deeds and other agreements for certain UK North Sea assets acquired by it, pursuant to which it may be required to provide financial security to the former owners of the assets, either by means of (a) placing monies in trust or procuring the issuance of letters of credit in an amount equal to its share of the net decommissioning costs of the subject fields plus an allowance for uncertainty; or (b) procuring a guarantee from a holding company or affiliate which satisfies a minimum credit rating threshold; or (c) providing security in such other form as may be agreed by parties to the deeds. As at 31 December 2020, TAQA Bratani Ltd has provided financial security through parent company guarantees from TAQA in addition to a letter of credit. Under the terms of the letter of credit, TAQA has provided an undertaking to reimburse any amount called in order to meet certain future decommissioning costs of TAQA Bratani Ltd.

For further information, see note 31(iv) to the 2020 Financial Statements.

## **PRIMARY RISKS**

The Group is exposed to a range of different risks, including:

- commodity risk, principally arising from changes in prices for crude oil and natural gas;
- exploration and production risk in relation to its crude oil and natural gas exploration and production activities;
- financial risks arising from changes in foreign currency exchange rates and other market price risks;
- credit risk insofar as its subsidiaries water and electricity to a single customer; and
- liquidity risk in connection with the Group's terms of sale.

### **Commodity Price Risk**

A significant part of the Group's operating results and financial condition depends on prevailing prices of crude oil, natural gas and natural gas liquids. Historically, these prices have fluctuated widely for many reasons, including:

- global and regional supply and demand, and expectations regarding future supply and demand, for crude oil, natural gas and natural gas liquids;
- weather conditions and natural disasters;
- access to pipelines, railways and other means of transporting crude oil, natural gas and natural gas liquids;
- prices and availability of alternative fuels and sources of energy;
- the ability of the members of OPEC, and of other crude oil producing nations, to set and maintain specified levels of production and prices;
- political, economic and military developments in oil producing regions, particularly the Middle East;
- governmental regulations and actions, including export restrictions and taxes; and

- global and regional economic conditions.

Substantially all of the Group's crude oil, natural gas and natural gas liquids are sold at prices which are either spot prices or are based on monthly average prices. Market prices for export sales of these products are subject to volatile trading patterns in the commodity futures markets. Average selling prices can differ from quoted market prices due to the effects of uneven volume distributions during the period, quality differentials, different delivery terms compared to quoted benchmarks, different conditions in local markets and other factors.

World crude oil and natural gas prices have experienced significant volatility during the period under review. See "*— Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*" above.

TAQA Gen-X seeks to hedge its commodity price risks (incurred through its ongoing purchases of gas and sales of electricity) through forward commodity contracts. Based on a sensitivity analysis in note 34(iii) to the 2020 Financial Statements, in 2020, a 10 per cent. increase in the year end fair value of the forward commodity contracts to which TAQA Gen-X was a party would have increased the Group's profit before tax by AED 12 million whereas a 10 per cent. decrease in the year end fair value of those contracts would have had an equal but opposite effect.

## **Exploration and Production Risk**

Exploration for new crude oil and natural gas resources is an integral part of the Group's business and is a high risk endeavour. Exploration projects search for reserves of crude oil and natural gas below the earth's surface and, despite the advanced technology used, it remains difficult to understand petroleum geology at such depths. Whilst considerable geological uncertainty prevails, the acquisition of sufficient data and detailed geological analyses can reduce this uncertainty and exploration risk to acceptable levels. Factors which the Group takes into account when exploring for crude oil and natural gas resources are the probability of success, the potential size of the reserves and the costs involved in exploring and developing the reserves. To minimise the risks associated with these factors, the Group seeks to develop the capability of its exploration teams through knowledge management and exploration and production databases shared within the Group which institutionalise best practice and lessons learned. In addition, the Group uses a peer review process and consensus building to recommend exploration projects for approval. In order to balance reserve growth and risk tolerance, the exploration portfolio is regularly reviewed.

Production risk tends to be associated with ageing production equipment and human error, see "*Risk Factors — Factors that may Affect Taqa's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transportation and Storage Businesses — Crude oil and natural gas exploration and development activities are inherently risky both from a commercial and operational perspective and the Group's operational risks are increased by the fact that certain of its oil and gas facilities have exceeded their original designed lives*". To address this risk, the Group emphasises risk management at all stages of the production process. Automatic detection and emergency shutdown processes are in place to prevent losses during equipment failures. The Group uses standardised work procedures and operation manuals, together with training programmes, to encourage the adoption of best practices and risk management procedures by its employees. In addition, stringent operational safety assessments are carried out by outside agencies to ensure high standards.

## **Market Price Risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group's principal market price risks are currency risk and interest rate risk.

### ***Foreign currency exchange risk***

The Group conducts operations in 11 countries and reports its consolidated financial statements in UAE dirham. As a result, its results of operations are affected by exchange rate fluctuations between the UAE dirham and other currencies, in particular the Canadian dollar, the euro, the Indian rupee, the Moroccan dirham and the pound sterling. The Group's foreign exchange risk consists of both currency translation risk and currency transaction risk. Each of the Group's operating subsidiaries reports its assets and liabilities and profits and losses in the operating currency of the jurisdiction in which it primarily operates. These amounts, if not reported in UAE dirham, are then translated into UAE dirham for inclusion in the Group's consolidated financial statements at the period average or period-end exchange rates, as the case may be. The translation of these amounts can impact the Group's financial results from period to period and affect their comparability.

A significant portion of the Group's oil and gas revenue is denominated in U.S. dollars. However, because the UAE dirham has been pegged to the U.S. dollar, at a fixed exchange rate of AED 3.6725 = U.S.\$1.00 since 22 November 1980, balances in U.S. dollars are not considered to represent significant currency risk. There is, however, no guarantee that the UAE dirham will remain pegged to the U.S. dollar or that it will remain pegged at the same fixed rate of exchange. The Group's UAE and non-UAE generation companies use forward currency contracts to hedge the risk associated with currency fluctuations. With respect to currency derivatives, the Group's policy is to measure these instruments at their fair value, using the spot rate at the year-end as the basis for the fair value measurement with resulting gains or losses being reported within gains less losses arising from dealing in foreign currencies in the consolidated income statement.

As a result of the Group's investments in The Netherlands and Morocco (whose currency is pegged to a basket of currencies comprised predominantly of the euro), it is exposed to currency risk as a result of movements in euro and UAE dirham exchange rates. TAQA seeks to mitigate the effect of the Group's structural currency exposure by borrowing in euro. As a result of its investments in Canada, the Group's balance sheet can also be affected by movements in the Canadian dollar and UAE dirham exchange rates. The Group also has transactional currency exposure mainly in U.S. dollars, sterling, euro and Canadian dollars. It is the Group's policy to have all forward currency contracts in the same currency as the hedged items and not to enter into forward contracts until a firm commitment is in place. It is also the Group's policy to synchronise the terms of the hedge derivatives with the terms of the hedged item to maximise hedge effectiveness.

Based on a sensitivity analysis in note 34(ii) to the 2020 Financial Statements, in 2020, a 5 per cent. increase in the exchange rate between the dirham and the Canadian dollar, the euro, the Indian rupee, the Moroccan dirham and the pound sterling, respectively, with all other variables held constant, would have decreased the Group's profit before tax by AED 81 million and (principally through the Group's euro-denominated borrowings) increased its equity by AED 20 million, with a 5 per cent. decrease in the exchange rate having an equal but opposite effect.

### ***Interest rate risk***

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations and short-term deposits with floating interest rates. It is the Group's policy to manage its interest costs using a mix of fixed and variable rate debts. To manage this, Group companies enter into interest rate swaps, in which the relevant Group company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. As at 31 December 2020, after taking into account the effect of interest rate swaps, approximately 87 per cent. of the Group's borrowings are at a fixed rate of interest.



Based on a sensitivity analysis in note 34(i) to the 2020 Financial Statements, as at 31 December 2020, an increase in interest rates of 0.15 per cent. (assuming all other variables remained constant) would have reduced the Group's profit in 2020 by AED 27 million and increased its equity by AED 126 million. An equivalent decrease in interest rates would have had an equal but opposite effect.

Group companies borrow to support their general corporate purposes including capital expenditure, acquisition financings and working capital needs. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of outstanding variable rate borrowings. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the Group's debt obligations.

LIBOR reforms and the expected cessation of LIBOR are expected to impact the Group's current interest rate risk management and accounting for certain financial instruments. The Group is not yet in a position to quantify any financial impact.

### **Credit Risk**

Credit risk comprises the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a loss for the Group. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial instruments under which it is a lender.

TAQA's UAE power and water generation subsidiaries sell their products to one related party, which was also the Group's most significant customer in the year ended 31 December 2020, accounting for 23 per cent. of the Group's total revenue in that year. Generally, TAQA's non-UAE power generation subsidiaries also sell their products to one party, which is typically a governmental entity. TAQA Bratani derives most of its revenue from the sale of crude oil to a limited number of customers. The crude oil contracts with these companies are annually tendered and currently cover the period to 31 December 2021. All of the natural gas produced by the Group in The Netherlands is sold to GasTerra B.V., an entity 50 per cent. owned by the Dutch government and 50 per cent. owned by a joint venture between Shell and Exxon Mobil, under a long-term contract. These subsidiaries seek to limit their credit risk with respect to a single customer by monitoring outstanding receivables. The Group's non-UAE subsidiaries are potentially exposed to concentrations of credit risk in respect of accounts receivable, cash and cash equivalents, VAT recoverable, loans receivable and advances. The Group's other oil and gas operations sell their output in the spot market. The Group does not generally require collateral to limit its exposure to loss; however, letters of credit and prepayments are often used. Although the condition of these receivables could be influenced by economic factors affecting these entities, TAQA believes there is no significant risk of loss beyond allowances already recorded.

The Group generally trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure relates to carrying amounts for amounts due from related parties and accounts receivable and prepayments. The Group's two largest customers accounted for 28 per cent. of outstanding trade receivables and amounts due from related parties as at 31 December 2020. In relation to its other financial assets, including cash and cash equivalents, available for sale financial investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. TAQA seeks to limit its credit risk to banks by only dealing with reputable banks and financial institutions. The requirement for impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. All impairment considerations for trade and other receivables are performed using the expected credit loss model.

## **Liquidity Risk**

Liquidity risk arises when the maturity of assets and liabilities do not match. TAQA's subsidiaries seek to limit their liquidity risk by monitoring their current financial position in conjunction with their cash flow forecasts on a regular basis to ensure funds are available to meet their commitments for liabilities as they fall due. The generation subsidiaries' terms of sale require amounts to be paid within 30 days of the date of sale. The DisCos bill their customers on a monthly basis. Trade payables are normally settled within 30 days of the date of purchase. In addition to liquidity provided from operating cash flow, the Group has available liquidity through its undrawn revolving credit facilities.

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (for example accounts receivable and other assets) and projected cash flow from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and bonds. During 2021, 12 per cent. of the Group's debt will mature in less than one year based on the carrying value of borrowings reflected in the 2020 Financial Statements.

## **Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and to maximise shareholder value. The Group manages its capital structure through dividend adjustments and issuing new shares. On 13 December 2020, TAQA's shareholders approved a new dividend policy for 2020-2022 which includes a quarterly dividend payment and a commitment to grow this by 10 per cent. per year in 2021 and 2022.

TAQA monitors the Group's capital using a gearing ratio of net debt divided by total capital plus net debt. For these purposes, "net debt" comprises interest bearing loans and borrowings and Islamic loans less cash and cash equivalents and "total capital" comprises total equity (including non-controlling interest and loans from non-controlling interest shareholders in subsidiaries).

As at 31 December 2020, the Group's gearing ratio was 49 per cent.

## DESCRIPTION OF THE GROUP

### OVERVIEW

TAQA is the holding company for a diversified international energy group headquartered in Abu Dhabi, and one of the largest listed integrated utility companies in the EMEA region in terms of market capitalisation. On 1 July 2020, certain power and water generation, transmission and distribution assets in the UAE owned by TAQA's majority shareholder, ADPower, were transferred to TAQA and, following the Transaction, as at 31 December 2020 the Group's operational assets included:

- majority interests in 11 operational gas-fired and one renewable power generation and water desalination assets in the UAE;
- the power and water transmission company that services Abu Dhabi and five of the remaining six emirates in the UAE; and
- two power and water distribution companies that service the whole of Abu Dhabi.

The Group also operates internationally across the energy value chain from upstream and midstream oil and gas businesses through to power generation. In 2020, the Group's revenue was AED 23,985 million and it reported a profit of AED 4,017 million. On a pro forma basis, assuming that the Transaction had taken place on 1 January 2020, the Group's revenue for 2020 would have been AED 41,151 million and its profit would have been AED 3,012 million.

### Generation

The Group's generation business engages in the ownership, development, acquisition and operation of power generation and water desalination facilities.

The Group owns majority interests in 11 operational power generation and water desalination facilities in the UAE. It also has minority interests in three power generation and/or water desalination projects under construction in the UAE with expected completion dates in 2022 and 2023. TAQA also wholly-owns two generation plants which were fully operational until 31 December 2020. Effective 1 January 2021 both plants have ceased operations and are undergoing decommissioning. In addition, the Group owns a majority interest in and operates power generation facilities in each of Morocco, India and Ghana. The Group also owns a majority interest in a tolling agreement in relation to a power generation facility and a 50 per cent. interest in Lakefield wind farm, both in the United States. The Group also owns minority interests in a company which operates an aluminium smelter and related power generation plant in Oman and a co-generation facility in Saudi Arabia. In addition, TAQA is currently exploring various other regional thermal power, water desalination and co-generation opportunities.

In 2020, the Group's revenue from external customers derived from its generation business was AED 6,381 million, or 26.6 per cent. of its total revenue from external customers, and its profit for the year (before adjustments, eliminations, minority interests and unallocated costs) from its generation business was AED 745 million. In 2020, on a pro forma basis, assuming that the Transaction had taken place on 1 January 2020, the Group's revenue from external customers derived from its generation business would have been AED 12,314 million, or 29.9 per cent. of its total pro forma revenue from external customers, and its profit for the year (before adjustments, eliminations, minority interests and unallocated costs) from its generation business would have been AED 999 million.

As at 31 December 2020, the Group's generation facilities (excluding the 1,000 MW power generation plant at Sohar Aluminium in Oman but including the Group's minority interest in the Jubail power plant in Saudi Arabia and its 50 per cent. in Lakefield wind farm) had a gross power generation

capacity of 18,041 MW in the UAE and 3,924 MW in operations outside the UAE, and a gross desalinated water production capacity of 913 MIGD. The two plants that ceased operations in 2021 had an aggregate gross power generation capacity of 373 MW.

### **Transmission and Distribution**

The Group's transmission and distribution business is the largest of the Group's three businesses.

The Group owns 100 per cent. of TRANSCO, a power and water transmission company which transmits power and water across the whole of Abu Dhabi and to FEWA and SEWA which serve five of the remaining six emirates in the UAE. It also owns 100 per cent. of each of ADDC and AADC, the sole power and water distribution companies for Abu Dhabi covering the west and central regions (including Abu Dhabi) and the eastern region (including Al Ain), respectively.

In 2020, the Group's revenue from external customers derived from its power and water transmission and distribution business was AED 15,380 million, or 64.1 per cent. of its total revenue from external customers, and its profit for the year (before adjustments, eliminations and unallocated costs) from its transmission and distribution business was AED 3,212 million. In 2020, on a pro forma basis, assuming that the Transaction had taken place on 1 January 2020, the Group's revenue from external customers derived from its power and water transmission and distribution business would have been AED 24,659 million, or 59.9 per cent. of its total pro forma revenue from external customers, and its profit for the year (before adjustments, eliminations and unallocated costs) from its transmission and distribution business would have been AED 3,949 million.

### **Oil and Gas**

The Group is engaged in upstream and midstream oil and gas businesses with its principal operations in Canada, the UK North Sea and The Netherlands. The Group also has a 47.4 per cent. working interest in a PSC governing the Atrush Block in the Kurdistan Region of Iraq. The Group's upstream oil and gas business includes exploration, development and production of crude oil, natural gas and natural gas liquids. The Group's midstream oil and gas business includes gas storage, oil and gas processing and transport. In 2020, the oil and gas business generated revenue from external customers of AED 2,224 million, or 9.3 per cent. of the Group's total revenue, and recorded a loss (before adjustments, eliminations, minority interests and unallocated costs) of AED 104 million. On a pro forma basis, assuming that the Transaction had taken place on 1 January 2020, the Group's revenue from external customers derived from the oil and gas business would have been AED 4,178 million, or 10.2 per cent. of its total pro forma revenue from external customers, and its loss for the year (before adjustments, eliminations, minority interests and unallocated costs) from its oil and gas business would have been AED 1,523 million. In 2020, the Group's aggregate daily average crude oil, natural gas liquids and natural gas production was 51.6 mboe/d, 10.1 mboe/d and 337.5 mmcf/d, respectively, and 118.0 mboe/d in total.

### **HISTORY**

In March 1998, ADWEA was established by the government of Abu Dhabi to implement a major water and electricity sector restructuring, refurbishment and expansion programme in the Emirate of Abu Dhabi. To achieve these goals, ADWEA undertook a partial privatisation programme in relation to a number of its generation assets with a view to reducing power and water costs and increasing fuel efficiency through market competition. Pursuant to this process ADWEA divested 40 per cent. of its interest in each of its generation facilities to consortia formed by international developers such as Marubeni, GDF Suez and International Power. ADWEA subsequently transferred 90 per cent. of its remaining interest in each facility to TAQA as such facility neared completion.

TAQA was established in June 2005 pursuant to the provisions of Emiri Decree (16) of 2005 as a public joint stock company. In August 2005, TAQA's shares were listed on the Abu Dhabi Securities Exchange (the **ADX**).

In 2006, TAQA commenced a process of diversification, transforming the Group through acquisitions from being solely a power generation and water desalination business in the UAE into an internationally operating energy group that was also active in the upstream (oil and gas exploration and production) and midstream (oil and gas storage and transmission) sectors of the energy industry.

Between 2007 and 2012, TAQA completed a number of acquisitions in the I-MENA region (the MENA region plus India), North America, Europe and elsewhere. Since then, TAQA's primary focus has been on developing its asset base. Due to the sharp decline in international oil prices in the second half of 2014, TAQA undertook a transformation programme in 2015 and 2016 which streamlined the Group's operating model and enhanced corporate and business unit accountability as well as operational efficiencies and safety.

Effective 31 December 2016, TAQA entered into a framework agreement (the **Framework Agreement**) with ADWEA, its then majority shareholder, pursuant to which ADWEA granted TAQA a 99-year leasehold right over certain plots of land in the UAE at a nominal amount. At the date of the transfer, TAQA recorded the fair value of leasehold land amounting to AED 18,682 million, under property plant and equipment, with a corresponding amount recorded as an equity contribution from ADWEA. TAQA's Board issued a resolution to transfer equity contributions amounting to AED 18,682 million to accumulated losses, which was approved at the shareholders' Annual General Meeting held in April 2017.

In 2018, the government of Abu Dhabi issued Law No. 2 of 2018, pursuant to which Abu Dhabi Developmental Holding Company (now known as ADQ) was established as a public joint stock company wholly-owned by the Emirate of Abu Dhabi with a mandate to monitor and guide certain government companies in Abu Dhabi, to enable them to achieve excellence in productivity, efficiency and quality.

In February 2018, the Abu Dhabi government established the DoE as a replacement and legal successor to ADWEA and the Regulatory & Services Bureau for the Water and Electricity Sector. Pursuant to the law establishing the DoE, all assets, rights and obligations of ADWEA became those of the DoE in its capacity as ADWEA's legal successor and, as a result, all shares of TAQA held by ADWEA became owned by the DoE. In 2019, the DoE's 75.1 per cent. shareholding in TAQA and the land leased to TAQA were transferred to ADPower, which was wholly-owned by ADQ.

As part of the Transaction in which ADQ contributed the majority of its power and water generation, transmission and distribution assets, including TRANSCO, the two DisCos and additional generation assets, to TAQA by way of a reverse merger for accounting purposes, the lease transaction under the Framework Agreement was terminated and TAQA became a 98.6 per cent. owned subsidiary of ADPower. Accordingly, Abu Dhabi, through ADQ and ADPower, indirectly owns 98.6 per cent. of TAQA's share capital. The remaining 1.4 per cent. is publicly owned and TAQA remains a listed company.

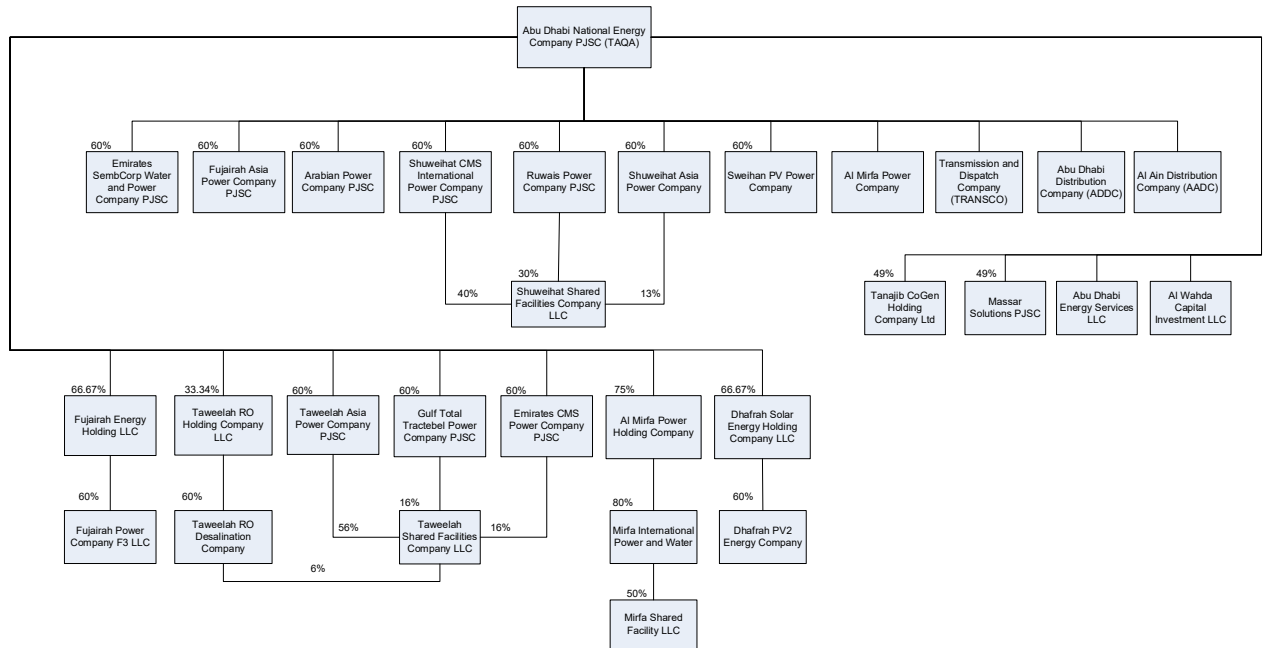
In November 2020 and in accordance with TAQA's articles of association, the Board approved allowing foreign ownership of up to 49 per cent. in TAQA.

# CORPORATE, ORGANISATIONAL AND REPORTING STRUCTURES

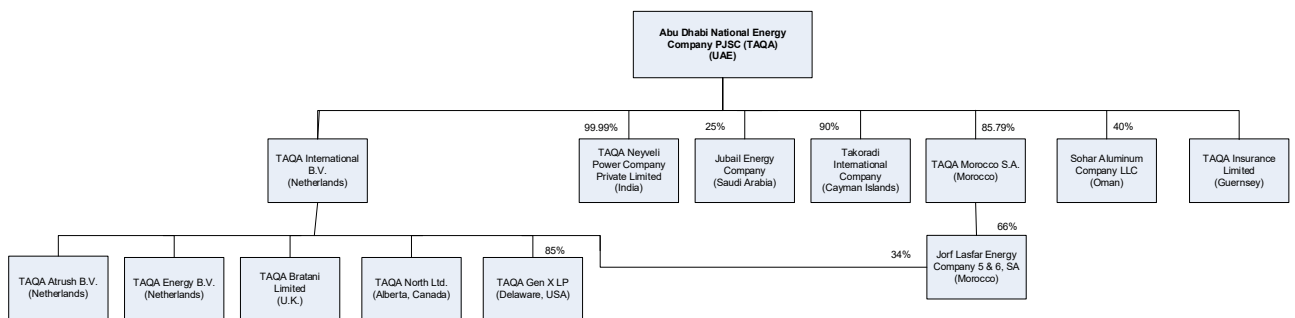
## Corporate Structure

The simplified corporate structure charts as at 31 December 2020 below depict the inter-corporate relationships between TAQA and its principal UAE and international subsidiaries. Intermediate holding companies may be interposed between the companies shown on the corporate structure charts, and the ownership percentage figures in the charts reflect TAQA’s direct or indirect effective ownership, as applicable.

### UAE subsidiaries

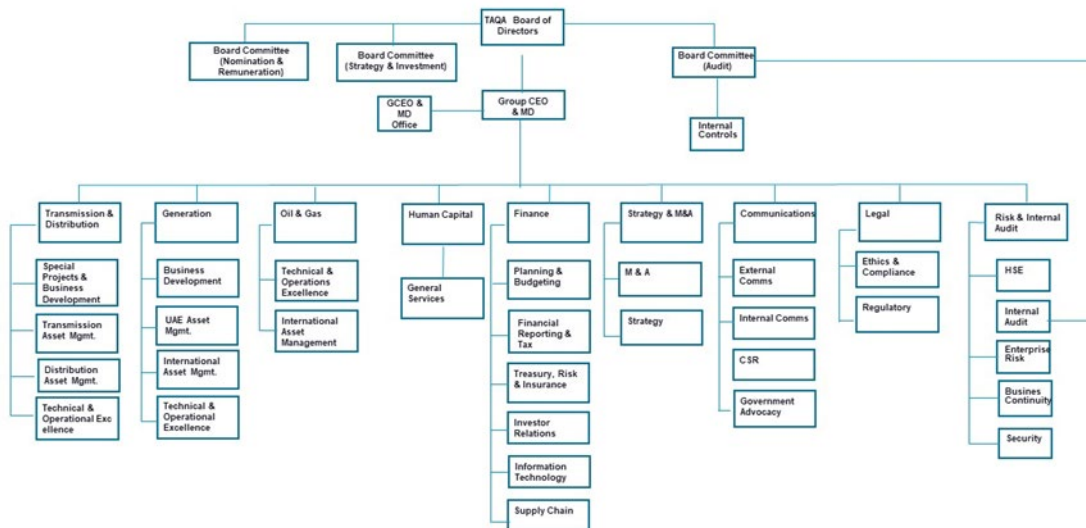


### International subsidiaries



## Organisational and Reporting Structure

The chart below depicts how the Group’s business is organised and the general reporting lines for the business.



## STRATEGY

The Transaction was driven by the strategic objective of consolidating Abu Dhabi’s power and water assets to create one of the largest integrated utility companies in the EMEA region and position TAQA as one of the leading global utility companies. Following the Transaction, TAQA further enhanced its ability to capture growth opportunities in the UAE, including playing a key role in delivering on the UAE’s national energy strategy, as well as possessing a more robust capital structure to support selective international growth while paying sustainable dividends to shareholders.

TAQA’s purpose is to power a thriving future by efficiently providing sustainable and reliable energy and water to unleash the unlimited potential of people and places.

TAQA’s vision is to be a sustainable energy champion and power and water partner of choice for business, government and society. As Abu Dhabi’s integrated utilities leader, TAQA aims to build an inspiring tomorrow for its people, its partners and its shareholders. TAQA is positioned at the forefront of the technological innovation needed to deliver the UAE’s ambitious energy and environmental goals. Its mission is to innovatively develop, generate, transmit and distribute energy and water efficiently and affordably to the communities and industries that rely on TAQA to thrive. TAQA seeks to leverage its scale, agility and financial strength to be a leading representative of Abu Dhabi’s vision of progress, collaboration and a sustainable future.

TAQA’s strategy to achieve its vision and purpose comprises the following pillars:

### **Integrated, Efficient and Digital**

While TAQA’s core mandate is to provide sustainable, efficient and reliable power and water in Abu Dhabi and beyond, one of its priorities is to capture synergies across the Group’s assets and strengthen the implementation of proven digital solutions to enhance productivity and garner efficiencies. Sharing best practices and capturing synergies across the Group’s combined power and water generation assets is expected to lead to improved efficiencies and overall performance levels that match those of leading global utilities.

Within the Group’s network companies, which cover the transmission and distribution elements of its integrated value chain in the UAE, TAQA intends to focus on excellence, optimisation and digitisation across the value chain and on capturing operational synergies to create significant additional value.

## **Spearheading the Transition to Clean Energy in the UAE**

TAQA intends to lead the UAE power and water sector's transition to a cleaner and more energy-efficient future, creating value for stakeholders in Abu Dhabi and beyond. The UAE has been at the forefront of renewable energy generation, particularly in developing efficient, largescale solar power plants. This position is expected to be further enhanced in line with the UAE's Energy Strategy 2050, which anticipates a significant increase in new renewable power capacity as well as the deployment of highly efficient reverse osmosis water desalination plants. TAQA's strategy targets expanded use of efficient reverse osmosis technology to make up two-thirds of its desalination capacity by 2030 and a focus on renewable energy, particularly solar PV, to comprise more than 30 per cent. of its power generation portfolio by 2030, up from the current 5 per cent.

TAQA benefits from exclusivity rights granted in 2020 that allow the Group to participate in all power generation and water desalination projects tendered in Abu Dhabi up to February 2030 with a minimum 40 per cent. equity share. As a result, TAQA expects that by 2030 more than 30 per cent. of the Group's power generation capacity will be derived from renewable energy sources, particularly solar power, and more than two thirds of its water desalination capacity will be produced through reverse osmosis technology.

## **Value-added Growth in the UAE and Internationally**

While TAQA intends to focus on pursuing growth in its home market of Abu Dhabi, the Group is well-positioned to selectively seek growth opportunities internationally. Its strategy targets an increase in gross power capacity from 18 GW to 30 GW in the UAE and from 4 GW to 15 GW internationally. TAQA intends to apply a disciplined investment strategy, focusing on contracted generation opportunities with attractive risk-adjusted returns. TAQA expects to concentrate on markets where the Group has strong institutional knowledge to appropriately evaluate investment and country risks, and that offer opportunities of a scale that is suited to the Group's requirements and core competencies.

Taking into account the utilities assets acquired in the Transaction, TAQA's strategy targets an investment of around AED 40 billion by 2030 in growing its UAE RAB through substantial UAE-based infrastructure and network growth projects. Given the anticipated growth within the generation and transmission and distribution businesses, the Group's existing international oil and gas assets are likely to form a smaller share of its substantial portfolio over time. This is expected to significantly increase the Group's resilience to commodity price volatility and enhance the stability and predictability of its cash flows. Nevertheless, TAQA intends to continue to pursue top quartile operational performance in the oil and gas business, improve operating efficiencies to maximise short-term value, apply highly selective capital allocation focusing on portfolio rationalisation for value and seek long-term strategic solutions, including exploring commercially viable opportunities to reduce the Group's exposure to the hydrocarbon sector.

## **Financial Strength and Capital Market Access**

The Group benefits from a robust financial profile, backed by a lower-leveraged capital structure with a high share of predictable cash flows from regulated and long-term contracted assets. Almost 90 per cent. of the Group's revenue is generated from long-term off-take contracts or through return-regulated network assets.

TAQA is focused on maintaining healthy access to the global capital markets and bank financing through continual evaluation and optimisation of debt and equity levels. TAQA also follows a disciplined value-creation strategy to maximise returns to its shareholders and achieve optimal equity valuation that will support future monetisation options. The Group's improved financial profile allows TAQA to provide shareholder returns through both sustainable dividend distributions and significant



growth initiatives. TAQA's dividend policy seeks to balance funding growth and rewarding shareholders while maintaining an investment grade credit rating on a standalone basis.

## **STRENGTHS**

TAQA believes that its key strengths are:

### **National Champion and One of the Largest Listed Integrated Utility companies in Europe, the Middle East and Africa**

Abu Dhabi indirectly owns 98.6 per cent. of TAQA's share capital, following the Transaction, and the Group benefits significantly from the strong support of the Abu Dhabi government. The Abu Dhabi government has in the past provided significant financial support to TAQA, including through the Framework Agreement in December 2016 and the Transaction.

In terms of its regulated asset base, the Group was one of the 10 largest integrated utilities in the EMEA region as at 31 December 2020. Based on market capitalisation as at 31 December 2020, TAQA was the largest listed entity on the ADX, the largest listed integrated utility company in the EMEA region and the fourth largest listed non-financial institution in the GCC. As at 31 December 2020, the Group has a gross installed power generation capacity (excluding captive power generation) of 18,041 MW in the UAE and 3,924 MW in operations outside the UAE (excluding the power generation plant at Sohar Aluminium in Oman but including the Group's minority interest in the Jubail power plant in Saudi Arabia) and a gross desalinated water production capacity of 913 MIGD. Its total assets amounted to AED 186.9 billion (U.S.\$50.9 billion) and it had approximately 1,000,000 end user connections for both power and water in Abu Dhabi.

### **Vertically Integrated Across the Utilities Value Chain, Benefitting from Exclusivity Rights over Strategic Power and Water Infrastructure Assets**

In the UAE, the Group operates across the power and water value chain with:

- 10 operating gas-fired and one renewable generation plant and gross power generation and water desalination capacities of 18,041 MW and 913 MIGD, respectively. It also has minority interests in one gas-fired power generation plant, one renewable power generation plant and one reverse osmosis water desalination plant under construction with a combined power generation capacity of 4,400 MW and a water desalination capacity of 200 MIGD, all of which is fully contracted. In 2020, the Group's production met more than 95 per cent. of Abu Dhabi's power and water demand;
- 10,385 km of electricity transmission networks and 3,552 km of water transmission pipelines which transmitted 76,934 GWh of power and 256,991 MIG of water in 2020; and
- 74,646 km of electricity distribution networks and 14,146 km of water distribution pipelines which distributed 52,696 GWh of power and 196,553 MIG of water in 2020 to approximately 500,000 retail customers for both power and water in Abu Dhabi.

Within the UAE, the Group has exclusive rights to a minimum 40 per cent. shareholding in all new power and water generation projects in the Emirate of Abu Dhabi initiated until February 2030. TRANSCO is the sole transmission company in Abu Dhabi and also supplies FEWA and SEWA which serve five of the remaining six emirates in the UAE and interconnects to both Saudi Arabia and Oman across the GCC grid. The Group's two distribution subsidiaries, ADDC and AADC, are the sole distributors of water and power in Abu Dhabi.

Internationally, the Group has 3,924 MW of gross power generation capacity (excluding the power generation plant at Sohar Aluminium in Oman but including the Group's minority interest in the Jubail power plant in Saudi Arabia and the Lakefield wind farm), most of which is contracted. This includes facilities in five countries and the Group's Moroccan generation subsidiary, which is listed on the Casablanca stock exchange, generated more than 44 per cent. of Morocco's base load power needs in 2020. In addition, the Group owns oil and gas assets in the United Kingdom, The Netherlands, Canada and Iraq which had net production of 117,966 boepd in 2020 and aggregate gas storage capacity of 4.7 bcm and 2P reserves of 320.2 million boe as at 31 December 2020.

### **Highly Predictable and Secure Cash Flow Profile**

In 2020, 64.1 per cent. of the Group's revenue and 60.0 per cent. of its Adjusted EBITDA (59.9 per cent. of its pro forma revenue and 49.1 per cent. of its pro forma Adjusted EBITDA) was derived from its regulated power and water transmission and distribution businesses in the UAE and a further 26.6 per cent. of the Group's revenue and 39.0 per cent. of its Adjusted EBITDA (29.9 per cent. of its pro forma revenue and 47.5 per cent. of its pro forma Adjusted EBITDA) was derived from its contracted power and water generation businesses in the UAE and internationally (with 41.5 per cent. of its pro forma Adjusted EBITDA represented by UAE power and water generation, and 6.0 per cent. by power and water generation internationally).

There is a single regulatory framework in place in Abu Dhabi for the Group's three regulated entities (TRANSCO and the two DisCos) which the Group believes helps to ensure stable and predictable cash flows. In addition, the Group's fully contracted power and water generation plants (which excludes Red Oak which is the Group's only merchant facility) have a weighted average residual life of more than 12 years (excluding the three projects under development which are expected to be fully contracted for periods of 25 to 30 years when completed in 2022 and 2023).

### **Long-standing, Transparent and Internationally-aligned Regulatory Framework**

The DoE regulates and supervises the energy sector in Abu Dhabi and its regulatory policies are aligned with the Abu Dhabi government's objectives of guaranteeing supply to customers in line with global levels of service. A stable energy regulatory framework has been in place in Abu Dhabi since 1999 with regulatory periods typically lasting four years, although the current period has been extended to the end of 2022 to ensure continuity during the COVID-19 pandemic.

Energy regulation in Abu Dhabi is based on a RAB framework with transparent and publicly available regulatory guidelines. The framework is adjusted for each regulatory period following a stable methodology and internationally-aligned regulatory weighted average cost of capital. There has been no major change in regulation in Abu Dhabi since the current framework was introduced in 1999. The MAR calculation is dominated by a fixed component at 85 per cent. of total required revenue and is collected from end users based on Abu Dhabi government-set tariffs with other operating revenue from a related party acting as a revenue balance.

TAQA believes that constant dialogue with the regulator and relationship with the DoE help to ensure a continuing optimal regulatory environment in Abu Dhabi.

### **Strong Abu Dhabi Ties and Fully Aligned with Abu Dhabi Economic Vision 2030**

TAQA believes that the Group is a key asset for Abu Dhabi. It is currently the largest holding in the ADQ portfolio in terms of total assets, it provides more than 95 per cent. of Abu Dhabi's power and water needs (excluding captive production) and it is 98.6 per cent. indirectly owned by the Emirate of Abu Dhabi. TAQA's Board members include executives of ADQ and Abu Dhabi Investment Authority (ADIA).

The Group contributes to all four of the key goals set in the Abu Dhabi Economic Vision 2030. For example, in terms of economic development, it is a key enabler in the diversification of Abu Dhabi's economy away from its reliance on oil and gas and a key contributor to the economy representing approximately 4 per cent. of Abu Dhabi's 2019 real GDP, based on the Group's pro forma revenue for 2020. In terms of environmental development, there is an 11 per cent. renewable contribution in its energy mix (assuming completion of the three currently ongoing projects). In terms of human capital development, TAQA has one of the highest emiratisation rates among UAE-listed companies and, in terms of social development, the Group seeks to improve living standards in the local communities in which it operates including in Abu Dhabi through social investments with a meaningful impact.

### **Positioned to Capture Infrastructure Growth in Abu Dhabi and Selectively Seeking Value-added Growth outside the Emirate**

TAQA believes that the Group is optimally placed to capture potential growth opportunities in the UAE, including playing a key role in delivering the UAE's Energy Strategy 2050. It intends to invest in new power and water generation capacity to match demand growth and transition to low and no carbon generation through solar and other renewable technologies, helping to fulfil the UAE strategy of increasing the share of clean generation across the UAE to 50 per cent. by 2050. It also intends to continue upgrading its existing transmission and distribution infrastructure as well as building new networks to accommodate new demand.

Internationally, the Group intends to focus on projects with substantial size that fit the Group's core competencies, principally contracted or regulated power and water generation opportunities with attractive risk-adjusted returns in markets where it has a strong competitive advantage or an existing presence.

### **GENERATION BUSINESS**

In the UAE, TAQA has majority ownership interests in 11 operating generation facilities in the emirates of Abu Dhabi and Fujairah, which, in 2020, provided more than 95 per cent. of the water and 90 per cent. of the power requirements of Abu Dhabi in addition to varying levels of power and water supply to the other emirates. Each of these generation facilities is partially owned by various leading international energy companies. TAQA also wholly-owns two generation plants which were fully operational until 31 December 2020. Effective 1 January 2021 both plants have ceased operations completely. As at 31 December 2020, the Group's UAE power and water facilities had 18,041 MW of gross power generation capacity and 913 MIGD of gross water desalination capacity. The two plants that ceased operations in 2021 had an aggregate gross power generation capacity of 373 MW.

TAQA also undertakes power generation activities through its subsidiaries in Morocco, India and Ghana and owns an 85 per cent. interest in a tolling agreement in relation to the Red Oak facility, a 50 per cent. interest in the Lakefield wind farm in Minnesota (United States), a 40 per cent. interest in a company which operates an aluminium smelter and associated power generation facility in Oman, and a 25 per cent. interest in a power generation company in Saudi Arabia. As at 31 December 2020, these entities (excluding the facility in Oman) had, on a combined basis, approximately 3,924 MW of gross power generation capacity. In addition, TAQA is currently exploring various other regional thermal power, water desalination and co-generation opportunities, including an opportunity in relation to a cogeneration project in Saudi Arabia, partnering with an international developer.

### **Contractual Nature of the Power and Water Generation Business**

Almost all of the power generation and/or water desalination facilities in which TAQA currently has an equity interest sell electricity and/or desalinated water to their customers, which are generally state-controlled, under long-term contracted price take-or-pay PPAs or, in the case of most of the UAE facilities, under long-term contracted take-or-pay PWPAs, see "*Summary of Material*

*Contracts — Summary of Certain International Generation Project Agreements” and “Summary of Material Contracts — Summary of Principal UAE Generation Agreements”*. The exceptions are the smelter in Oman where the power generation facility is part of the smelter and the Red Oak facility where the output is sold by TAQA on a merchant basis, with electricity sales and natural gas cost price exposures being partially mitigated through a rolling hedging programme and numerous remote area, small scale power generation and water desalination units under the ownership of AMPC which operate under direct commercial arrangement with ADDC and AADC on short-term rolling contracts.

The take-or-pay price nature of PPAs and PWPAs provides stable cash flow and income over a contractually agreed, long-term timeframe, allowing for limited recourse financing to be used for the development of power generation and water desalination assets. There are generally two components of the Group’s PPAs and PWPAs in respect of the contract price, which is commonly referred to as the tariff: (i) a “capacity charge” based on the generation and/or desalination capacity of the facility, which is structured to allow the owner of the facility to recover all of the facility’s fixed costs, such as debt repayment, normal maintenance and a minimum return on equity; and (ii) an “energy charge” which covers the project company’s variable costs, such as certain maintenance costs and fuel costs where fuel is procured by TAQA’s subsidiaries.

Fuel supply for the Group’s international facilities is generally provided for under fuel supply agreements (FSAs) or in the relevant PPA and, for the Group’s UAE facilities, is provided by the off-taker under the relevant PPA or PWPA. Fuel costs under the FSAs in Morocco and India are included as part of the energy charge portion of the tariff such that the relevant project company minimises its exposure to changes in fuel costs.

Similarly, operating, maintenance and financing costs for the entire life of the PPA or PWPA are factored into the tariff under the PPA or PWPA, under cost plus or lump sum arrangements.

In addition to this, PPAs, PWPAs and related agreements provide protection against certain risks to which the project company might be exposed. For example, the tariff component related to operating and maintenance expenditures in all of the operational UAE plants is indexed to the UAE consumer price index for local costs and the US producer price index for foreign costs to protect against inflationary movements.

As a result, the Group’s generation business is fundamentally a long-term contracted business with historically stable and predictable cash flow and earnings.

## **UAE Operating Power and Water Generation Assets**

TAQA owns a 60 per cent. interest in 11 operating UAE power generation and water desalination plants. The remaining 40 per cent. interest in each of the plants is held by various international partners.

The plants (or the project companies that own the plants) sell all their power and water production (or electricity generation and water desalination capacity) under PPAs or PWPAs to EWEC, under which their compensation is based primarily on the availability of generation and desalination capacity rather than the amount of electricity and desalinated water produced.

Each plant is managed, operated and maintained by international partners under long-term operations and maintenance agreements between the relevant international partner and the relevant project company.

Almost all of the plants have been financed with limited recourse project finance facilities, which contain certain covenant packages, including a prohibition on the payment of dividends in certain circumstances, see “

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Liquidity and Capital Resources — Capital Resources —Term loans”.*

The table below sets out the key aspects of the Group’s UAE power and water facilities as of 31 December 2020, all of which are build, own and operate (“BOO”) facilities.

<i>Facility</i>	<i>TAQA's interest</i>	<i> Holding</i>	<i>Partners</i>	<i>Gross Power Capacity</i>	<i>Gross Water Desalination Capacity</i>	<i>Scheduled PPA/PWPA Termination</i>
	(%)			(MW)	(MIGD)	
Taweelah A1	60	Gulf Total Tractebel Power Company	Engie (20%) TOTAL (20%)	1,671	84	2029
Taweelah A2	60	Emirates CMS Power Company	Marubeni Corporation (34%) Kyuden (6%)	760	53	2021
Taweelah B	60	Taweelah Asia Power Company	BTU Power Company (10%) Marubeni Corporation (14%) Powertek Berhad (10%) JGC Corporation (6%)	2,220	162	2028
Shuweihat S1	60	Shuweihat CMS International Power Company	Engie (20%) Sumitomo Corporation (20%)	1,615	101	2025
Shuweihat S2	60	Ruwais Power Company	Engie (20%) Marubeni Corporation (20%)	1,627	101	2036
Shuweihat 3	60	Shuweihat Asia Power Company	Sumitomo (20.4%) KEPCO (19.6%)	1,647	—	2039
Umm al Naar	60	Arabian Power Company	Engie (20%) JERA (20%)	2,290	96	2027
Fujairah F1	60	Emirates SembCorp Water & Power Company	Sembcorp Gulf Holding (40%)	882	131	2035
Fujairah F2	60	Fujairah Asia Power Company	Engie (20%) Marubeni Corporation (20%)	2,114	132	2031
Al Mirfa	60	Mirfa International Power and Water Company	ADFG (20%) Engie (20%)	1,665	53	2042
Al Ain <sup>(1)</sup>	100	AMPC	—	265	—	2020
Madinat Zayed <sup>(1)</sup>	100	AMPC	—	108	—	2020
Sweihan PV	60	Sweihan Energy Holding Company	Marubeni (20%) Jinko Solar (20%)	1,177 <sup>(1)</sup>	—	2044
<b>Total</b>				<b>18,041</b>	<b>913</b>	

Note:

(1) This plant ceased operations with effect from 1 January 2021.

(2) This is on a direct current basis, on an alternating current (ac) basis, the gross power capacity is 881 MWac.

The table below shows the power availability (as a percentage of contracted capacity) of each of the UAE generation facilities for each of 2020, 2019 and 2018. All figures given are averages of monthly averages.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Taweelah A1 .....	93.0%	94.8%	94.1%
Taweelah A2 .....	92.5%	92.2%	98.0%
Taweelah B .....	95.4%	93.4%	93.0%
Shuweihat S1 .....	92.9%	91.8%	93.0%
Shuweihat S2 .....	96.7%	92.0%	92.0%
Shuweihat S3 .....	98.2%	95.8%	94.3%
Umm al Naar.....	91.6%	95.4%	95.4%
Fujairah F1 .....	93.4%	94.8%	96.0%
Fujairah F2 .....	95.0%	97.6%	91.4%
Al Mirfa .....	93.9%	90.2%	86.8%
Al Ain <sup>(1)</sup> .....	94.6%	96.4%	94.5%
Madinat Zayed <sup>(1)</sup> .....	99.9%	99.7%	97.7%
Sweihan PV.....	100%	100%	—

Note:

(1) This plant ceased operations on 1 January 2021.

All of the Group’s conventional UAE power and water facilities use natural gas as their primary fuel, with the natural gas being supplied by EWEC. The natural gas is not charged to the generator. Rather, the generator pays a penalty or receives a bonus, depending upon how efficiently it uses the fuel. Back-up fuel is supplied on a “pass-through” basis pursuant to which the generator purchases the fuel and then passes the cost of the fuel on to the off-taker in the tariff under the relevant PPA or PWPA. Each plant must procure its own back-up fuel, in the form of fuel oil purchased from ADNOC, and in that regard is required to maintain a seven-day fuel oil storage capacity (with the exception of two plants that must maintain larger storage capacities). Back up fuel costs are also “pass through” to EWEC under the relevant PPA or PWPA for each UAE power and water facility. EWEC determines the fuel usage for each of the UAE facilities. During periods of low natural gas availability, a plant may be required to use back-up fuel oil for its operations. Such usage is permissible over extended periods, but extensive use over a long period may lead to higher maintenance costs and increased maintenance requirements.

The Dolphin pipeline, operated by Dolphin Energy Limited, commenced operations in May 2007. The pipeline has a design capacity of 3,200 mmcf/d of natural gas. EWEC is the principal UAE customer for the gas transported from Qatar through the Dolphin pipeline and, as a result, problems related to gas shortages experienced by the UAE generation subsidiaries in the period before the pipeline was built were reduced significantly once the pipeline became fully operational. However, demand for natural gas in the UAE continues to increase and EWEC, as the Group’s sole gas procurer in the UAE, continues to face competing priorities and has, in the past, not always been able to make natural gas available to the Group in the quantities required to operate its facilities. In such instances, the UAE conventional generation subsidiaries must rely on back-up fuel to operate their plants.

The Group’s Sweihan PV plant is a renewable facility which uses solar power as its sole power source.

## **UAE Power and Water Generation Assets under Construction**

TAQA has minority equity interests in three UAE generation plants under construction. The remaining interest in each of the plants is held by various international partners. These plants are:

### ***Fujairah F3***

TAQA has a 40 per cent. share in Fujairah Power Company, the project company that owns the plant. The partners in the project are Marubeni (20.4%), Hokuriku Electric Power Company (19.6%) and Mubadala (20%). The plant is expected to have a gross power capacity of 2,400 MW when completed, which is expected to be in 2023. When completed, this plant will be the largest independent power plant in the UAE in terms of capacity and it is expected to have a project cost that is 40 per cent. lower than average project cost of the TAQA fleet.

### ***Taweelah RO***

TAQA has a 20 per cent. share in Taweelah R.O. Desalination Company, the project company that owns the plant. The partners in the project are Mubadala (40%) and ACWA Power (40%). The plant is expected to have a gross water desalination capacity of 200 MIGD and 50 MW of on-site solar generating capacity when completed, which is expected to be in 2022. This plant is expected to be the world's largest reverse osmosis desalination plant when completed.

### ***Al Dhafrah solar PV***

TAQA has a 40 per cent. share in Dhafrah Solar Energy Power Company LLC, the project company that owns the plant. The partners in the project are Masdar (20%), EDF (20%) and JinkoSolar (20%). The plant is expected to have a gross power capacity of 2,000 MW (1,500 MWac) when completed, which is expected to be in 2022. The plant will be one of the largest single site PV generation facilities in the GCC when completed.

The Group's three plants under construction (or the project companies that own the plants) are expected to sell all their power and water production under long-term PPAs or water purchase agreements (**WPAs**), as the case may be, with EWEC. The compensation arrangements for Fujairah F3 and Taweelah RO are expected to be similar to those for the Group's other generation facilities while the solar plant's compensation is expected to be based primarily on the amount of energy or water produced rather than the availability of generation and desalination capacity.

Each plant is expected to be managed, operated and maintained by international partners under long-term operations and maintenance agreements between the relevant international partner and the relevant project company.

Each plant is financed with limited recourse project finance facilities, which contain certain covenant packages, including a prohibition on the payment of dividends in certain circumstances, see “



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Save for the solar plant, the arrangements for fuel supply are expected to be the same as those for the Group’s existing conventional generation plants as described above.

### **International Power Assets**

TAQA owns controlling interests in power generation facilities in Morocco, India and Ghana. TAQA also owns an interest in a tolling agreement in relation to the Red Oak power generation facility located in the State of New Jersey in the United States, has a 50 per cent. interest in a windfarm in Indiana in the United States with one other joint venture partner and owns minority interests in an aluminium smelter and related power generation facility in Oman and a power generation plant in Saudi Arabia.

The table below sets out the key aspects of the Group’s interests in international power facilities as of 31 December 2020, that are operated by or through its subsidiaries.

<i>Facility</i>	<i>Location</i>	<i>TAQA’s Interest</i>	<i>Partners</i>	<i>Gross Power Capacity</i>	<i>Net Power Capacity</i>	<i>Fuel</i>	<i>Off-taker</i>	<i>Scheduled PPA Termination</i>	<i>Ownership Type</i>
		<i>(%)</i>		<i>(MW)</i>					
Jorf Lasfar 1 - 4	Morocco	85.79	Minorities	1,356	1,257	Coal	ONEE	2044 <sup>(1)</sup>	BOT <sup>(2)</sup>
Jorf Lasfar 5&6	Morocco	90.62	Minorities	700	625	Coal	ONEE	2044	BOOT <sup>(3)</sup>
Neyveli	India	100 <sup>(4)</sup>	—	250	250	Lignite	TANGEDCO	2032	BOOT
Takoradi	Ghana	90	VRA	330	297	Tri-fuel	VRA	2040	BOO <sup>(5)</sup>
Red Oak <sup>(6)</sup>	United States	85	Morgan Stanley	832	707	Natural Gas	PJM Market	N/A	Tolling agreement

**Notes:**

- (1) The Group has secured an extension from 2027 to 2044 in the PPA relating these units.
- (2) Build, operate and transfer
- (3) Build, own, operate and transfer.
- (4) A nominal number of shares are held by the original third party developer of the project.
- (5) Build, own and operate.
- (6) TAQA has an 85 per cent. interest in the tolling agreement related to this facility and the Group does not operate this facility. The tolling agreement relating to this facility expires in 2022.

### **TAQA Morocco**

The Jorf Lasfar power plant is a coal-fired plant comprising two 330MW generation units (units 1 and 2), two 348MW generation units (units 3 and 4) and two 350MW generation units (units 5 and 6) located on the Atlantic coast of Morocco. The Jorf Lasfar plant is a major power supplier in the Moroccan market, satisfying more than 44 per cent. of the country’s base-load electricity demand in 2020. The Jorf Lasfar facility is owned, operated and maintained by the Group.

Under the Jorf Lasfar PPAs, which expire in 2044, all power generation capacity and power generation is sold to ONEE, Morocco’s state-owned off-taker. Coal for the plant is imported from a variety of countries, including Colombia, Poland, Russia, South Africa and the United States. The plant has coal-handling facilities that manage logistics for the landing of coal deliveries received by ship at a neighbouring, purpose-built port. The plant maintains sufficient coal reserves to operate all six units for approximately 35 days without receiving any further shipments of coal. Fuel costs are quasi “pass-through” to ONEE as part of the tariff under the Jorf Lasfar PPA.

The table below shows the power availability (as a percentage of contracted capacity) for the Jorf Lasfar generation facility for each of 2020, 2019 and 2018.

	<i>Year ended 31 December</i>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Jorf Lasfar (units 1 through 4).....	94.3%	98.1%	88.8%
Jorf Lasfar (units 5 and 6) .....	97.0%	85.8%	96.0%

### ***Neyveli (India)***

TAQA Neyveli Power Company Pvt Ltd. (TNPCL), a 100 per cent.-owned indirect subsidiary of TAQA, was established in November 1993 to develop, own and operate a 250MW lignite-fired power plant near an open-cast lignite mine located in Neyveli, Tamil Nadu, India. The facility was developed and constructed by TNPCL and commenced full commercial operations on 15 December 2002. TNPCL sells the entire capacity of the Neyveli plant to TANGEDCO, the local state government-owned utility, under a 30-year PPA, which was entered into on 4 November 1993. TNPCL is also responsible for the operation and maintenance of the plant and related facilities.

Fuel (lignite) is supplied by Neyveli Lignite Corporation (NLC) under a 30-year fuel supply agreement, with the cost being “pass-through” to TANGEDCO as part of the tariff, see “*Risk Factors — Factors that may Affect Taqa’s Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks relating to the Group’s Power and Water Generation, Transmission and Distribution Businesses — Almosat all of TAQA’s generation subsidiaries are substantially dependent on a limited number of customers for almost all of their revenue and they are also dependent on third party suppliers of fuel*”. The power generation facility has a lignite storage capacity of 75,000 metric tonnes with an average lignite stock on hand of 30,000 metric tonnes. In addition, NLC maintains a stock of at least 50,000 metric tonnes at the mine.

The table below shows the power availability (as a percentage of contracted capacity) for the Neyveli generation facility for each of 2020, 2019 and 2018.

	<i>Years ended 31 December</i>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Neyveli .....	78.3% <sup>(1)</sup>	89.3%	88.4%

Note:

(1) In December 2020 there was an unplanned outage related to repair and maintenance works of the steam turbine.

### ***Takoradi (Ghana)***

The Group operates a 330MW combined-cycle tri-fuel compatible (natural gas, fuel oil or distillate/light crude) power plant located at Takoradi, 220km west of Accra, Ghana. TAQA has a 90 per cent. ownership interest in Takoradi International Company (TICO), with the remaining 10 per cent. owned by the Volta River Authority (the VRA), which is a state-owned entity. All power produced from the Takoradi facility is sold under a 25-year PPA with the VRA, which was entered into on 1 March 1999. The facility commenced commercial operations in 2000. Fuel for the plant is supplied to TICO by the VRA at cost, with these costs being “pass-through” to the VRA as part of the tariff.

The table below shows the power availability (as a percentage of contracted capacity) for the Takoradi generation facility for each of 2020, 2018 and 2017.

	<i>Yeasr ended 31 December</i>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Takoradi <sup>(1)</sup> .....	59.1%	68.0%	88.4%

Note:

- (1) In November and December 2018, Takoradi experienced forced outages on STG and SCI, with the STG control valve, actuator failure and SCI bearing no. 5 being damaged. Takoradi also experienced a prolonged outage in 2019 following damage to one of the gas turbines and a steam turbine outage in 2020 was prolonged due to COVID 19.

### **TAQA Gen-X (United States)**

A wholly-owned subsidiary of TAQA owns 85 per cent. of TAQA Gen-X as a limited partner, with an affiliate of Morgan Stanley owning the remaining 15 per cent. as the sole general partner. TAQA Gen-X, through its wholly-owned subsidiary TAQA Gen-X LLC, owns the Red Oak Tolling Agreement for the Red Oak facility in Sayreville, New Jersey. Therefore, TAQA has an indirect contractual interest only, through the Red Oak Tolling Agreement, in the Red Oak facility. The Red Oak facility is a combined-cycle power generation facility of approximately 766MW (summer capacity) to 830MW (winter capacity) owned and operated by Red Oak Power, LLC. Pursuant to the Red Oak Tolling Agreement, TAQA Gen-X is entitled to the economic rights (revenue from the sale of electricity, capacity payments and any other ancillary services) of the power generation facility. TAQA Gen-X is required to supply the fuel and make certain fixed and variable payments to Red Oak Power, LLC. Gas is currently procured primarily through gas supply/transport agreements with New Jersey Natural Gas Company. The Red Oak Tolling Agreement expires in September 2022 and the current expectation is that the partnership will terminate at that time.

## **TRANSMISSION AND DISTRIBUTION BUSINESS**

*All information in this section for any period before 1 July 2020 relates to the transmission assets previously owned by ADPower and transferred to the Group on 1 July 2020 in the Transaction.*

### **Transmission of Power**

All power produced by the Group is transmitted in the UAE through the Group's high-tension high voltage transmission grid, which is owned and operated by TRANSCO, a wholly-owned subsidiary of TAQA. Power is carried through a network of transmission lines connected to substations across Abu Dhabi and to SEWA and FEWA which transmit and supply the power and water in Sharjah and the Northern Emirates, respectively.

The Group's transmission network had approximately 10,385 km of power lines as at 31 December 2020. The transmission network comprises both underground and overhead cables rated from 132 kV to 400 kV. The transmission network consisted of 9,159 km of overhead lines and 1,226 km of underground lines as at 31 December 2020. The Group's transmission lines are all connected to substations which contain transformers and which typically transform the voltage carried from higher to lower levels or vice versa.

The table below shows the classification of the Group's transmission lines and the related number of substations and transformers as at 31 December 2020.

<b>Voltage of transmission lines</b>	<b>No. of substations</b>	<b>No. of transformers</b>	<b>Capacity (MVA)</b>	<b>Length of transmission lines (km)</b>
400 kv.....	28	78	38,325	5,327
220 kv.....	52	125	15,390	3,706
132 kv.....	82	279	16,940	1,106
Other lines.....	—	—	—	246
<b>Total.....</b>	<b>162</b>	<b>481</b>	<b>70,665</b>	<b>10,385</b>

Transmission system performance is monitored through a number of key performance indicators (KPIs) including:

- transmission network unavailability;
- unsupplied energy; and
- transmission system losses.

### ***Transmission network unavailability***

System unavailability is defined as the ratio of the unavailable circuit hours to the total system circuit hours. The total unavailability increased from 0.92 per cent. in 2018 to 0.99 per cent. in 2019 and decreased to 0.86 per cent. in 2020. The principal cause of the increase in unavailability in 2019 compared to 2018 was planned outages in order to connect newly constructed assets to the network. The main drivers of the increased availability in 2020 were improved maintenance response time, increased use of technology (such as auto-reclosures and drones) and an optimised maintenance plan. Overall system availability (calculated as 1-unavailability) has been above 99 per cent. since 2016.

### ***Unsupplied energy***

The impact of loss of supply resulting from transmission incidents is quantified in terms of unsupplied energy which is calculated by taking into account the size and duration of the demand lost, expressed in MWh. In 2019, there were eight transmission incidents, which resulted in the loss of 327.2 MWh of unsupplied energy (which was a significant increase compared to three incidents resulting in the loss of 31.8 MWh in 2018). The increase in the unsupplied energy in 2019 was mainly due to three major incidents which together resulted in the loss of 211.9 MWh. In 2020, the service level improved significantly, moving from 327 MWh lost in 2019 to only 15.2 MWh lost in 2020. This represented a 95.4 per cent. improvement with a service level availability of 99.99998 per cent.

### ***Energy transmission system losses***

Energy loss in the transmission system is mainly due to heat dissipation as a result of electricity flow in the different parts of the network: overhead lines, cables and transformers. System losses are measured as the difference between the total energy input to the transmission system and total energy output from the transmission system. Transmission losses increased from 2.13 per cent. in 2018 to 2.17 per cent. in 2019 and decreased to 2.14 per cent. in 2020. The average system losses for the five-year period from 2016-2020 were 2.11 per cent.

Over the past 20 years, TRANSCO's business has been growing at a compound annual growth rate of around 11 per cent. and 7 per cent. for power and water, respectively. This growth has mainly been driven by increased demand. TRANSCO's future growth is expected to increasingly be driven by new investments enabling the energy transition into new production, including nuclear, renewables and reverse osmosis, which will result in more power to be transmitted and through integration with the Dubai Electricity and Water Agency and the GCC Interconnection Authority and by connecting Emirates Global Aluminium's power intensive facilities in Abu Dhabi directly to the transmission network. Aside from meeting the requirements of transmission users, TRANSCO is also increasingly focusing on realising value from its existing assets, for example by upskilling the workforce, using advanced analytics for predictive maintenance and enhanced processes, for example the IAO55001 physical assets managements framework maturity.

TRANSCO currently owns the Load Despatch Centre (**LDC**) which determines the despatch of electricity across the grid. The operation of the transmission and distribution networks is monitored through a system control centre which utilises a Supervisory Control and Data Acquisition (**SCADA**) system to ensure that a reliable and continuous supply of power is provided to the recipients 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 processes the data

and transmits appropriate commands to the field equipment. This enables TRANSCO to minimise power outages and interruptions. At the time of the Transaction, it was agreed that certain assets, including the LDC, would not form part of the Perimeter Assets and would be transferred to EWEC following completion of the Transaction. These transfers are in process. TRANSCO will continue to act as transmission owner with accountability for network planning, construction, operation and maintenance of the asset base.

The Group's transmission lines and substations are regularly checked and maintained by its engineers to minimise network losses. The six emirates to which the Group transmits power are fully interconnected through the transmission network. The Group's power grid also connects to Saudi Arabia and Oman.

### **Transmission of Water**

TRANSCO is also the sole water transmission licensee in the Emirate of Abu Dhabi. It transports large volumes of water from the Group's water desalination companies to the two distribution companies. In 2020, the 3,552 km water transmission system carried a peak of 810 MIGD of desalinated water through mains pipelines. These pipelines range in size from 500 mm to 1,600 mm in diameter and are made predominantly of cement-lined ductile iron and carbon steel and partly glass-reinforced plastic. The drinking water transmission system comprises 54 pumping stations with a transmission capacity of 1,104 MIGD and 129 reservoirs with a total capacity of 665 MIG. Unlike the power network operations, the water network is not operated centrally and remotely in full. Local SCADA systems support operations of different manned pumping stations.

The total quantity of water leaving the network amounted to 256,991 MIG in 2020, 255,309 MIG in 2019 and 257,597 MIG in 2018.

The performance of the water transmission system is monitored through the following KPIs:

- water transmission losses;
- security of supply; and
- system availability.

#### ***Water transmission losses***

This indicator seeks to identify, monitor and reduce water losses, including both real losses (physical losses) and operational losses (metering inaccuracies). Water transmission loss is measured as the net difference between dispatched water from all producers, including wells, at the defined entry points and the water delivered to the DisCos at the defined exit points. This method also takes into consideration the change in TRANSCO's reservoir water levels. The tolerance threshold for losses is 2 per cent. In 2020, 2019 and 2018, TRANSCO recorded losses of 1.55 per cent., 1.34 per cent. and 1.58 per cent., respectively.

#### ***Security of supply***

The security of supply indicator investigates any supply shortfalls in meeting the scheduled drinking water quantities. This indicator measures reliability and efficiency, as well as flexibility in reacting to unforeseen demand events. It measures TRANSCO's system ability to cope with unexpected situations that can impact water supply. Scheduled water demands by the DisCos may not be fully met by TRANSCO due to two principal reasons: unpredictable demand events and supply interruptions.

Supply interruptions result from incidents or constraints within the production, transmission and distribution systems. In 2020, there were 20 interruptions by TRANSCO causing 74 MIG to be unsupplied. In 2019, there were 20 interruptions by TRANSCO causing 112 MIG to be unsupplied. In 2018, there were 57 interruptions by TRANSCO causing 194 MIG to be unsupplied.

### ***System availability***

This indicator determines the main transmission system components (pumps, transmission lines and storage tanks) that are either operational or in stand-by mode. Components that do not meet this definition are classed as unavailable. Transmission system availability was 95.3 per cent. in 2018, 96.0 per cent. in 2019 and 97.8 per cent. in 2020. Although transmission system availability was below the 96.0 per cent. target in 2018, this did not carry any penalties.

### **Distribution of Power**

*All information in this section for any period before 1 July 2020 relates to the distribution assets previously owned by ADPower and transferred to the Group on 1 July 2020 in the Transaction.*

The Group's distribution business is responsible for the low voltage (33kV, 22 kV and 11 kV) power lines that distribute power from the transmission system to homes and businesses. The table below shows the number of customer connections and certain asset statistics for each of the two DisCos as at 31 December in each of 2020, 2019 and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>ADDC</b>			
Number of connected customers.....	406,524	388,543	380,268
Number of primary substations.....	387	379	369
Number of distribution substations.....	20,151	19,525	18,978
Length of power lines (km).....	45,947	43,416	42,201
<b>AADC</b>			
Number of connected customers.....	157,932	155,407	151,683
Number of primary substations.....	176	172	161
Number of distribution substations.....	16,324	16,033	15,730
Length of power lines (km).....	28,699	28,224	27,980

The peak demand load of ADDC grew by 0.9 per cent. from 6,027 in 2018 to 6,081 MW in 2019 and by 7.4 per cent. to 6,568 MW in 2020. The peak demand load of AADC grew by 2.4 per cent. from 2,321 in 2018 to 2,376 MW and by 2.8 per cent. to 2,441 MW in 2020.

The performance of the distribution system in terms of efficiency and quality is monitored through customer interruptions and system losses KPIs.

### ***Customer interruptions***

SAIDI, the System Average Interruption Duration Index, is calculated as the sum of customer minutes lost experienced during the year due to interruptions in the network divided by the number of customers. It gives an indication of the average duration of interruption experienced by a customer over the year.

SAIFI, the System Average Interruption Frequency Index, is calculated as the sum of the number of customers affected by interruptions during the year divided by the number of customers. It gives an indication of the average number of interruptions experienced by a customer over the year.

While these two KPIs measure averages over the year, any major interruptions, which have a large contribution to SAIDI and SAIFI, are reportable under the Incident Reporting Regulations and investigated accordingly.

The table below shows the SAIDI and SAIFI figures for each DisCo in each of 2020, 2019 and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>SAIDI</b>			
ADDC ( <i>minutes per customer</i> ).....	82.2	121.7	98.8
AADC ( <i>minutes per customer</i> ).....	86.7	86.2	85.0
<b>SAIFI</b>			
ADDC ( <i>interruptions per customer</i> ) .....	1.99	1.25	1.10
AADC ( <i>interruptions per customer</i> ) .....	0.93	0.98	0.91

The 2019 SAIDI figures for ADDC increased by 23.2 per cent. from the 2018 figures. This deterioration in performance was due to ongoing schemes (requiring planned outages) to improve the distribution network mainly in Al Dhafrah region and the eastern region of the Emirate. In 2020, the SAIDI figures for ADDC improved considerably and were better than those for each of 2019 and 2018. The SAIDI figures for AADC were relatively constant in 2020, 2019 and 2018.

The 2019 SAIFI figures for ADDC increased by 13.7 per cent. from the 2018 figures, again reflecting ongoing improvement work. In 2020, the SAIFI figures for ADDC improved considerably and were better than those for each of 2019 and 2018. The SAIFI figures for AADC increased by 7.7 per cent. in 2019 compared to 2018 and fell by 5.1 per cent. in 2020 compared to 2019.

### **Electricity losses**

Electricity losses are measured by the difference between the units entering the system and those leaving it. In the case of distribution, the measurement is distorted by the billing and meter-reading cycle of both DisCos' customers and therefore show significant year-on-year variations. Losses for ADDC increased from 4.7 per cent. in 2018 to 4.8 per cent. in 2019 and increased to 6.4 per cent. in 2020. Losses for AADC increased from 6.9 per cent. in 2018 to 7.4 per cent. in 2019 and increased to 8.0 per cent. in 2020.

### **Distribution of Water**

The Group's distribution systems distribute water from the transmission system to the end users. The total length of the distribution system operated by AADC and ADDC is 14,146 km and is predominantly composed of cement-lined ductile iron pipelines ranging in diameter from 80 mm to 1,200 mm, with high density polyethylene pipe lines also increasingly being employed. The network comprises a total of 44 pumping stations with an overall capacity of 72 MIGD and 100 reservoirs with total capacity of 57 MIG.

The table below shows the number of customers and certain asset statistics for each of the two DisCos as at 31 December in each of 2020, 2019 and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>ADDC</b>			
Number of water customers .....	329,379	313,779	305,905
Number of pumping stations .....	36	35	35
Capacity of pumping stations ( <i>MIGD</i> ) .....	30	30	30
Length of pipelines ( <i>km</i> ).....	9,148	9,179	9,087
Number of reservoirs.....	86	86	86
Capacity of reservoirs ( <i>MIGD</i> ).....	43	43	43

AADC	2020	2019	2018
Number of water customers .....	96,193	94,117	91,064
Number of pumping stations .....	8	8	8
Capacity of pumping stations (MIGD).....	42	53	53
Length of pipelines (km).....	4,998	4,961	4,872
Number of reservoirs.....	14	14	14
Capacity of reservoirs (MIGD).....	24	24	24

In 2020, the average daily water supplied by TRANSCO to ADDC for distribution was 449 MIGD and to AADC for distribution was 172 MIGD, based on weekly averages. In 2020, the total water supplied by the DisCos was 196,553 MIG compared to 194,126 MIG in 2019 and 199,993 MIG in 2018.

## **Metering, Tariffs and Charges in the Distribution Business**

### ***Metering***

All customers of both DisCos have had digital smart meters since 2006. These meters, combined with good communication infrastructure, provide accurate and automated meter reading. This has multiple benefits, including time of use tariffs, hourly load profiles for demand response and the ability to influence customer behaviour for demand side management. However, currently less than one quarter of the smart meters have been connected to communication infrastructure and the DisCos are finalising a long-term arrangement to connect all smart meters using advanced metering infrastructure. Once finalised, this arrangement is expected to support the DisCos to achieve 100 per cent. automatic meter readings by 2022.

### ***Consumption tariffs***

Prices for the supply of water and electricity are regulated by the DoE.

The process of customer price setting by the DoE starts with the calculation of cost-reflective tariffs, which are set to recover the full cost of distribution and supply including a reasonable rate of return for the DisCos. The cost-reflective tariffs also reflect the costs to serve different categories of customers, such as residential, commercial and industrial. The tariffs are determined based on forecasts of future costs and demand provided by the DisCos. The Government has chosen to subsidise consumption by certain customer categories, and in these cases the end user tariff is set at a lower level than the fully cost-reflective tariff. In other cases, the cost-reflective tariff is passed directly through to end customers.

The DisCos bill their customers on a monthly basis, while the other operating revenue is invoiced directly to the Abu Dhabi Department of Finance. End user prices are set on a per unit basis. Customers are charged a unit rate per kilowatt-hour for electricity and per cubic meter for water. There is a small number of customers who are not connected to the distribution network (less than 1 per cent. for each DisCo) and these are supplied by tankers and are charged a fixed monthly amount for their water consumption.

### ***Connection charges***

The DisCo's are permitted to charge for new connections for electricity and water supply and their charges in this respect are subject to the regulator's approval.



## Customers in the Distribution Business

As at 31 December 2020, the Group supplied power to 564,456 customers and water to 425,572 customers. The Group divides its power and water customers into five categories: residential; commercial; industrial; governmental; and agricultural.

The table below shows the number of power and water customers for each DisCo in 2020.

	<u>ADDC</u>	<u>AADC</u>	<u>Total</u>
Power.....	406,524	157,932	<b>564,456</b>
Water.....	329,379	96,193	<b>425,572</b>
	<b>735,903</b>	<b>254,125</b>	<b>990,028</b>

In 2020, the Group supplied 52,696 GWh of power and 196,553 MIG of water to its customers.

The table below shows the distribution of power and water sales across the Group's customer segments for each of 2020, 2019 and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
		<i>(GWh)</i>	
<b>Power</b>			
Residential.....	13,668	12,744	12,316
Commercial.....	18,901	20,957	24,963
Industrial.....	13,698	13,205	6,246
Governmental.....	3,406	3,301	4,021
Agricultural.....	3,022	3,050	3,023
	<b>52,696</b>	<b>53,257</b>	<b>50,569</b>
		<i>(MIG)</i>	
<b>Water</b>			
Residential.....	92,747	87,470	87,806
Commercial.....	34,949	35,874	39,423
Industrial.....	5,557	5,179	4,786
Governmental.....	15,520	23,759	25,682
Agricultural.....	47,779	41,844	42,295
	<b>196,553</b>	<b>194,826</b>	<b>199,992</b>

## Network Plan in the Power and Water Transmission and Distribution Business

The Group's current plans for its power and water network include expanding the recycled water transmission infrastructure along the outskirts of the city of Abu Dhabi. The new recycled water network will, collectively, encompass the laying of approximately 150 km of pipelines in two phases, with the first 30 MIGD pipeline project expected to complete in the third quarter of 2021 and the second 55 MIGD project expected to complete in the fourth quarter of 2021. The Group also plans to develop a new power and water distribution network to connect to Al Yasar Island in the Western Region of Abu Dhabi and to continue to upgrade and replace its existing network, mainly in the Central Region of Abu Dhabi.

## OIL AND GAS BUSINESS

The Group is engaged in upstream and midstream oil and gas businesses in Canada, the UK North Sea, The Netherlands and the Kurdistan Region of Iraq. Prior to 2020, the Group also had upstream oil and gas interests in the United States. The Group's upstream business includes exploration, development and production of crude oil, natural gas and natural gas liquids, and its midstream business comprises gas storage facilities, processing plants, pipeline interests and associated assets.

## Upstream Exploration and Production

The Group's Canadian operations are located in the western provinces of Alberta, British Columbia, Saskatchewan and Manitoba. The Group's European operations consist of assets in the UK North Sea and The Netherlands (both onshore and offshore). The Group's Iraqi operations consist of an operating interest in the Atrush Block in the Kurdistan Region of Iraq.

The Group's exploration and production strategy is focused on optimising the return from its existing asset base. The Group continues to invest in improving and enhancing infrastructure, creating safer facilities with more facility uptime, as well as greater operational and cost efficiency.

Another important element of the Group's upstream strategy is the use of optimised drilling and completion technologies, as well as disciplined and focused exploration techniques, which enable it to develop and produce crude oil and natural gas more efficiently.

### ***Exploration and development activities***

The Group is involved in both exploration (the search for crude oil and natural gas) and development (the bringing into production of wells). The Group's exploration operations include aerial surveys, geological and geophysical studies (such as seismic surveys), drilling of wildcat wells, core testing and well logging.

### ***Reserves and production***

The Group evaluates and categorises its hydrocarbon reserves in accordance with the Society of Petroleum Engineer's Petroleum Resources Management System (**SPE-PRMS**), as per the Group's Reserves and Resources Policy. As per SPE-PRMS:

- **proved** reserves are quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions, operating methods and government regulations; and
- **probable** reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves.

The summation of the proved and the probable reserves represents the best estimate reserves where it is equally likely that the actual remaining quantities recovered will be greater than or less than the estimated proved plus probable reserves or **2P**. Proved and probable reserves include developed and undeveloped reserves categories. The Group's annual oil and gas reserves and resources review process includes an external audit process conducted by appropriately qualified parties.

Reserves information may be reported on a gross, net (or working interest) or entitlement basis. The Group's Canadian and European reserves are reported in this document on a net basis. The Group's Kurdistan Region of Iraq operations are governed by a PSC. In PSC regimes, contracts of various types replace conventional tax-royalty systems and in these cases reserves are reported on an entitlement basis, which means that the reserves are estimated based on a formula specified in the contract terms incorporating project costs, project profits, and carried tax treatments.

The Group's total net proved and probable reserves of crude oil, natural gas liquids and natural gas as at 31 December 2020 were 320.2 mmboe. The Group's overall reserves replacement ratios (including acquisitions) in 2020, 2019 and 2018 were minus 36 per cent., 81 per cent. and 42 per cent., respectively. The reserves replacement ratios in 2019 and 2018 include the former United States properties that were sold in early 2020. The Group's reserves replacement ratio is the ratio of additions to 2P reserves in a period divided by production in that period. A reserves replacement ratio of less than

100 per cent. indicates declining reserves. The comparatively low reserves replacement ratios reflect the current low price environment and the Group’s reduced exploration and evaluation activity as part of its focus on reducing capital expenditure. See “*Risk Factors — Factors that may Affect Taqa’s Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group’s Crude Oil and Natural Gas Exploration, Production, Transportation and Storage Businesses — The Group may fail to replace its current oil and gas reserves*”.

### **Canada — properties**

The Group’s Canadian oil and gas business is focused on conventional oil and gas production in the Western Canadian sedimentary basin, creating efficiencies in development while at the same time strengthening existing operating capabilities. As at 31 December 2020, the Group had approximately 0.9 million net producing acres with approximately a further 1.3 million net acres of non-producing land. TAQA’s strategy is to realise the full potential of this land base through focused, efficient execution of exploration and development of selected core areas coupled with a phased exit from non-core areas and assets.

Crude oil and natural gas leases held by the Group in Canada have been acquired by public auction from the Crown (the provinces of Alberta, British Columbia, Saskatchewan and Manitoba) or acquired from private freehold owners by direct negotiation. Crown leases, which comprise the majority of the leases held by the Group in Canada, typically have terms of five years and then revert back to the Crown. If a lease is proven productive at the end of its five-year term (for example, by drilling, mapping or producing), the lease continues beyond its five-year term until the holder can no longer prove that the lease is capable of producing oil and gas or is lost through rental or royalty payment default or by voluntary surrender.

The Group manages its leases to ensure that all properties are reviewed for development potential and either drilled or sold or are attempted to be farmed out in advance of the expiry dates of the leases. Economic conditions required to develop the leases are based on meeting internal rates of return.

### **Canada — reserves and production**

As at 31 December 2020, the Group had net proven plus probable reserves in Canada of 263.5 mmboc consisting of 1,019.9 bcf of natural gas and 93.5 mmbbls of oil and natural gas liquids.

The table below gives details of the Group’s net reserves in Canada as at 31 December 2020.

	<i>Crude oil</i> <i>(mmbbls)</i>	<i>Natural gas liquids</i> <i>(mmbbls)</i>	<i>Natural gas</i> <i>(bcf)<sup>(1)</sup></i>	<i>Barrels of oil equivalent</i> <i>(mmboc)</i>
Proved reserves .....	28.4	15.7	460.2	120.8
Probable reserves.....	32.3	17.1	559.7	142.7
<b>Total reserves.....</b>	<b>60.7</b>	<b>32.8</b>	<b>1019.9</b>	<b>263.5</b>

Note:

<sup>(1)</sup> Figures can be converted into barrels of oil equivalent by dividing by six.

The Group’s Canadian reserves replacement ratios in 2020, and its North American (i.e. Canada plus the former United States properties which were sold in early 2020) reserves replacement ratios in 2019 and 2018 were 20 per cent., 72 per cent. and 62 per cent., respectively.

In 2020, the Canadian properties produced 72.9 mboe/d on average of crude oil, natural gas liquids and natural gas, see “

*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Factors Affecting the Group’s Revenue — Oil and gas sales revenue”.*

The Group has entered into a range of sale agreements in relation to its Canadian crude oil and natural gas production. The pricing mechanism for these agreements is generally based on the spot price for the relevant commodity at the time of delivery to the purchaser. The majority of natural gas is sold on an annual or seasonal term, and on an index basis. The Group typically diversifies its natural gas sales so that approximately 50 per cent. is sold on a monthly index, and approximately 50 per cent. on a daily index. In 2021, the Group will further mitigate its exposure to market price risk by selling approximately 50 per cent of its natural gas under fixed price physical contracts. Produced gas is delivered onto four pipeline systems (NGTL, TCPL, Mainline, Alliance and Westcoast) and is sold at the respective market centre price index. Under the Group’s market diversification strategy, approximately 50 per cent. of the Group’s Canadian gas is sold into the Alberta AECO gas market. The balance of the Group’s Canadian gas flows to other market hubs including Eastern Canada (Dawn), Henry Hub, Chicago and Southern California.

Most of the Group’s Canadian crude oil production is sold on the basis of 30-day evergreen contracts based on the price of crude oil set by the oil industry’s exchange traded monthly weighted average indices. The Group’s natural gas liquid production is marketed on a one or multi-year term and participates also in differentials to benchmark pricing. Realised prices are further adjusted for quality, transportation, and/or processing fees.

In addition to its Canadian oil and gas reserves, in 2020 the Group’s largest operated and non-operated working interest gas production facilities in Canada were:

<i>Facility</i>	<i>Location</i>	<i>Capacity (net)</i>	<i>Throughput (net)</i>
Sunchild Gas Plant .....	Alberta	78 mmcf/d	77 mmcf/d
East Crossfield Sour Gas Facility.....	Alberta	39 mmcf/d	12 mmcf/d
Sundre Gas Facility with Liquids Recovery.....	Alberta	33 mmcf/d	22 mmcf/d
Blue Rapids Gas Facility.....	Alberta	31 mmcf/d	7 mmcf/d
Bearberry Gas Facility.....	Alberta	90 mmcf/d	0 mmcf/d
Whitcourt Gas Facility.....	Alberta	28 mmcf/d	2 mmcf/d
Valhalla Gas Facility .....	Alberta	18 mmcf/d	18 mmcf/d
Ricinus Gas Facility .....	Alberta	32 mmcf/d	8 mmcf/d
Sanf Creek Gas Facility.....	Alberta	18 mmcf/d	11 mmcf/d

Throughput reflects the amount of gas that passes through the particular facility. Some of these facilities are in areas classified as non-core by the Group; as such, capital deployment in these areas in recent years has been limited to maintenance and base management capital, which translates to low throughput.

**Europe — properties**

In Europe, the Group’s areas of exploration and production are the UK North Sea (offshore) as well as The Netherlands (onshore and offshore). The Group’s licences in relation to its UK North Sea Assets have varying terms depending on the type of interest held. Typically, the Group is responsible for a portion (based on its licence equity share) of the decommissioning costs in relation to platforms, pipelines, sites and wells, see “*Risk Factors — Factors that may Affect Taqa’s Ability to Fulfil its Obligations under Notes Issued under the Programme —Risks Relating to the Group’s Crude Oil and Natural Gas Exploration, Production, Transportation and Storage Businesses — The Group could incur significant decommissioning costs in relation to its facilities which may be higher than its provisions and may require cash resources beyond those thjat it generates from its operating activities”.*

The table below shows the working interest in the Group's European crude oil and natural gas assets as at 31 December 2020 and identifies the operator of each asset.

<i>Asset</i>	<i>Oil/Gas</i>	<i>TAQA Working Interest<sup>(1)</sup></i>	<i>Operator</i>
<b>UK North Sea</b>			
North Cormorant .....	Oil	100%	TAQA Bratani
Cormorant Alpha .....	Oil	100%	TAQA Bratani
Eider .....	Oil	100%	TAQA Bratani
Tern .....	Oil	100%	TAQA Bratani
Pelican .....	Oil	100%	TAQA Bratani
Kestrel .....	Oil	100%	TAQA Bratani
Hudson .....	Oil	26.7%	Dana
Otter .....	Oil	100%	TAQA Bratani
Falcon .....	Oil	100%	TAQA Bratani
Cormorant East .....	Oil	60%	TAQA Bratani
Brent System Pipeline .....	Oil	16%	TAQA Bratani
Sullom Voe Terminal .....	Oil	24%	Enquest
Exploration (Dunottar) P.2344 .....	Oil/Gas	33%	TBC <sup>(2)</sup>
Cladhan .....	Oil	64.5% <sup>(3)</sup>	TAQA Bratani
Brae — Block 16/17a .....	Oil/Gas	45.7% <sup>(3)</sup>	TAQA Bratani
East Brae .....	Oil/Gas	50.1% <sup>(3)</sup>	TAQA Bratani
Braemar .....	Oil/Gas	65%	TAQA Bratani
Harding .....	Oil/Gas	70%	TAQA Bratani
Exploration (Morrone) .....	Oil/Gas	70%	TAQA Bratani
Maclure .....	Oil/Gas	37.037%	Total E&P
Devenick .....	Oil/Gas	88.7% <sup>(4)</sup>	TAQA Bratani
SAGE Pipeline .....	Gas	22.85%	SAGE North Sea Limited (Ancala)
SAGE Terminal .....	Gas	22.85%	SAGE North Sea Limited (Ancala)
<b>Netherlands onshore</b>			
PARA (Groet Oost) Onshore .....	Gas	80%	TAQA Energy
PARA (Middelie) Onshore .....	Gas	40%	TAQA Energy
Bergen onshore .....	Gas	36%	TAQA Energy
Westbeemster .....	Gas	8%	NAM
<b>Netherlands North Sea</b>			
P/15 and P/18 offshore .....	Gas	20-60%	TAQA Energy
Rijn Field .....	Oil	38.3%	TAQA Energy
Q16 Maas .....	Gas	9.8%	Oranje Nassau Energie
M7 .....	Gas	5%	Oranje Nassau Energie
F3FB .....	Gas	23.4%	Neptune Energy
G14 .....	Gas	7%	Neptune Energy
A/B .....	Gas	3.9%	Petrogas
Q1 Block .....	Gas	9 – 12%	Wintershall
P11 .....	Gas	30%	Oranje Nassau Energie
Q13-Amstel .....	Oil	10%	Oranje Nassau Energie
<b>Discovery appraisal</b>			
F17 .....	Oil	5%	Wintershall

Notes:

(1) Rounded to one decimal place where appropriate.

(2) An operator for this asset has not yet been appointed by the joint venture partners.

(3) These are TAQA's legal interests. After taking account of a carry arrangement the relevant percentages for operating expenditure and production entitlement are (i) 43.3% for Brae 16/7a, (ii) 47.81% for East Brae and (iii) 63.2% for Braemar.

(3) After giving effect to the revenue sharing agreement, TAQA is entitled to 17.47 per cent. of the revenues.

## Europe — reserves and production

The UK North Sea properties had net proven plus probable reserves of 23.6 mmboe as at 31 December 2020, consisting of 21.6 mmbbls of crude oil and natural gas liquids, and 12.2 bcf of natural gas. The Netherlands' net proven plus probable reserves were 5.8 mmboe as at 31 December 2020, consisting of 28.2 bcf of natural gas and 1.1 mmbbls of crude oil and natural gas liquids.

The tables below give details of the Group's net reserves in the UK North Sea and The Netherlands as at 31 December 2020.

	<i>Crude oil</i> <i>(mmbbls)</i>	<i>Natural</i> <i>gas liquids</i> <i>(mmbbls)</i>	<i>Natural</i> <i>gas</i> <i>(bcf)<sup>(1)</sup></i>	<i>Barrels of</i> <i>oil</i> <i>equivalent</i> <i>(mmboe)</i>
<b>UK North Sea</b>				
Proved reserves .....	13.9	0.3	7.7	15.5
Probable reserves.....	7.2	0.2	4.5	8.1
<b>Total UK North Sea reserves.....</b>	<b>21.1</b>	<b>0.5</b>	<b>12.2</b>	<b>23.6</b>

Note:

<sup>(1)</sup> Figures can be converted into barrels of oil equivalent by dividing by six.

	<i>Crude oil</i> <i>(mmbbls)</i>	<i>Natural</i> <i>gas liquids</i> <i>(mmbbls)</i>	<i>Natural</i> <i>gas</i> <i>(bcf)<sup>(1)</sup></i>	<i>Barrels of</i> <i>oil</i> <i>equivalent</i> <i>(mmboe)</i>
<b>The Netherlands</b>				
Proved reserves .....	0.5	0.0	13.5	2.8
Probable reserves.....	0.1	0.5	14.7	3.0
<b>Total Netherlands reserves.....</b>	<b>0.6</b>	<b>0.5</b>	<b>28.2</b>	<b>5.8</b>

Note:

<sup>(1)</sup> Figures can be converted into barrels of oil equivalent by dividing by six.

The Group's UK 2P net reserves replacement ratios (including acquisitions) in 2020, 2019 and 2018 were 203 per cent., 37 per cent., 11 per cent., respectively. The Group's net reserves replacement ratios in The Netherlands in 2020, 2019 and 2018 were 43 per cent., 51 per cent. and 14 per cent., respectively. In 2020, the Group's UK properties produced on average 30.9 mboe/d and its properties in The Netherlands produced on average 3.8 mboe/d.

Approximately 93 per cent. of the Group's UK North Sea production is crude oil, with the balance being natural gas liquids and natural gas. In The Netherlands, approximately 82 per cent. of the Group's production is natural gas, with the remainder being crude oil.

The Group has five main annual sale agreements in place in relation to its UK North Sea production, four of which relate to crude oil production with a pricing mechanism related to the average monthly Platts' price for Brent crude and Forties crude, and one relates to its natural gas production which is predominantly sold on the spot market. The Group's Netherlands' crude oil production is partly sold under an agreement where the price is based on monthly average Brent prices and partly sold under an agreement where the price is based on Brent spot. The Group's Netherlands natural gas production is mainly sold at a price based on the normalised index price (NIP), which is calculated from the month's average TTF pricing (spot market).

### ***Kurdistan Region of Iraq — Properties***

The Group has a 47.4 per cent. working interest in the Atrush Block in the Kurdistan Republic of Iraq.

The Atrush Block covers roughly 270 km<sup>2</sup> and is located in the Taurus Mountains approximately 90 km northwest of the city of Erbil. Partners in the venture are General Exploration Partners Inc., and the KRG. The interests in the block are governed by a PSC which was originally executed in 2007.

### ***Kurdistan Region of Iraq — Reserves and Production***

Production from the Atrush Block commenced in July 2017, with delivery of crude oil to the export markets through the Kurdistan Export Pipeline. There are a total of 14 wells on the Atrush block: 10 production wells, one water disposal well, two shut-in wells awaiting future workover, and one (the discovery well) that has been plugged and abandoned.

The table below gives details of the entitlement reserves attributable to the Group's interest in the Atrush Block as at 31 December 2020.

	<i>Crude oil</i>	<i>Natural gas liquids</i>	<i>Natural gas</i>	<i>Barrels of oil equivalent</i>
	<i>(mmbbls)</i>	<i>(mmbbls)</i>	<i>(bcf)</i>	<i>(mmboe)</i>
<b>Entitlement Reserves<sup>(1)</sup></b>				
Proved entitlement reserves.....	13.5	0.0	0.0	13.5
Probable entitlement reserves.....	13.9	0.0	0.0	13.9
<b>Total Proved + Probable entitlement reserves.....</b>	<b>27.4</b>	<b>0.0</b>	<b>0.0</b>	<b>27.4</b>

Note:

<sup>(1)</sup> Based on PSC contract terms incorporating project costs, profits and tax treatment.

In 2020, the Atrush Block produced on average 10.3 mboe/d.

### **Midstream Oil and Gas Storage, Processing and Transport**

The Group's midstream business consists of gas storage and oil and gas processing and transport (pipeline interests) assets in Europe and North America.

#### ***The Netherlands midstream assets***

##### ***PGI Alkmaar***

PGI Alkmaar is a peak shaving natural gas storage facility operated by the Group, with a working volume of 0.5 bcm. The Group has a 36 per cent. interest in the facility, with the other stakeholders being EBN B.V. (**EBN**), an entity controlled by the Dutch government which has a 40 per cent. interest in the facility, and RockRose (NL) CS1 B.V. and Dana Petroleum Netherlands B.V., each of which has a 12 per cent. interest in the facility. PGI Alkmaar was the first peak shaver in The Netherlands designed and built specifically to provide security of supply using stored natural gas. PGI Alkmaar is designed to meet peak demand in the west of The Netherlands during winter and to meet emergency natural gas supply requirements in the event of network interruptions.

All of the working gas capacity in the PGI Alkmaar facility is owned by EBN. The Group has a long-term peak shaving contract with GasTerra, which has been extended until April 2025, with an

annual option for GasTerra to end the contract on three years' notice. GasTerra operates on the European energy market and has a significant share of the Dutch gas market. The Dutch government has a 50 per cent. stake in GasTerra directly and through EBN.

### *Bergermeer*

Gas Storage Bergermeer, in which the Group holds a 60 per cent. stake, is a storage facility formed from the conversion by the Group and its partner, EBN, of the nearly depleted Bergermeer gas field into one of northwest Europe's largest underground gas storage facilities, with a working volume of 4.1 bcm. Bergermeer is strategically located at a crossroads of gas export routes from Russia (such as Nordstream, which is controlled by Gazprom) and Norway to northwest Europe.

The Group is the operator of the Bergermeer facility, which has a potential service life of 40 to 50 years. The Bergermeer facility is an open access natural gas storage facility, which means that the majority of the storage capacity is made available to the market through negotiated third party access rights. Gazprom Export LLC is a strategic participating customer of the Bergermeer facility, whereby Gazprom Marketing & Trading Limited (**GM&T**), a subsidiary of Gazprom, owns a 5 per cent. participating interest in the technical operation of the facility under a joint operating agreement between TAQA, EBN and GM&T in exchange for delivering a defined amount of cushion gas for injection into the Bergermeer reservoir. Cushion gas is critical to ensure that the reservoir has the optimal pressure in order to perform commercial storage operations.

Full commercial operation at the Gas Storage Bergermeer project commenced in April 2015. The pricing of capacity sold in Gas Storage Bergermeer is principally subject to the spread between the summer period and winter period TTF gas prices.

### ***UK North Sea terminals and the Brent system***

The Group has an interest in two non-operated terminal facilities in the UK North Sea comprising: (i) a 24 per cent. interest in the Sullom Voe oil terminal (operated by Enquest); and (ii) a 22.85 per cent. interest in the SAGE gas plant (operated by Ancala).

The Sullom Voe oil terminal is a 1,000 acre site that contains 16 storage tanks with 9 mmbbls of total capacity. It also connects to three oil pipelines flowing from the northern North Sea — the Brent system, Ninian and Clair — and to two gas pipelines. The site has a throughput design capacity of 1.4 mmbbls/d.

The SAGE gas plant is currently capable of handling 20 per cent. of the UK's gas demand and has a throughput capacity of 1,890 mscf/d.

The Group is the operator of the Brent pipeline system, in which the Group has a 16 per cent. interest. The Brent pipeline system is responsible for transporting around 80,000 bbls/d of oil from 22 North Sea fields, to the Sullom Voe oil terminal.

## **OTHER INVESTMENTS**

### **Sohar Aluminium — Oman**

TAQA owns 40 per cent. of Sohar Aluminium, a company organised in Oman. Sohar Aluminium owns and operates an aluminium smelter in Oman that currently produces approximately 380,000 tonnes of aluminium per year. Sohar Aluminium also owns and operates a captive 1,000 MW power generation facility with the output from the facility dedicated to the smelter and the option to exchange unused capacity held in reserve with the operator of the Omani electrical distribution grid subject to dispatch request and requirement for aluminium production.



## **Jubail — Saudi Arabia**

TAQA holds a 25 per cent. interest in the Jubail power plant in Saudi Arabia. National Power Company, a joint venture established by Al-Zamil & Brothers Co. and Elseif Co., holds the remaining 75 per cent. interest in the plant. The Jubail plant is a co-generation facility which has a generation capacity of 260 MW and steam production capacity of 510 tonnes per hour.

## **Lakefield – United States of America**

The Group holds a 50 per cent. interest in LWP Lessee. LWP Lessee leases a 205.5 MW operating wind farm located in Lakefield, Minnesota (USA) under a long-term lease agreement, and sells the whole of the output generated by the wind farm to the Indianapolis Power & Light Company under the terms of a power purchase agreement, the initial 20-year term of which expires in 2031. A US subsidiary of Marubeni Corporation holds the remaining 50 per cent. interest in LWP Lessee.

## **Massar Solutions – United Arab Emirates**

TAQA holds a 49 per cent. ownership interest in Massar Solutions. The remaining 51 per cent. ownership interest and management responsibility in respect of Massar Solutions are owned by Mubadala Investment Company. Massar Solutions is engaged in providing support services such as vehicle leasing and maintenance, heating and air conditioning, and equipment leasing to electricity generation and water desalination plants and other businesses in the UAE.

## **HEALTH, SAFETY, SECURITY, ENVIRONMENTAL REGULATIONS AND COMPLIANCE**

TAQA is committed to health, safety, security and environmental (HSSE) performance. TAQA strives to achieve its goals of no harm to people, provide a safe and secure workplace, and demonstrate respect for the natural environment by minimising its operational impacts.

Through TAQA's worldwide network of HSSE staff, TAQA assures the application of consistent HSSE management oversight, cohesive policies, key processes, and performance reporting during the acquisition, integration/optimisation, project design/construction, and operational phases of TAQA's business.

Ensuring the health, safety and security of its employees and environmental compliance are operational priorities for the Group. The Group has dedicated HSSE personnel, both at its headquarters in Abu Dhabi and throughout its operating businesses. Specific elements of the Group's commitment to HSSE include:

- ensuring compliance with all applicable HSSE related laws and regulations through specific HSSE policies, procedures and guidelines, including those tailored for specific business units;
- adoption of, and compliance with, international and industry standards and best practices;
- building and enhancing an HSSE compliance culture where all Group personnel from managers to workers are committed to, and accountable for, compliance with the Group's HSSE policies and procedures;
- empowering employees to identify, investigate and resolve underlying causes of HSSE incidents and near misses;
- providing sufficient resources, training, equipment and controls to ensure a safe and secure working environment;

- seeking opportunities to mitigate the Group’s impact on the environments in which it operates, including energy and resources conservation in its operations;
- ensuring the security of the Group’s assets, business activities, employees and other stakeholders;
- conducting regular audits and assessments to evaluate compliance with global HSSE standards, processes and regulatory requirements;
- supporting the development and acquisition activities of the Group through participation in due diligence and post-Transaction integration/optimisation activities regarding HSSE matters; and
- communicating openly with all stakeholders regarding the Group’s HSSE performance.

TAQA strives for continuous improvement by regularly tracking and reviewing HSSE-related information on fines, notices, violations, environmental expenditure, reserves for remediation and other relevant matters.

The Group monitors a number of HSSE KPIs, including recordable injury rates per 1 million man hours and reportable spills (determined in accordance with local regulations).

The table below shows these KPIs for each of 2020, 2019 and 2018. The table includes KPIs for all the assets acquired in the Transaction as if the Transaction had taken place on 31 December 2017.

<b>KPI</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Recordable injury rate (per 1 million man hours)</b>			
Generation .....	0.66	0.60	0.67
Transmission and distribution .....	0.10	0.26	0.27
Oil and gas business .....	1.48	2.54	2.08
Group.....	0.41	0.82	1.65
<b>Reportable spills (number)</b>			
Generation .....	1	6	1
Transmission and distribution .....	0	1	0
Oil and gas.....	31	40	47
Group.....	32	47	48
<b>Lost time injury (number)</b>			
Generation .....	2	0	1
Transmission and distribution .....	3	7	0
Oil and gas.....	4	12	9
Group.....	9	19	10

## Significant Recent HSSE Events

### *Jorf Lasfar Power Plant*

On 27 July 2018, a lead electrical team member received a fatal electric shock when he came into contact with the live high voltage terminals of a boiler feed-water pump motor. The work scope and control of work documentation had been prepared for this pump motor and shared with the lead electrical team member. A full independent investigation was completed after this incident and lessons learned were shared across the Group. From the investigation recommendations, the Group Executive Management put in place a safety improvement programme, working closely with DuPont across all of the Group’s international power plants. The safety improvement programme focuses on a safety culture assessment and drives change to influence attitudes and behaviours.

## ***TAQA North***

On 18 January 2019, there was an explosion and fire in a compressor house at a facility in Canada which was categorised as a critical event with high potential. Three workers received first degree burns resulting in three lost time injuries. The three injured parties returned to normal work following a short period off work. The incident was fully investigated, and lessons learned have been implemented.

## ***ADDC***

On 21 February 2021, a fatal work place incident involving a subcontractor occurred at an ADDC construction site in Abu Dhabi. A full and independent investigation is underway.

## **INSURANCE**

TAQA maintains insurance coverage in respect of each of its subsidiaries. In the case of the Group's UAE generation assets, each subsidiary has arranged for insurance coverage in accordance with the terms of the finance documents for the relevant project. The PWPA and financing agreements for each UAE generation subsidiary and the PPA, prudent operations and financing agreements for each non-UAE generation subsidiary require insurance such as third party liability, physical damage and business interruption insurance.

TAQA's policy is to arrange insurance in respect of its other operations as required and in accordance with international energy industry practice and standards.

TAQA has a fully owned insurance subsidiary, TAQA Insurance Limited (**TIL**), which is domiciled in Guernsey and regulated by the Guernsey Financial Services Commission. TIL is used to consolidate insurable risk across the Group in order to simplify procurement and gain from economies of scale. TIL has the benefit of a parent company guarantee from TAQA up to an aggregate limit of U.S.\$25 million, which is consistent with the amount of risk retained by TIL.

Group companies make claims under the Group's insurance policies from time to time. Certain insurance claims are currently outstanding, but TAQA does not believe that any of the claims, if rejected or not paid in full, would be likely to have a significant adverse effect on the financial position or profitability of the Group.

## **LITIGATION**

### **TAQA Bratani**

One of the Group's subsidiaries, TAQA Bratani, was involved in a dispute with Marathon, as the operator of Brae. Marathon had been invoicing the Brae partners for unapproved pension deficit payments. TAQA disputed the amount and allocation of these to Brae and withheld payments. Approval of the 2017, 2016 and 2015 budgets was also withheld on the basis that they provided for such pension deficit amounts. Marathon initiated legal proceedings to recover payments to cover the pension deficit and sought specific performance of the obligation to approve the budgets. Part judgment was handed down by the High Court on 21 February 2018 upholding Marathon's argument that TAQA is liable for payments towards the pension deficit. Prior to a quantum to assess damages, the parties agreed to a 54.4 per cent. allocation of the deficit recovery charges. TAQA also appealed the judgment and in January 2019 a judgment by the Court of Appeal upheld the ruling from the court of first instance. TAQA's liability up to 2020 was £25 million (TAQA's original liability from 2013-2018 was £18 million plus £3.5 million for each of 2019 and 2020), subject to a further actuarial valuation to be carried out and finalised as of 31 March 2019. The 2019 Actuarial Valuation Report was finalised and shared with TAQA in August 2020. The 2019 Actuarial Valuation Report revealed a shortfall in

the assets of the scheme of £45 million as at 31 March 2019. A further recovery plan was put in place based on an updated shortfall of approximately £39 million as at 30 June 2020 (reflecting contributions received, actual investment returns and changes in financial conditions). To date, approximately £29.5 million of the £39 million has been paid. Of this approximately £29.5 million, TAQA's share was approximately £7.2 million. Of the outstanding approximately £9.5 million, TAQA's share is approximately £2.3 million which will be due for payment by 31 July 2021. TAQA has been informed that the Scheme secured a buy-in of all Scheme liabilities in August 2020. Whilst there are no guarantees as to the amount of the final contribution required to complete this buy-in, it is not currently anticipated that significant further payments will be required after the July 2021 payment is made.

## EMIRATISATION

While TAQA meets current requirements with respect to the employment of UAE nationals in its headquarters office, it is committed to continuing to increase the number of UAE nationals working across all areas of the business, and at all levels of the Group. The Group's UAE nationals workforce comprises 54 per cent. of its total workforce in the UAE, exceeding the post-integration target by 7 per cent. As TAQA focuses on executing the Group's growth strategy over the next years, the Group is investing in developing the capabilities of UAE nationals through several talent management programmes including leadership development, succession planning and individual development plans for middle managers. Additionally, the hiring of UAE nationals will continue to be prioritised for vacant positions.

In respect of the UAE generation subsidiaries, each PWPA includes provisions for the training of UAE nationals by the relevant subsidiary to ensure that certain minimum percentages of UAE nationals employed by each subsidiary are met throughout the term of such PWPA. The Group's UAE generation subsidiaries are broadly in compliance with this requirement. However, UAE nationals with the requisite skills and experience are in short supply and high demand, and TAQA and the UAE generation subsidiaries' success in attracting UAE nationals to work at its more remote sites has been limited to date.

## EMPLOYEES AND PENSIONS

As of 31 December 2020, the Group had 8,321 full-time employees worldwide.

The table below presents a breakdown of TAQA's employees as at 31 December 2020:

	<i>Employees</i>
TAQA.....	169
Umm al Naar <sup>(1)</sup> .....	134
Shuweihat S1 <sup>(1)</sup> .....	152
Shuweihat S2 <sup>(1)</sup> .....	118
Taweelah A1 <sup>(1)</sup> .....	161
Taweelah A2 <sup>(1)</sup> .....	99
Taweelah B <sup>(1)</sup> .....	208
Fujairah 1 <sup>(1)</sup> .....	148
Fujairah 2 <sup>(1)</sup> .....	114
AMPC.....	128
Sweihan PV <sup>(1)</sup> .....	7
Mirfa <sup>(1)</sup> .....	113
Shuweihat 3 <sup>(1)</sup> .....	89
AADC.....	1,580
ADDC.....	1,907
TRANSCO.....	1,039
Jorf Lasfar.....	493
Neyveli.....	134
Takoradi.....	77

	<u>Employees</u>
TAQA Atrush.....	157
TAQA Bratani.....	804
TAQA Energy.....	145
TAQA North.....	345
<b>Total.....</b>	<b>8,321</b>

Note:

(1) Principally comprises employees from the respective operation and maintenance companies which TAQA counts as TAQA employees even though the operating and maintenance companies are also owned by other partners.

TAQA undertakes initiatives to motivate employees to contribute to its success through bonus programmes. Group employees are eligible to receive an annual bonus, which is calculated as a percentage of their base salary, based on the achievement of their annual performance targets and the Group's performance.

In accordance with the laws of the UAE, TAQA provides end of service benefits to non-UAE national employees. Under UAE law, the entitlement to these benefits is based upon the employee's length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The Group believes that its relationship with its employees is good.

## MANAGEMENT

### DIRECTORS

TAQA's Board of Directors (the **Board**) comprises nine directors with a broad range of backgrounds, expertise and commercial experience that complements effective management and informed decision making. Each director is appointed for a term of three years and, at the end of that period, the Board may be reconstituted.

The Board is formed taking into consideration an appropriate balance between executive, non-executive and independent directors. At all times, a majority of the directors are required to be non-executive independent directors who have technical skills and experience that serve the interests of TAQA. The Board meets on a periodic basis pursuant to a formal schedule. The members of the Board are appointed by the general meeting of TAQA's shareholders. Following the Transaction, a new Board was appointed for a term of three years. At the general meeting of TAQA's shareholders held on 18 March 2021, two additional members were appointed to the Board.

In line with the applicable regulations, the members of the Board periodically disclose their outside interests. Furthermore, at the beginning of each Board meeting, each Board member is called upon to declare their interests, if any, to avoid conflict of interest. The Board takes into account and prioritises TAQA's and its shareholders' interests in case a conflict of interest arises. Based on the above, TAQA is not aware of any conflicts of interest between the duties to TAQA of each member of the Board and his private interests or other duties.

As of the date of this document, the members of the Board are as set out below.

<i>Name</i>	<i>Position</i>
His Excellency Mohamed Hassan Al Suwaidi	Chairman
Saeed Mubarak Al Hajeri	Vice Chairman
His Excellency Saif Mohamed Al Hajeri	Director
Khalifa Sultan Al Suwaidi	Director
Salem Sultan Al Dhaheri	Director
Khaled Abdulla Al Mass	Director
Mansour AlMulla	Director
Hamad Al Hammadi	Director
Jasim Husain Thabet	Director

#### **His Excellency Mohamed Hassan Al Suwaidi, Chairman of the Board**

##### ***TAQA Board Member since 2019, Chairman since 2020***

*Career and experience:* H.E. Mohamed Hassan Al Suwaidi is the Chief Executive Officer of ADQ, a company holding interests in state-owned entities across various development-related sectors including ADPower. He also serves as Chairman of EWEC, Vice Chairman of ADPower and a board member of ADNOC Distributions, a board member and member of the audit committee of Emirates Nuclear Energy Corporation, a board member and member of the human capital committee of Emirates Global Aluminium and a board member and member of the investment committee of Abu Dhabi Retirement Pensions & Benefits Fund. Before joining ADQ, His Excellency was leading Metals and Mining for Mubadala Investment Company, where he worked in investment management across a wide range of sectors including real estate, hospitality, infrastructure, utilities, technology, agriculture, metals and mining.

*Qualifications and recognition:* H.E. Al Suwaidi holds a bachelor's degree in accounting from UAE University.

**Saeed Mubarak Al Hajeri, Vice Chairman of the Board**

***TAQA Board Member since 2011, Vice Chairman since 2020***

*Career and experience:* Mr. Al Hajeri has more than 26 years of experience in international finance. He is the Vice-Chairman and a member of the investment committee and technology committee of Islamic Arab Insurance Company. He is a board member of INSEAD and is an Executive Director at ADIA. He previously was a member of the Executive Advisory Board of MSCI Barra and a board member of the CFA Institute.

*Qualifications and recognition:* Mr. Al Hajeri holds a bachelor's degree in business administration from Lewis & Clark College in the United States and is a Chartered Financial Analyst (CFA). He also attended the Executive Education Program at Harvard Business School.

**His Excellency Saif Mohamed Al Hajeri**

***TAQA Board Member since 2020***

*Career and experience:* H.E. Saif Mohamed Al Hajeri is the Chairman of ADPower. He was previously the Chairman of the Department of Economic Development – Abu Dhabi (the **DED**) and a member of the Executive Council of Abu Dhabi. As Chairman of the DED, H.E. Al Hajeri is responsible for overseeing and driving the Emirate of Abu Dhabi's economic agenda and strategy. Prior to his appointment as Chairman of the DED in 2017, H.E. Al Hajeri served as the Chief Executive Officer of Tawazun Economic Council and Tawazun Holding company since 2008. H.E. Al Hajeri was also actively engaged with various key Abu Dhabi government initiatives, as well as serving throughout his career as a Member of the Board of Directors at a number of leading government and semi-government organisations, including SENAAT and ADNEC.

*Qualifications and recognition:* H.E. Al Hajeri holds a bachelor's degree in business administration and economics from Lewis & Clark College in the United States.

**Khalifa Sultan Al Suwaidi**

***TAQA Board Member since 2020***

*Career and experience:* Mr. Al Suwaidi is Chief Investment Officer at ADQ, where he manages portfolio companies in the utilities, industries, logistics and food and agriculture sectors.

In addition to his role in ADQ, he is Chairman of the Board at SENAAT where he oversees the holding company's performance and management of its subsidiaries. He is also Chairman of NPCC, Agthia and Al Foah and Vice-Chairman of Abu Dhabi Ports. He also serve as board member of EWEC. Prior to his current roles, he held various senior management positions including most recently, Executive Director of Refining and Petrochemicals at Mubadala Investment Company, where he managed the company's portfolio. He was also the acting Chief Executive Officer of Abu Dhabi National Chemical Company (Chemaweya).

Previously, Mr. Al Suwaidi was Senior Vice President of the Service Venture Unit of Mubadala, where he established and chaired its logistics company, Agility Abu Dhabi and developed the geospatial mapping services company, Bayanat Limited.

*Qualifications and recognition:* Mr. Al Suwaidi holds a bachelor's degree in business, majoring in marketing, from California State University in the United States and has an Executive MBA with distinction from Zayed University.

### **Salem Sultan Al Dhaheri**

#### ***TAQA Board Member since 2011***

*Career and experience:* Mr. Al Dhaheri is currently the Deputy Director at ADIA, having held various positions since joining the authority in 1993. He is also a Member of the board of Directors and audit committee of Al Etihad Credit Bureau and is a member of the audit committees of Abu Dhabi Retirement Pensions and Benefits Fund, ADNOC, Emirates Investment Authority, SPC/ADNOC, Etisalat and General Pension and Social Security Authority.

*Qualifications and recognition:* Mr. Al Dhaheri is a Certified Public Accountant. He holds a bachelor's degree in accounting from Metropolitan State College in Denver, United States.

### **Khaled Abdulla Al Mass**

#### ***TAQA Board Member since 2014***

*Career and experience:* Khaled Mr. Al Mass is a member of the board of Abu Dhabi Health Services Company and is an executive board member of iMass Investment, which is an Investment Holding Company that specialises in investment banking advisory, direct investments, artificial intelligence and fin-tech. Mr. Al Mass is also an executive board member of iTech Engineering Consultancy, which specialises in building information modeling (BIM) solutions and he is a board member of the Advanced Cure Diagnostic Centers.

*Qualifications and recognition:* Mr. Al Mass holds a bachelor's degree in Management from Marylhurst University, United States.

### **Mansour AlMulla**

#### ***TAQA Board Member since 2021***

*Career and experience:* Mr. AlMulla is the Chief Investment Officer for Alternative Investments & M&A at ADQ. He is responsible for all M&A and alternative investment initiatives including investments in mutual funds and opportunistic investments in early/late technology funds. Mr. AlMulla is a Supervisory Board member and a member of the portfolio & projects committee and presidential & nomination committee of OMV Aktiengesellschaft. He is also a board member and the audit committee chairman of Abu Dhabi Ports Company as well as a board member and audit committee member of Etihad Aviation Group.

Prior to ADQ, Mr. AlMulla held various positions in Mubadala spanning 15 years, including Chief Financial Officer for Petroleum & Petrochemicals in Mubadala Investment Company and Chief Financial Officer of Mubadala Petroleum LLC.

*Qualifications and recognition:* Mr. AlMulla holds a bachelor's degree in Business Administration (Information Systems) from Portland State University, United States.

### **Hamad Al Hammadi**

#### ***TAQA Board Member since 2021***



*Career and experience:* Mr. Al Hammadi has 15 years of experience in the water and power sector. He is currently the Director of Investment at ADQ. Prior to his current role, he held positions at Mubadala Development Company and the Carlyle Group.

Mr. Al Hammadi also serves as a board member for TAQA Morocco, EWEC and Nabil Foods. He was previously a board member in SMN Power, a publicly listed power generation company in Oman.

*Qualifications and recognition:* Mr. Al Hammadi holds a bachelor’s degree in Accounting from the Higher Colleges of Technology in the UAE.

## **Jasim Husain Thabet**

### ***TAQA Board Member since 2019***

*Career and experience:* Mr. Thabet serves as TAQA’s Group Chief Executive Officer and Managing Director, a role he has held since July 2020. Mr. Thabet, who was elected to TAQA’s Board of Directors in 2019, is an energy industry veteran with more than two decades of experience.

Prior to his role at TAQA, he served as Chief Executive Officer and Managing Director of ADPower, where he leveraged the company’s portfolio of assets throughout the value-chain to support the transformation of the power and water sector in the UAE. He also served as CEO of the National Central Cooling Company PJSC (Tabreed), where he drove capacity expansion and revenue growth. Jasim sits on the board of the Etihad Aviation Group and Abu Dhabi Ports.

*Qualifications and recognition:* Mr. Thabet holds a Bachelor’s degree in mechanical engineering from Saint Martin’s University in the United States.

The business address of each of the Directors is P.O. Box 55224, Abu Dhabi, United Arab Emirates.

## **EXECUTIVE MANAGEMENT**

The Board has delegated the day-to-day management of the Group to executive officers appointed by the Board. As of the date of this document, the members of TAQA’s executive management are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of Appointment</i>
Jasim Hussain Thabet	Group Chief Executive Officer	1 July 2020
Stephen Riddlington	Chief Financial Officer	1 July 2020
Gareth Wynn	Chief Communications Officer	3 January 2021
Omar Abdulla Alhashmi	Executive Director of Transmission and Distribution	1 July 2020
Farid Al Awlaqi	Executive Director of Generation	1 July 2020
Franco Polo	Executive Director of Oil and gas	1 July 2020
Stephen Wackerle	Chief Risk and Internal Audit Officer	1 July 2020
Mohammad Al Sharafi	Chief Legal Officer and Board Secretary	1 July 2020
Noel Aoun	Acting Chief Strategy and M&A Officer	1 July 2020

**Jasim Hussain Thabet** – see “— *Directors*” above.

**Stephen Riddlington** joined TAQA in 2020 as Chief Financial Officer. Prior to his role at TAQA, Stephen Riddlington was Chief Investment Officer at ADPower. He previously held positions with BP, TNK-BP and National Central Cooling Company PJSC (Tabreed), serving as CFO at the latter

two companies. Stephen holds a Master of Philosophy in Economics from St Antony's College, Oxford and a Bachelor of Science in Economics and Mathematics from the University of Sussex.

**Gareth Wynn** serves as TAQA's Chief Communications Officer. Gareth has more than two decades of experience as a senior communications leader in international energy companies. He most recently served as Stakeholder and Communications Director for Oil & Gas UK, the leading representative organisation for the UK offshore oil and gas industry. He has also held key senior management positions at EDF Energy and FTI Consulting. Gareth holds a Bachelor of Science in Microbiology and Microbial Technology with honors from the University of Warwick.

**Omar Abdulla Alhashmi** is Executive Director of Transmission and Distribution. Prior to this role, Omar Al Hashmi was Executive Director – Asset Management at ADPower, where he supported the development of the company's transformation plan, structure and governance. He previously served as the head of strategy development in Etihad Airways and Vice President in the Industry platform at Mubadala Investment Company. Omar holds a Master of Business Administration from the London Business School and a Master of Science in Mechanical Engineering from the George Washington University.

**Farid Al Awlaqi** is Executive Director of Generation. He previously served as Senior Vice President in the Energy platform at Mubadala Investment Company where he had roles from operations to business developments, investments and asset management. Farid holds a Master of Business Administration from the London Business School, a Master of Engineering in Petroleum Engineering from Imperial College, University of London. Farid also attended the Royal Military Academy Sandhurst.

**Franco Polo** is Executive Director of Oil and Gas. An oil executive with over 30 years of experience in international exploration and production, Franco Polo previously served as the Executive Vice President of Upstream of the Asian Pacific region at Eni, an integrated energy company. Franco holds a Master of Science and a Bachelor of Science in Geology from the University of Bologna, Italy.

**Stephen Wackerle** is Chief Risk and Internal Audit Officer. Prior to this role, he held similar leadership roles with ADPower and BP. Stephen Wackerle oversees the objective review of TAQA's internal control system and the Group's management of significant risks through his responsibility for the activities of internal audit, enterprise risk, health, safety and environment, and security and business continuity. Stephen Wackerle is a qualified chartered accountant and a CFA Charterholder and holds a Bachelor of Commerce and a Post-Graduate degree in Accounting from the University of Cape Town.

**Mohammad Adnan Sharafi** is Chief Legal Officer and Board Secretary, overseeing the Group's legal, governance, ethics and compliance and regulatory affairs functions. Previously, Mohammad Sharafi served as the General Counsel of ADPower, in addition to more than 12 years within the legal function at Mubadala Investment Company. Prior to Mubadala, Mohammad Sharafi worked at Clifford Chance LLP in London and Dubai. Mohammad Sharafi is qualified to practice law as a Solicitor of the Supreme Court of England & Wales and holds a Post-Graduate Diploma in Legal Practice from the College of Law as well as a Bachelor of Laws from the University of Westminster, London.

**Noel Aoun** is Chief Strategy and M&A Officer. He previously served as Group Strategy and Business Development Director at TAQA, a role he held since March 2018. In his role, Noel leads the development of TAQA's corporate strategy and operating model, whilst coordinating strategies across the organisation's business units. Prior to his position at TAQA, he held leadership positions in Schneider Electric and Booz & Co. Noel holds a Master of Business Administration from INSEAD and a Master of Science in Electrical and Computer Engineering from Ecole Supérieure des Ingénieurs de Beirut.

## **CORPORATE GOVERNANCE**

As a public company listed on the ADX, TAQA continuously monitors and enhances the control environment to manage and mitigate any potential risks to its business and operations. Based on international best practices and Resolution No. (3/R.M) of 2020 of the Securities and Commodities Authority of the United Arab Emirates (the **SCA** and the **Corporate Governance Guide**), TAQA's corporate governance framework has evolved to re-emphasise the principles of accountability, fairness, disclosure, transparency and responsibility.

### **Structure of Board**

TAQA's Board of Directors comprises nine Directors with a broad range of backgrounds, expertise and commercial experience. When Directors are nominated, consideration is given to whether a Director is able to dedicate adequate time and effort to his or her membership and that such membership is not in conflict with his or her other interests.

### **Committees**

TAQA has established its control environment through corporate governance practices, risk management and ethics and compliance office, based on a system of checks and balances. In line with the Corporate Governance Guide, the Board has constituted the Audit Committee and the Nomination and Remuneration Committee to effectively perform its obligations. The Board has additionally constituted a Strategy & Investment Committee. The committees of the Board are governed by their individual charters.

#### ***Audit Committee***

Khalid Al Mass was appointed Chairman of the Audit Committee in February 2021. The other members of the Audit Committee are Salem Sultan Al Dhaheri and Mansour Al Mulla.

The basic duties of the Audit Committee include:

- monitoring the integrity of TAQA's financial statements and its reports (annual reports, semi-annual reports, and quarterly reports);
- reviewing TAQA's financial and accounting policies and procedures;
- ensuring the independence of TAQA's external auditor; and
- overseeing the implementation of the internal control systems (including but not limited to risk management, ethics and compliance and internal audit) and periodically reviewing its effectiveness.

The Committee convenes not less than once every three months and whenever the need arises. The establishment of the Audit Committee was approved by a resolution of the Board of Directors in a meeting held on 30 October 2007 and its charter was last updated in February 2021.

#### ***Nomination and Remuneration Committee***

H.E. Saif Al Hajeri was appointed Chairman of the Nomination and Remuneration Committee in February 2021. The other members of the Nomination and Remuneration Committee are Saeed Mubarak Al Hajeri and Khalifa Al Suwaidi.

Among other duties, the Nomination and Remuneration Committee makes recommendations to the Board regarding the Group's policy on the remuneration of certain senior executives and key managerial personnel, including performance bonuses and other benefits. It also establishes the qualifications of Board members and the independence of the independent Board Members.

The establishment of the Nomination and Remuneration Committee was approved by a resolution of the Board of Directors in a meeting held on 20 January 2008 and its charter was last updated in February 2021.

### ***Strategy and Investment Committee***

Khalifa Al Suwaidi was appointed Chairman of the Strategy and Investment Committee in April 2020. The other members of the Strategy and Investment Committee are Khaled Al Mass and Hamad Al Hammadi.

Among other duties, the Strategy and Investment Committee develops the Group's long-term strategy and reviews and endorses its five year business plan. It also monitors the implementation by each business line of the Group's strategies.

### ***Supervising Committee for Insider Trading***

Following the issuance of resolution 7/R.M. of 2016 by the UAE's Securities and Commodities Authority, which sets out new corporate governance rules and standards for public joint stock companies, the Company formed a separate committee dedicated to overseeing insider transactions. The committee was established in December 2017 and its members were appointed by the Board of Directors. The Committee consists of the following members: The Executive VP of Government Affairs and Corporate Communications, the General Counsel-Corporate and the GVP of Internal Controls and Assurance. It is planned that the functions of this committee will be handled by the Group's Ethics and Compliance Department.

### **Internal Controls**

Internal controls are processes established by TAQA's Board of Directors, management and employees, designed to achieve reasonable assurance regarding the achievement of TAQA's objectives related to: (i) effectiveness and efficiency of operations, (ii) reliability of financial and non-financial reporting, and (iii) compliance with laws and regulations.

The internal controls framework at TAQA comprises two main components:

- the design, development and implementation of an effective internal control system; and
- ongoing monitoring and review of the internal control system to test its adequacy and effectiveness, and to verify its compliance.

TAQA's internal control system consists of a series of documented policies and procedures, particularly the business code of ethics, other ethics policies on anti-bribery and corruption, anti-money laundering, sanctions and gifts and entertainment, fraud and accounting policies and procedures (which include a number of procedures designed to address financial issues and financial reports), as well as the delegation of authority policy, financial policies, treasury policies, HSSE policy and reporting policy. These policies and procedures help TAQA achieve its objectives within an effective ethical framework and provide appropriate means to direct, monitor and measure its resources and assist in analysing its financial performance as well as playing an important role in preventing and controlling any fraud or other financial irregularities.

The Head of Internal Audit is responsible for overseeing and managing internal audits of TAQA's internal control system to ensure that it is in line with its objectives. Internal Audit provides independent assurance to the Group CEO and MD and the Board on whether the internal control system is adequately designed and operating as intended to conduct TAQA's business and manage significant risks effectively. The Internal Audit aims to review internal controls over the management of significant risks, highlighting any deficiencies or weaknesses including compliance with the overall framework. The Head of Internal Audit, in coordinating the work and duties of the Internal Audit department, reports functionally to the Audit Committee. The Audit Committee meets regularly to receive updates from the Head of Internal Audit, including the review of the internal audit work plans and reports on audit results.

The Internal Audit department is responsible for preparing annual audit plans to review certain businesses, functions and activities of TAQA and its subsidiaries. These annual audit plans are subject to the approval of the Audit Committee. The objective of these plans is to periodically audit TAQA's operations and activities, as appropriate, based on the significant risks to TAQA, in line with TAQA's risk assessment procedures.

In addition, TAQA's external auditor conducts quarterly reviews and annual audits of its financial statements, providing reasonable assurance of the reliability of management financial reporting and internal controls.

## REGULATION

### UAE GENERATION, TRANSMISSION AND DISTRIBUTION SUBSIDIARIES

#### Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi

Law No. (2) of 1998, concerning the Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi, as amended (**Law No. 2**), established the Regulation and Supervision Bureau (the **Bureau**) to undertake the licensing, regulation and supervision of all companies that carry on any production, transmission, storage, desalination, provision, distribution or supply of water and electricity in the Emirate of Abu Dhabi. Law No. 2 sets out the rules that apply to the water and power industries in the Emirate of Abu Dhabi and also provides for the introduction of a licensing framework for the water and power industry in the Emirate of Abu Dhabi.

Law No. 2 authorised the Bureau to review plans pertaining to the provision of water and power in the Emirate of Abu Dhabi, to issue licences relating to the operations that are the subject of the plans, and to supervise such plans and control their implementation in accordance with the provisions of Law No. 2. The duties of the Bureau included consumer protection as to the tariff and water and electricity supply terms and conditions.

In February 2018, Law No. (11) of 2018 on the establishment of the Abu Dhabi Department of Energy (**Law No. 11**) was published. The DoE is responsible for strategic plans for the entire energy sector in Abu Dhabi. It regulates the energy sector in all respects and licenses all institutions, entities and companies working in the energy sector. It also proposes fees and tariffs and submits them to the Executive Council for approval.

Pursuant to Law No. 11, the Bureau's functions, duties and responsibilities were transferred to the DoE.

#### *Sector overview*

##### **Law Sector overview**

The Abu Dhabi water and electricity sector is generally structured on a 'single buyer' model, in which all production capacity (power or water) is purchased centrally by EWEC.

Water and electricity are then sold to distribution and supply companies on the basis of an annually adjusted BST for onward sale to the final customers. The two DisCos (AADC and ADDC) also pay TRANSCO the TUoS tariffs for using its transmission system to transport water and electricity from the production plants to the distribution systems.

The DoE approves, on an annual basis, the bulk supply tariff and a TUoS tariff being imposed to ensure that EWEC and TRANSCO receive certain returns through the applied price control system. The DoE also sets tariffs at which power and water are sold by the DisCos to their customers.

#### *Licensing*

Law No.2 provides that carrying out generation, transmission or distribution activities require a licence from the DoE. Each of TAQA's UAE generation, transmission and distribution subsidiaries has applied for, and been granted, licences by the DoE.

### ***Environmental regulation***

Abu Dhabi's Environmental Agency is the governmental body charged with introducing and monitoring environmental standards with respect to, among other things, water and air quality, water treatment and disposal. TAQA's UAE generation subsidiaries are further governed through a set of environmental standards applied to international project financing through their respective financing arrangements, including, in some cases, the Equator Principles which have been adopted by certain leading international financing institutions.

TAQA's UAE generation subsidiaries have a legal obligation to remove the power generation and water desalination plants at the end of the plants' useful lives, or before if the UAE generation subsidiary becomes unable to continue its operations to that date, and to restore the land. The UAE generation subsidiary must at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavations and return the surface to the grade of the designated area.

## RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

Members of the Group enter into transactions with companies and entities that fall within the definition of a related party. Related parties, as defined in IAS 24: *Related Party Disclosures*, include associate companies, major shareholders, directors and other key management personnel of TAQA, and entities controlled, jointly controlled or significantly influenced by such parties.

The Group's related party transactions include:

- the Transaction, which is detailed in note 1 to the 2020 Financial Statements;
- the PWPAs with EWEC, land leases relating to the UAE generation plants and shared facilities at project sites and shareholders' agreements, see "*Summary of Material Contracts*";
- the arrangements between EWEC and the DisCos relating to the sale of power and water and between TRANSCO and EWEC relating to the transmission of power and water, see "*Summary of Material Contracts*"; and
- the determination of the Group's MAR for sales of power and water and other operating revenue from a related party in relation to those sales.

Certain of TAQA's related party transactions are disclosed in Note 1, 15, 20, 21, 26, 27, 30 and 31 to the 2020 Financial Statements. These transactions include transactions with associated companies, major shareholders, directors and key management personnel of TAQA, and companies of which they are principal owners. The sales to and purchases from related parties are made on terms approved by TAQA's management. Outstanding balances as at 31 December 2020 are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Amounts due from related parties, net of provisions, are expected, on the basis of past experience, to be fully recoverable. Management has determined that the provision made against these amounts are appropriate as these are receivable from government entities with low probability of default and loss given default. Because the Group is a government-related entity (as defined in IAS 24), the Group is exempt from disclosing certain information relating to transactions and balances with entities related to the Abu Dhabi government.

Note 30 to the 2020 Financial Statements describes certain collectively, but not necessarily individually, significant related party transactions and outstanding balances, including the remuneration of senior key management personnel of the Group in 2020 and 2019.

As at 31 December 2020, related parties receivables with a nominal value of AED 17 million were impaired and fully provided for. Note 30 also shows the movement in the provision for impairment of related party receivables and the ageing analysis of related party receivables in 2020 and 2019.

Apart from the Transaction, there were no individually significant related party transactions since 1 January 2018.



## SUMMARY OF MATERIAL CONTRACTS

*The following are summaries of selected provisions of certain material agreements governing each of the UAE and international generation, transmission and distribution projects. These summaries should not be considered to be a full statement of the terms and provisions of such agreements.*

### SUMMARY OF PRINCIPAL UAE GENERATION AGREEMENTS

#### **Power and Water Purchase Agreements and Power Purchase Agreements**

Each generation subsidiary has entered into a PWPA, a PPA or a water purchase agreement (a **WPA** and, for ease, together referred to as (PW)PAs with references below to power and water being construed as references to power only in the case of PPAs and water only in the case of WPAs) with EWEC as the power and water procurer, with all such (PW)PAs having generally similar terms and conditions (although the tariff for each one is unique). Each (PW)PA governs:

- (a) the design, construction and operation and maintenance of the relevant generation and desalination facilities (and their expansion, where relevant);
- (b) the design, construction and transfer of the shared and/or special facilities and associated inter-connection facilities developed and built by the UAE generation subsidiary and (where relevant) transferred to the transmission, distribution or shared facilities company; and
- (c) the sale and purchase of power and water capacity and power and water output to EWEC for the term of the (PW)PA.

The (PW)PA requires the generation subsidiary to make available to EWEC the net dependable power capacity and net dependable water capacity of the relevant facilities and to deliver to EWEC dispatched net electrical energy and net water output. EWEC is obliged to purchase from the UAE generation subsidiary the net dependable power capacity and net dependable water capacity and take delivery of dispatched net electrical energy and net water output.

The term of each (PW)PA is 20-30 years from the Project Commercial Operations Date (**PCOD**).

#### ***Fuel supply***

EWEC is required to supply, and deliver on a substantially continuous basis, all the natural gas necessary for the facilities to generate net electrical energy and to produce net water output in accordance with a fuel utilisation schedule provided by the generation subsidiary.

The generation subsidiary is required to procure sufficient fuel oil at its own cost to enable the facilities to be operated for seven consecutive days (and, in the case of Umm al Naar, in relation to the existing facilities, the maximum possible number of days agreed with EWEC) in the event the gas is not made available by EWEC. The tariff mechanism in the (PW)PA adjusts to pass through the costs of procuring back-up fuel to EWEC.

This section does not apply to the Group's solar PV plant.

#### ***Capacity***

Capacity from the relevant facilities is dedicated to EWEC. Payments for capacity under the (PW)PA are based on the facilities' net dependable capacity for each of power and water, which are

determined by testing and measured prior to the PCOD and periodically thereafter. This section does not apply to the Group's solar PV plant.

### ***Payments and fees***

The (PW)PA provides for a four-part tariff structure for each of power and water, and each component of the tariff structure is designed to provide for recovery of certain types of cost. These costs include debt service; return on shareholders' equity contributions; taxes, levies and duties; fixed and variable operating and management expenses; and fuel costs.

### ***Supplemental payments***

In addition to capacity payments and output payments, the (PW)PA requires EWEC to make certain supplemental payments. These vary among the (PW)PAs but generally include payments for the use of back-up fuel and, where relevant, for certain shared facilities and insurance costs.

### ***Terms of payment***

EWEC is required under the (PW)PA to make power and water capacity and output payments on a monthly basis following receipt by EWEC of an invoice from the UAE generation subsidiary. All payments are made in AED, and invoices are due and payable 30 days after the day on which the invoice is received by EWEC.

### ***Procurer credit support***

Under procurer credit support agreements, the Abu Dhabi government has agreed to guarantee certain of EWEC's mandatory payment obligations upon termination of the (PW)PA (the **Procurer Credit Support**). The Procurer Credit Support does not extend to EWEC's option to purchase upon termination by EWEC due to the generation subsidiary's event of default. In respect of some projects, this credit support terminates if EWEC achieves and maintains for a continuous period of 730 days a long-term unsecured debt rating of at least BBB from Standard & Poor's or Baa2 from Moody's, or their equivalent.

### ***Force majeure and government action or inaction***

Each party is excused from performance and will not be in default of its obligations under the (PW)PA for so long as failure to perform such obligation is due to an event of *force majeure* or government action or inaction, although each party is generally obliged to make reasonable efforts to minimise and mitigate the effects of such event of *force majeure* or government action or inaction and restore its ability to perform. Certain delays are not excused by an event of *force majeure* or government action or inaction.

Where the generation subsidiary's performance is affected by events of *force majeure*, EWEC is not obliged to make any payment in respect of power or water capacity not made available. Where the UAE generation subsidiary's performance is affected by events of government action or inaction, EWEC continues to be required to make capacity payments.

Events of government action or inaction are circumstances where the action or inaction of any instrumentality of the UAE or Abu Dhabi is the controlling or contributing force that causes the occurrence of such an event. Such events are limited to circumstances caused or arising out of acts of war, rebellion, acts of terrorism or riot occurring in the UAE or Abu Dhabi, change in law, *force majeure* in connection with gas, electricity or water supply caused by action or inaction or controlled or contributed to by any instrumentality of the UAE or Abu Dhabi, certain countries' boycott or sanction or any other acts or failures to act without justifiable cause by any instrumentality of the UAE or Abu

Dhabi, including, without limitation, the denial of or material delay in the granting of any permit, licence or consent.

### ***Termination***

Each party may terminate the (PW)PA following the occurrence of an event of default subject to a 30-day notice of termination. During the 30-day notice period, which may be extended pursuant to suspension period provisions, the parties must consult with a view to mitigating the consequences of and curing such event of default. If the default is not cured within the consultation period, the party having given notice of termination may terminate the (PW)PA.

### ***Events of default***

EWEC is subject to a number of events of default, including in relation to non-payment, breach of contract, insolvency, failure of credit support and expropriation or compulsory acquisition.

Each generation subsidiary is subject to a number of events of default. These include a failure to achieve PCOD by a long-stop date, wilful default, abandonment, non-payment, insolvency, average availability of less than 70 per cent. or 75 per cent., as applicable, of net dependable power or water capacity for any rolling period of two years or more, and material breach of obligations.

### ***Termination upon prolonged force majeure or event of government action or inaction***

In addition to termination following an event of default, the (PW)PA may be terminated by the generation subsidiary if an event of government action or inaction prevents EWEC from performing any of its obligations under the (PW)PA for an extended period of time, provided that, if EWEC elects to continue paying capacity payments for power and water, then the UAE generation subsidiary will not have the right to terminate the (PW)PA. There is no express right to terminate for an event of *force majeure* affecting the operating subsidiary, other than in the case of Taweelah A2.

EWEC may terminate the (PW)PA if (a) an event of force majeure or government action or inaction prevents EWEC from performing any of its obligations under the (PW)PA for an extended period of time; or (b) an event of government action or inaction (and, in the case of Taweelah A2, an event of force majeure) prevents the generation subsidiary from generating or delivering net power or water output for such continuous period.

### ***Consequences of termination***

In the event of termination of a (PW)PA, the rights of the generation subsidiaries differ according to the nature of the events or circumstances which have caused the termination. Early termination of the (PW)PA obligates the payment by EWEC of termination amounts specified with regard to the subject termination event. Where early termination is due to default by a generation subsidiary, such subsidiary may be required to sell its plant and facilities as specified in the (PW)PA in order to fund the repayment of its lenders. Payment of termination amounts resulting from the generation subsidiary's right to terminate the (PW)PA in certain cases is guaranteed by the Abu Dhabi government pursuant to the Procurer Credit Support.

### ***Other remedies***

In the event of a breach by a party of its obligations under the (PW)PA, the other party may seek to protect and enforce its rights, to recover any damages to which it may be entitled, or to seek specific performance in accordance with the dispute resolution provisions of the (PW)PA. Apart from its termination right, EWEC's sole remedy, and the sole liability of the UAE generation subsidiary, is a reduction in capacity payments.

## ***Insurance***

The generation subsidiary is required under the (PW)PA to obtain and maintain insurance policies from financially sound and reputable insurers that generally contain provisions which are reasonably standard in the insurance market with respect to power generation and desalination facilities of similar size, technology and location. The insurance coverage must insure, to the maximum foreseeable loss amount of the facilities, against physical damage to the facilities. Each generation subsidiary is also required to carry terrorism insurance in accordance with the financing agreements relating to the relevant facilities and the (PW)PA.

## ***Liability and indemnity***

The (PW)PAs include customary indemnification provisions between the parties for claims due to loss of or damage to property, death or injury to persons (except for workers' compensation claims) resulting from a negligent act or omission by the liable party. In addition, the generation subsidiary is required to indemnify EWEC against claims under environmental laws or regulations applicable to the plant and claims arising out of the design or construction of the facilities.

## ***Assignment and transfer***

EWEC may, at any time, assign or transfer its rights or obligations under the (PW)PA to ADPower or Transco without the prior written consent of the relevant generation subsidiary, subject to certain conditions. The generation subsidiary may assign its rights under the (PW)PA pursuant to the financing documents to which it is a party. Otherwise, neither the UAE generation subsidiary nor EWEC is permitted under the (PW)PA to assign or transfer its rights or obligations under the (PW)PA without the prior consent of the other.

## **Management, Operation and Maintenance Agreement**

Each generation subsidiary is a party to an operation and maintenance (or similar) agreement (the **O&M Agreement**) with an operations and maintenance company formed by the 40 per cent. international investor shareholder in respect of the facility in question (the "Operator"). The term of the agreement is generally structured either initially or with agreed extensions to match the terms of the corresponding (PW)PA.

## ***Scope of services***

Under the terms of the O&M Agreement, the Operator agrees to provide the operation and maintenance services necessary for the production and delivery of power and water, including, among other obligations: (a) the operation and maintenance of the facilities; (b) preparation of annual operating budgets and maintenance plans for the generation subsidiary's approval; (c) planning, managing and conducting routine inspection and maintenance programmes; (d) executing scheduled and unscheduled maintenance and repair and major overhauls; and (e) (where relevant) monitoring the operation and maintenance of the shared facilities.

## ***Parent guarantee***

The payment obligations of the Operator under the O&M Agreement are guaranteed by its parent(s), subject to a maximum agreed aggregate cap.

## ***Compensation***

The Operator is compensated, broadly, either by way of a fixed price payment structure or through a structure whereby costs are, essentially, passed through subject to a premium.

### ***Termination***

The O&M Agreement may be terminated by a party if, among other things, the other party (or its parent, in the case of the Operator) becomes bankrupt, insolvent or is dissolved, or the other party commits a material breach of the O&M Agreement, including non-payment of sums properly due. In addition, the O&M Agreement may be terminated by the generation subsidiary if: (a) the Operator wilfully fails to operate the plant in accordance with the provisions of the O&M Agreement; (b) as a result of poor performance by the Operator, the availability of power or water capacity of the plant is less than pre-agreed levels required under the (PW)PA; (c) the maximum aggregate amount of liquidated damages is incurred in each of any three consecutive domestic generation years; (d) any change in ownership takes place in the Operator; or (e) the (PW)PA is terminated.

### ***Force majeure or government action or inaction***

The force majeure or government action or inaction provisions in the O&M Agreements are generally similar to such provisions in the (PW)PA.

### ***Insurance***

The UAE generation subsidiary and the Operator each assumes responsibility for obtaining insurance coverage from financially responsible insurers in a manner that will avoid duplication of insurance coverage and premium costs. The UAE generation subsidiary is required to effect and maintain insurance in respect of all loss or physical damage to the plant and other property on the land that is subject to the land lease.

### ***Liability and indemnity***

The Operator's liability with respect to the O&M Agreement is limited to certain fixed amounts or percentage of management fees depending on the operational period. This limitation does not apply to gross negligence or wilful misconduct of the Operator or its affiliates.

In respect of the brownfield sites, each party indemnifies the other for claims and losses arising from the existing facilities under environmental laws or violation of water and electricity laws for the period during which the existing facilities were under such party's control. In the case of Taweelah A1, this indemnity is given by the Operator only, in favour of the generation subsidiary, EWEC, ADPower and the financing parties.

### ***Assignment***

The O&M Agreement cannot be assigned without the prior written consent of the other party, provided that the generation subsidiary may assign the O&M Agreement to the lenders (and, in the case of Umm al Naar and Taweelah A1, to EWEC).

### **Project and (where relevant) Shared Facilities Lease Agreements**

The land required for each project (and its shared facilities, where relevant), including necessary access, utility and other easements, is leased to the UAE generation subsidiary from ADWEA (replaced in 2019 by ADPower, see "Description of the Group — History") for a period that exceeds the term of the (PW)PA, usually by five years, with renewal options consistent with the renewal options in the corresponding (PW)PA. The land lease continues on a year-to-year basis following expiry of the initial term, unless the UAE generation subsidiary gives ADPower at least 180 days' notice prior to expiry of the initial term or any renewal of its intention not to continue.

The basic rent for the initial term of the land lease is a nominal sum.

The land leases may be terminated: (a) by mutual agreement between ADPower and the UAE generation subsidiary; (b) by the non-defaulting party on the occurrence of an event of default; (c) if the facilities are completely destroyed or so damaged that the UAE generation subsidiary elects not to rebuild, restore or repair them; or (d) when the useful life of the facilities has ended and demolition and removal has occurred in accordance with the land lease. The events of default include: (i) failure to pay amounts due under the land lease within 60 days after the date such amount is due; and (ii) failure to perform or meet in any material respect any material condition, covenant or obligation under the land lease which remains uncured for 90 days or, if the defaulting party is diligently pursuing a cure, 180 days. In the event of a UAE generation subsidiary default, ADPower may, but has no obligation to, cure the UAE generation subsidiary default.

### **Shareholders' Agreement**

The shareholders in each UAE generation subsidiary have entered into a shareholders' agreement that governs the management of the UAE generation subsidiary and the relationship between its shareholders.

### ***Shareholder loans***

Shareholders are required to advance interest-free loans to a pre-agreed maximum, at such time or times as required by the generation subsidiary, on terms to be established at the time the loan is made. The shareholder loans are subordinated to other generation subsidiary indebtedness under the financing documents.

### ***Restrictions on transfer***

Transfers of shares in a generation subsidiary are subject to a provision of UAE law limiting the foreign ownership of each generation subsidiary's share capital to not more than 49 per cent. Except for transfers by local shareholder holding companies of their interests in a generating subsidiary to the relevant TAQA subsidiary, and transfers by TAQA of its shares in the local holding companies to its affiliates, transfers required by operation of law or transfers resulting from the creation or enforcement of a lien on shares to secure indebtedness of the generation subsidiary, generally speaking, the international shareholders cannot sell, transfer, assign, pledge or hypothecate their shares in the company through which they indirectly hold an interest in the generation company during certain periods after PCOD and beyond specified percentages or without fulfilling certain conditions.

### ***Management***

The business and affairs of the generation subsidiary are managed by, and under the direction of, its board of directors. The directors are appointed by the shareholders with the relevant subsidiary of ADPower holding shares in the relevant UAE generation subsidiary nominating a majority of directors. The executive managing director of the UAE generation subsidiary is nominated by the minority shareholder owned by the respective joint venture partners in each project and is responsible for day-to-day management, including compliance by the UAE generation subsidiary with its obligations under the (PW)PA.

### ***Matters requiring unanimous shareholder approval***

Certain matters require the unanimous written approval of the shareholders including, for example: (a) a change in the general nature and business of the generation subsidiary; (b) the winding-up of the generation subsidiary or the sale, transfer, assignment, pledge or hypothecation of generation subsidiary shares; (c) the acquisition, formation or disposition of subsidiaries; (d) the merger, consolidation or reorganisation of the generation subsidiary with another company; (e) the sale, transfer, disposition, lease or other disposal of all or substantially all of the generation subsidiary's business,

undertaking or assets; and (f) incurring indebtedness in an aggregate amount in excess of an agreed minimum level in a fiscal year.

### ***Dividend policy***

Subject to the relevant finance documents, to the greatest extent permitted by UAE commercial companies law, but subject to forecasted working capital requirements in accordance with the agreed annual budget, profits are distributed to the shareholders, and available cash in the UAE generation subsidiary is to be used to repay subordinated loans.

### ***Term and termination***

The initial term of a shareholders' agreement is 40 years from the generation subsidiary's registration date and it is renewed automatically for five-year periods, unless either party gives at least 12 months' prior written notice to terminate at the end of a relevant period. A shareholders' agreement can be terminated by agreement between the shareholders. In addition, the agreement terminates automatically if either of the shareholders no longer holds shares in the generation subsidiary, if the joint venture partners together own less than 25 per cent. of the shares in the generation subsidiary or if the relevant land lease is terminated as a result of demolition and removal of the relevant facilities.

### ***Default***

Events of default consist of: (a) a material breach of the shareholders' agreement; (b) the voluntary or involuntary winding-up of a shareholder; or (c) a breach by the UAE generation subsidiary of its obligations under the (PW)PA resulting in the termination by EWEC of the (PW)PA. Following the occurrence of an event of default caused by the joint venture partners, the relevant subsidiary of ADPower may purchase all of its shares and shareholder loans in the generation subsidiary. If the relevant subsidiary of ADPower is the defaulting party, the joint venture partners may require such subsidiary to purchase all of their shares and shareholder loans in the generation subsidiary at prices set out in the agreement. The purchase price for the shareholder loans is equal to their outstanding principal amount. The purchase price for the defaulting party's shares is to be agreed between the parties, failing which the purchase price will be determined by a third party valuer.

## **SUMMARY OF CERTAIN INTERNATIONAL GENERATION PROJECT AGREEMENTS**

### **TAQA Morocco**

#### ***Power purchase agreements***

TAQA Morocco and its subsidiary, JLEC 5&6, have each executed a PPA with ONEE. The first PPA, signed with TAQA Morocco, relates to the four first units and the second PPA, signed with JLEC 5&6, covers the fifth and sixth units. Both PPAs are for periods of 30 years starting from September 1997 in the case of TAQA Morocco and the commercial operation date of unit 5 in the case of JLEC 5&6. TAQA Morocco's PPA was extended in January 2020, see "*—TAQA Morocco Units 1-4 PPA extension*" below.

TAQA Morocco and JLEC 5&6 sell available power generation capacity and net electricity production from the Jorf Lasfar facility to ONEE. Each PPA is a take-or-pay contract, subject to the availability of the units, which provides for capacity and energy payments at contracted tariffs denominated in U.S. dollars, euro and Moroccan dirham.

Under the PPAs, ONEE bears substantially all foreign exchange and coal price risk, subject in the case of the latter to the Jorf Lasfar facility meeting certain guaranteed levels of plant thermal efficiency and other contractual provisions. In addition, the PPAs contain change-in-law provisions

that allow certain costs which TQM or JLEC 5&6 may incur as a result of regulatory changes that affect the Jorf Lasfar project to be passed through to ONEE.

The PPAs set out the obligations of both TAQA Morocco and JLEC 5&6 on the one hand and ONEE on the other hand and include default provisions for failure to meet those obligations which, subject to cure rights and materiality, could ultimately provide a party with termination rights. Early termination of a PPA by any of TAQA Morocco, JLEC 5&6 or ONEE obligates the payment by ONEE of a termination amount specified with regard to the subject termination event.

ONEE is required to maintain bank letters of credit as security for its monthly payment obligations under each PPA. In addition, the Government of Morocco has guaranteed payments of the termination amounts under the PPAs and TAQA Morocco and JLEC 5&6's rights of quiet enjoyment of the Jorf Lasfar power station.

Each PPA is governed by the laws of Morocco. Disputes that cannot otherwise be resolved by the parties are ultimately subject to arbitration in accordance with the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

### ***Transfer of possession agreements (TPAs)***

In conjunction with the implementation of the initial Jorf Lasfar project for the first four units, TAQA Morocco entered into a TPA with ONEE. The term of the TPA runs for a period of 30 years from September 1997. The TPA establishes TAQA Morocco's rights of possession and quiet and peaceful enjoyment, as well as responsibilities for use, operation and maintenance, of units 1 – 4 of the Jorf Lasfar facility. ONEE retained legal title to units 1 – 4.

In conjunction with the implementation of the expansion of the Jorf Lasfar power plant, TAQA Morocco and JLEC 5&6 entered into an additional TPA with ONEE. The term of the TPA runs for a period of 30 years from the commercial operation date of unit 5. The TPA establishes TAQA Morocco's and JLEC 5&6's rights of possession and quiet and peaceful enjoyment, as well as responsibilities for use, operation and maintenance of the common site and common facilities to be shared by TAQA Morocco and JLEC 5&6 for the operation and maintenance of all six units of the Jorf Lasfar power plant. ONEE retains title in the existing shared facilities and future shared facilities being developed by JLEC 5&6 as part of the expansion of the Jorf Lasfar power plant.

Each TPA provides for certain events of default on the part of TAQA Morocco, JLEC 5&6 and ONEE. If the occurrence of any event of default under a TPA relating to a party to it results in the termination of the TPA, the relevant PPA automatically terminates, although the other TPAs will continue in effect subject to any defaults under it.

Each TPA is governed by the laws of Morocco. Any disputes in respect of a TPA are subject to the dispute resolution procedure provided for in the relevant PPA.

### ***TAQA Morocco Units 1-4 PPA Extension***

On 24 January 2020, TAQA Morocco and ONEE signed amendments to the PPA and the TPA in order to extend the operation period of Units 1-4 until April 2044 so that the duration of the Units 1-4 PPA matches the duration of JLEC 5&6 PPA. TAQA Morocco entered into a long-term loan agreement for MAD 1.5 billion at a fixed rate and with a term of 15 years to finance the additional right of use paid by TAQA Morocco to ONEE in consideration of the extension, and to finance associated development costs incurred by it.



### ***Right of surface agreement (RSA)***

In conjunction with the implementation of the expansion of the Jorf Lasfar power plant by JLEC 5&6, JLEC 5&6 entered into the RSA with ONEE. The RSA runs for a period ending on the earlier of: (a) the date falling 35 years following 18 January 2013; and (b) the date of termination or expiry of the PPA between JLEC 5&6 and ONEE. Pursuant to the RSA, JLEC 5&6 is granted all the attributes of the right of ownership over units 5&6 of the Jorf Lasfar power plant.

The RSA provides for certain events of default on the part of each of JLEC 5&6 and ONEE. If the occurrence of any event of default under the RSA relating to either party results in the termination of the RSA, the PPA between JLEC 5&6 and ONEE automatically terminates.

Following completion of units 5 and 6 of the Jorf Lasfar power plant, the surface right and the underlying title in units 5 and 6 of the Jorf Lasfar power plant granted to JLEC 5&6 pursuant to the RSA will be automatically reassigned to ONEE upon the expiry of the PPA between JLEC 5&6 and ONEE or, if earlier, upon the termination of such PPA.

The RSA is governed by the laws of Morocco. Any disputes in respect of the RSA are subject to the dispute resolution procedure provided for in the PPA between JLEC 5&6 and ONEE.

### ***Coal terminal concession agreements (CTCAs)***

In conjunction with the implementation of the initial Jorf Lasfar project for the first four units, TAQA Morocco entered into a coal terminal agreement with l'Agence Nationale des Ports (ANP) (formerly the Office National d'Exploitation des Ports), the national port authority of Morocco. Following the expiry of that initial agreement and in conjunction with the implementation of the Jorf Lasfar units 5 and 6 expansion project, TAQA Morocco and JLEC 5&6 each entered into a CTCA with ANP for a term of 30 years from 11 November 2012. Pursuant to the CTCA entered into between TAQA Morocco and ANP, TAQA Morocco is granted an operation and maintenance concession over quay 3 at the Jorf Lasfar port and a handling concession over quay 3bis at the Jorf Lasfar Port.

The CTCAs provide for certain events of default on the part of each of TAQA Morocco, JLEC 5&6 and ANP.

The CTCAs are governed by the laws of Morocco. Any disputes in respect of a CTCA that cannot otherwise be resolved by the parties are ultimately subject to the dispute resolution procedure provided for in the relevant CTCA.

### ***Common terms agreement***

In January 2013, JLEC 5&6 closed a multi-tranche project financing of the expansion. All tranches are governed by a common terms agreement (the **Common Terms Agreement**) which restricts the ability of JLEC 5&6 to make distributions to shareholders based on factors such as repayment history and a prescribed order of priority for payments. JLEC 5&6 has made a series of positive and negative undertakings under the Common Terms Agreement, ranging from performance of a designated hedging strategy related to both interest rate and foreign exchange rate risk to limitations on other borrowings, loans and guarantees. The Common Terms Agreement subjects the financing to certain customary events of default, such as insolvency and nationalisation, and includes a cross-default clause linked to other financing agreements.

### ***Operation and maintenance agreements***

TAQA Morocco, JLEC 5&6 and TAQA North Africa (TNA) have entered into two operation and maintenance agreements to govern the operation of units 1-4 and units 5 and 6 and the shared

facilities of the Jorf Lasfar power plant, respectively. Each agreement has an initial term covering the term of the relevant PPA.

Under the terms of the agreements, TNA is required to operate, maintain and repair the power station and common facilities (including the port coal unloading terminal installations) in accordance with the governing agreements and to provide certain management personnel to supervise TAQA Morocco's and JLEC 5&6's employees.

TAQA Morocco and JLEC 5&6 are required to pay TNA a management fee and, if relevant, incentive payments (relating to performance targets for available capacity, heat rate and budget performance). TNA is liable to pay liquidated damages to TAQA Morocco or JLEC 5&6 for failing to meet the targets referred to above as well as for certain environmental liabilities arising out of TNA's performance.

The operation and maintenance agreements are governed by the laws of Morocco. Disputes arising under or in relation to the agreement that otherwise cannot be resolved by the parties are ultimately subject to arbitration in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC).

#### ***TAQA Morocco Bond issuance:***

On 7 September 2020, TAQA Morocco completed a Bond issuance subscribed by institutional investors of MAD 2.7 billion at a fixed rate coupon of 3.75 per cent. and with a tenor of 18 years. The bond issuance was used to refinance existing bank debt.

#### **Neyveli (India)**

##### ***Power purchase agreement***

TAQA Neyveli Power Company Private Limited (**TAQA Neyveli**) (formerly known as ST-CMS Electric Company Private Limited) is party to a PPA with TANGEDCO, as successor in interest with respect to the PPA to the Tamil Nadu Electricity Board, that runs for a 30-year term (from 15 December 2002), which may be extended for a further 15 years (in five year increments) at TANGEDCO's option, subject to agreement on certain terms of extension between TAQA Neyveli and TANGEDCO.

Under the terms of the PPA, TANGEDCO is the sole purchaser of power generated at the plant and delivered in accordance with the agreed dispatch instructions, save in the event a TANGEDCO event of default occurs, in which case power may be sold to any purchaser within Tamil Nadu.

The tariff levied under the PPA is based on the availability of the plant. It includes a fixed capacity component covering, inter alia, interest on loans, taxes and depreciation, a variable fuel component covering the cost of primary and secondary fuel, and an incentive charge.

TANGEDCO's payment obligations under the PPA are reinforced by a payment assurance package. The security provided includes a letter of credit (covering one month's payment of tariff at 80 per cent. plant load factor) and a Government of Tamil Nadu guarantee which covers all monies owed to TAQA Neyveli by TANGEDCO. Each party is relieved from liability if the performance of its respective obligations under the PPA is materially and adversely affected by force majeure.

The agreement contains a change-in-law provision which provides for the agreement to be amended to put the parties back in their respective economic positions in the event that a given change in law results in an increase/decrease in costs or decrease/increase in net after tax return to TAQA Neyveli in excess of U.S.\$125,000 in any year.

The PPA provides for certain events of default on the part of both TAQA Neyveli and TANGEDCO and specifies cure periods during which the party which is in default can remedy the default. If a default is not remedied within the requisite cure period, the other party can terminate the PPA.

Under the terms of the PPA, in the event of default by TANGEDCO, TAQA Neyveli has an option to require TANGEDCO to purchase the project at a purchase price to be determined in accordance with the terms of the PPA. Similarly, in the event of default by TAQA Neyveli, TANGEDCO may exercise an option to purchase the project at a price determined in accordance with the terms of the PPA.

The PPA is governed by Indian law and disputes are dealt with according to a phased procedure culminating ultimately in arbitration, conducted in London in accordance with the Rules of Conciliation and Arbitration of the ICC.

### ***Fuel supply agreement***

Lignite is supplied to the plant by NLC under an FSA entered into in April 1998.

NLC is required to supply scheduled monthly quantities of lignite, which quantities may be revised by TAQA Neyveli, provided that the annual aggregate quantities do not exceed 1.90 million metric tonnes or fall below 1.15 million metric tonnes. Under the FSA, TAQA Neyveli may not purchase or receive fuel from any other source except to the extent NLC does not deliver 90 per cent. of the required quantity of lignite for a period of three consecutive months.

The base price paid for lignite under the agreement is the annual weighted average price of lignite produced from NLC's various mines. In addition, TAQA Neyveli is required to make an incentive payment for supplies made in excess of 97 per cent. of the annual aggregate quantity and a guarantee charge commencing in the 13th year of commercial operation which is equal to 1 per cent. of the base price of lignite delivered in each year after the 12th year of commercial operation, up to a maximum of 1.77 million metric tonnes. The delivery price comprises the sum of the base price, applicable taxes and royalties, charges for sampling and analysis of the lignite supplied, the guarantee charge and the incentive charge.

The agreement provides for a number of events of default on the part of either party which will trigger the payment of certain agreed liquidated damages.

The FSA is governed by Indian law. Disputes arising under the FSA are to be resolved by negotiations between representatives of both parties and in the event of non-resolution are subject to arbitration, which is to be conducted in Chennai in accordance with the Indian Arbitration and Conciliation Act of 1996.

### **Red Oak (USA)**

#### ***Red Oak Tolling Agreement***

The Red Oak Tolling Agreement was acquired by TAQA Gen-X through a wholly-owned subsidiary. Under the Red Oak Tolling Agreement, TAQA Gen-X makes fixed and variable monthly payments to Red Oak Power, LLC in exchange for all economic rights to the Red Oak plant's power generation capacity and output (power sales, capacity payments and ancillary services) and assumes the obligation of obtaining fuel for the plant, in each case, for the duration of the contract (through September 2022), providing a similar investment and risk exposure to physical ownership of the Red Oak plant on a merchant basis with a third-party plant operations and maintenance contractor. Profit is generated when the revenue from the power sales, capacity payments and ancillary services of the plant

(together with net proceeds from electricity, natural gas and other price hedges) is higher than the fixed and variable monthly payments under the Red Oak Tolling Agreement and the fuel supply/transportation, energy management, hedging and other costs paid by TAQA Gen-X.

### ***Energy management agreement***

The management of the Red Oak Tolling Agreement is outsourced by TAQA Gen-X to Morgan Stanley Capital Group, an affiliate of the sole general partner of TAQA Gen-X, through an Energy Management Agreement (**EMA**). The management of the contract includes decisions on plant dispatch when economically viable and hedging and trading power and gas forward to optimise risk-adjusted returns. For performance of its services under the EMA, Morgan Stanley is paid a fixed monthly management fee and an additional variable annual incentive fee which is applicable to the extent that achieved annual financial results exceed a specified return on investment threshold.

### **Takoradi (Ghana)**

#### ***Common Terms Agreement***

Takoradi International Company (**TICO**) entered into third party financing arrangements which closed in November 2012. There are multiple tranches of financing. Although each tranche of financing is subject to certain conditions, all tranches are governed by a common terms agreement (the **Common Terms Agreement**), which restricts the ability of TICO to make distributions to shareholders based on factors such as repayment history and a prescribed order of priority for payments. TICO has made a series of positive and negative undertakings under the Common Terms Agreement, ranging from performance of a designated hedging strategy to limitations on other borrowings, loans and guarantees. The Common Terms Agreement subjects the financing to certain customary events of default, such as insolvency and nationalisation, and includes a cross-default clause linked to other financing agreements.

## **SUMMARY OF CERTAIN TRANSMISSION AND DISTRIBUTION AGREEMENTS**

### **Material Transmission Contracts and Licensing**

#### ***Department of Energy Licence***

TRANSCO has been issued a water and electricity transmission and despatch licence dated 1 January 2018 by the DoE. The licence permits TRANSCO to carry out the transmission of electricity and water. The licence is not transferable or assignable.

#### ***Term and termination rights***

The licence continues (unless revoked in accordance with its terms) until terminated by not less than 25 years' notice in writing given by the DoE.

The licence contains standard termination rights for a licence of this nature, including for non-payment of licence fees, failure to comply with a regulatory order from the DoE, cessation of business by TRANSCO, certain insolvency events and change of control of TRANSCO.

#### ***Disposal of assets***

Subject to certain limited exceptions, TRANSCO may not dispose or relinquish operational control over any of its assets without having given the DoE at least two months' prior written notice and having obtained the consent of the DoE to such disposal.

### ***Key obligations***

The licence requires TRANSCO to prepare and implement an electricity transmission code and water transmission code in relation to all material technical aspects relating to connections to and operation and use of TRANSCO's water and electricity transmission systems. These codes are subject to the approval of the DoE. TRANSCO is also required to submit to the DoE for its approval the criteria by which the performance of TRANSCO (including in relation to quality of service) is to be measured.

The licence requires TRANSCO to offer to enter into an agreement for the use of TRANSCO's systems on the application of any licensed distribution operator. The licence also requires TRANSCO to offer to enter into an agreement for connection to TRANSCO's transmissions systems on the application of any person. In the provision of use of the system or in offering terms for the carrying out of works for the purpose of connection to the transmission system, TRANSCO may not unduly discriminate between any persons or class of persons.

TRANSCO is required to provide to the DoE, on request, such information as the DoE may consider necessary for the performance of its regulatory functions.

### ***Insurance***

TRANSCO is required, in respect of its licensed activities, to maintain insurance against third party liabilities on terms approved by the DoE.

### ***Pricing***

The licence requires TRANSCO to set its charges for the provision of services (including connection charges) based on a maximum allowed electricity system revenue, calculated on the basis of a formula set out in the licence. The formula is updated on a regular basis (the current regulatory pricing mechanism, RC1, is effective from 1 January 2018 to 31 December 2021). The formula is designed to allow TRANSCO to recover the following: (i) regulatory depreciation; (ii) operating expenditure (including staff costs, administrative and general expenses and repair, maintenance and consumables); and (iii) a return on capital. TRANSCO is required to draw up a statement setting out its charges from time to time (subject always to the maximum allowed revenue requirements).

### ***TUoS arrangements***

TRANSCO has TUoS arrangements with AADC and ADDC, together with arrangements for the payment of connection charges, for the usage of the transmission network. TRANSCO has also entered into TUoS agreements with, amongst others, SEWA and FEWA. The charges under these arrangements and agreements are on the basis of the pricing requirements as set out in TRANSCO's licence and are subject to the maximum allowed revenue.

## **Material Distribution Contracts and Licensing**

### ***DoE licences***

Each of ADDC and AADC has been issued a water and electricity distribution and supply licence dated 1 January 2018 by the DoE. Each licence permits the relevant DisCo to carry out the distribution of electricity and water and the supply of electricity and water to premises and/or persons. The licence is not transferable or assignable.

### ***Term and termination rights***

Each licence continues (unless revoked in accordance with its terms) until terminated by not less than 25 years' notice in writing given by the DoE.

Each licence contains standard termination rights for a licence of this nature, including for non-payment of licence fees, failure to comply with a regulatory order from the DoE, cessation of business by the relevant DisCo, certain insolvency events and change of control of the relevant DisCo.

### ***Disposal of assets***

Subject to certain limited exceptions, the DisCos may not dispose or relinquish operational control over any of their assets without having given the DoE at least two months' prior written notice and having obtained the consent of the DoE to such disposal.

### ***Key obligations***

Each licence requires the DisCo to prepare and implement an electricity distribution code and water distribution code in relation to all material technical aspects relating to connections to and operation and use of its water and electricity distribution systems. These codes are subject to the approval of the DoE.

Each DisCo is required to conduct its business in the manner which it reasonably considers to be the best calculated to achieve any standard of overall performance or standard of performance in connection with the promotion of the efficient use of electricity or water by customers as may be determined by the DoE from time to time.

Each licence requires the relevant DisCo to offer to enter into an agreement for connection to the relevant distribution system on the application of any person. In the provision of the supply of water and electricity or in offering terms for connection to the distribution system, the DisCos may not unduly discriminate between any persons or class of persons.

Each DisCo is required to provide to the DoE, on request, such information as the DoE may consider necessary for the performance of its regulatory functions.

### ***Insurance***

Each DisCo is required, in respect of its licensed activities, to maintain insurance against third party liabilities on terms approved by the DoE.

### ***Pricing***

The licence requires each DisCo to set its charges for the distribution and supply of electricity and water based on a MAR, calculated on the basis of a formula set out in the licence. The formula is updated on a regular basis (the current regulatory pricing mechanism, RC1, is effective from 1 January 2018 to 31 December 2022). The MAR comprises: (i) depreciation of regulatory asset value (computed using the straight line depreciation method based on the regulatory asset value and based on certain asset life assumptions); (ii) operating expenditure (including staff costs, administrative and general expenses and repair, maintenance and consumables); (iii) a return on capital; (iv) the BST costs the DisCo pays to EWEC; (v) the TUoS charges the DisCo pays to TRANSCO; (v) licence fees; and (vi) certain financial incentives related to performance. Each of ADDC and AADC receives the MAR from a combination of revenue from customers (based on regulated tariffs) and subsidy from the government of Abu Dhabi. Each DisCo is required to draw up a statement setting out its connection charges from time to time (subject always to the MAR requirements). Each DisCo must also prepare and submit to the DoE for

approval its proposed tariffs for the supply of water and electricity to customers (or categories of customers).

### ***Bulk supply tariff arrangements***

AADC and ADDC have been purchasing power and water from EWEC and have TUoS arrangements with TRANSCO for the transmission of power and water from the generation companies to ADDC or AADC (as applicable) on the basis of the terms of their respective licences, the regulatory tariff and regulatory codes. The amount of the bulk supply tariff (**BST**) is determined on the basis of a MAR for EWEC (as set out in EWEC's licence) which allows EWEC to recover the following: (i) power/water procurement cost; (ii) fuel cost; and (iii) operating expenses. Steps are being taken to document the current commercial terms of these trading activities in a TUoS agreement between TRANSCO and EWEC, and respective Bulk Supply Tariff Agreements between AADC/ADDC and EWEC.

### ***Other contracts***

In addition, each of TRANSCO and the DisCos enter into contracts relating to network development, technical consultancy services, operation and maintenance and business support services in each year. The largest of these in terms of value relate to network development – these are typically contracts for construction works, supply and installation of network related plant and equipment, such as cables, and site and construction works supervision services.

## **SUMMARY OF PRINCIPAL OIL AND GAS AGREEMENTS**

### **Oil and Gas Sales Contracts and Decommissioning Deeds (UK North Sea)**

The Group has entered into decommissioning cost provision deeds (the **Decommissioning Deeds**) for each of its operated, 100 per cent. owned, fields constituting the northern UK North Sea Assets for the benefit of the sellers of those fields. Under the Decommissioning Deeds, the Group is required to either: (a) place monies in trust or procure the issuance of letters of credit in an amount equal to 150 per cent. of the Group's share of the estimated pre-tax net decommissioning costs of the fields; or (b) procure the issuance of a guarantee by an affiliate with a credit rating of not less than AA- (Standard & Poor's) or Aa3 (Moody's) or an equivalent rating by another rating agency approved by all the parties to the Decommissioning Deeds. The estimated net decommissioning costs of the fields are revised each year by the parties to the Decommissioning Deeds. A guarantee has been issued by TAQA as a qualifying surety in relation to each of the Decommissioning Deeds with the exception of a single field for which a letter of credit has been issued and a guarantee from TAQA North.

The Group has entered into Decommissioning Security Agreements (**DSAs**) for its non-operated, central UK North Sea Assets constituting the Brae area. Under these DSAs, TAQA is required to either: (a) place monies in trust or procure the issuance of letters of credit in an amount equal to 140 per cent., or 120 per cent. where a Front-End Engineering Design study for decommissioning has been completed, of TAQA's share of the estimated post-tax net decommissioning costs of the fields; or (b) procure the issuance of a guarantee by an affiliate with a credit rating of not less than A- (Standard & Poor's) or A3 (Moody's) or an equivalent rating by another rating agency approved by all the parties to the relevant DSA.

The Group has entered into a DSA for the Hudson field, a non-operated, jointly owned field in the northern North Sea of which TAQA owns 26.73 per cent. as at the date of this Prospectus. Under the Hudson DSA, TAQA is required to either: (a) place monies in trust or procure the issuance of standby irrevocable letter(s) of credit by a bank issued out of its United Kingdom lending office which has a credit rating of not less than A- (Standard & Poor's) or A3 (Moody's); or (b) procure the issuance of a guarantee by an affiliate with a credit rating of not less than A- (Standard & Poor's) or A3 (Moody's) or an equivalent rating by another rating agency approved by all the parties to the DSA, in

an amount equal to 120 per cent. of TAQA's share of the estimated post-tax net decommissioning costs for the field. A letter of credit has been issued pursuant to the DSA.

The Group has entered into a DSA direct with BEIS for the Falcon field, a 100 per cent. owned and operated field in the northern North Sea. Under the Falcon DSA, TAQA is required to either: (a) place monies in trust or procure the issuance of a standby irrevocable letter(s) of credit by a bank issued out of its United Kingdom lending office which has a credit rating of not less than A- (Standard & Poor's) or A3 (Moody's); or (b) procure the issuance of a guarantee by an affiliate with a credit rating of not less than A- (Standard & Poor's) or A3 (Moody's) or an equivalent rating by another rating agency approved by all the parties to the DSA, in an amount equal to 110 per cent. of the estimated post-tax net decommissioning costs for the field. A letter of credit has been issued pursuant to the DSA.

The UK government has entered into DRDs with individual oil companies (including TAQA Bratani Limited and TAQA Bratani LNS Limited) operating in the UK continental shelf which effectively guarantee the tax reliefs that companies can expect when decommissioning their UK continental shelf assets, providing that if the current rate of tax relief on decommissioning (which is approximately 50 - 75 per cent. (depending on the tax rate and asset in question)) is reduced in the future, the UK government will make a compensating payment. The security provided in relation to the payment of decommissioning costs is typically governed by DSAs between joint venture partners or between buyers and sellers of assets. Assuming a DRD is in place on a default by a joint venture partner, under the corresponding DSA the non-defaulting parties are contractually guaranteed tax relief on the additional expenditure imposed on them. See *"Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transportation and Storage Businesses — The Group could incur significant decommissioning costs in relation to its facilities which may be higher than its provisions and may require cash resources beyond those that it generates from its operating activities"*.



## OVERVIEW OF THE UAE AND ABU DHABI

### THE UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and as President of the UAE.

Based on International Monetary Fund (**IMF**) estimates for 2019 (extracted from the IMF's World Economic Database (April 2021)), the UAE is the fourth largest economy in the MENA region after Saudi Arabia, Iran and Egypt based on nominal GDP purchasing power parity. It has a more diversified economy than most of the other countries in the Gulf Cooperation Council (the **GCC**).

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

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

### ABU DHABI

Abu Dhabi is the largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE federation.

Abu Dhabi represents approximately 95 per cent. of the UAE's total crude oil reserves, giving it conventional reserves of approximately 100 billion barrels. At the current Field Sustainable Oil Production Rate (FSOPR), Abu Dhabi's oil reserves are expected to last in excess of 80 years. In terms of production capacity, Abu Dhabi's onshore facilities currently exceed its offshore facilities. Abu Dhabi's extraction costs are considered to be low.

## SUMMARY STATISTICAL DATA

### Abu Dhabi GDP

The tables below show Abu Dhabi's nominal GDP and its percentage growth rate for each of the years indicated.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>(AED billions, except for percentages)</i>				
Abu Dhabi nominal GDP (current price) .....	778,501	760,396	813,623	932,441	915,250
Percentage change in Abu Dhabi nominal GDP .....	(18.9)	(2.3)	7.0	14.6	(1.8)

*Sources: Statistics Centre – Abu Dhabi (SCAD).*

Abu Dhabi's GDP is generated principally by the hydrocarbon sector (mining and quarrying), which contributed 35.1 per cent. in 2015, 27.5 per cent. in 2016, 34.1 per cent. in 2017, 41.7 per cent. in 2018 and 40.8 per cent. in 2019.

Outside the hydrocarbon sector, the principal contributors to Abu Dhabi's nominal GDP in each of 2015, 2016, 2017, 2018 and 2019 have been:

- construction (which accounted for 9.4 per cent. of Abu Dhabi's nominal GDP in 2019);
- financial and insurance activities (which accounted for 7.7 per cent. of Abu Dhabi's nominal GDP in 2019);
- public administration and defence, compulsory social service (which accounted for 7.0 per cent. of Abu Dhabi's nominal GDP in 2019);
- manufacturing (which accounted for 6.3 per cent. of Abu Dhabi's nominal GDP in 2019);
- wholesale and retail trade, repair of motor vehicles and motorcycles (which accounted for 5.2 per cent. of Abu Dhabi's nominal GDP in 2019); and
- real estate activities and electricity, gas and water supply; waste management (each of which accounted for 4.2 per cent. of Abu Dhabi's nominal GDP in 2019).

Together, these non-hydrocarbon sectors accounted for 47.8 per cent. of nominal GDP in 2015, 51.2 per cent. in 2016, 49.7 per cent. in 2017, 43.7 per cent. in 2018 and 44.0 per cent. in 2019.

### Abu Dhabi Real GDP

In common with general practice among hydrocarbon-producing countries, Abu Dhabi's real GDP is calculated using hydrocarbon prices from a base year (in Abu Dhabi's case, 2007). This eliminates the effect of volatile price changes in hydrocarbon products on real hydrocarbon GDP and instead shows only the effects of production changes. The production figures that are included in the calculation of hydrocarbon real GDP include both oil and gas production, as well as the production of certain related products.

Abu Dhabi's real GDP grew at annual rates of 4.9 per cent. in 2015. The growth slowed to 2.6 per cent. in 2016, turned negative at minus 0.9 per cent. in 2018 and was 1.2 per cent. in 2018 and 1.5 per cent. in 2019.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
			(%)		
Abu Dhabi hydrocarbon real GDP growth.....	4.4	2.7	(2.9)	3.5	3.5
Abu Dhabi non-hydrocarbon real GDP growth.....	5.5	2.4	0.9	0.8	(0.5)
Abu Dhabi total real GDP growth.....	4.9	2.6	(0.9)	1.2	1.5

Source: SCAD

Real growth in the hydrocarbon sector has been driven principally by production changes. The non-hydrocarbon sector of the economy grew by 5.5 per cent. in 2015. Real GDP growth for the non-hydrocarbon sector slowed to 2.4 per cent. in 2016, 0.9 per cent. in 2017 and was negative at 0.8 per cent. in 2018 and 0.5 per cent. in 2019, principally reflecting continued corporate restructuring, a slow down in government investment, declining real estate prices and construction activity and tightening fiscal conditions, in part due to rising U.S. interest rates which strengthened the U.S. dollar.

The table below shows Abu Dhabi's real GDP and its percentage growth rate for each of the years indicated.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
			(AED billions, except for percentages)		
Abu Dhabi real GDP (constant 2007 prices).....	770,011	789,716	782,289	792,065	803,568
Percentage change in Abu Dhabi real GDP.....	4.9	2.6	(0.9)	1.2	1.5

Source: SCAD

The fastest growing sectors between 2014 and 2018 were:

- accommodation and food service activities, with a compound annual growth rate of 5.33 per cent.;
- activities of households as employers, with a compound annual growth rate of 4.87 per cent.;
- agriculture, with a compound annual growth rate of 3.45 per cent.;
- information and communication, with a compound annual growth rate of 3.33 per cent.;
- education, with a compound annual growth rate of 2.64 per cent.; and
- manufacturing, with a compound annual growth rate of 2.32 per cent.

## UAE and Abu Dhabi Population

The UAE Federal Competitiveness and Statistics Authority (the FCSA) estimated the population of the UAE as a whole to be approximately 9.3 million as at 31 December 2019. The most recent public estimate of population in Abu Dhabi was made by SCAD, which estimated the usual resident population of Abu Dhabi to be approximately 2.9 million as at 30 June 2016.

The populations of both the UAE and Abu Dhabi have grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed.

The table below illustrates this growth since 1985, using census data for each of 1985, 1995 and 2005.

	<u>1985</u>	<u>1995</u>	<u>2005</u>	<u>2016</u>	<u>2019</u>
Abu Dhabi population .....	566,036	942,463	1,399,484	2,908,173 <sup>(1)</sup>	—
Total UAE population .....	1,379,303	2,411,041	4,106,427	—	9,503,738 <sup>(2)</sup>

Notes:

<sup>(1)</sup> SCAD estimate as at 30 June 2016.

<sup>(2)</sup> FCSA estimate as at 31 December 2019.

Sources: SCAD (Abu Dhabi population figures) and FCSA (UAE population figures).

As at 30 June 2016 and based on SCAD estimates, Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 and over and 16.6 per cent. being under the age of 15. The historic annual average growth rate of the population between 2010 and 2016 was 5.6 per cent., with the population of UAE citizens living in Abu Dhabi growing at an annual average rate of 3.9 per cent. and the non-national population growing at an annual average rate of 6.0 per cent. over the period. The population mix as at 30 June 2016 comprised 19.0 per cent. UAE nationals and 81.0 per cent. non-nationals. The majority of the non-national population is male (with a ratio of 2.01 males to 1 female at 30 June 2016), reflecting the fact that the population principally comprises male migrant workers.

### Abu Dhabi Inflation

The table below sets out annual inflation rates in Abu Dhabi for each of the periods indicated:

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

Source: SCAD.

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

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

In 2019, Abu Dhabi experienced deflation at a rate of 0.8 per cent. The principal contributors to this were the housing, water, electricity, gas and other fuels component which recorded 3.7 per cent. deflation principally as a result of a continuing decline in house prices and rents in 2019, albeit at a lower rate than in 2018 and declines in utilities prices. In addition, there was 5.3 per cent. deflation in the transportation component principally as a result of lower oil prices resulting in lower domestic fuel

prices and 2.1 per cent. deflation in the food and beverages component reflecting decreases in seven sub groups mainly meat, fish and seafood and vegetables, and increases in four sub groups, principally the sugar, jam, honey, chocolate and confectionary sub group.

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

- 22.2 per cent. in recreation and culture, which contributed 53.5 per cent. to the overall decrease in the CPI in 2020 compared to 2019;
- 6.6 per cent. in transport, which contributed 38.9 per cent. to the overall decrease in the CPI in 2020 compared to 2019; and
- 2.9 per cent. in housing, water, electricity, gas and fuel, which contributed 37.4 per cent. to the overall decrease in the CPI in 2020 compared to 2019.

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

## **ABU DHABI'S CREDIT RATINGS**

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

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

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

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

## **ABU DHABI GOVERNMENT STRUCTURE**

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

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Executive Council. Departments manage administration within the Emirate and each department manages a specific portfolio. Departments include, for example, the Department of Finance, the DoE, the Department of Transport, the Department of Urban Planning and Municipalities, the

Department of Health, the Department of Economic Development, the Department of Education and Knowledge and the Department of Culture and Tourism. Authorities manage the Emirate's resources and strategies and include the Accountability Authority and the Abu Dhabi Media Zone Authority.

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

## **MAJOR GOVERNMENT-OWNED COMPANIES**

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

- ADNOC, which manages all aspects of the Emirate's oil and gas industry;
- ADIA, which is the principal vehicle through which the Government has historically invested its surplus hydrocarbon revenue;
- Mubadala Investment Company, which is mandated to create sustainable financial returns while furthering the Government's strategic objective of a globally integrated and diversified economy through the diversified portfolio of investments made by it and its subsidiaries;
- ADQ, which owns and oversees a portfolio of development-related enterprises, including TAQA, in various sectors in Abu Dhabi; and
- Etihad Airways PJSC, the national airline of the UAE and a key facilitator of the government's tourism strategy.

## **TAQA'S RELATIONSHIP WITH THE GOVERNMENT OF ABU DHABI**

TAQA was established in June 2005 by Emiri Decree to participate in the privatisation of Abu Dhabi's power and water generation infrastructure. Since that time, the government through ADWEA (replaced in 2019 by ADPower see "Description of the Group — *History*") has contributed to the Group 60 per cent. ownership interests in 13 power generation and water desalination assets in the UAE. As a result, the Group, through its majority ownership interests in these assets, provides more than 95 per cent. of the power and water demand of the Emirate of Abu Dhabi. In addition, the government has contributed other significant assets to TAQA, including both TRANSCO and the two DisCos in July 2020.

The Abu Dhabi government indirectly owns 98.6 per cent. of TAQA and, through the DoE, is regulator for the power and water sector in Abu Dhabi. Most of TAQA's directors have positions at other significant Abu Dhabi government-owned companies such as ADQ, EWEC, ADPower, ADIA and ADNOC.

The Transaction was driven by the strategic objective of consolidating Abu Dhabi's power and water assets to create one of the largest integrated utility companies in the region and positioning TAQA as one of the leading global utility companies. With the transaction, TAQA further enhanced its ability to capture growth opportunities in the UAE, including playing a key role in delivering on the UAE's national energy strategy, as well as possessing a more robust capital structure to support selective international growth while paying sustainable dividends to shareholders.

Abu Dhabi Law No. 1 of 2017 on the Financial System of Abu Dhabi Government (the **Financial System Law**) came into effect on 31 January 2017. Among other things, the Financial System Law regulates borrowings by government-related entities, such as TAQA, and states that while

the Abu Dhabi government is directly liable for public debt, it is not responsible for the liabilities of any government-related entity.

## TAXATION

*The following summary of certain United States, European Union and United Arab Emirates tax consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not purport to constitute legal or tax advice or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.*

### UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the supplementary Prospectus or the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note if appropriate. This summary deals only with initial purchasers of Notes at their issue price (as defined below) that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address the alternative minimum tax, the net investment tax or special rules for the taxable year of inclusion for accrual basis taxpayers under section 451(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or state, local, non-U.S. or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, U.S. expatriates and former citizens or long-term residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less and assumes that the Notes it describes will be characterised as debt for U.S. federal tax purposes. The U.S. federal income tax consequences of owning Notes with a longer term, or which are not characterised as debt, may be discussed in the supplementary Prospectus or the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes), as applicable.

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation created or organised in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes. A “Non-U.S. Holder” is a beneficial owner of Notes that is not a U.S. Holder.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner



and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

This summary does not address purchasers of Notes who may participate in any concurrent tender offers Notes issued by the Issuer. Prospective purchasers who are holders of Notes who participate in any such tender offers should consult their own tax advisors concerning the U.S. federal income tax consequences to them of the acquisition of the notes offered hereby and the sale of any of their Notes pursuant to any such tender offers.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

## **PAYMENTS OF INTEREST**

### **General**

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “**foreign currency**”), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “— *Original Issue Discount — General*”), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder’s method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount (“**OID**”), if any, accrued with respect to the Notes (as described below under “*Original Issue Discount*”) generally will constitute income from sources outside the United States.

## **ORIGINAL ISSUE DISCOUNT**

### **General**

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Issuer issues contingent payment debt instruments, the supplementary Prospectus or the relevant Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a “**Short-Term Note**”), will be treated as issued with OID (a “**Discount Note**”) if the excess of the Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of “qualified stated interest”. A qualified stated interest payment is generally any one of

a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “— *Variable Interest Rate Notes*”), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note (“**accrued OID**”). The daily portion is determined by allocating to each day in any “accrual period” a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The “adjusted issue price” of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

### **Acquisition Premium**

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being “**acquisition premium**”) and that does not make the election described below under “— *Election to Treat All Interest as Original Issue Discount*”, is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Note immediately after its purchase over the Note’s adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note’s adjusted issue price.

### **Market Discount**

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a “**Market Discount Note**”) if the Note’s stated redemption price at maturity or, in the case of a Discount Note, the Note’s “revised issue price”, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note’s maturity. If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes “*de minimis* market discount”. For this purpose, the “revised issue price” of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent of the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note

may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service (the “IRS”). A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

### **Election to Treat All Interest as Original Issue Discount**

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under “— *Original Issue Discount — General*”, with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under “— *Notes Purchased at a Premium*”) or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under “*Market Discount*” to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

### **Variable Interest Rate Notes**

Notes that provide for interest at variable rates (“**Variable Interest Rate Notes**”) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a “variable rate debt instrument” if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A “**qualified floating rate**” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (for example, two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (that is, a

cap) or a minimum numerical limitation (that is, a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

Under proposed U.S. Treasury regulations, Notes referencing an IBOR that are treated as having a qualified floating rate for purposes of the above will not fail to be so treated merely because the terms of the Notes provide for a replacement of the IBOR in the case of a Benchmark Event. In particular, under the proposed regulations, the IBOR referencing rate and the replacement rate are treated as a single qualified rate. Taxpayers may rely on the proposed regulations until final regulations adopting the rules are published in the Federal Register. Investors should consult their tax advisors regarding the consequences to them of the potential occurrence of a Benchmark Event.

An “**objective rate**” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (for example, one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note’s term. A “qualified inverse floating rate” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note’s issue date is intended to approximate the fixed rate (for example, the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “**current value**” of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a “true” discount (that is, at a price below the Note’s stated principal amount) equal to or in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from “true” discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note’s issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be more fully described in the supplementary Prospectus or the relevant Pricing Supplement.

### **Short-Term Notes**

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

### **Fungible Issue**

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

### **NOTES PURCHASED AT A PREMIUM**

A U.S. Holder that purchases a Note for an amount in excess of its principal amount or, for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*— Original Issue Discount — Election to Treat All Interest as Original Issue Discount*" above. A U.S. Holder that does not elect to take amortisable bond premium (other than acquisition premium) into account currently will recognise a capital loss when the Note matures.

### **PURCHASE, SALE AND RETIREMENT OF NOTES**

A U.S. Holder's adjusted tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*— Original Issue Discount — Market Discount*" or "*Original Issue Discount — Short-Term Notes*" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

### **FOREIGN CURRENCY NOTES**

#### **Interest**

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

## **OID**

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

## **Market Discount**

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

## **Amortisable Bond Premium**

Amortisable bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such amortisable bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date amortisable bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder.

### **Sale or Retirement**

As discussed above under “— *Purchase, Sale and Retirement of Notes*”, a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder’s tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, as defined in the applicable Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder’s purchase price for the Note (as adjusted for amortised bond premium, if any) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

### **Disposition of Foreign Currency**

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

### **TAXATION OF NON-U.S. HOLDERS**

A Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, redemption or other disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the U.S.; (ii) in the case of any gain realised on the sale or exchange of a Note by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.



**Non-U.S. Holders should consult their own tax advisers regarding the U.S. federal income and other tax consequences of owning Notes.**

## **BACKUP WITHHOLDING AND INFORMATION REPORTING**

In general, payments of interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments and to accruals of OID if the U.S. Holder fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

### **Reportable Transactions**

A U.S. taxpayer that participates in a “reportable transaction” will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Accordingly, if a U.S. Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to penalties. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

### **Foreign Financial Asset Reporting**

Certain U.S. Holders that own “specified foreign financial assets” that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

## **THE PROPOSED FINANCIAL TRANSACTIONS ACT (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## **FOREIGN ACCOUNT TAX COMPLIANCE ACT**

Pursuant to certain provisions of the Code, commonly known as FATCA, a “**foreign financial institution**” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are not treated as equity for U.S. federal income tax purposes and that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under “*Terms and Conditions of the Notes—Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

## **UNITED ARAB EMIRATES**

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of principal or interest on the Notes. In the event of such imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the UAE specifically reserves to the federal government of the UAE the right to raise taxes on a federal basis for the purpose of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with a number of countries.

## **PRC**

In respect of any Renminbi denominated Notes, Noteholders and prospective holders of Notes are advised to consult their own tax advisers as to the overall PRC tax consequences of the purchase, ownership, transfer and disposal of Notes, including the effect of any state or local taxes, under the tax laws of the PRC.

## CERTAIN ERISA CONSIDERATIONS

Unless otherwise provided in any supplement to this Prospectus, the Notes should be eligible for purchase by employee benefit plans and other plans subject to Part 4, Subtitle B, Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or the provisions of Section 4975 of the Code and by entities, accounts and arrangements that are treated for purposes of such provisions of law as holding plan assets of such employee benefit plans or other plans investing therein (collectively “**Benefit Plan Investors**”). The Notes should also be eligible for purchase by governmental, church and non-U.S. plans that are subject to any U.S. federal, state, local or non-U.S. law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code (“**Similar Law**”), subject to consideration of the issues described in this section. ERISA establishes fiduciary responsibility standards and, separately with Section 4975 of the Code, sets forth prohibited transaction provisions applicable to Benefit Plan Investors and fiduciaries acting on behalf thereof. The acquisition and holding of any Notes must be determined by the responsible fiduciary of a Benefit Plan Investor by taking into account the particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under “*Risk Factors*”.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Benefit Plan Investor and certain persons (referred to as “parties in interest” or “disqualified persons”) having certain relationships thereto, unless an exemption applies. A party in interest or disqualified person, including a Benefit Plan Investor fiduciary, who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code, and the transaction may need to be rescinded or otherwise corrected.

The Issuer, the Registrar, the Arrangers, the Dealers or any other party to the transactions referred to in this Prospectus may be parties in interest or disqualified persons with respect to many Benefit Plan Investors. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes is acquired or held by a Benefit Plan Investor, including but not limited to where the Issuer, the Registrar, the Arrangers, the Dealers or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (“PTCE”) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exemptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes (or any

interest therein) to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the “**Plan Asset Regulation**”), describing what constitutes the assets of a Benefit Plan Investor with respect to the Benefit Plan Investor’s investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, Section 406 of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Benefit Plan Investor invests in an equity interest of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the United States Investment Company Act of 1940, the Benefit Plan Investor’s assets include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless equity participation in the entity by Benefit Plan Investors is not significant or one of the other exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in the form of debt may be considered an equity interest if it has substantial equity features. If the Group was deemed under the Plan Asset Regulation to hold plan assets by reason of a Benefit Plan Investor’s investment in any of the Notes, such plan assets would include an undivided interest in the assets held by the Group and transactions by the Group would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code. Equity participation by Benefit Plan Investors in any entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25 per cent. or more of the total value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, who have discretionary authority or control over the assets of the entity or who provide investment advice to the entity for a fee (direct or indirect) or any “affiliates” (within the meaning of 29 C.F.R. § 2510.3-101) of such persons) is held by Benefit Plan Investors. If, as a result of any investment, 25 per cent. or more of the total value of any class of equity interests in the Issuer is being held by Benefit Plan Investors, the applicable Notes may be redeemed by the Issuer. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Notes should not be treated as equity interests for the purposes of the Plan Asset Regulation and, therefore, the Plan Asset Regulation should not apply and any such redemptions would not be necessary.

Accordingly, except as otherwise provided in any supplement to this Prospectus, each purchaser and subsequent transferee of any Notes (or any interest therein) will be deemed to represent and warrant, on each day from the date on which the purchaser or transferee acquires such Notes (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Notes (or any interest therein), either that (a) it is not, and is not acting on behalf of (and for so long as it hold such Notes (or any interest therein) will not be, and will not be acting on behalf of), a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law) for which an exemption is not available.

Any Benefit Plan Investor proposing to invest in such Notes (as well as any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Notes to a Benefit Plan Investor is in no respect a representation by the Issuer, the Registrar, the Arrangers, the Dealers or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Benefit Plan Investors generally or any particular Benefit Plan Investor, or that such an investment is appropriate for Benefit Plan Investors

generally or any particular Benefit Plan Investor. Any further ERISA considerations with respect to the Notes may be found in the relevant supplement.

## SUBSCRIPTION AND SALE

### SUMMARY OF DEALER AGREEMENT

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 19 April 2021 (such dealer agreement as modified and/or supplemented and/or restated from time to time, the “**Dealer Agreement**”) between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. One or more Dealers may purchase the Notes, as principal or agent, from the Issuer from time to time for his/their own account or for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any Dealer or, if so specified in the relevant Final Terms (or the relevant Pricing Supplement, in the case of Exempt Notes), for resale at a fixed offering price. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that may be jointly and severally, or severally, underwritten by two or more Dealers. To the extent that any Dealers that are not U.S. registered broker-dealers intend to effect any sales of the Notes in the United States, they will only do so through one or more U.S. registered broker-dealers as permitted by Financial Industry Regulatory Authority regulations.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse each Arranger for certain of its expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme.

Unless otherwise specified in the relevant Final Terms (or the relevant Pricing Supplement, in the case of Exempt Notes), any Notes sold to one or more Dealers as principal will be purchased by such Dealers at a price equal to 100.0 per cent. of the principal amount thereof or such other price as may be set forth in the relevant Final Terms or relevant Pricing Supplement (as applicable) less a percentage of the principal amount equal to a commission as agreed upon by the Issuer and the relevant Dealers. A Dealer may sell the Notes it has purchased from the Issuer as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. Such Dealer may allow, and such dealers may reallow, a discount to certain other dealers. After the initial offering of the Notes, the offering price, the concession and the reallowance may be changed.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their respective affiliates have, in the past, performed investment banking and advisory services for, and provided credit facilities to, the Issuer for which they have received customary fees and expenses. Each of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer in the ordinary course of their respective businesses. The Issuer may apply all or part of the proceeds of any Notes issued pursuant to the Programme in repayment of all or part of any such credit facilities.

### SELLING RESTRICTIONS

#### United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Principal Paying and Transfer Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

### **Prohibition of sales to EEA Retail Investors**

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;



- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

## **United Kingdom**

### **Prohibition of Sales to UK Retail Investors**

Unless the Final Terms in respect of any Notes (or the Pricing Supplement, in the case of Exempt Notes) specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms (or the Pricing Supplement, as the case may be) in relation thereto to any retail investor in the UK. For the purposes of this provision:

- (a) a “**retail investor**” means a person who is one (or more) of:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA;

- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR; or
  - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes (or the Pricing Supplement, in the case of Exempt Notes) specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the applicable Final Terms in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

- (i) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### **Other regulatory restrictions in the United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment

activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the “**DFSA**”) Rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

#### **Abu Dhabi Global Market**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Abu Dhabi Global Market unless such offer is:

- (a) an “Exempt Offer” in accordance with the Market Rules (MKT) Module of the Financial Services Regulatory Authority (the “**FSRA**”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the Conduct of Business Module of the FSRA rulebook.

#### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **Saudi Arabia**

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Notes. Any investor in Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9 or Article 10 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Market Authority of Saudi Arabia (the “**CMA**”) resolution number 3-123-2017 dated 27 December 2017, as amended by its resolution number 1-7-2021 dated 14 January 2021 (the “**KSA Regulations**”), through a person authorised by the CMA to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in Saudi Arabia other than to “Sophisticated Investors” under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will be made in compliance with Articles 9 or 10 and Article 11 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the Notes are being offered or sold in such other circumstances as the CMA may prescribe.

## **Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes, except on a private placement basis to persons in Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more, excluding that person’s principal place of residence;
- (ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

## **Qatar (including the Qatar Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver at any time, directly or indirectly, any Notes in Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign

securities in Qatar (including the Qatar Financial Centre). This Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, Qatar Financial Centre Regulatory Authority and may not be publicly distributed in Qatar (including the Qatar Financial Centre).

### **State of Kuwait**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of any Notes is being made in the State of Kuwait, and no agreement relating to the sale of any Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market any Notes in the State of Kuwait.

### **Singapore**

Each Dealer has acknowledged that and each further Dealer appointed under the Programme will be required to acknowledge that this Prospectus has not been and will not be registered as a prospectus with the MAS. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold or caused the Notes to be made the subject of an invitation for subscription or purchase and that it will not offer or sell any Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) pursuant to Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

**Notification under Section 309B(1)(c) of the SFA** – Unless otherwise stated in the applicable Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes), all Notes issued or to be issued under the Programme shall be “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## The PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

## Israel

This Prospectus does not constitute a prospectus under the Israeli Securities Law, 5728-1968 (the “**Securities Law**”), and has not been filed with or approved by the Israel Securities Authority. In Israel, this Prospectus is being distributed only to, and is directed only at, and any offer of Notes is directed only at, investors listed in the first addendum (the “**Addendum**”) to the Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters,

venture capital funds, entities with equity in excess of NIS 50 million and “qualified individuals”, each as defined in the Addendum (as it may be amended from time to time) (“**qualified investors**”) (in each case purchasing for their own account or, where permitted under the Addendum, for the accounts of their clients who are investors listed in the Addendum). Qualified investors will be required to submit written confirmation that they fall within the scope of the Addendum, are aware of the meaning of the same and agree to it.

## Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in Italy, except in accordance with the exceptions provided under the Prospectus Regulation and any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not offer, sell or deliver any Notes or distribute any copy of this Prospectus or any other document relating to the Notes in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and applicable Italian laws, including the Legislative Decree No. 58 of 24 February 1998 (as amended, the “**Financial Services Act**”) and applicable CONSOB regulations; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of the CONSOB Regulation No. 11971 of 14 May 1999, as amended, and the applicable Italian laws.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (as amended, the “**Banking Act**”), all as amended from time to time; and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act, and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian competent authority.

## GENERAL

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms (or the Pricing Supplement, in the case of Exempt Notes) issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

Neither the Issuer nor any Dealer has made any representation that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution

of this Prospectus or any other offering material or any Final Terms or Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms or Pricing Supplement and neither the Issuer nor any other Dealer shall have responsibility therefor.



## TRANSFER RESTRICTIONS

### RULE 144A NOTES

Each purchaser of Rule 144A Notes, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (i) It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of a QIB, (c) not formed for the purpose of investing in the Issuer and (d) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
- (ii) The Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.
- (iii) The Rule 144A Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend substantially to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “**QIB**”), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS AND WARRANTS THAT EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF) (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN

SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO SIMILAR LAW, A VIOLATION OF ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.”

- (iv) It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.
- (v) It understands that the Rule 144A Notes will be evidenced by a Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Either (a) it is not, and is not acting on behalf of (and for so long as it holds a Note (or any interest therein) will not be, and will not be acting on behalf of) (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any Similar Law, or (b) its acquisition, holding and disposition of such Note (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law) for which an exemption is not available.

**Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## **REGULATION S NOTES**

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes pursuant to resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

- (ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (iii) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend substantially to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS AND WARRANTS THAT EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF) (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“**SIMILAR LAW**”), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO SIMILAR LAW, A VIOLATION OF ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.”

- (iv) It understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (v) It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Note Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate, it will be required to

provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

- (vi) Either (a) it is not, and is not acting on behalf of (and for so long as it holds a Note (or any interest therein) will not be, and will not be acting on behalf of) (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any Similar Law, or (b) its acquisition, holding and disposition of such Note (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law) for which an exemption is not available.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each tranche of Notes issued under the Programme and which (1) have a denomination of €100,000 (or its equivalent in any other currency) or more, and/or (2) are to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors (as defined in the UK Prospectus Regulation) have access.*

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

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>2</sup>

**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

<sup>1</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>2</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

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

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (as amended, the “SFA”) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined the classification of the Notes to be capital markets products other than “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Specified Investment Products (as defined in the Singapore Monetary Authority (the MAS) Notice SFA 04- N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]<sup>3</sup>

**Final Terms dated [ ]**  
**Abu Dhabi National Energy Company PJSC**  
**Legal entity identifier (LEI): 213800UNJSVQFNUYW03**  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$9,000,000,000  
**Global Medium Term Note Programme**

[The Notes will only be admitted to trading on [insert name of relevant QI market/segment], which is [a regulated market/a specific segment of a regulated market (as defined in UK MiFIR)], to which only qualified investors (as defined in the UK Prospectus Regulation) can have access and shall not be offered or sold to non-qualified investors.]<sup>4</sup>

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 19 April 2021 [and the supplement(s) to it dated [●]] which [together] constitute[s] a base prospectus (the “**Prospectus**”) for the purposes of [Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “UK Prospectus Regulation”)]/[the UK Prospectus Regulation]. This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Prospectus in order to obtain all the relevant information. The Prospectus [and the supplement(s) to it] [has]/[have] been published on the market news section of the London Stock Exchange website ([www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)).

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a prospectus with an earlier date.]*

<sup>3</sup> Legend to be included on front of the Final Terms if the Notes (i) are being sold into Singapore; and (ii) do not constitute prescribed capital markets products as defined under the CMP Regulations 2018.

<sup>4</sup> Legend to be included for Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) which will only be admitted to trading on the London Stock Exchange’s Main Market, or a specific segment of the London Stock Exchange’s Main Market, to which only qualified investors can have access.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the prospectus dated [original date] [and the supplement(s) to it dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of [Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”)]/[the UK Prospectus Regulation] and must be read in conjunction with the prospectus dated [current date] [and the supplement(s) to it dated [●]], which [together] constitute[s] a base prospectus (the “**Prospectus**”) for the purposes of the UK Prospectus Regulation in order to obtain all the relevant information, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplement(s) to it dated [●]]. The Prospectus [and the supplement(s) to it] [has]/[have] been published on the market news section of the London Stock Exchange website ([www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)).

*[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

- |   |  |  |
|---|--|--|
| 1 | Issuer:  | Abu Dhabi National Energy Company PJSC   |
| 2 | (i) Series Number:   | [ ]  |
|   | (ii) [Tranche Number:  | [ ]]   |
|   | (iii) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [ <i>identify earlier Tranches</i> ] on [the Issue Date][Not Applicable]                      |
| 3 | Specified Currency or Currencies:  | [ ]  |
| 4 | Aggregate Nominal Amount of Notes:   |  |
|   | (i) Series:  | [ ]  |
|   | (ii) Tranche:  | [ ]  |
| 5 | Issue Price:   | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ <i>insert date</i> ] ( <i>if applicable</i> )]                                 |
| 6 | (i) Specified Denominations:   | [ ]  |
|   | (ii) Calculation Amount:   | [ ]  |
|   |  | <i>[If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor.]</i> |
|   |  | <i>[Note: There must be a common factor in the case of two or more Specified Denominations]</i>  |
| 7 | (i) Issue Date:  | [ ]  |

- (ii) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
- 8 Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
- 9 Interest Basis: [[ ] per cent. Fixed Rate]  
 [ ] month [*Specify reference rate*] +/- [ ] per cent. Floating Rate] [Zero Coupon]]  
 (see paragraph [14]/[15]/[ 16] below)
- 10 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
- 11 Change of Interest Basis: [*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there*][Not Applicable]
- 12 Put/Call Options: [General Put Option]  
 [Change of Control Put Option]  
 [Call Option]  
 [(see paragraph [17]/[18]/[ 19] below)]
- 13 (i) [Status of the Notes:] [Senior]
- (ii) [Date approval for issuance of Notes obtained:] [ ] [and [ ]], respectively]  
 [(*N.B. Only relevant where authorisation is required for the particular tranche of Notes*)]

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

- 14 **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
 (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount



- (iv) Broken Amount(s):  per Calculation Amount payable on the Interest Payment date falling  in/on   [Not Applicable]
- (v) Day Count Fraction:  Actual/Actual (ICMA/ISDA)  Actual/Actual  Actual/365 (Fixed)  Actual/360  30/360  360/360 [Bond Basis]  30E/360 [Eurobond Basis]  30E/360 (ISDA)  
*(See Condition 5(j) for alternatives)*
- (vi) [Determination Dates:  in each year]  [Not Applicable] *(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)]*

**15 Floating Rate Note Provisions**

Applicable/Not Applicable

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Interest Period(s):
- (ii) Specified Interest Payment Dates:
- (iii) First Interest Payment Date:
- (iv) Interest Period Date:    
*(Not applicable unless different from Interest Payment Date)*
- (v) Business Day Convention:  Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]
- (vi) Business Centre(s):
- (vii) Manner in which the Rate(s) of Interest is/are to be determined:  Screen Rate Determination/ISDA Determination
- (viii) Party responsible for calculating the Rate(s) of Interest and   [Not Applicable]

Interest Amount(s) (if not the Calculation Agent):

(ix) Screen Rate Determination:

• Reference Rate: [ ] month [EURIBOR/HIBOR/CNH HIBOR]

• Interest Determination Date(s): [ ]

*(The second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR, the first day of each Interest Period if HIBOR and the second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR and the Specified Currency is Renminbi)*

• Relevant Screen Page: [ ]

(x) ISDA Determination:

• Floating Rate Option: [ ]

• Designated Maturity: [ ]

• Reset Date: [ ]

*(In the case of a EURIBOR based option, the first day of the Interest Period)*

*(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations which, depending on market circumstances, may not be available at the relevant time)*

(xi) Linear Interpolation:

[Not Applicable/Applicable — the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]

(xii) Margin(s): [+/-][ ] per cent. per annum

(xiii) Minimum Rate of Interest: [ ] per cent. per annum

(xiv) Maximum Rate of Interest: [ ] per cent. per annum

(xv) Day Count Fraction: [Actual/Actual (ICMA/ISDA)][Actual/Actual]

[Actual/365 (Fixed)]

[Actual/360]

[30/360][360/360] [Bond Basis]

- [30E/360][Eurobond Basis]
- [30E/360 (ISDA)]
- (See Condition 5(j) for alternatives)*
- 16 **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts [Actual/Actual (ICMA/ISDA)][Actual/Actual]
- [Actual/365 (Fixed)]
- [Actual/360]
- [30/360] [360/360] [Bond Basis]
- [30E/360][Eurobond Basis]
- [30E/360 (ISDA)]
- (See Condition 5(j) for alternatives)*

## PROVISIONS RELATING TO REDEMPTION

- 17 **Call Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note: [ ] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ] per Calculation Amount
- (b) Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice periods: Minimum period: [ ] days
- Maximum period: [ ] days
- 18 **General Put Options** [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) [ ] per Calculation Amount of each Note:
- (iii) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days

19 **Change of Control Put Option** [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Put Date: [ ]
- (ii) Change of Control Redemption Amount: [ ] per Calculation Amount
- (iii) Put Period: [ ]

20 **Final Redemption Amount of each Note** [ ] per Calculation Amount

21 **Early Redemption Amount**

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

*(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be).*

## **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

22 Form of Notes: Registered Notes:

[Regulation S Global Note Certificate ([ ] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]

[Rule 144A Global Note Certificate ([ ] nominal amount) registered in the name of a nominee for DTC]

23 Additional Financial Centre(s): [Not Applicable/give details.]

*[Note that this paragraph relates to the date and place of payment, and not the end dates of each Interest Period, to which sub-paragraph 15(iv) relates]*

24 Provisions applicable to Renminbi Notes: *[Applicable/Not Applicable] (if not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Relevant Currency: *[give details]*

(ii) RMB Currency Event: *[Applicable/Not Applicable]*

*[[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]*

Signed on behalf of the Issuer:

By:

*Duly authorised*

## PART B — OTHER INFORMATION

### 1 LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted [to the Official List of the Financial Conduct Authority and] to trading on [the Main Market of the London Stock Exchange plc] [*specify relevant regulated market, third country market, SME growth market or MTF*] with effect from [ ].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted [to the Official List of the Financial Conduct Authority and] to trading on [the Main Market of the London Stock Exchange plc] [*specify relevant regulated market, third country market, SME growth market or MTF*] with effect from [ ].]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2 RATINGS

- Ratings: The Notes to be issued have been rated:
- [[Moody's Investors Service Ltd.] ("**Moody's**"):  
[ ]
- Moody's is established in the United Kingdom and registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**").]
- [[Fitch Ratings Limited] ("**Fitch**")]: [ ]
- Fitch is established in the United Kingdom and registered under [Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**")]/[the UK CRA Regulation].]
- [[Other (*specify full legal name*)]: [ ]
- [*Need to include a brief explanation of the ratings if this has previously been published by the rating provider.*]
- (*The above disclosure should reflect the rating allocated to Notes of the type being issued under*

*the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

### 4 REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i) [Reasons for the offer: [See “*Use of Proceeds*” in the Prospectus/give details]

*(See “Use of Proceeds” wording in the Prospectus – if reasons for offer different from what is disclosed in the Prospectus, give details here.)*

(ii) [Estimated net proceeds:] [ ]

### 5 [FIXED RATE NOTES ONLY — YIELD

Indication of yield: [ ] per cent. per annum [on a [[semi-annual]/[quarterly] basis]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 6 OPERATIONAL INFORMATION

(i) ISIN: [ ]

(ii) Common Code: [ ]

(iii) [CUSIP: [ ]]

(iv) CFI: [[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(v) FISN: [[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

- (vi) Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. and/or DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (vii) Delivery: Delivery [against/free of] payment
- (viii) Names and addresses of initial Paying and Transfer Agent(s): [ ]
- (ix) Names and addresses of additional Paying and Transfer Agent(s) (if any): [ ]

## 7 DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-Syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Date of [Subscription] Agreement: [ ]
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/give name]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (vi) U.S. Selling Restrictions: [Rule 144A/Reg S Compliance Category [1]/[2]; TEFRA not applicable]
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- (viii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*



## FORM OF PRICING SUPPLEMENT

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

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

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>2</sup>

**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

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<sup>1</sup> Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>2</sup> Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

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

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (as amended, the “SFA”) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined the classification of the Notes to be capital markets products other than “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Specified Investment Products (as defined in the Singapore Monetary Authority (the MAS) Notice SFA 04- N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]<sup>3</sup>

**THE UNITED KINGDOM FINANCIAL CONDUCT AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.**

**Pricing Supplement dated [ ]**

**Abu Dhabi National Energy Company PJSC**

**Legal entity identifier (LEI): 213800UNJSVQFNYYW03**

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]

under the U.S.\$9,000,000,000

**Global Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the prospectus dated 19 April 2021 [and the supplement(s) to it dated [ ]] ([together,] the “**Prospectus**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus. Copies of the Prospectus [and the supplement(s) to it] may be obtained from [*address*].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [*original date*] and set forth in the prospectus

<sup>3</sup> Legend to be included on front of the Pricing Supplement if the Notes (i) are being sold into Singapore; and (ii) do not constitute prescribed capital markets products as defined under the CMP Regulations 2018.

dated [*original date*] [and the supplement(s) to it dated [ ] ([together, ] the “**Prospectus**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the prospectus dated [*original date*], including the Conditions incorporated by reference in the Prospectus. Copies of the Prospectus [and the supplement(s) to it] may be obtained from [*address*].

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

- |   |  |  |
|---|--|--|
| 1 | Issuer:  | Abu Dhabi National Energy Company PJSC   |
| 2 | (i) Series Number:   | [ ]  |
|   | (ii) [Tranche Number:  | [ ]]   |
|   | (iii) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [ <i>identify earlier Tranches</i> ] on [the Issue Date][Not Applicable]                      |
| 3 | Specified Currency or Currencies:  | [ ]  |
| 4 | Aggregate Nominal Amount of Notes:   |  |
|   | (i) Series:  | [ ]  |
|   | (ii) Tranche:  | [ ]  |
| 5 | Issue Price:   | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ <i>insert date</i> ] ( <i>if applicable</i> )]                                 |
| 6 | (i) Specified Denominations:   | [ ]  |
|   | (ii) Calculation Amount:   | [ ]  |
|   |  | <i>[If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor.]</i> |
|   |  | <i>[Note: There must be a common factor in the case of two or more Specified Denominations]</i>  |
| 7 | (i) Issue Date:  | [ ]  |
|   | (ii) Interest Commencement Date:   | [specify/Issue Date/Not Applicable]  |
| 8 | Maturity Date:   | [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year] <sup>4</sup>                        |

<sup>4</sup> Note that for Renminbi-denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

- 9 Interest Basis: [[ ] per cent. Fixed Rate]  
[[Specify reference rate] +/- [ ] per cent.  
Floating Rate] [Zero Coupon]]
- [specify other]  
(see paragraph [14]/[15]/[16] below)
- 10 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount  
[specify other]
- 11 Change of Interest Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there][Not Applicable]
- 12 Put/Call Options: [General Put Option]  
[Change of Control Put Option]  
[Call Option]  
[(further particulars specified below)]
- 13 (i) [Status of the Notes:] [Senior]
- (ii) [Date approval for issuance of Notes obtained:] [ ] [and [ ], respectively]  
[(N.B. Only relevant where authorisation is required for the particular tranche of Notes)]

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

- 14 **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"/not adjusted]<sup>5</sup>
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount<sup>6</sup>

<sup>5</sup> For certain Renminbi-denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day".

<sup>6</sup> For Renminbi-denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB 0.01, RMB 0.005 being rounded upwards."

- (iv) Broken Amount(s): [[ ] per Calculation Amount payable on the Interest Payment date falling [in/on] [ ]][Not Applicable]
- (v) Day Count Fraction: [30/360][Actual/Actual (ICMA/ISDA)/specify other]<sup>7</sup>
- (vi) [Determination Dates: [[ ] in each year][Not Applicable] *(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/Give details]
- 15 Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Interest Period(s): [ ]
- (ii) Specified Interest Payment Dates: [ ]
- (iii) First Interest Payment Date: [ ]
- (iv) Interest Period Date: [ ]  
*(Not applicable unless different from Interest Payment Date)*
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (vi) Business Centre(s): [ ]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [ ]
- (ix) Screen Rate Determination:

<sup>7</sup> Applicable to Renminbi-denominated Fixed Rate Notes.

- Reference Rate: Reference Rate: [ ] month  
[EURIBOR/HIBOR/CNH HIBOR]/specify other  
Reference Rate].
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
- (x) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (In the case of a EURIBOR based option, the first day of the Interest Period)*
- (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations which, depending on market circumstances, may not be available at the relevant time)*
- (xi) Linear Interpolation: [Not Applicable/Applicable — the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xii) Margin(s): [+/-][ ] per cent. per annum
- (xiii) Minimum Rate of Interest: [ ] per cent. per annum
- (xiv) Maximum Rate of Interest: [ ] per cent. per annum
- (xv) Day Count Fraction: [Actual/Actual (ICMA/ISDA)]  
[30/360]  
[specify other]
- (xvi) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [ ]

16 **Zero Coupon Note Provisions** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Amortisation Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts [Actual/Actual (ICMA/ISDA)]  
[30/360]  
[specify other]
- (iv) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [ ]

## **PROVISIONS RELATING TO REDEMPTION**

### **17 Call Option** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ] per Calculation Amount
  - (b) Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days

### **18 General Put Options** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]

- (iii) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
- 19 **Change of Control Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Put Date: [ ]
- (ii) Change of Control Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]
- (iii) Put Period: [ ]
- 20 **Final Redemption Amount of each Note** [[ ] per Calculation Amount/specify other/see Appendix]
- 21 **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default: [[ ] per Calculation Amount/specify other/see Appendix]  
*(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be).*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22 Form of Notes: Registered Notes:  
Regulation S Global Note Certificate ([ ] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]  
[Rule 144A Global Note Certificate ([ ] nominal amount) registered in the name of a nominee for DTC]
- 23 Additional Financial Centre(s): [Not Applicable/give details.  
*(Note that this paragraph relates to the date and place of payment, and not the end dates of each Interest Period, to which sub-paragraph 15(iv) relates]*



- 24 Provisions applicable to Renminbi Notes: [Applicable/Not Applicable] (*if not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Relevant Currency: [give details]
- (ii) RMB Currency Event: [Applicable/Not Applicable]
- 25 Other final terms: [Not Applicable/give details]

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING

Admission to trading: [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [*specify relevant market — note this should not be a regulated market*]] with effect from [ ].] [Not Applicable.]

### 2 RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*]

[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

### 3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

### 4 REASONS FOR THE OFFER

Reasons for the offer: [ ]

### 5 OPERATIONAL INFORMATION

(i) ISIN: [ ]

(ii) Common Code: [ ]

(iii) [CUSIP: [ ]]

(iv) CFI: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(v) FISN: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering

- Agency that assigned the ISIN/Not  
Applicable/Not Available]
- (vi) Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. and/or DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (vii) Delivery: Delivery [against/free of] payment
- (viii) Names and addresses of initial Paying and Transfer Agent(s): [ ]
- (ix) Names and addresses of additional Paying and Transfer Agent(s) (if any): [ ]

## 6 DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-Syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Stabilisation Manager(s) (if any): [Not Applicable/give name]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (v) U.S. Selling Restrictions: Rule 144A/Reg S Compliance Category [1]/[2]; [TEFRA not applicable]
- (vi) Additional selling restrictions: [Not Applicable/give details]
- (Additional selling restrictions are only likely to be relevant for certain structured notes, such as commodity-linked notes)*
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- (viii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be*

*prepared, “Not Applicable” should be specified.  
If the Notes may constitute “packaged” products  
and no key information document will be  
prepared, “Applicable” should be specified.)*

## GENERAL INFORMATION

1. The listing of the Notes (other than Exempt Notes) on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of one or more Certificates in respect of each Tranche. The listing of the Programme in respect of the Notes (other than Exempt Notes) is expected to be granted on or around 21 April 2021. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction. In addition, application may be made to admit the Notes to trading on the Abu Dhabi Securities Exchange. However, unlisted Notes may be issued pursuant to the Programme.

This Prospectus has been approved by the FCA as a base prospectus. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for Notes issued under the Programme to be admitted to trading on the Market.

2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 11 September 2007 (pursuant to powers delegated by a resolution of the Extraordinary General Meeting of the Shareholders of the Issuer passed on 22 April 2007) and the update of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 18 March 2021.
3. There has been no significant change in the financial performance or financial position of the Issuer or of the Group since 31 December 2020 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2020.
4. Neither the Issuer nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
5. The Notes have been accepted for clearance through the Euroclear, Clearstream, Luxembourg and/or DTC systems (which are the entities in charge of keeping the records). The Common Code, the ISIN and/or the CUSIP Number and (where applicable) the FISN, the CFI and the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms (or the relevant Pricing Supplement, in the case of Exempt Notes). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is Depository Trust Company, 55 Water Street, New York, New York 10041, United States of America.
6. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
7. For so long as Notes may be issued pursuant to this Prospectus, copies of the following documents will, when published, be available for inspection in electronic form at <https://www.taqaqlobal.com/investors> (unless otherwise specified):
  - (i) the Trust Deed (which includes the form of the Certificates);

- (ii) the Agency Agreement;
- (iii) the constitutional documents of the Issuer;
- (iv) each Final Terms and Pricing Supplement; and
- (v) a copy of this Prospectus together with any supplement(s) to this Prospectus or further Prospectus.

This Prospectus is, and each Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be, published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

- 8. The consolidated financial statements of the Issuer as at and for the year ended 31 December 2020 and independent auditors' report thereon have been incorporated by reference herein. These consolidated financial statements have been audited by Deloitte & Touche (M.E.) ("**Deloitte**") in accordance with International Standards on Auditing as stated in their report incorporated by reference herein.
- 9. The consolidated financial statements of the Issuer as at and for the years ended 31 December 2019 and 2018 and independent auditors' reports thereon have been incorporated by reference herein. These consolidated financial statements have been audited by Ernst & Young Middle East (Abu Dhabi branch) ("**EY**") in accordance with International Standards on Auditing as stated in their reports incorporated by reference herein.

The unaudited interim condensed consolidated financial statements of the Issuer as at and for the six months ended 30 June 2020 and independent auditor's review report thereon have been incorporated by reference herein. These consolidated financial statements have been reviewed by EY in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in their review report incorporated by reference herein.

With respect to the unaudited interim condensed consolidated financial statements of the Issuer as at and for the six months ended 30 June 2020, EY reported that they have applied limited procedures in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". However, their report dated 12 August 2020, incorporated by reference elsewhere herein, states that they did not audit and they do not express any audit opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

- 10. The Al Maqam Annual Financial Statements and independent auditors' reports thereon have been included in this Prospectus. The Al Maqam Annual Financial Statements have been audited by Deloitte in accordance with International Standards on Auditing as stated in their report included herein.

The Al Maqam Interim Financial Statements and independent auditor's review report have been included in this Prospectus. The Al Maqam Interim Financial Statements have been reviewed by Deloitte in accordance with the International Standard on Review Engagements 2410,

*“Review of Interim Financial Information Performed by the Independent Auditor of the Entity”* as stated in their review report included herein.

With respect to the Al Maqam Interim Financial Statements, Deloitte reported that they have applied limited procedures in accordance with International Standard on Review Engagements 2410, *“Review of Interim Financial Information Performed by the Independent Auditor of the Entity”*. However, their report dated 18 April 2021, included in this Prospectus, states that they did not audit and they do not express any audit opinion on the Al Maqam Interim Financial Statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The Al Maqam Annual Financial Statements and independent auditors’ reports thereon and the Al Maqam Interim Financial Statements and independent auditor’s review report thereon have been included in this Prospectus with the consent of Deloitte who have authorised the contents of that part of this Prospectus.

11. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers routinely hedge their credit exposures to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.
12. Except where such information has been incorporated by reference into this Prospectus, the contents of the Issuer’s website, any website mentioned in this Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Prospectus and investors should not rely on such information.
13. TAQA’s registered number is 1003072. TAQA’s telephone number is +971 (0)2 691 4900.

## GLOSSARY AND CERTAIN DEFINED TERMS

<b>bbls/d</b>	Barrels per day
<b>bcf</b>	Billion cubic feet
<b>bcm</b>	Billion normal cubic metres
<b>Brownfield</b>	The development, extension and upgrade of existing plants at the relevant sites. Umm al Naar, Taweelah A1, Taweelah B and Fujairah are examples of brownfield developments
<b>GWh</b>	Gigawatt hour
<b>Islamic loan</b>	In the context of the transactions described in this Prospectus, a loan which has been structured to provide an economic return which is substantially equivalent to that provided by a parallel term loan or equity bridge loan facility while being compliant with Shari'ah law
<b>km</b>	Kilometre
<b>km<sup>2</sup></b>	Square kilometre
<b>kV</b>	Kilovolt
<b>mboe</b>	Thousand barrels of oil equivalent
<b>mboe/d</b>	Thousand barrels of oil equivalent per day
<b>MIG</b>	Million Imperial Gallons
<b>MIGD</b>	Million Imperial Gallons per Day
<b>mm</b>	Millimetre
<b>mmbbls</b>	Million barrels
<b>mmbbls/m</b>	Million barrels per day
<b>mmbtu</b>	Million British thermal units
<b>mmcf/d</b>	Million cubic feet per day
<b>MW</b>	Megawatt
<b>MWh</b>	Megawatt hour
<b>UK North Sea Assets</b>	The operated interests in the Tern, Eider, Pelican, North Cormorant, Cormorant Alpha and Kestrel producing fields in the North Sea, the non-operated interest in the producing Hudson field, the operated interest in the Brent pipeline system and the non-operated interest in the Sullom Voe terminal
<b>2P</b>	Proved and probable reserves



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# **Al Maqam Energy Holding LLC**

CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

30 JUNE 2020 (UNAUDITED)

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MAQAM ENERGY HOLDING COMPANY LLC

### REPORT ON REVIEW OF CONDENSED COMBINED FINANCIAL STATEMENTS

#### *Introduction*

We have reviewed the accompanying condensed combined statement of financial position of Al Maqam Energy Holding Company LLC (“the Company”) and its subsidiaries (together referred to as “the Group”) as of 30 June 2020, and the related combined statements of income, other comprehensive income, changes in equity and cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, “*Interim Financial Reporting*” except for the measurement of assets and liabilities acquired in a business combination as described in note 3. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of 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 combined financial statement is not prepared, in all material respects in accordance with IAS 34, “*Interim Financial Reporting*” except for the measurement of assets and liabilities acquired in a business combination as described in note 2.

#### *Emphasis of Matter – Restriction of Use*

We draw attention to note 1 of the condensed combined financial statements which describes the basis of the preparation. The combined financial statements are prepared for inclusion in a prospectus for offering related to bond issuance. As a result, the condensed combined financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Deloitte & Touche (M.E.)



Obada Alkawatly  
Registration No. 1056  
18 April 2021  
Abu Dhabi  
United Arab Emirates

# Al Maqam Energy Holding LLC

## CONDENSED COMBINED INTERIM STATEMENT OF PROFIT OR LOSS

Period ended 30 June 2020 (Unaudited)

	<i>Six month period ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED '000</i>	<i>AED '000</i>
<b>Revenues</b>		
Revenue from generation of power and water	<b>650,468</b>	591,337
Revenue from transmission of power and water	<b>515,131</b>	869,098
Revenue from distribution and supply of power and water	<b><u>11,576,513</u></b>	<u>10,997,799</u>
	<b><u>12,742,112</u></b>	<u>12,458,234</u>
<b>Cost of sales</b>		
Operating expenses	<b>(7,533,993)</b>	(7,264,396)
Depreciation and amortisation	<b>(1,919,830)</b>	(1,833,133)
<b>GROSS PROFIT</b>	<b>3,288,289</b>	3,360,705
General and administrative expenses	<b>(561,634)</b>	(675,501)
Finance costs	<b>(226,593)</b>	(233,649)
Provision for slow moving and obsolete inventories	<b>(27,210)</b>	(15,055)
Reversal/ (provision) of credit losses	<b>(125,883)</b>	21,142
Fair value gain on financial assets at fair value through profit or loss	<b>447,894</b>	-
Other income	<b><u>144,707</u></b>	<u>64,407</u>
<b>PROFIT FOR THE PERIOD</b>	<b><u>2,939,570</u></b>	<u>2,522,049</u>
Attributable to:		
Equity holders of the parent	<b>2,903,479</b>	2,509,599
Non-controlling interests	<b><u>36,091</u></b>	<u>12,450</u>
<b>PROFIT FOR THE PERIOD</b>	<b><u>2,939,570</u></b>	<u>2,522,049</u>

The accompanying notes form an integral part of these condensed combined interim financial statements.

# Al Maqam Energy Holding LLC

## CONDENSED COMBINED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

Period ended 30 June 2020 (Unaudited)

	<i>Six month period ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED '000</i>	<i>AED '000</i>
<b>Profit for the period</b>	<b><u>2,939,570</u></b>	<b><u>2,522,049</u></b>
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair values of derivative instruments in cash flow hedges	<b><u>(1,069,974)</u></b>	<b><u>(337,309)</u></b>
<b>Net other comprehensive loss for the period</b>	<b><u>(1,069,974)</u></b>	<b><u>(337,309)</u></b>
<b>Total comprehensive income for the period</b>	<b><u>1,869,596</u></b>	<b><u>2,184,740</u></b>
Attributable to:		
Equity holders of the parent	<b><u>2,261,494</u></b>	<b><u>2,307,214</u></b>
Non-controlling interests	<b><u>(391,898)</u></b>	<b><u>(122,474)</u></b>
	<b><u>1,869,596</u></b>	<b><u>2,184,740</u></b>

The accompanying notes form an integral part of these condensed combined interim financial statements.

# Al Maqam Energy Holding LLC

## CONDENSED COMBINED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 (Unaudited)

	<i>Notes</i>	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	<b>88,651,527</b>	89,236,433
Intangible assets		<b>98</b>	102
Financial assets at fair value through profit or loss	5	<b>784,264</b>	-
Amounts due from related parties	12	<b>222,810</b>	27,500
Advance and loans to associate and joint venture	12	<b>202,369</b>	204,130
Investment in associates and joint ventures		<b>450</b>	450
		<b><u>89,861,518</u></b>	<b><u>89,468,615</u></b>
<b>Current assets</b>			
Inventories		<b>1,039,300</b>	1,069,313
Amounts due from related parties	12	<b>2,332,650</b>	7,638,166
Advance and loans to associate and joint venture	12	<b>5,059</b>	6,593
Accounts receivable and prepayments		<b>5,839,340</b>	4,351,627
Cash and short term deposits	6	<b>3,117,205</b>	2,191,543
		<b><u>12,333,554</u></b>	<b><u>15,257,242</u></b>
Assets classified as held for sale		-	55,000
<b>TOTAL ASSETS</b>		<b><u>102,195,072</u></b>	<b><u>104,780,857</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	7	<b>2,600</b>	13,177,941
Proposed increase in share capital	8	-	3,087,002
Statutory reserve	9	<b>33,095</b>	5,510,676
Legal reserve	9	<b>33,095</b>	5,510,676
Retained earnings		<b>8,388,269</b>	5,484,790
Proposed dividend		-	4,252,281
Government of Abu Dhabi		<b>(22,771)</b>	(22,771)
Cumulative changes in fair value of derivatives in cash flow hedges		<b>(1,421,990)</b>	(780,005)
Interest free loans from shareholders		<b>67,038,529</b>	32,473,684
		<b><u>74,050,827</u></b>	<b><u>68,694,274</u></b>
Non-controlling interests		<b>(136,007)</b>	273,245
Loans from non-controlling interest shareholders in subsidiaries		<b>208,854</b>	213,995
		<b><u>72,847</u></b>	<b><u>487,240</u></b>
<b>TOTAL EQUITY</b>		<b><u>74,123,674</u></b>	<b><u>69,181,514</u></b>

The accompanying notes form an integral part of these condensed combined interim financial statements.

# Al Maqam Energy Holding LLC

## CONDENSED COMBINED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 (Unaudited)

		<i>30 June</i>	<i>31 December</i>
		<i>2020</i>	<i>2019</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>
<b>EQUITY AND LIABILITIES continued</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits		387,004	382,273
Deferred income - grant		1,368,372	817,769
Deferred income - connection fees		6,690	6,824
Interest bearing loans and borrowings	10	9,078,053	9,254,377
Asset retirement obligations		89,042	86,720
Lease liabilities		70,414	45,263
Accounts payable, accruals and other liabilities		103,704	262,435
Derivative financial instruments	14	<u>1,849,004</u>	<u>1,191,923</u>
		<u>12,952,283</u>	<u>12,047,584</u>
<b>Current liabilities</b>			
Accounts payable, accruals and other liabilities		11,705,824	11,415,283
Deferred income – grant		72,332	72,065
Interest bearing loans and borrowings	10	391,400	375,473
Amounts due to related parties	12	2,378,049	11,528,600
Lease liabilities		50,531	52,253
Derivative financial instruments	14	<u>520,979</u>	<u>108,085</u>
		<u>15,119,115</u>	<u>23,551,759</u>
<b>TOTAL LIABILITIES</b>		<u>28,071,398</u>	<u>35,599,343</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>102,195,072</u>	<u>104,780,857</u>

CHIEF EXECUTIVE OFFICER  
AND MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

The accompanying notes form an integral part of these condensed combined interim financial statements.

# Al Maqam Energy Holding LLC

## CONDENSED COMBINED INTERIM STATEMENT OF CHANGES IN EQUITY

Six month period ended 30 June 2020 (Unaudited)

	<i>Attributable to owners of the parent</i>											<i>Loans from non-controlling interest</i>	
	<i>Share capital</i> AED '000	<i>Proposed increase in Share capital</i> AED '000	<i>Statutory reserve</i> AED '000	<i>Legal reserve</i> AED '000	<i>Retained earnings</i> AED '000	<i>Proposed dividend</i> AED '000	<i>Government of Abu Dhabi</i> AED '000	<i>Hedging reserve</i> AED '000	<i>Interest free loans from shareholders</i> Total AED '000	<i>Total</i> AED '000	<i>Non-controlling interests</i> AED '000	<i>shareholders in subsidiaries</i> AED '000	<i>Total equity</i> AED '000
Balance at 1 January 2019	13,177,941	3,087,002	5,393,098	5,393,098	4,706,626	4,601,080	(22,771)	(362,631)	32,632,437	68,605,880	322,507	68,138	68,996,525
Profit for the year	-	-	-	-	2,509,599	-	-	-	-	2,509,599	12,450	-	2,522,049
Other comprehensive income for the year	-	-	-	-	-	-	-	(202,385)	-	(202,385)	(134,924)	-	(337,309)
Total comprehensive income for the year	-	-	-	-	2,509,599	-	-	(202,385)	-	2,307,214	(122,474)	-	2,184,740
Transfer to statutory reserve	-	-	15	-	(15)	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	15	(15)	-	-	-	-	-	-	-	-
Share capital contributed by minority shareholders	-	-	-	-	-	-	-	-	-	-	149,297	-	149,297
Loan from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	165,992	165,992
Balance at 30 June 2019	<u>13,177,941</u>	<u>3,087,002</u>	<u>5,393,113</u>	<u>5,393,113</u>	<u>7,216,195</u>	<u>4,601,080</u>	<u>(22,771)</u>	<u>(565,016)</u>	<u>32,632,437</u>	<u>70,913,094</u>	<u>349,330</u>	<u>234,130</u>	<u>71,496,554</u>
Balance at 1 January 2020	13,177,941	3,087,002	5,510,676	5,510,676	5,484,790	4,252,281	(22,771)	(780,005)	32,473,684	68,694,274	273,245	213,995	69,181,514
Income for the year	-	-	-	-	2,903,479	-	-	-	-	2,903,479	36,091	-	2,939,570
Other comprehensive income for the period	-	-	-	-	-	-	-	(641,985)	-	(641,985)	(427,989)	-	(1,069,974)
Total comprehensive income for the year	-	-	-	-	2,903,479	-	-	(641,985)	-	2,261,494	(391,898)	-	1,869,596
Capital optimisation	(13,175,341)	(3,087,002)	(5,477,581)	(5,477,581)	15,207,442	(4,252,281)	-	-	16,262,344	-	-	-	-
Movement in interest free loans from shareholder	-	-	-	-	-	-	-	-	18,302,501	18,302,501	-	-	18,302,501
Dividends paid	-	-	-	-	(15,207,442)	-	-	-	-	(15,207,442)	(17,354)	-	(15,224,796)
Loan repaid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(5,141)	(5,141)
Balance at 30 June 2020	<u>2,600</u>	<u>-</u>	<u>33,095</u>	<u>33,095</u>	<u>8,388,269</u>	<u>-</u>	<u>(22,771)</u>	<u>(1,421,990)</u>	<u>67,038,529</u>	<u>74,050,827</u>	<u>(136,007)</u>	<u>208,854</u>	<u>74,123,674</u>

The accompanying notes form an integral part of these condensed combined interim financial statements.



# Al Maqam Energy Holding LLC

## CONDENSED COMBINED INTERIM STATEMENT OF CASH FLOWS

Six month period ended 30 June 2020 (Unaudited)

	<i>(Unaudited)</i> <b>30 June</b> <b>2020</b> <b>AED '000</b>	<i>(Unaudited)</i> <b>30 June</b> <b>2019</b> <b>AED '000</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	<b>2,939,570</b>	2,522,049
Adjustments for:		
Depreciation and amortisation	<b>1,933,057</b>	1,838,589
Amortisation of advance to Mirfa Shared Facilities Company LLC ("MSFC")	<b>3,295</b>	3,665
Fair value gain on financial assets at fair value through profit or loss	<b>(447,894)</b>	-
Employee benefit obligations, net	<b>4,731</b>	(751)
Allowance for slow moving and obsolete inventories	<b>27,210</b>	15,055
Interest expense and notional interest	<b>224,271</b>	231,416
Accretion expense	<b>2,322</b>	2,233
Charge/ (reversal) of allowance for expected credit losses	<b>125,883</b>	(21,142)
Working capital changes:		
Inventories	<b>2,803</b>	19,849
Account receivables and prepayments	<b>(1,614,092)</b>	(593,299)
Account due from/to related parties	<b>(1,281,159)</b>	(1,688,897)
Account payables, accruals and other liabilities and deferred income	<b>689,585</b>	848,502
Net cash generated from operating activities	<b><u>2,609,582</u></b>	<b><u>3,177,269</u></b>

The accompanying notes form an integral part of these condensed combined interim financial statements.

# Al Maqam Energy Holding LLC

## CONDENSED COMBINED INTERIM STATEMENT OF CASH FLOWS continued Six month period ended 30 June 2020 (Unaudited)

		<i>(Unaudited)</i> <b>30 June</b> <b>2020</b> <b>AED '000</b>	<i>(Unaudited)</i> <b>30 June</b> <b>2019</b> <b>AED '000</b>
	<i>Notes</i>		
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	<u><b>(1,265,406)</b></u>	<u><b>(1,843,602)</b></u>
Net cash used in investing activities		<u><b>(1,265,406)</b></u>	<u><b>(1,843,602)</b></u>
<b>FINANCING ACTIVITIES</b>			
Interest bearing loans and borrowings received	10	-	225,348
Repayment of interest bearing loans and borrowings	10	<b>(162,930)</b>	(448,993)
Interest paid		<b>(226,593)</b>	(233,649)
Payment of lease liabilities		<b>(6,496)</b>	(2,128)
Dividend paid to non-controlling interest shareholders		<b>(17,354)</b>	-
Movement in loans to non-controlling interest shareholders in subsidiaries		<b>(5,141)</b>	165,992
Share capital contributed by non-controlling interest shareholders		<u>-</u>	<u>149,297</u>
Net cash used in financing activities		<u><b>(418,514)</b></u>	<u><b>(144,133)</b></u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>925,662</b>	1,189,534
Cash and cash equivalents at 1 January		<u><b>2,191,543</b></u>	<u>516,846</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	6	<u><u><b>3,117,205</b></u></u>	<u><u>1,706,380</u></u>
<b>Significant non-cash transactions:</b>			
Dividend transferred to shareholders	12	<u><b>(15,207,442)</b></u>	<u>-</u>
Movement in interest free loans from shareholder	12	<u><b>18,302,501</b></u>	<u>-</u>

The accompanying notes form an integral part of these condensed combined interim financial statements.

# Al Maqam Energy Holding LLC

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## NOTES TO THE CONDENSED COMBINED FINANCIAL STATEMENTS

30 June 2020 (Unaudited)

### 1 ACTIVITIES

The combined interim financial statements include the interim financial statements of Al Maqam Energy Holding LLC and its subsidiaries: Abu Dhabi Distribution Company PJSC, Al Ain Distribution Company PJSC, Abu Dhabi Transmission & Despatch Company PJSC, Abu Dhabi Transmission & Despatch Company PJSC, Butinah Power Holding Company PJSC, Al Mirfa Power Company PJSC, Al Mirfa Power Holding Company PJSC and Sweihan Energy Holding Company PJSC together referred to as (“the Group”). All the entities are wholly owned subsidiaries of Al Maqam as of 30 June 2020 except for Al Mirfa Power Holding Company PJSC.

#### **Al Maqam Energy Holding LLC (“Al Maqam or “the Parent”)**

Al Maqam Energy Holding LLC is a limited liability company registered and incorporated in the United Arab Emirates (“UAE”) on 23 March 2020. The principal activity of Al Maqam is to own and invest in companies engaged in power and water generation, transmission and distribution.

Prior to 1 July 2020, Al Maqam was directly owned by Abu Dhabi Power Corporation PJSC (“ADPC”), itself a wholly owned subsidiary of Abu Dhabi Development Holding Company (“ADQ”). Since 1 July 2020, Al Maqam is a wholly owned subsidiary of Abu Dhabi National Energy Company PJSC (“TAQA”), itself a subsidiary of ADPC, as of 1 July 2020.

On 30 June 2020, Al Maqam issued shares to ADPC in exchange for investments in all of Al Maqam’s current subsidiaries in order to effect a reorganization of ADPC’s subsidiaries in advance of a planned business combination with TAQA. As business combinations between entities under common control (i.e. fellow subsidiaries of ADPC) are outside the scope of IFRS 3 – ‘Business Combinations’, and there is no other guidance for such transactions under IFRS, Al Maqam elects to account for this business combination under the pooling of interests method. As a result, the Group’s historical results were presented to reflect the historical results of companies from 1 January 2020. The carrying amount of assets and liabilities included are based on the historical carrying amounts of such assets and liabilities recognized by the companies.

#### **Abu Dhabi Distribution Company PJSC (“ADDC”)**

Abu Dhabi Distribution Company PJSC is a public joint stock company registered and incorporated in the UAE on 1 January 1999. ADDC is engaged in the distribution and supply of water and electricity in the region of Abu Dhabi and surrounding areas. ADDC is regulated by the Power and Water Procurement Licence issued by the Department of Energy (“DoE”).

#### **Al Ain Distribution Company PJSC (“AADC”)**

Al Ain Distribution Company PJSC is a public joint stock company registered and incorporated in the UAE on 1 January 1999. AADC engaged in the distribution and supply of water and electricity. AADC is regulated by the Power and Water Procurement Licence issued by the DoE.

#### **Abu Dhabi Transmission & Despatch Company PJSC (“TRANSCO”)**

Abu Dhabi Transmission & Despatch Company PJSC is a private joint stock company registered and incorporated in the UAE. TRANSCO is engaged in the transmission of water and electricity from generation and desalination plants to distribution networks in the UAE and certain Gulf Cooperation Council (“GCC”) countries. TRANSCO is regulated by its Water and Electricity Transmission and Despatch license (“the License”).

#### **Butinah Power Holding Company PJSC (“BPHC”)**

Butinah Power Holding Company PJSC is a public joint stock company registered and incorporated in the UAE. The principal activity of the BPHC is to own and invest in companies engaged in power generation and water desalination.

BPHC has one subsidiary Shuweihat Asia Power Company PJSC (“SAPCO”), which is engaged in the generation of electricity for supply into the Abu Dhabi grid.

#### **Al Mirfa Power Company PJSC (“AMPC”)**

Al Mirfa Power Company PJSC is a public joint stock company registered and incorporated in the UAE and is engaged in the generation of electricity and the production of desalinated water for supply into the Abu Dhabi grid.

# Al Maqam Energy Holding LLC

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## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS 30 June 2020 (Unaudited)

### 1 ACTIVITIES continued

#### **Al Mirfa Power Holding Company PJSC (“MPHC”)**

Mirfa Power Holding Company PJSC is a public joint stock company registered and incorporated in the UAE. The principal activity of MPHC is to own and invest in companies engaged in power generation and water desalination.

MPHC is owned by Al Maqam and by Abu Dhabi Financial Group (“ADFG”) (75% and 25% respectively).

MPHC has one subsidiary, Mirfa International Power and Water Company PJSC (“MIPCO”), which is engaged in the generation of electricity and the production of desalinated water for supply into the Abu Dhabi grid.

#### **Sweihan Energy Holding Company PJSC (“SEHC”)**

Sweihan Energy Holding Company P.J.S.C. is a public joint stock company registered and incorporated in the UAE. The principal activity of SEHC is to own and invest in companies engaged in solar and renewable energy power generation.

SEHC has one subsidiary, Sweihan PV Power Company PJSC. The principal activities of the subsidiary is to develop, finance, design and construct a solar photovoltaic power generation plant.

The accompanying combined interim financial statements were authorised for issue by the management on 18 April 2021.

### 2 BASIS OF COMBINATION

The condensed combined interim financial statements of the entities detailed in note 1 have been combined because these entities are owned by same shareholder and reflect one economic operating entity. Further, the shareholder who also manages the entities has the power to govern the financial and operating policies of these entities.

These interim combined financial statements combine only the financial positions and results of the combined entities, as defined in note 1, and exclude all other assets, liabilities and results of operations of other entities owned by the shareholder.

The purpose of these combined financial statements is to provide general purpose historical financial information of Al Maqam for the inclusion in the prospectus for the bond issuance and for the admission to the regulated market. Therefore, the combined financial statements present only the historical information of those entities that will be part of Al Maqam at the time of the intended bond issuance.

As at 30 June 2020, retained earnings of the Group are AED 8,413 million (31 December 2019: AED 5,485 million). As at 30 June 2020, the current liabilities of the Group exceed its current assets by AED 2,761 million (31 December 2019: AED 8,295 million). The condensed combined interim financial statements have been prepared on a going concern basis. The Group has sufficient short to medium term liquidity through the Group’s undrawn committed borrowing facilities (Note 11) to meet ongoing commitments and support from the shareholder and therefore it is concluded that adequate support is available to evidence that the going concern assumption is appropriate for the preparation of the 2020 condensed combined interim financial statements.

All significant transactions among the combining entities occurring during the year and balances receivable and payable at the year-end have been eliminated upon combination.

These combined financial statements have been presented in UAE Dirhams (“AED”). All values have been rounded to the nearest thousand (AED’thousand) unless otherwise indicated.

These combined interim financial statements are non-statutory financial statements of the combined entities. The condensed combined interim financial statements have been prepared in accordance with IAS 34 – Interim Reporting issued by the International Accounting Standards Board (“IASB”) except for the assets and liabilities acquired in the transaction are recorded at their historical book value using predecessor accounting.

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
30 June 2020 (Unaudited)

**3 SIGNIFICANT ACCOUNTING POLICIES**

The Group has consistently applied the accounting policies as applied by the Group in the annual combined financial statements for the year ended 31 December 2019, except for the adoption of the following new standards and interpretations effective as of 1 January 2020 which have not caused any material impact on the Group's interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from 1 January 2023).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective from 1 January 2022).
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use (effective from 1 January 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract (effective from 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from 1 January 2022), IFRS 9 Financial Instruments (effective from 1 January 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from 1 January 2022).
- Interest Rate Benchmark Reform — Phase 1 (Amendments to IFRS 9 and IFRS 7)
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective from 1 January 2021).

**4 PROPERTY, PLANT AND EQUIPMENT**

During the six month period ended 30 June 2020, the Group incurred capital expenditure of AED 1,265,406 thousand (30 June 2019: AED 1,843,602 thousand).

**5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<i>30 June 2020 AED '000</i>	<i>31 December 2019 AED '000</i>
Unquoted equities	<u><b>784,264</b></u>	<u><b>-</b></u>

These represent fair value of 10% investment in Holding companies of domestic IWPPs which were transferred to Al Maqam from ADPC during the current period.

**6 CASH AND SHORT TERM DEPOSITS**

Cash and short term deposits included in the combined statement of cash flows comprise the following amounts:

	<i>30 June 2020 AED '000</i>	<i>30 June 2019 AED '000</i>	<i>31 December 2019 AED '000</i>
Cash in hand and at banks	<b>2,853,158</b>	1,381,370	824
Short term deposits	<u><b>264,047</b></u>	<u>325,010</u>	<u>2,190,719</u>
Cash and cash equivalents	<u><b>3,117,205</b></u>	<u>1,706,380</u>	<u>2,191,543</u>

# Al Maqam Energy Holding LLC

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS 30 June 2020 (Unaudited)

### 7 SHARE CAPITAL

	<i>30 June 2020 AED '000</i>	<i>31 December 2019 AED '000</i>
<b>Al Maqam Energy Holding LLC</b>		
Authorised, issued and paid up capital (30 June 2020: 150,000 shares of AED 1 each) (31 December 2019: Nil)	<u>150</u>	<u>-</u>
<b>Abu Dhabi Distribution Company PJSC</b>		
Authorised, issued and paid up capital (30 June 2020: 500,000 shares of AED 1 each) (31 December 2019: 328,555,400 shares of AED 10 each)	<u>500</u>	<u>3,285,554</u>
<b>Al Ain Distribution Company PJSC</b>		
Authorised, issued and paid up capital (30 June 2020: 500,000 shares of AED 1 each) (31 December 2019: 153,882,500 shares of AED 10 each)	<u>500</u>	<u>1,538,825</u>
<b>Abu Dhabi Transmission &amp; Despatch Company PJSC</b>		
Authorised, issued and paid up capital (30 June 2020: 500,000 shares of AED 1 each) (31 December 2019: 599,141,700 shares of AED 10 each)	<u>500</u>	<u>5,991,417</u>
<b>Butinah Power Holding Company PJSC</b>		
Authorised, issued and paid up capital (30 June 2020: 500,000 shares of AED 1 each) (31 December 2019: 62,424,345 shares of AED 10 each)	<u>500</u>	<u>624,243</u>
<b>Al Mirfa Power Company PJSC</b>		
Authorised, issued and paid up capital (30 June 2020: 150,000 shares of AED 1 each) (31 December 2019: 47,962,700 shares of AED 10 each)	<u>150</u>	<u>479,627</u>
<b>Al Mirfa Power Holding Company PJSC</b>		
Authorised, issued and paid up capital (30 June 2020: 150,000 shares of AED 1 each) (31 December 2019: 78,243,500 shares of AED 10 each)	<u>150</u>	<u>782,435</u>
<b>Sweihan Energy Holding Company PJSC</b>		
Authorised, issued and paid up capital (30 June 2020: 150,000 shares of AED 1 each) (31 December 2019: 47,584,000 shares of AED 10 each)	<u>150</u>	<u>475,840</u>
	<b><u>2,600</u></b>	<b><u>13,177,941</u></b>

In June 2020, prior to the completion of the transaction, a capital optimisation programme was completed at the entities which saw a reduction in share capital, statutory and legal reserves in addition to the settlement of intercompany balances and loans between ADPC entities.

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
30 June 2020 (Unaudited)

**8 PROPOSED INCREASE IN SHARE CAPITAL**

	<i>30 June</i> <i>2020</i> <i>AED '000</i>	<i>30 June</i> <i>2019</i> <i>AED '000</i>
Abu Dhabi Transmission & Despatch Company PJSC	-	2,112,978
Abu Dhabi Distribution Company PJSC	-	582,162
Al Ain Distribution Company PJSC	-	250,903
Al Mirfa Power Company PJSC	<u>-</u>	<u>140,959</u>
	<u>-</u>	<u>3,087,002</u>

Senior management has issued requests to the appropriate authorities to approve the increases or reduction in share capital. Once the formal approval from the appropriate authorities is granted, the necessary formalities to register the reduction in the share capital with the local authorities will be completed.

In accordance with Resolution No. 20, session 4/2004 of the Executive Council of the Emirate of Abu Dhabi, the Government of Abu Dhabi has committed to fund all ongoing water and electricity projects approved by Water Electricity Department “WED” prior to 1 January 1999 against increasing the Government of Abu Dhabi shareholding in the share capital of the Group. Accordingly, the Authority has resolved to increase its shareholding in the Group by the amount of funding made by the Authority in respect of projects relating to the Group’s subsidiaries which were approved by the WED prior to 1 January 1999.

During 2020, a capital optimisation programme was completed, as part of capital optimisation the proposed increase in share capital was transferred to interest free loans from the shareholder.

**9 RESERVES**

*Statutory reserve*

As required by UAE Federal Law No. 2 of 2015, the Group is required to transfer at least 10% of its net profit for the year to a non-distributable legal reserve until the amount of the legal reserve is equal to 50% of the Group issued capital.

During 2020, a capital optimisation programme was completed which saw the settlement of the statutory reserve.

*Legal reserve*

In accordance with the Articles of Association of the certain Group entities, 10% of the profit for the year is transferred to a legal reserve. These Group entities may resolve to discontinue such annual transfers when the reserve totals 50% of the share capital or in accordance with a resolution taken to this effect by the shareholder at the Annual General Meeting upon the recommendation of the Board of Directors. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholder of these Group entities.

During 2020, a capital optimisation programme was completed which saw the settlement of the legal reserve.

# Al Maqam Energy Holding LLC

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS 30 June 2020 (Unaudited)

### 10 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 June</i> <i>2020</i> <i>AED '000</i>	<i>30 June</i> <i>2019</i> <i>AED '000</i>
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*Receipts:*

Loans received during the period are as follows:

Interest bearing loans and borrowings	<u>-</u>	<u>225,348</u>
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*Repayments:*

The Group made the following repayments during the period:

Interest bearing loans and borrowings	<u>(162,930)</u>	<u>(448,993)</u>
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#### Changes in liabilities arising from financing activities

	<i>1 January</i> <i>2020</i> <i>AED '000</i>	<i>Cash flows</i> <i>AED '000</i>	<i>Other</i> <i>AED '000</i>	<i>30 June</i> <i>2020</i> <i>AED '000</i>
<b>2020</b>				
<i>Current:</i>				
Interest bearing loans and borrowings	<u>375,473</u>	<u>13,394</u>	<u>2,533</u>	<u>391,400</u>
<i>Non-current:</i>				
Interest bearing loans and borrowings	<u>9,254,377</u>	<u>(176,324)</u>	<u>-</u>	<u>9,078,053</u>
<b>Total</b>	<u><b>9,629,850</b></u>	<u><b>(162,930)</b></u>	<u><b>2,533</b></u>	<u><b>9,469,453</b></u>
	<i>1 January</i> <i>2019</i> <i>AED '000</i>	<i>Cash flows</i> <i>AED '000</i>	<i>Other</i> <i>AED '000</i>	<i>30 June</i> <i>2019</i> <i>AED '000</i>
<b>2019</b>				
<i>Current:</i>				
Interest bearing loans and borrowings	<u>651,907</u>	<u>(374,479)</u>	<u>2,543</u>	<u>279,971</u>
<i>Non-current:</i>				
Interest bearing loans and borrowings	<u>9,410,836</u>	<u>150,834</u>	<u>-</u>	<u>9,561,670</u>
<b>Total</b>	<u><b>10,062,743</b></u>	<u><b>(223,645)</b></u>	<u><b>2,543</b></u>	<u><b>9,841,641</b></u>



## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS 30 June 2020 (Unaudited)

### 11 SEASONALITY OF OPERATIONS

Due to higher electricity demand in the summer period in the United Arab Emirates, higher revenues and operating profits are usually expected for the power and water generation domestic subsidiaries in the second and third quarters of the year compared to the first and fourth quarters of the year.

### 12 RELATED PARTY TRANSACTIONS

The Group enters into transactions with companies and entities that fall within the definition of a related party. Related parties, as defined in International Accounting Standard 24: Related Party Disclosures, include associate companies, major shareholders, directors and other key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The following table provides a summary of significant related party transactions included in the combined interim statement of profit or loss during the period:

	<i>30 June 2020 AED '000</i>	<i>30 June 2019 AED '000</i>
<b>Significant transactions with related parties during the period were as follows:</b>		
Other operating revenue	<b>5,951,975</b>	4,901,280
Sale of electricity and water to EWEC	<b>650,468</b>	591,337
System charges for the transmission of water and power charged to EWEC	<b>515,131</b>	869,098
Bulk supply tariff ("BST") from EWEC	<b>(6,286,548)</b>	(5,918,214)
Administration service charge from ADPC (previously DoE)	<b>(58,455)</b>	(4,826)
Charges for provision of IT support services from Injazat Data Systems	<b>(49,581)</b>	(35,230)
Derogation charges paid to DoE	<b>(22,250)</b>	(15,185)
Hire of vehicles from Massar Solutions	<b>(15,436)</b>	(18,582)
GCC grid operating fees	<b>(29,254)</b>	(23,115)
License fees to DoE	<b>(19,414)</b>	(18,014)
Amortisation of advance to Mirfa Shared Facilities Company LLC	<b>(3,295)</b>	(3,665)
Dividend transferred to shareholder	<b>(15,207,442)</b>	-
Movement in interest free loans from shareholder (i)	<b>34,645,345</b>	-

- (i) This amount represents transfer of reserves, intercompany balances and reduction in share capital to loan account which was performed as part of capital optimisation exercise in June 20. This amount includes AED 16.3 billion transfer from reduction of share capital and AED 18.3 billion transferred from other intercompany balances including AED 15.2 billion dividend which is disclosed as non-cash transaction in condensed combined statement of cash flows.

# Al Maqam Energy Holding LLC

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS 30 June 2020 (Unaudited)

### 12 RELATED PARTY TRANSACTIONS continued

#### Compensation of key management personnel and board of directors

For subsidiaries, key management personnel are provided by operation and maintenance companies under contractual agreements with the controlled subsidiaries.

The remuneration of senior key management personnel and board of the directors of the Group during the six month period was as follows:

	<i>30 June 2020 AED '000</i>	<i>30 June 2019 AED '000</i>
Short and long term benefits	<u>33,086</u>	<u>41,690</u>

#### Balances with related parties and governmental agencies

Balances with related parties that are disclosed in the interim combined statement of financial position as follows:

	<i>30 June 2020 AED '000</i>	<i>31 December 2019 AED '000</i>
Advance and loans to associates and joint venture		
Non-current asset	202,369	204,130
Current asset	<u>5,059</u>	<u>6,593</u>
	<u>207,428</u>	<u>210,723</u>

This represents an advance made to Mirfa Shared Facilities Company LLC and Shuweihat Shared Facilities Company LLC.

#### *Non-current asset*

Fujairah Energy Holding Company (Joint Venture)	125,310	-
Taweelah RO Holding Company (Joint Venture)	70,000	-
Other related parties (Fellow subsidiary)	<u>27,500</u>	<u>27,500</u>
	<u>222,810</u>	<u>27,500</u>

#### *Current asset*

ADPC (previously DoE) - (Parent)	574,891	7,241,228
Amounts due from Emirates Water and Electricity Company (Fellow subsidiary)	606,239	312,537
Other related parties	1,161,649	95,027
Less: Allowance for expected credit losses	<u>(10,129)</u>	<u>(10,626)</u>
	<u>2,332,650</u>	<u>7,638,166</u>

# Al Maqam Energy Holding LLC

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS 30 June 2020 (Unaudited)

### 12 RELATED PARTY TRANSACTIONS continued

#### Balances with related parties and governmental agencies continued

Net movement in allowance for expected credit losses is as follows:

	<i>30 June 2020 AED '000</i>	<i>31 December 2019 AED '000</i>
At 1 January	10,626	34,900
Reversal during the year	<u>(497)</u>	<u>(24,274)</u>
	<u>10,129</u>	<u>10,626</u>
<i>Non-current liabilities</i>		
Bank loans with government owned bank	<u>1,034,927</u>	<u>1,054,056</u>
Non-current derivative financial instruments with local governmental banks	<u>267,166</u>	<u>193,475</u>
<i>Current liabilities</i>		
ADPC (previously DoE)	29,862	7,466,200
Union Water and Electricity Company (fellow subsidiary)	-	2,177,435
Emirates Water and Electricity Company (fellow subsidiary)	2,313,854	1,857,703
Other related parties	<u>34,333</u>	<u>27,262</u>
	<u>2,378,049</u>	<u>11,528,600</u>
Derivative financial instruments with local governmental banks	<u>114,048</u>	<u>11,561</u>

### 13 COMMITMENTS AND CONTINGENCIES

#### (i) Capital commitments

The estimated capital expenditure for the Group contracted for at the reporting date but not provided for amounted to AED 2,454,513 thousand (2019: AED 2,613,294 thousand).

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS 30 June 2020 (Unaudited)

### 13 COMMITMENTS AND CONTINGENCIES continued

#### (ii) *Contingent liabilities* continued

- a) The Group has various claims lodged by contractors and consultants relating to its ongoing and completed projects, arising from extension of time and work performed but not paid. The Group is in negotiations with these contractors and consultants regarding the resolution of these claims. At this stage management believes it is not possible to determine a reliable estimate of the range of potential claims.
- b) The EPC Contractor responsible for the construction of the Mirfa plant owned by one the Group's subsidiary, Mirfa Power Holding Company ("MPHC") has failed to meet a significant number of milestones of the project and as a result, the contractual Early Power Operation ("EPO") date of 31 July 2016 was ultimately achieved on 4 May 2017. Project Commercial Operation Date ("PCOD") was delayed beyond the scheduled commercial operation date of 16 April 2017 and was achieved on 18 October 2017. The delays of the EPO and PCOD are not expected to have any adverse financial impacts on the Group, as causes for such delays are not attributable to MPHC. Any consequence thereof are expected to be recoverable under the EPC contract and / or the PWPA.

MPHC is invoicing the EPC contractor for Delay Liquidated Damages ("DLD") pursuant to the terms of the EPC contract and has elected its right to offset such accrued DLD against amounts due to the EPC contractor. Total amount charged by 30 June 2020 is equivalent to AED 544,250 thousand (2019: AED 544,220 thousand). Such EPC DLD are due to protect the economies of MPHC, which in turn, has been charged DLD under the terms of the PWPA by EWEC, the off-taker, for a total amount of AED 383,130 thousand by 30 June 2020 (2019: AED 382,800 thousand).

Up till 30 June 2020, the EPC contractor submitted MPHC various interim claims for cost of AED 1,180,330 thousand (2019: AED 1,241,280 thousand). In turn, MPHC had also submitted claims to EWEC in accordance with the PWPA. The view of MPHC is that it should be able to either pass on such claims to EWEC under the PWPA or reject them and recover, if applicable, the amount paid by MPHC to the off-taker amounting to AED 13,760 thousand (2019: AED 13,760 thousand). Due to material uncertainties relating to the outcome of the future discussions, the matter has been assessed as a contingent asset and liability as at the reporting date, as management are not in a position, at the date of approval of the combined financial statements, to estimate with sufficient reliability, the probable outcome of the liability or related asset, if any, that may arise from this uncertainty.

#### *Non-delay related claims:*

Pursuant to the terms of the EPC Contract, MPHC has been invoicing the EPC Contractor for Unavailability Liquidated Damages ("ULDs"). Such ULDs were being charged to the EPC Contractor for losses of unavailability due to works by the Contractor related to warranty claim events and clearance of the punchlist item. During the year, the ULDs claim amounting to AED 47,700 thousand have been settled with the EPC contractor, and the recoveries made during the year are accounted for as other revenue in the combined financial statements. Total amount of outstanding ULDs claims till 30 June 2020 is Nil (2019: AED 105,800 thousand).

Similarly, MPHC has raised formal claims amounting to AED 16,300 thousand against the EPC contractor for compensation against remedial work required for all outstanding and unremedied defects and punchlist items under the terms of EPC contract.

Early 2019, the EPC Contractor submitted certain claims to MPHC for events that as per the EPC contractor's views do not fall under the PWPA. The amount claimed related mostly to warranty period events for additional cost as claimed by the contractor and were fully rejected by MPHC on the basis that such costs were incurred for works already included into the EPC contract price.

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
30 June 2020 (Unaudited)

**13 COMMITMENTS AND CONTINGENCIES** continued

(ii) *Contingent liabilities continued*

*Non-Delay related claims: continued*

In order to settle all non-delay related claims, MPHC and EPC contractor executed a partial settlement agreement (the “EPC Partial Settlement Agreement”) on 4 November 2019. Pursuant to the terms of the EPC Partial Settlement Agreement, in addition to the Contractor’s obligations to perform and complete at its sole cost and expense the remedy of nine (9) items detailed in the agreement, MPHC and the EPC contractor agreed to settle their respective entitlements by way of a set-off between:

- MPHC entitlements of AED 47,700 thousand for ULDs under the terms of EPC Contract and AED 16,300 thousand for remedial works; and
- EPC contractor’s entitlement of AED 23,700 thousand, being the reimbursement invoice in relation to the existing open-cycle inventory list in accordance with the terms of the EPC contract.

Accordingly, in consideration of the above, and as per the terms of the EPC Partial Settlement Agreement, the parties agreed to irrevocably and unconditionally waive their right to, release and forever discharge each other from the EPC non-delay related claims, MPHC counterclaims and all unremedied defects and punchlist items.

(iii) *Operating lease commitments*

*Group as a lessor:*

Future capacity payments to be received by the Group under the power and water purchase agreement (“PWPA”) based on projected plant availability as at 30 June 2020 amount to AED 19,344,494 thousand (31 December 2019: AED 19,963,452 thousand).

**14 FINANCIAL INSTRUMENTS**

**14.1 Hedging activities**

	30 June 2020			31 December 2019		
	Notional amount AED ‘000	Fair value		Notional amount AED ‘000	Fair value	
		Current AED ‘000	Non-current AED ‘000		Current AED ‘000	Non-current AED ‘000
<b>Cash flow hedges</b>						
<b>Liabilities</b>						
Interest rate swaps	7,268,228	471,735	1,504,257	9,236,364	93,345	1,150,347
Forward foreign exchange contracts	439,819	49,244	344,747	107,061	14,740	41,576
<b>Total</b>	<b>7,708,047</b>	<b>520,979</b>	<b>1,849,004</b>	<b>9,343,425</b>	<b>108,085</b>	<b>1,191,923</b>

**14.2 Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1:* Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2:* Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:* Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

# Al Maqam Energy Holding LLC

## NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS 30 June 2020 (Unaudited)

### 14 FINANCIAL INSTRUMENTS continued

#### 14.2 Fair value hierarchy (continued)

	<i>Total</i> <i>AED '000</i>	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>
<i>At 30 June 2020</i>				
<b>Financial assets measured at fair value</b>				
Financial assets at fair value through profit or loss	<b>784,264</b>	-	-	784,264
<b>Financial liabilities measured at fair value</b>				
Interest rate swaps	<b>(1,975,992)</b>	-	(1,975,992)	-
Forward foreign exchange contracts	<b>(393,991)</b>	-	(393,991)	-
<i>At 31 December 2019</i>				
<b>Financial liabilities measured at fair value</b>				
Interest rate swaps	<b>(1,243,692)</b>	-	(1,243,692)	-
Forward foreign exchange contracts	<b>(56,316)</b>	-	(56,316)	-

During the period ended 30 June 2020 and year ended 31 December 2019, there were no transfers between categories within the fair value hierarchy.

The fair values of the financial liabilities measured at fair value included in the Level 2 category above, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodities.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis. Unobservable input are not materially sensitive to the assumptions used in valuation model.

#### Reconciliation of Level 3 fair value measurements of financial instruments

	<i>AED '000</i>
<i>Unquoted equities</i>	
At 1 January 2020	-
Transferred during the period	336,370
Total gains or losses in profit or loss	<u>447,894</u>
<b>At 30 June 2020</b>	<b><u>784,264</u></b>

### 15 EVENTS AFTER REPORTING DATE

#### *Asset transfer between AD Power and TAQA*

On 1 July 2020, TAQA successfully completed its transaction with Abu Dhabi Power Corporation (ADPC). The transaction, which was first proposed by ADPC to the TAQA Board of Directors in February 2020 and received TAQA shareholder approval in April 2020, saw ADPC transfer the majority of its power and water generation, transmission and distribution assets to TAQA.

# **Al Maqam Energy Holding LLC**

COMBINED FINANCIAL STATEMENTS

31 DECEMBER 2019

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MAQAM ENERGY HOLDING COMPANY LLC

### REPORT ON THE COMBINED FINANCIAL STATEMENTS

#### Opinion

We have audited the combined financial statements of Al Maqam Energy Holding Company LLC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the combined statement of financial position as at 31 December 2019, and the combined statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the basis of preparation set out in note 2 to the combined financial statements.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's combined financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter – Restriction of Use

We draw attention to note 1 of the combined financial statements which describes the basis of accounting. The combined financial statements are prepared for inclusion in a prospectus for offering related to bond issuance. As a result, the combined financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.





## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MAQAM ENERGY HOLDING COMPANY LLC (continued)**

### **Other Information**

The Board of Directors' and Management are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report. The other information does not include the combined financial statements and our auditor's report thereon.

Our opinion on the combined financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the combined financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the combined financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with the basis of preparation set out in note 2 to the combined financial statements and the applicable provisions of the articles of association of the Company, and for such internal control as management determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MAQAM ENERGY HOLDING COMPANY LLC (continued)

### Auditor's Responsibilities for the Audit of the Combined Financial Statements (continued)

As part of an audit in accordance with ISAs', we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche (M.E.)



Obada Alkowitzly  
Registration No. 1056  
18 April 2021  
Abu Dhabi  
United Arab Emirates

# Al Maqam Energy Holding LLC

## COMBINED STATEMENT OF PROFIT OR LOSS

For the year ended December 2019

	<i>Notes</i>	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
<b>Revenues</b>			
Revenue from generation of power and water	6.1	<b>1,284,977</b>	1,055,043
Revenue from transmission of power and water	33	<b>1,149,644</b>	1,046,420
Revenue from distribution and supply of power and water	6.2	<b><u>23,997,644</u></b>	<u>22,920,689</u>
		<b><u>26,432,265</u></b>	<u>25,022,152</u>
<b>Cost of sales</b>			
Operating expenses	7	<b>(15,617,051)</b>	(15,481,433)
Depreciation and amortisation	8	<b><u>(3,725,377)</u></b>	<u>(3,497,179)</u>
		<b><u>(19,342,428)</u></b>	<u>(18,978,612)</u>
<b>GROSS PROFIT</b>		<b>7,089,837</b>	6,043,540
General and administrative expenses	9	<b>(1,497,138)</b>	(1,116,690)
Finance costs	10	<b>(449,122)</b>	(398,207)
Provision for slow moving and obsolete inventories	15	<b>(18,275)</b>	(35,956)
Management fees	33	<b>-</b>	53,982
(Charge) reversal of credit losses	16 & 33	<b>(2,718)</b>	47,576
Other income	11	<b><u>235,193</u></b>	<u>194,782</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>5,357,777</u></b>	<u>4,789,027</u>
Attributable to:			
Equity holders of the parent		<b>5,265,601</b>	4,756,277
Non-controlling interests		<b><u>92,176</u></b>	<u>32,750</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>5,357,777</u></b>	<u>4,789,027</u>

The accompanying notes form an integral part of these combined financial statements.

# Al Maqam Energy Holding LLC

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## COMBINED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended December 2019

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
<b>Profit for the year</b>	<b>5,357,777</b>	4,789,027
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair values of derivative instruments in cash flow hedges	(758,964)	248,851
Gain on cash flow hedging instruments reclassified to profit or loss	<u>63,341</u>	<u>77,408</u>
<b>Total comprehensive income for the year</b>	<b><u>4,662,154</u></b>	<b><u>5,115,286</u></b>
Attributable to:		
Equity holders of the parent	<b>4,848,227</b>	4,952,032
Non-controlling interests	<u>(186,073)</u>	<u>163,254</u>
	<b><u>4,662,154</u></b>	<b><u>5,115,286</u></b>

The accompanying notes form an integral part of these combined financial statements.

# Al Maqam Energy Holding LLC

## COMBINED STATEMENT OF FINANCIAL POSITION

As at 31 December

	<i>Notes</i>	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>89,236,433</b>	88,353,493
Intangible assets	13	<b>102</b>	84
Amounts due from related parties	32	<b>27,500</b>	27,500
Advance to an associate and joint venture	14	<b>204,130</b>	210,723
Investment in associates and joint ventures		<b>450</b>	450
Derivative financial instruments	34	<u>-</u>	<u>23,716</u>
		<b><u>89,468,615</u></b>	<b><u>88,615,966</u></b>
<b>Current assets</b>			
Inventories	15	<b>1,069,313</b>	1,125,724
Amounts due from related parties	32	<b>7,638,166</b>	19,154,786
Derivatives in effective hedges	34	-	48,275
Advance and loans to an associate and joint venture	14	<b>6,593</b>	6,593
Accounts receivable and prepayments	16	<b>4,351,627</b>	4,199,383
Cash and short term deposits	17	<b><u>2,191,543</u></b>	<u>516,846</u>
		<b><u>15,257,242</u></b>	<b><u>25,051,607</u></b>
Assets classified as held for sale	18	<b>55,000</b>	55,000
<b>TOTAL ASSETS</b>		<b><u>104,780,857</u></b>	<b><u>113,722,573</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Combined share capital	19	<b>13,177,941</b>	13,177,941
Proposed increase in combined share capital	20	<b>3,087,002</b>	3,087,002
Statutory reserve	21	<b>5,510,676</b>	5,393,098
Legal reserve	21	<b>5,510,676</b>	5,393,098
Retained earnings		<b>5,484,790</b>	4,706,626
Proposed dividend	22	<b>4,252,281</b>	4,601,080
Government of Abu Dhabi	23	<b>(22,771)</b>	(22,771)
Cumulative changes in fair value of derivatives in cash flow hedges		<b>(780,005)</b>	(362,631)
Interest free loans from shareholders	24	<b><u>32,473,684</u></b>	<u>32,632,437</u>
		<b><u>68,694,274</u></b>	<b><u>68,605,880</u></b>
Non-controlling interests	25	<b>273,245</b>	322,507
Loans from non-controlling interest shareholders in subsidiaries		<b><u>213,995</u></b>	<u>68,138</u>
		<b><u>487,240</u></b>	<b><u>390,645</u></b>
<b>TOTAL EQUITY</b>		<b><u>69,181,514</u></b>	<b><u>68,996,525</u></b>

# Al Maqam Energy Holding LLC

## COMBINED STATEMENT OF FINANCIAL POSITION continued

As at 31 December

	<i>Notes</i>	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
<b>EQUITY AND LIABILITIES</b> continued			
<b>Non-current liabilities</b>			
Employees' end of service benefits	26	<b>382,273</b>	383,057
Deferred income - grant	27	<b>817,769</b>	883,800
Deferred income - connection fees		<b>6,824</b>	7,092
Interest bearing loans and borrowings	28	<b>9,254,377</b>	9,410,836
Asset retirement obligations	29	<b>86,720</b>	82,185
Lease liabilities	30	<b>45,263</b>	-
Accounts payable, accruals and other liabilities	31	<b>262,435</b>	314,572
Derivative financial instruments	34	<b><u>1,191,923</u></b>	<u>615,782</u>
		<b><u>12,047,584</u></b>	<u>11,697,324</u>
<b>Current liabilities</b>			
Accounts payable, accruals and other liabilities	31	<b>11,415,283</b>	9,342,851
Deferred income – grant	27	<b>72,065</b>	72,065
Interest bearing loans and borrowings	28	<b>375,473</b>	651,907
Amounts due to related parties	32	<b>11,528,600</b>	22,901,307
Lease liabilities	30	<b>52,253</b>	-
Derivative financial instruments	34	<b><u>108,085</u></b>	<u>60,594</u>
		<b><u>23,551,759</u></b>	<u>33,028,724</u>
<b>TOTAL LIABILITIES</b>		<b><u>35,599,343</u></b>	<u>44,726,048</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>104,780,857</u></b>	<u>113,722,573</u>

CHIEF EXECUTIVE OFFICER  
AND MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

The accompanying notes form an integral part of these combined financial statements.

# Al Maqam Energy Holding LLC

## COMBINED STATEMENT OF CHANGES IN EQUITY

As at 31 December

Attributable to owners of the parent

	Share capital AED '000	Proposed increase in Share capital AED '000	Statutory reserve AED '000	Legal reserve AED '000	Retained earnings AED '000	Proposed dividend AED '000	Government of Abu Dhabi AED '000	Hedging reserve AED '000	Interest free loans from shareholders Total AED '000	Total AED '000	Non-controlling interests AED '000	Loans from non-controlling interest shareholders in subsidiaries AED '000	Total equity AED '000
Balance at 1 January 2019	13,177,941	3,087,002	5,393,098	5,393,098	4,706,626	4,601,080	(22,771)	(362,631)	32,632,437	68,605,880	322,507	68,138	68,996,525
Profit for the year	-	-	-	-	5,265,601	-	-	-	-	5,265,601	92,176	-	5,357,777
Other comprehensive income for the year	-	-	-	-	-	-	-	(417,374)	-	(417,374)	(278,249)	-	(695,623)
Total comprehensive income for the year	-	-	-	-	5,265,601	-	-	(417,374)	-	4,848,227	(186,073)	-	4,662,154
Transfer to statutory reserve	-	-	117,578	-	(117,578)	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	117,578	(117,578)	-	-	-	-	-	-	-	-
Proposed dividend (note 23)	-	-	-	-	(4,252,281)	4,252,281	-	-	-	-	-	-	-
Dividend paid (note 23)	-	-	-	-	-	(4,601,080)	-	-	-	(4,601,080)	-	-	(4,601,080)
Movement in loans (note 25)	-	-	-	-	-	-	-	-	(158,753)	(158,753)	-	-	(158,753)
Share capital contributed by minority shareholders	-	-	-	-	-	-	-	-	-	-	149,297	-	149,297
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(12,486)	-	(12,486)
Loan (repaid) from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	145,857	145,857
Balance at 31 December 2019 (unaudited)	<b>13,177,941</b>	<b>3,087,002</b>	<b>5,510,676</b>	<b>5,510,676</b>	<b>5,484,790</b>	<b>4,252,281</b>	<b>(22,771)</b>	<b>(780,005)</b>	<b>32,473,684</b>	<b>68,694,274</b>	<b>273,245</b>	<b>213,995</b>	<b>69,181,514</b>
Balance at 1 January 2018 (unaudited)	13,177,941	3,087,002	5,198,054	5,198,054	5,073,237	1,113,682	(22,771)	(558,386)	79,104,054	111,370,867	167,332	97,604	111,635,803
Cumulative effect of first time adoption of IFRS 9 (note 16 & 33)	-	-	-	-	(149,871)	-	-	-	-	(149,871)	-	-	(149,871)
Cumulative effect of first time adoption of IFRS 15 "	-	-	-	-	17,481	-	-	-	-	17,481	-	-	17,481
Balance at 31 December 2018	13,177,941	3,087,002	5,198,054	5,198,054	4,940,847	1,113,682	(22,771)	(558,386)	79,104,054	111,238,477	167,332	97,604	111,503,413
Income for the year	-	-	-	-	4,756,277	-	-	-	-	4,756,277	32,750	-	4,789,027
Other comprehensive income for the period	-	-	-	-	-	-	-	195,755	-	195,755	130,504	-	326,259
Total comprehensive income for the year	-	-	-	-	4,756,277	-	-	195,755	-	4,952,032	163,254	-	5,115,286
Transfer to statutory reserve	-	-	195,044	-	(195,044)	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	195,044	(195,044)	-	-	-	-	-	-	-	-
Proposed dividend (note 23)	-	-	-	-	(4,600,410)	4,600,410	-	-	-	-	-	-	-
Dividend paid (note 23)	-	-	-	-	-	(1,113,012)	-	-	-	(1,113,012)	-	-	(1,113,012)
Movement in loans, net (note 25)	-	-	-	-	-	-	-	-	(46,471,617)	(46,471,617)	-	-	(46,471,617)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(8,079)	-	(8,079)
Loan repaid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(29,466)	(29,466)
Balance at 31 December 2018 (unaudited)	<b>13,177,941</b>	<b>3,087,002</b>	<b>5,393,098</b>	<b>5,393,098</b>	<b>4,706,626</b>	<b>4,601,080</b>	<b>(22,771)</b>	<b>(362,631)</b>	<b>32,632,437</b>	<b>68,605,880</b>	<b>322,507</b>	<b>68,138</b>	<b>68,996,525</b>

The accompanying notes form an integral part of these combined financial statements.

# Al Maqam Energy Holding LLC

## COMBINED STATEMENT OF CASH FLOWS

As at 31 December

	<i>Notes</i>	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>5,357,777</b>	4,789,027
Adjustments for:			
Depreciation and amortisation	12 & 13	<b>3,785,833</b>	3,537,913
Amortisation of advance to Mirfa Shared Facilities Company LLC ("MSFC")	7	<b>6,593</b>	6,594
Purchase of water and electricity from RASCO		-	76,837
Liquidated damages	6.1	<b>72,585</b>	-
Release of deferred income - grant	11	<b>(66,031)</b>	(66,035)
Release of deferred income - connection fees		<b>(268)</b>	(268)
Employee benefit obligations, net	27	<b>3,099</b>	15,070
Allowance for slow moving and obsolete inventories	15	<b>18,275</b>	35,956
Loss on disposal property, plant and equipment	12	<b>46,013</b>	5,688
Gain on sale of asset held for sale	19	-	(1,586)
Interest expense and notional interest	10	<b>440,901</b>	393,907
Accretion expense	10	<b>8,221</b>	4,300
(Reversal) charge of allowance for expected credit losses	16 & 32	<b>(2,718)</b>	47,576
Working capital changes:			
Inventories		<b>76,946</b>	59,133
Accounts receivables and prepayments		<b>(125,252)</b>	548
Amounts due from/to related parties		<b>(6,323,834)</b>	(5,115,184)
Accounts payable, accruals and other liabilities		<b><u>2,020,295</u></b>	<b><u>1,104,759</u></b>
Net cash generated from operating activities		<b><u>5,318,435</u></b>	<b><u>4,894,235</u></b>



# Al Maqam Energy Holding LLC

## COMBINED STATEMENT OF CASH FLOWS continued

As at 31 December

	<i>Notes</i>	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(2,870,086)</b>	(6,274,809)
Cash received from disposal of scrap		-	16,318
Purchase of intangible assets	13	<u><b>(61)</b></u>	<u>(82)</u>
Net cash generated used in investing activities		<u><b>(2,870,147)</b></u>	<u>(6,258,573)</u>
<b>FINANCING ACTIVITIES</b>			
Interest bearing loans and borrowings received	28	<b>141,095</b>	2,063,363
Repayment of interest bearing loans and borrowings	28	<b>(578,991)</b>	(281,640)
Interest paid		<b>(436,582)</b>	(442,491)
Payment of lease liabilities	30	<b>(23,028)</b>	-
Share capital contributed by non-controlling interest shareholders		<b>149,297</b>	-
Dividend paid to non-controlling interest shareholders		<b>(12,486)</b>	(8,079)
Repayment of shareholder loans		<b>(158,753)</b>	-
Movement in loans to non-controlling interest shareholders in subsidiaries		<u><b>145,857</b></u>	<u>(29,466)</u>
Net cash (used in)/from financing activities		<u><b>(773,591)</b></u>	<u>1,301,687</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,674,697</b>	(62,651)
Cash and cash equivalents at 1 January		<u><b>516,846</b></u>	<u>579,497</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>17</b>	<u><b>2,191,543</b></u>	<u>516,846</u>
<b>Significant non-cash transactions:</b>			
Dividend transferred to shareholder	22	<u><b>(4,601,080)</b></u>	<u>(1,113,012)</u>
Settlement of interest free/term loans from shareholder	24	<u><b>-</b></u>	<u>49,377,450</u>
Transfer of property, plant and equipment from a related party	12	<u><b>1,727,115</b></u>	<u>(1,432,900)</u>

The accompanying notes form an integral part of these combined financial statements.

# Al Maqam Energy Holding LLC

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## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 1 ACTIVITIES

The combined financial statements include the financial statements of Al Maqam Energy Holding LLC (“Al Maqam”)’s subsidiaries: Abu Dhabi Distribution Company PJSC, Al Ain Distribution Company PJSC, Abu Dhabi Transmission & Despatch Company PJSC, Abu Dhabi Transmission & Despatch Company PJSC, Butinah Power Holding Company PJSC, Al Mirfa Power Company PJSC, Al Mirfa Power Holding Company PJSC and Sweihan Energy Holding Company PJSC (together referred to as the Group). All the entities are wholly owned subsidiaries of Al Maqam as of 30 June 2020 except for Al Mirfa Power Holding Company PJSC.

#### **Al Maqam Energy Holding LLC (“Al Maqam or “the Parent”)**

Al Maqam Energy Holding LLC is a limited liability company registered and incorporated in the United Arab Emirates (“UAE”) on 23 March 2020. The principal activity of Al Maqam is to own and invest in companies engaged in power and water generation, transmission and distribution.

Prior to 1 July 2020, Al Maqam was directly owned by Abu Dhabi Power Corporation PJSC (“ADPC”), itself a wholly owned subsidiary of Abu Dhabi Development Holding Company (“ADQ”). ADQ is wholly owned by the Government of Abu Dhabi. Since 1 July 2020, Al Maqam is a wholly owned subsidiary of Abu Dhabi National Energy Company PJSC (“TAQA”), itself a subsidiary of ADPC, as of 1 July 2020.

#### **Abu Dhabi Distribution Company PJSC (“ADDC”)**

Abu Dhabi Distribution Company PJSC is a public joint stock company registered and incorporated in the UAE on 1 January 1999. ADDC is engaged in the distribution and supply of water and electricity in the region of Abu Dhabi and surrounding areas. ADDC is regulated by the Power and Water Procurement Licence issued by the Department of Energy (“DoE”).

#### **Al Ain Distribution Company PJSC (“AADC”)**

Al Ain Distribution Company PJSC is a public joint stock company registered and incorporated in the UAE on 1 January 1999. AADC engaged in the distribution and supply of water and electricity. AADC is regulated by the Power and Water Procurement Licence issued by the DoE.

#### **Abu Dhabi Transmission & Despatch Company PJSC (“TRANSCO”)**

Abu Dhabi Transmission & Despatch Company PJSC is a private joint stock company registered and incorporated in the UAE. TRANSCO is engaged in the transmission of water and electricity from generation and desalination plants to distribution networks in the UAE and certain Gulf Cooperation Council (“GCC”) countries. TRANSCO is regulated by its Water and Electricity Transmission and Despatch license (“the License”).

#### **Butinah Power Holding Company PJSC (“BPHC”)**

Butinah Power Holding Company PJSC is a public joint stock company registered and incorporated in the UAE. The principal activity of the BPHC is to own and invest in companies engaged in power generation and water desalination.

BPHC has one subsidiary Shuweihat Asia Power Company PJSC (“SAPCO”), which is engaged in the generation of electricity for supply into the Abu Dhabi grid.

#### **Al Mirfa Power Company PJSC (“AMPC”)**

Al Mirfa Power Company PJSC is a public joint stock company registered and incorporated in the UAE and is engaged in the generation of electricity and the production of desalinated water for supply into the Abu Dhabi grid.

#### **Mirfa Power Holding Company PJSC (“MPHC”)**

Mirfa Power Holding Company PJSC is a public joint stock company registered and incorporated in the UAE. The principal activity of MPHC is to own and invest in companies engaged in power generation and water desalination.

MPHC is owned by Al Maqam and by Abu Dhabi Financial Group (“ADFG”) (75% and 25% respectively).

MPHC has one subsidiary, Mirfa International Power and Water Company PJSC (“MIPCO”), which is engaged in the generation of electricity and the production of desalinated water for supply into the Abu Dhabi grid.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 1 ACTIVITIES continued

#### **Sweihan Energy Holding Company PJSC (“SEHC”)**

Sweihan Energy Holding Company P.J.S.C. is a public joint stock company registered and incorporated in the UAE. The principal activity of SEHC is to own and invest in companies engaged in solar and renewable energy power generation.

SEHC has one subsidiary, Sweihan PV Power Company PJSC. The principal activities of the subsidiary is to develop, finance, design and construct a solar photovoltaic power generation plant.

The accompanying combined financial statements were authorised for issue by the management on 18 April 2021

### 2 BASIS OF COMBINATION

The combined financial statements of the entities detailed in note 1 have been combined because these entities are owned by same shareholder (ADPC prior to 1 July 2020 and TAQA as of 1 July 2020) and reflect one economic operating entity. Further, the shareholder who also manages the entities has the power to govern the financial and operating policies of these entities.

The acquisition of companies was accounted for as a reorganisation of companies under common control. The Group’s historical results were presented to reflect the historical results of companies from 1 January 2019. The carrying amount of assets and liabilities included are based on the historical carrying amounts of such assets and liabilities recognised by the companies.

The purpose of these combined financial statements is to provide general purpose historical financial information of Al Maqam for the inclusion in the prospectus for the bond issuance and for the admission to the regulated market. Therefore, the combined financial statements present only the historical information of those entities that will be part of Al Maqam at the time of the intended bond issuance.

These combined financial statements combine only the financial positions and results of the combined entities, as defined in note 1, and exclude all other assets, liabilities and results of operations of other entities owned by the shareholder.

As at 31 December 2019, retained earnings of the Group are AED 5,485 million (2018: AED 4,707 million). As at 31 December 2019, the current liabilities of the Group exceed its current assets by AED 8,295 million (2018: AED 7,977 million). The combined financial statements have been prepared on a going concern basis. The Group has sufficient short to medium term liquidity through the Group’s undrawn committed borrowing facilities (Note 29) to meet ongoing commitments and therefore it is concluded that adequate support is available to evidence that the going concern assumption is appropriate for the preparation of the 2019 combined financial statements.

All significant transactions among the combining entities occurring during the year and balances receivable and payable at the year-end have been eliminated upon combination.

These combined financial statements have been presented in UAE Dirhams (“AED”). All values have been rounded to the nearest thousand (AED’thousand) unless otherwise indicated.

These combined financial statements are non-statutory financial statements of the combined entities.

These special purpose combined financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”) except for the assets and liabilities acquired in the transaction are recorded at their historical book value using predecessor accounting.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these combined financial statements are consistent with those followed in preparation of the previous year financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective for annual period beginning on or after as of 1 January 2019, as listed below:

**New standards and interpretations effective for annual period beginning on or after 1 January 2019**

- Amendments to IFRS 16 Leases relating to Covid-19-Related Rent Concessions (effective from 1 January 2020)
- Amendments to Reference to the Conceptual Framework in IFRS Standards (effective from 1 January 2020)
- IFRS 17 Insurance Contracts (effective from 1 January 2023) (effective from 1 January 2020)
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from 1 January 2023).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective from 1 January 2022).
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use (effective from 1 January 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract (effective from 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from 1 January 2022), IFRS 9 Financial Instruments (effective from 1 January 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from 1 January 2022).
- Interest Rate Benchmark Reform — Phase 1 (Amendments to IFRS 9 and IFRS 7)
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective from 1 January 2021).

The nature and effect of the changes as a result of adoption of IFRS 16 is described below. The other amendments and interpretations apply for the first time in 2019, but do not have an impact on the combined financial statements of the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**IFRS 16 ‘Leases’**

In January 2016, the IASB issued IFRS 16 Leases which replaces the existing leasing standard (IAS 17 Leases) and requires the recognition of most leases on the combined statement of financial position. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low-value items. The accounting treatment for lessors remains essentially unchanged, with the requirement to classify leases as either finance or operating. The Group has adopted IFRS 16 on the effective date of 1 January 2019 through the simplified modified approach.

The impact on the combined statement of financial position as at 1 January 2019 was as follows:

	<i>At 1 January 2019 AED ‘000</i>
Property, plant and equipment (right of use asset) (note 12)	67,930
Lease liabilities (note 31)	75,246

The impact on the combined statement of profit or loss was as follows:

	<i>31 December 2019 AED ‘000</i>
<b>Impact on combined statement of profit or loss</b>	
Depreciation and amortisation expense	25,532
Short term and variable lease expense	93,854
Finance costs (note 31)	3,002
Decrease in other expenses	<u>(8,207)</u>
<b>Decrease in profit for the year</b>	<b><u>114,181</u></b>

A reconciliation from operating lease commitments as at 31 December 2018 to lease liabilities as at 1 January 2019 is as follows:

	<i>AED ‘000</i>
<b>Operating lease commitments recognised as of 31 December 2018</b>	<b>257,334</b>
Discounted using the lessee’s incremental borrowing rate as at 1 January 2019	(9,685)
Less: short term leases recognised on a straight line basis as expense	(182,189)
Add: adjustments as a result of a different treatment of extension and termination options	<u>9,786</u>
	<b><u>75,246</u></b>

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### **Fair value measurement**

The Group measures certain financial instruments, such as, derivatives, and certain non-financial assets, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The group categorises assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly and indirectly, other than quoted prices included within Level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modification to observable related market data or the Group's assumption about pricing by market participants.

#### **Revenue recognition**

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control usually coincides with title passing to the customer and the customer taking physical possession.

When, or as, a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

The different revenue streams of the Group and the timing of revenue recognition in respect of each revenue stream are mentioned below:

*a) Revenue from transmission of power and water*

The Group has a transmission system that consists of various transmission lines and transformers that link power stations to the distribution system. The transmission network primarily transports bulk power and water to the distribution networks. The Group also provides infrastructure services for the transmission system network.

The Group earns revenue from licensed and unlicensed activities, using certain assets that are shared between these activities, and other assets that are solely dedicated to unlicensed activities.

Licensed activities represent operations and transactions relating to the transmission of power and water within the Emirate of Abu Dhabi, which are charged to ADDC and AADC (both are Group companies). These transactions are eliminated as intra-group transactions and not reported in these combined financial statements.

Unlicensed activities represent operations and transactions relating to transmission of power and water to Federal Electricity and Water Authority and Sharjah Electricity and Water Authority, which are charged to Emirates Water and Electricity Company ("EWEC") (previously Abu Dhabi Water and Energy Corporation ("ADWEC")).

#### ***System charges from solely dedicated assets (unlicensed activities)***

The service charges for the transmission of water and power to other emirates from solely dedicated assets are based on the specific transmission charge calculated with reference to the costs associated with operating relevant dedicated assets. Such revenue is also recognised upon the delivery of electricity and water.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### Revenue recognition continued

##### *b) Revenue from supply and distribution of power and water*

The Group also earns revenue from supply and distribution of power and water in the region of Abu Dhabi. Revenue is subject to Maximum Allowed Revenue (“MAR”) calculated in accordance with a formula as defined in the License document issued by DoE previously known as Regulation and Supervision Bureau (RSB). Subsidies in respect of sale of power and water for the period are based on the difference between MAR and revenue billed to customers for the supply and distribution of water and electricity.

Revenue earned from supply business includes charges recoverable from customers for the supply of power and water within the Group’s distribution. Revenue is recognised over time as when the units of power and water are supplied to customers and includes an estimate of the value of the units supplied to customers between the date of the last meter reading and the reporting date. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur based on accumulated historical experience of the Group.

When the Group satisfies a performance obligation by transferring a promised good or service, the Group has earned a right to consideration from the customer and, therefore, has a contract asset in the form of account receivable.

##### ***Revenue from connection and meter installation fees***

Revenue from connection and meter installation fees includes income earned from customers for installation of meters and other related equipment. These charges are recognised in profit or loss when the connection is activated.

##### ***Water tankers***

Revenue from water tankers represents charges received from the customers for the sale of water through tankers. These charges are recognised in profit or loss at the time when units of water are distributed to the customers against these tankers.

##### ***Revenue from water coupons and prepaid cards***

Revenue from prepaid cards represents charges received from the customers for the sale of water coupons and prepaid cards. These charges are recognised in profit on loss at the time when units of water are distributed to the customers against these prepaid cards.

##### *c) Revenue from generation of power and water*

The Group earns revenue from sale of power and water. The revenue recognition of the Group’s power and water business is as follows:

- Power and Water Purchase Agreement (“PWPA”) and Power Purchase Agreement (“PPA”) contains an operating lease, capacity payments are recognised as operating lease rental revenue on a systematic basis to the extent that capacity has been made available to the offtaker during the period. Those payments, which are not included as capacity payments (e.g. fuel revenue), are recognised as revenue in accordance with the contractual terms of the PWPA/PPA.
- Energy and water payments are recognised as revenue at the point in time when the contracted power and water capacity is provided to the offtaker.
- Fuel revenue represents reimbursements from the offtakers in the power and water subsidiaries at market prices for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements. Fuel revenue is recognised as and when fuel is consumed in the production of power and water.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### Government grants

Grants that compensate the Group for the cost of an asset are initially recognised as a deferred government grant at fair value when there is reasonable assurance that a grant will be received and the Group will comply with the conditions associated with the grant. Subsequently, these grants are recognised in profit or loss on a systematic basis over the useful life of the associated asset.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

##### a) *Group as a lessee - Right of use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### b) *Group as a lessee - Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the year in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

##### c) *Group as a lessor - Finance leases*

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are classified as financial leases. The amounts due from the lessee are recorded in the combined statement of financial position as financial assets and are carried at the amount of the net investment in the lease after making provision for expected credit losses.

##### d) *Group as a lessor - Operating leases*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the year in which they are earned.



## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### Property, plant and equipment

##### a) *Property, plant and equipment - general*

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The present value of the expected cost for the decommissioning obligation of an asset at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is calculated so as to write off the cost of property, plant and equipment over the expected useful economic lives of the assets concerned. If significant parts of an item of property, plant and equipment have different useful lives, these significant parts are accounted for as separate items (major components) of property, plant and equipment. The estimated useful lives of assets as follows:

- Buildings, equipments and plant and machinery - 3 to 40 years (Depreciation: Straight line basis)
- Capital spares - 5 to 40 years (Depreciation: Straight line basis)
- Right of use assets - Lower of useful life and lease term (Depreciation: Straight line basis)

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date, with the effect of any changes in estimate accounted for a prospective basis.

The cost of spare parts held as essential for the continuity of operations and which are designated as strategic spares are depreciated on a straight line basis over their estimated operating life. Spare parts used for normal repairs and maintenance are expensed when issued.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

##### b) *Property, plant and equipment - major maintenance and repairs*

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the group, the expenditure is capitalised. Where an asset or part of an asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset (or asset part) which is immediately written off.

Inspection costs associated with major maintenance programs are capitalised when the recognition criteria are met and amortised over the year to the next inspection. Day to day servicing and maintenance costs are expensed as incurred in profit or loss.

##### c) *Property, plant and equipment - capital work in progress*

Capital work in progress is included in property, plant and equipment at cost on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

##### d) *Mega Development projects*

Mega development projects received from several developers are measured at cost which are directly attributable to the construction and development of assets. These assets are transferred to the relevant category of property, plant and equipment once the asset transfer agreements have been signed, distribution network is connected to the transmission network, associated risks are transferred to the Group and the concerned assets are made available for use.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal (FVLCD) and its value in use (VIU). Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of VIU calculations, assumptions are also made regarding the cash flows from each asset's ultimate disposal. In determining FVLCD, recent appropriate market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

**Inventories**

Inventory is valued at the lower of cost, determined on the basis of weighted average cost, and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**Deferred income**

*a) Deferred income - grants*

This represents the value of property, plant and equipment received as a grant and is recognised as income over the period necessary to match with the related costs of property, plant and equipment which are subject to compensation.

*b) Deferred income - connection fees*

This includes connection fees received / receivable from customers, which will be released to profit or loss once the customer is connected to the distribution network of the Group.

**Customer and meter deposits**

Customer and meter deposits from electricity and water customers are recognised as liability when they are received and are normally settled at the time of disconnecting the customer from the Group's distribution network.

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

*a) Financial assets*

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 - Revenue from Contracts with Customers.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

a) *Financial assets* continued

**Initial recognition and measurement** continued

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortised cost (debt instruments)**

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Financial assets at fair value through OCI (debt instruments)**

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

**Financial assets designated at FVOCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 - Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

a) *Financial assets* continued

***Financial assets at FVTPL***

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The detailed accounting treatment of derivatives is described in the accounting policy of derivative financial instrument and hedging activities. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the combined statement of financial position at fair value with net changes in fair value recognised in profit or loss.

***Cash and short-term deposits***

Cash and short-term deposits in the combined statement of financial position comprise of cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purpose of statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### Financial instruments continued

##### a) Financial assets continued

#### **Impairment**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which the counter-party has an investment grade credit rating or credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are calculated based on estimates including the probability of default (PD) and the loss incurred in default positions (LGD). These estimates are allocated by assessing the counterparty credit ratings. The Group calibrates the matrix to adjust the provision rates with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are projected to change then the historical default rates are adjusted. At every reporting date, the counterparty credit ratings are updated and changes in the forward-looking estimates are analysed. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

#### **Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

#### **Definition of default**

The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

a) *Financial assets* continued

***Credit-impaired financial assets***

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

***Write-off policy***

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the profit or loss.

***Measurement and recognition of expected credit losses***

The measurement of expected credit losses is a function of the PD, loss given default (LGD) (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

b) *Financial liabilities*

***Initial recognition and measurement***

At initial recognition, the Group measures a financial liability not classified as FVTPL, at its fair value minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

***Subsequent measurement***

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost
- Financial liabilities at FVTPL

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

*b) Financial liabilities* continued

***Financial liabilities subsequently measured at amortised cost***

The Group measures financial liabilities that are not held-for-trading and are not designated as at FVTPL at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the finance costs in the statement of profit or loss.

***Financial liabilities subsequently measured at FVTPL***

The Group measures financial liabilities that are classified as held for trading, i.e. if they are incurred for the purpose of repurchasing in the near term, at FVTPL. This category also includes derivative financial instruments, including separated embedded derivatives, entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial guarantee contracts and loan commitments issued by the Group are also designated by the Group as financial liabilities at FVTPL. Gains or losses on financial liabilities at FVTPL are recognised in profit or loss.

***Derecognition***

The Group derecognises financial liabilities when the obligation is discharged, cancelled or expires. Any difference between carrying value of financial liability extinguished and the consideration paid is recognised in profit or loss.

*c) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the combined statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

*d) Derivative financial instruments and hedge accounting*

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 35.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

***Hedge accounting***

At the inception of a hedge relationship that qualifies for hedge accounting, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).



NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

*Hedge accounting* continued

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

*Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the combined statement of profit or loss relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

*Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in combined statement of profit or loss and other comprehensive income and accumulated under the heading of changes in fair values of derivative instruments in cash flow hedges. The gain or loss relating to the ineffective portion is recognised immediately in combined statement of profit or loss, and is included in changes in fair values of derivatives and fair value hedges line item.

Amounts previously recognised in other comprehensive income/(loss) and accumulated in equity are reclassified to the profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the combined statement of profit or loss as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income/(loss) and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income/(loss) and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**Employees benefits**

*a) Annual leave and leave passage*

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

*b) End of service benefits*

**Defined contribution plans**

The Group provides end of service benefits to certain employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pensions and Benefits Fund calculated as a percentage of the employees' salaries. Where the Group's obligations are limited to these contributions made to pension and benefit funds, these contributions are expensed on a monthly basis and paid when due.

**Provisions**

*a) General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the combined statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*b) Asset retirement obligations (ARO) / decommissioning liability*

Certain Group entities have legal obligations in respect of site restoration and abandonment of their power generation and water desalination assets at the end of their useful lives (decommissioning costs). The Group records a provision for the site restoration and abandonment based upon estimated costs at the end of their useful lives. Accordingly, a corresponding asset is recognised in property, plant and equipment. Decommissioning costs are recorded at the present value of expected costs to settle the obligations using estimated cash flows and are recognised as part of the cost of each specific asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The accretion is expensed as incurred and recognised in the combined statement of profit or loss as a finance cost. The estimated future costs of the asset retirement obligation are reviewed annually and adjusted as appropriate. Changes to provisions based on revised costs estimates or discount rate applied charges are added to or deducted from the cost of the relevant asset.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### Contingencies

From time to time, the Group receives claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. A liability is accrued only if an adverse outcome is more likely than not and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the claim is disclosed as a contingent liability, if material. The actual outcome of a claim may differ from the estimated liability and consequently may affect the financial performance and position of the Group.

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Significant judgements in applying accounting policies

The management has made the following judgements, which have the most significant effect on the amounts recognised in these combined financial statements:

#### Revenue recognition - Connection and supply of water and electricity

Significant judgement was exercised in determining whether the connection and supply of water/electricity are considered to be two distinct performance obligations as that can have a considerable impact on how the related revenue is recognised. Management considered the detailed criteria of IFRS 15 Revenue from Contracts with Customers along with a variety of factors including, but not limited to, the connection and supply agreements, tariffs charged, etc.

In light of the facts and circumstances, management believes that connection and supply are two distinct performance obligations, hence revenue should be recognised as and when each one of the obligations are satisfied. For connection fees, the obligation is fulfilled once the connection is complete after which the Group has the right to receive consideration in full. As a result, revenue related to connection charges is recognised upon initiation of the connection at a point in time. Since the obligation of supply of water/electricity is fulfilled as the product/service is provided, related revenue is also recognized at a point in time upon supply. Conversely if the connection and supply were considered to be one performance obligation, the related connection charges would be deferred over the useful life of the assets installed to provide the connection.

#### Liquidated damages

Liquidated damages in respect of loss of revenue due to delay in commissioning of plant are included in revenue net of liquidated damages payable to the offtaker when the right to receive the liquidated damages is established.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

#### **Power and Water Purchase Agreements**

Certain Group entities have entered into PWPAs/PPAs. Under the PWPAs/PPAs, those entities receive payment for the provision of power and water capacity, whether or not the offtaker EWEC requests power or water output ("capacity payments"), and for the variable costs of production ("energy and water payments"). The Group has determined the PWPAs/PPAs are lease arrangements as management considers that the Group retains the principal risks and rewards of ownership of the plants, based on management's estimate of the useful life and residual value of the assets, and so accounts for the PWPAs/PPAs as operating leases. An estimate of the useful life of the asset and residual value is made and reviewed annually. The effects of changes in useful life are recognised prospectively, over the remaining life of the asset. When there are amendments to the PWPAs/PPAs, management reconsiders whether the Group continues to retain the principal risks and rewards of ownership of the plants.

#### **Equity or liability classification**

Interest free loans are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement and criteria of IAS 32. Unsecured amounts without defined interests and repayment terms are treated as equity contribution.

#### **Capitalisation of project costs**

##### *a) Transmission network*

In determining the timing of recording of assets and commencing the depreciation, management has considered the principles laid down in IAS 16 - Property, Plant and Equipment, the time of the completion of the commissioning and the time when the asset is ready for its intended use i.e. it is probable that economic benefits will flow to the Group and assets are operational and under the use of the Group.

Project costs, related to the transmission network of the Group, capitalised under capital work in progress are transferred to the relevant category of property, plant and equipment when the following criteria are met:

- a) the distribution network is connected to the transmission network,
- b) the project capitalisation form is approved by the asset management directorate, and
- c) the provisional acceptance certificate is issued to the contractor.

Any revision in the engineer's estimates are adjusted prospectively with the recorded project costs. The Group recognises funded transmission and despatch projects once the respective work is completed, all the regulatory approvals are obtained from the Regulation and Supervision Bureau, the transmission and despatch asset transfer agreements are signed and the transmission and despatch assets are made available for use. The Group signed a Memorandum of Understanding (MOU) with the transferor in prior years. The MOU states that the transferor bears the risks and title to transmission and despatch project construction assets until successful completion of the commissioning of the respective stage. Accordingly, management has determined that the transfer of these transmission and despatch project construction assets have not taken place in accordance with the accounting policies of the Group, MOU's and asset transfer agreement.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued

**Capitalisation of project costs** continued

*b) Major development projects - Distribution assets*

In determining the timing of recording of these distribution assets which are received from various developers and commencing the depreciation, management has considered the principles laid down in IAS 16, the time of completion of commissioning and the time when the assets are ready for its intended use i.e. it is probable that economic benefits flow to the Group given its exclusive distribution license and the distribution assets are operational and under the use of the Group.

During the period, management has considered the detailed criteria of IAS 16 and reviewed the transfer agreements and the correspondences with developers and consultants of these projects to obtain the justification for their recognition in the Group's combined financial statements. Management believes that these distribution assets meet the conditions mentioned in IAS in terms of capitalising these distribution assets and consequently depreciating them from the date when these distribution assets were available for use.

**Capitalisation of staff costs**

Management determines whether the Group will recognise an asset from the staff costs incurred to fulfil a project if such costs meet all the following criteria:

- a) the costs relate directly to a project that the Group can specifically identify;
- b) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- c) the costs are expected to be recovered.

Such staff costs will be amortised on a systematic basis over the useful life of the asset recognised.

**Accounting for deferred income – grant**

The amount received from Fujairah Asia Power Company PJSC (“FAPCO”) against a specific project of the Group has been classified as a grant. In determining whether the amount received from FAPCO is a grant, management has considered the detailed criteria for the determination of such classification as set out in IAS 20 - Accounting for government grants and disclosure of government assistance. Further, management determined that the amount received be recognised as a deferred grant in the statement of financial position and be transferred to the combined statement of profit or loss on a systematic basis over the estimated useful life of the related asset. Management is satisfied that the amount received from FAPCO is appropriately classified as a grant and is appropriately amortised over the useful life of the related asset.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

**Impairment testing of non-financial assets**

Management determines at each reporting date whether there are any indicators of impairment relating to the Group's property, plant and equipment and intangible assets. A broad range of internal and external factors are considered as part of the indicator review process.

The Group's impairment testing for non-financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use (VIU) and fair value less costs of disposal (FVLCD). VIU for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. FVLCD for relevant cash generating units is generally derived from discounted cash flow models using market based inputs and assumptions. Recoverable amount is most sensitive to price assumptions and discount rates used in the cash flow models.

**Provision for decommissioning**

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate decommissioning costs or asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation.

The provision is most sensitive to inflation and discount rates used in the cash flow models.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

#### **Allowance for expected credit losses**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- a) An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- b) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- c) An actual or expected significant deterioration in the operating results of the debtor;
- d) Significant increases in credit risk on other financial instruments of the same debtor;
- e) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

#### **Allowance for slow moving and obsolete inventories**

Management assess loss (if any) on items of inventory on account of slow moving and obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a future consumption of the item. Based on the factors, management has identified inventory items as slow moving and obsolete to calculate the allowance for slow moving and obsolete inventories.

#### **Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the combined statement of financial position cannot be derived based on quoted prices from active markets, their fair value is determined using valuation techniques including discounted cash flows models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### **Useful lives of property, plant and equipment**

Management determines the estimated useful lives of property, plant and equipment. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge is adjusted where management believes that the useful lives differ from previous estimates.

#### **Other operating revenue**

Other operating revenue for sales of water and electricity is calculated as the difference between its Maximum Allowed Revenue (MAR) determined in its Regulatory Control 1 (communicated by the DoE) and revenue relating to sales of water and electricity from its customers. Accordingly, the Group recognised this revenue for sales of water and electricity based on those rights and rewards that are confirmed during the period.

#### **Unbilled revenue**

The Group estimates the amount of unbilled consumption individually for each customer account based on historical meter readings. Unbilled consumption is calculated based on the average consumption for the period between the date of the last meter reading and the year end.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS BUT NOT YET EFFECTIVE**

The following standards and interpretations are issued, but not yet effective, up to the date of issuance of the combined financial statements. None of the new standards or amendments are expected to have a material impact on the Group combined financial statements:

- IFRS 17 Insurance Contracts (effective from 1 January 2023).
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from 1 January 2023).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective from 1 January 2022).
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use (effective from 1 January 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract (effective from 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from 1 January 2022), IFRS 9 Financial Instruments (effective from 1 January 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from 1 January 2022).
- Interest Rate Benchmark Reform — Phase 1 (Amendments to IFRS 9 and IFRS 7)
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective from 1 January 2021).

**6 REVENUE**

**6.1 Revenue from generation of power and water**

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
Operating lease revenue (note (i))	<b>1,096,047</b>	932,768
Energy payments and other related revenue	<b>105,020</b>	117,603
Others (note (ii))	<b><u>83,910</u></b>	<u>4,672</u>
	<b><u>1,284,977</u></b>	<u>1,055,043</u>

*Note (i)*

During 2019, one of Al Maqam’s subsidiary, Sweihan PV Power Company PJSC, was fully commissioned and started generating and selling power to EWEC a wholly-owned subsidiary of Abu Dhabi Power Corporation PJSC (“ADPC”) as per the terms of PPA.

*Note (ii)*

Others includes liquidated damages are in respect of unavailability of plant caused by the EPC contractor amounting to AED 72,585 thousand (2018: Nil).



# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 6 REVENUE continued

#### 6.2 Revenue from distribution and supply of power and water

	2019 AED '000	2018 AED '000
Revenue from distribution and supply of power and water	12,581,227	12,002,865
Other operating revenue	11,074,460	10,565,008
Distribution connection and meter installation fees	260,113	272,219
Other revenue	<u>81,844</u>	<u>80,597</u>
	<u>23,997,644</u>	<u>22,920,689</u>

The Group earns revenue from supply and distribution of power and water in the emirate of Abu Dhabi. Revenue is subject to Maximum Allowed Revenue ("MAR") calculated in accordance with a formula as defined in the License document issued by DOE. Other operating revenue in respect of sale of power and water for the year are based on the difference between MAR and revenue billed to customers for the supply and distribution of power and water.

All revenue from distribution and supply of power and water is recognised at a point in time.

### 7 OPERATING EXPENSES

	2019 AED '000	2018 AED '000
Bulk supply tariff ("BST") (note 32)	13,299,483	13,252,401
Staff costs	1,530,898	1,538,453
Repairs, maintenance and consumables used	594,658	468,889
Charges by operating and maintenance contractors	73,414	66,423
Derogation charges (note 32) (note i)	65,182	39,747
Tank hire cost	26,520	15,096
Insurance	16,369	16,649
Other facilities charges (note 14 & 32)	6,593	6,594
Purchase of water and electricity from Abu Dhabi Company for Servicing Remote Areas ("RASCO") (note 32) (note ii)	-	136,974
Fuel expenses	<u>3,934</u>	<u>344</u>
	15,617,051	15,541,570
Less: Financial adjustment charged for RASCO (note 32)	<u>-</u>	<u>(60,137)</u>
	<u>15,617,051</u>	<u>15,481,433</u>

#### Note (i)

This amount represents fees for the water and electricity distribution and supply license granted by the Department of Energy (DoE) to the Group.

#### Note (ii)

On 21 May 2018, DOE has issued a letter with reference no. 2121/MBJ/18/2043 setting out the steps to close out RASCO. The DOE also issued Undersecretary Decision No. (22) of 2018 dated 8 October 2018 establishing the sector committee to close out the RASCO. The cancellation of the RASCO's license was effective from 1 January 2019.

# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 8 DEPRECIATION AND AMORTISATION

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
Depreciation of property, plant and equipment (note 12)	<b>3,725,334</b>	3,497,103
Amortisation of intangible assets (note 13)	<b>43</b>	76
	<b><u>3,725,377</u></b>	<b><u>3,497,179</u></b>

### 9 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
Salaries and related expenses	<b>613,723</b>	452,157
Administration service charge from ADPC (previously DoE) (note 32)	<b>193,250</b>	133,889
Software support services	<b>102,698</b>	91,457
Insurance	<b>89,327</b>	94,271
Depreciation of property, plant and equipment (note 12)	<b>60,456</b>	40,734
Management and technical consultancy fees	<b>54,933</b>	35,075
Write off of property, plant and equipment (note 12)	<b>46,013</b>	5,688
Transportation charges	<b>39,530</b>	42,236
Penalties and claims	<b>28,914</b>	2,365
IT service charges	<b>27,985</b>	23,361
Communication expense	<b>24,957</b>	19,239
License fee (note 32)	<b>23,311</b>	17,108
GCC grid operating fee (note 32)	<b>23,115</b>	26,618
Fuel for vehicles	<b>12,559</b>	13,294
Cleaning expenses	<b>4,172</b>	4,928
Advertising expenses	<b>1,937</b>	6,900
Other expenses	<b><u>150,258</u></b>	<b><u>107,370</u></b>
	<b><u>1,497,138</u></b>	<b><u>1,116,690</u></b>

### 10 FINANCE COSTS

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
Interest expense on interest bearing loans and borrowings	<b>355,075</b>	284,803
Interest expense on interest and currency rate swaps	<b>63,341</b>	77,408
Accretion of expense (note 29 & 30)	<b>7,537</b>	4,300
Long Terms Service Agreement ("LTSA") accrual accretion expense	<b>-</b>	1,036
Amortisaion of prepaid finance cost	<b>5,003</b>	5,181
Other finance costs	<b><u>18,166</u></b>	<b><u>25,479</u></b>
	<b><u>449,122</u></b>	<b><u>398,207</u></b>

# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

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### 11 OTHER INCOME

	<b>2019</b>	<b>2018</b>
	<b>AED '000</b>	<b>AED '000</b>
Miscellaneous income	<b>129,375</b>	83,667
Deferred income- grant released (note 27)	<b>66,031</b>	66,035
Fines, penalties and compensation	<b>31,234</b>	43,214
Insurance claims	<b>8,553</b>	280
Gain on disposal of asset held for sale (note 18)	<b>-</b>	<b>1,586</b>
	<b><u>235,193</u></b>	<b><u>194,782</u></b>

### 12 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings, equipments and plant and machinery</i>	<i>Capital spares</i>	<i>Capital work in progress</i>	<i>Right of use assets</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>2019</b>					
Cost:					
At 1 January 2019	118,883,185	576,428	9,839,730	67,930	129,367,273
Additions	3,513,639	8,148	2,754,493	42,296	6,318,576
Transfers	1,517,701	-	(4,626,990)	-	(3,109,289)
Transfer from a related party (note 32)	1,708,782	-	20,318	-	1,729,100
Transfer to a related party (note 32)	(1,985)	-	-	-	(1,985)
Material returns	-	-	(21,107)	-	(21,107)
Adjustments to projects capitalized in prior years	(107,844)	-	-	-	(107,844)
Write off (note 9)	<u>(21,857)</u>	<u>(71,870)</u>	<u>-</u>	<u>-</u>	<u>(93,727)</u>
At 31 December 2019	<b><u>125,491,621</u></b>	<b><u>512,706</u></b>	<b><u>7,966,444</u></b>	<b><u>110,226</u></b>	<b><u>134,080,997</u></b>
Depreciation:					
At 1 January 2019	40,906,198	367,984	-	-	41,274,182
Charge for the year (note 8 & 9)	3,750,153	10,105	-	25,532	3,785,790
Transfer to a related party	(796)	-	-	-	(796)
Write off (note 9)	<u>(21,203)</u>	<u>(26,511)</u>	<u>-</u>	<u>-</u>	<u>(47,714)</u>
At 31 December 2019	<b><u>44,634,352</u></b>	<b><u>351,578</u></b>	<b><u>-</u></b>	<b><u>25,532</u></b>	<b><u>45,011,462</u></b>
Impairment:					
At 1 January and 31 December 2019	<u>243,125</u>	<u>314</u>	<u>-</u>	<u>-</u>	<u>243,439</u>
Net carrying amount:					
At 31 December 2019	80,614,144	160,814	7,966,444	84,694	88,826,096
Advances to contractors	<u>410,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,337</u>
Total property, plant and equipment	<b><u>81,024,481</u></b>	<b><u>160,814</u></b>	<b><u>7,966,444</u></b>	<b><u>84,694</u></b>	<b><u>89,236,433</u></b>

# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

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### 12 PROPERTY, PLANT AND EQUIPMENT continued

	<i>Buildings, equipments and plant and machinery AED '000</i>	<i>Capital spares AED '000</i>	<i>Capital work in progress AED '000</i>	<i>Total AED '000</i>
<i>2018</i>				
Cost:				
At 1 January 2018	112,772,174	573,203	8,300,163	121,645,540
Additions	555,848	3,225	5,794,088	6,353,161
Transfers	4,194,431	-	(4,244,489)	(50,058)
Transfer from a related party (note 32)	1,398,518	-	34,382	1,432,900
Material returns	-	-	(44,414)	(44,414)
Adjustments to projects capitalized in prior years	(20,865)	-	-	(20,865)
Disposals of assets	(803)	-	-	(803)
Write off (note 9)	<u>(16,118)</u>	<u>-</u>	<u>-</u>	<u>(16,118)</u>
At 31 December 2018	<u>118,883,185</u>	<u>576,428</u>	<u>9,839,730</u>	<u>129,299,343</u>
Depreciation:				
At 1 January 2018	37,386,596	360,982	-	37,747,578
Charge for the year (note 8 & 9)	3,530,835	7,002	-	3,537,837
Write off (note 9)	(10,430)	-	-	(10,430)
Disposal	<u>(803)</u>	<u>-</u>	<u>-</u>	<u>(803)</u>
At 31 December 2018	<u>40,906,198</u>	<u>367,984</u>	<u>-</u>	<u>41,274,182</u>
Impairment:				
At 1 January 2018 and At 31 December 2018	<u>243,125</u>	<u>314</u>	<u>-</u>	<u>243,439</u>
Net carrying amount:				
At 31 December 2018	77,733,862	208,130	9,839,730	87,781,722
Advances to contractors	<u>571,771</u>	<u>-</u>	<u>-</u>	<u>571,771</u>
Total property, plant and equipment	<u>78,305,633</u>	<u>208,130</u>	<u>9,839,730</u>	<u>88,353,493</u>

The depreciation charge for the year is allocated to the combined statement of profit or loss as follows:

	<i>2019 AED '000</i>	<i>2018 AED '000</i>
Cost of goods sold (note 8)	<u>3,725,334</u>	3,497,103
General and administrative expenses (note 9)	<u>60,456</u>	<u>40,734</u>
	<u>3,785,790</u>	<u>3,537,837</u>

# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 13 INTANGIBLE ASSETS

	<i>Intangibles assets AED '000</i>
<b>2019</b>	
Cost:	
At 1 January 2019	469
Additions	<u>61</u>
At 31 December 2019	<u><b>530</b></u>
Amortisation:	
At 1 January 2019	385
Charge for the year (note 8)	<u>43</u>
At 31 December 2019	<u><b>428</b></u>
Net book value as at 31 December 2019	<u><b>102</b></u>
<b>2018</b>	
Cost:	
At 1 January 2018	387
Additions	<u>82</u>
At 31 December 2018	<u>469</u>
Amortisation:	
At 1 January 2018	309
Charge for the year (note 8)	<u>76</u>
At 31 December 2018	<u>385</u>
Net book value as at 31 December 2018	<u><u>84</u></u>

Intangible assets include the costs for the acquisition of licenses for the use of software.

### 14 ADVANCE TO AN ASSOCIATE AND JOINT VENTURE

	<b>31 December 2019 AED '000</b>	<b>31 December 2018 AED '000</b>
Balance at 1 January	<b>217,316</b>	223,910
Amortisation charged to profit or loss (note 7)	<u><b>(6,593)</b></u>	<u>(6,594)</u>
At 31 December	<u><b>210,723</b></u>	<u>217,316</u>
Non-current assets (note 32)	<b>204,130</b>	210,723
Current assets (note 32)	<u><b>6,593</b></u>	<u>6,593</u>
	<u><b>210,723</b></u>	<u>217,316</u>

This represents an interest free advance made to Mirfa Shared Facilities Company LLC ("MSFC") and Shuweihat Shared Facilities Company LLC.

# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 15 INVENTORIES

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
Spare parts and consumables	<b>1,486,594</b>	1,564,729
Fuel	<b>84,945</b>	83,756
Less: allowance for slow moving and obsolete inventories	<b><u>(502,226)</u></b>	<u>(522,761)</u>
	<b><u>1,069,313</u></b>	<u>1,125,724</u>

The movements in allowance for slow moving and obsolete inventories were as follows:

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
At 1 January	<b>522,761</b>	519,648
Charge for the year	<b>18,275</b>	35,956
Charged to a related party (note 32)	-	(971)
Write off	<b><u>(38,810)</u></b>	<u>(31,872)</u>
	<b><u>502,226</u></b>	<u>522,761</u>

### 16 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
Trade receivables	<b>4,122,627</b>	4,030,994
Contract asset	<b>869,267</b>	854,099
Prepaid and other assets	<b>100,267</b>	115,837
Prepayments	<b>43,469</b>	47,992
VAT recoverable	<b>35,854</b>	12,612
Deposits	<b>170</b>	166
Other receivables	<b>47,786</b>	34,645
Less: allowance for expected credit losses	<b><u>(867,813)</u></b>	<u>(896,962)</u>
	<b><u>4,351,627</u></b>	<u>4,199,383</u>

The Group measures the provision for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The movements in the loss allowance against trade receivables are as follow:

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
At 1 January	<b>896,962</b>	829,567
Adjustment upon application of IFRS 9	-	48,334
Reversal for the year	<b>26,992</b>	19,061
Write off	<b><u>(56,141)</u></b>	<u>-</u>
At 31 December	<b><u>867,813</u></b>	<u>896,962</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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**16 ACCOUNTS RECEIVABLE AND PREPAYMENTS** continued

	Trade receivables						Contract asset			
	Not past due AED '000	<30 days past due AED '000	31-60 days past due AED '000	61-90 days past due AED '000	>90 days past due Government AED '000	Government AED '000	Total AED '000	<360 days AED '000	>360 days AED '000	Total AED '000
<i>As at 31 December 2019</i>										
Expected credit loss rate	23%	10%	21%	24%	69%	0.06%		9%	45%	
Estimated total gross carrying amount at default	24,387	343,854	299,641	254,483	858,270	1,706,496	3,487,131	794,320	74,947	869,267
Life time ECL	5,648	35,143	61,445	61,121	596,497	1,029	760,883	73,175	33,755	106,930
<i>As at 31 December 2018</i>										
Expected credit loss rate	6%	8%	20%	29%	66%	0.06%		8%	96%	
Estimated total gross carrying amount at default	198,557	514,245	339,515	192,814	842,387	1,459,090	3,546,608	750,966	103,133	854,099
Life time ECL	11,644	41,482	67,855	55,163	557,205	868	734,217	63,394	99,351	162,745

In determining gross carrying amount at default, the Group offset customer deposits amounting to AED 635,496 thousand (2018: AED 484,386 thousand) from the gross amount of trade receivables as at 31 December 2019.

**17 CASH AND SHORT TERM DEPOSITS**

	2019 AED '000	2018 AED '000
Cash in hand and at banks	824	1,396
Short term deposits	<u>2,190,719</u>	<u>515,450</u>
	<u>2,191,543</u>	<u>516,846</u>

**18 ASSET CLASSIFIED AS HELD FOR SALE**

The total carrying amount of AED 55,000 thousand was classified as "asset held for sale" as of 31 December 2019 and 31 Decemebr 2018 to be sold to ADPC (previously DoE) in relation to shared facility agreement. This is transferred to AD Power subsequently in June 2020.

In 2018, the Group sold certain assets amounting to AED 14,732 thousand and recognised a gain of AED 1,586 thousand in the combined statement of profit or loss account.

# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

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### 19 COMBINED SHARE CAPITAL

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
<b>Al Maqam Energy Holding LLC</b> Authorised, issued and paid up capital	-	-
<b>Abu Dhabi Distribution Company PJSC</b> Authorised, issued and paid up capital (328,555,400 shares of AED 10 each)	<b>3,285,554</b>	3,285,554
<b>Al Ain Distribution Company PJSC</b> Authorised, issued and paid up capital (153,882,500 shares of AED 10 each)	<b>1,538,825</b>	1,538,825
<b>Abu Dhabi Transmission &amp; Despatch Company PJSC</b> Authorised, issued and paid up capital (599,141,700 shares of AED 10 each)	<b>5,991,417</b>	5,991,417
<b>Butinah Power Holding Company PJSC</b> Authorised, issued and paid up capital (62,424,345 shares of AED 10 each)	<b>624,243</b>	624,243
<b>Al Mirfa Power Company PJSC</b> Authorised, issued and paid up capital (47,962,700 shares of AED 10 each)	<b>479,627</b>	479,627
<b>Al Mirfa Power Holding Company PJSC</b> Authorised, issued and paid up capital (78,243,500 shares of AED 10 each)	<b>782,435</b>	782,435
<b>Sweihan Energy Holding Company PJSC</b> Authorised, issued and paid up capital (47,584,000 shares of AED 10 each)	<b><u>475,840</u></b>	<u>475,840</u>
	<b><u>13,177,941</u></b>	<u>13,177,941</u>

### 20 PROPOSED INCREASE IN COMBINED SHARE CAPITAL

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
Abu Dhabi Transmission & Despatch Company PJSC	<b>2,112,978</b>	2,112,978
Abu Dhabi Distribution Company PJSC	<b>582,162</b>	582,162
Al Ain Distribution Company PJSC	<b>250,903</b>	250,903
Al Mirfa Power Company PJSC	<b><u>140,959</u></b>	<u>140,959</u>
As at 31 December	<b><u>3,087,002</u></b>	<u>3,087,002</u>

Senior management has issued requests to the appropriate authorities to approve the increases or reduction in share capital. Once the formal approval from the appropriate authorities is granted, the necessary formalities to register the reduction in the share capital with the local authorities will be completed.



NOTES TO THE COMBINED FINANCIAL STATEMENTS

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**20 PROPOSED INCREASE IN SHARE CAPITAL** continued

In accordance with Resolution No. 20, session 4/2004 of the Executive Council of the Emirate of Abu Dhabi, the Government of Abu Dhabi has committed to fund all ongoing water and electricity projects approved by Water Electricity Department “WED” prior to 1 January 1999 against increasing the Government of Abu Dhabi shareholding in the share capital of the Group. Accordingly, the Authority has resolved to increase its shareholding in the Group by the amount of funding made by the Authority in respect of projects relating to the Group’s subsidiaries which were approved by the WED prior to 1 January 1999.

**21 RESERVES**

*Statutory reserve*

As required by UAE Federal Law No. 2 of 2015, the Group is required to transfer at least 10% of its net profit for the year to a non-distributable legal reserve until the amount of the legal reserve is equal to 50% of the Group issued capital.

*Legal reserve*

In accordance with the Articles of Association of the certain Group entities, 10% of the profit for the year is transferred to a legal reserve. These Group entities may resolve to discontinue such annual transfers when the reserve totals 50% of the share capital or in accordance with a resolution taken to this effect by the shareholder at the Annual General Meeting upon the recommendation of the Board of Directors. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholder of these Group entities.

**22 PROPOSED DIVIDEND**

The board has declared dividend of AED 4,252,281 thousand for the year 2019 (2018: AED 4,600,410 thousand). An amount of AED 4,601,080 thousand was settled through related party balance as dividend during the year (2018: AED 1,113,012 thousand).

**23 GOVERNMENT OF ABU DHABI**

	<b>2019</b>	<b>2018</b>
	<b>AED ‘000</b>	<b>AED ‘000</b>
As at 31 December	<b><u>22,771</u></b>	<b><u>22,771</u></b>

**24 INTEREST FREE LOANS FROM SHAREHOLDERS**

	<b>2019</b>	<b>2018</b>
	<b>AED ‘000</b>	<b>AED ‘000</b>
<b>Funding for projects approved after 1 January 1999:</b>		
At 1 January	<b>32,632,437</b>	79,104,054
Additions during the year	-	2,905,833
Payments made during the year (note 32)	<b>(158,753)</b>	-
Transfer of property, plant and equipment against shareholder loan	-	2,536
Settlement of shareholder loan against due from related party (note (i) & 32)	<b>-</b>	<b>(49,379,986)</b>
	<b><u>32,473,684</u></b>	<b><u>32,632,437</u></b>

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**24 INTEREST FREE LOANS FROM SHAREHOLDERS** continued

*Note (i)*

As per the arrangement between the relevant Group entities and ADPC (previously DoE), there are no contractual obligations to repay the loans and any repayments are at the discretion of the Board of Directors of the relevant Group entities, who do not intend to repay any such amounts in the foreseeable future. In addition, on dissolution of the relevant Group entities, the rights, benefits and obligations in the residual net assets and liabilities, attached to the loan, shall rank pari passu with those attached to the share capital of the relevant Group entities. Accordingly, these loans are more akin to equity instruments rather than liabilities, and therefore have been presented within equity.

During 2018, the Group has offset interest-free loan from ADPC amounting to AED 49,379,986 thousand against the transfers of assets and liabilities to the Group from ADPC.

**25 NON-CONTROLLING INTERESTS**

	Country of incorporation and operation	Proportion of equity interests held by non-controlling interests	
		2019	2018
Shuweihat Asia Power Company PJSC	UAE	40%	40%
Al Mirfa Power Company PJSC	UAE	40%	40%
Mirfa International Power and Water Company PJSC	UAE	40%	40%
Non-controlling interest in the subsidiaries is as follows:		2019	2018
		<i>AED '000</i>	<i>AED '000</i>
Shuweihat Asia Power Company PJSC		210,325	274,432
Mirfa International Power and Water Company PJSC		(53,987)	20,627
Sweihan PV Power Company PJSC		<u>116,907</u>	<u>27,448</u>
		<u>273,245</u>	<u>322,507</u>

All of the Group's subsidiaries that have material non-controlling interest are similar in nature. These all relate to the Group's power and water subsidiaries, in which the Group have an effective 60% share. 40% is owned by various international utility companies. Therefore, the following disclosures have been provided on an aggregated basis.

	2019	2018
	<i>AED '000</i>	<i>AED million</i>
Revenue	1,219,842	991,712
Profit	242,735	81,185
Other comprehensive income	(695,623)	326,259
<b>Total comprehensive income</b>	<b>(452,888)</b>	407,444
Profit allocated to non-controlling interests	92,176	32,750
Other comprehensive income allocated to non-controlling interests	(278,249)	130,504

# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 25 NON-CONTROLLING INTERESTS continued

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED million</i>
Non – current assets	<b>12,297,130</b>	12,428,067
Current assets	<b>1,248,312</b>	1,220,553
Non – current liabilities	<b>(10,537,453)</b>	(10,113,280)
Current liabilities	<b>(1,011,542)</b>	(1,368,609)
<b>Total equity</b>	<b><u>1,996,447</u></b>	<b><u>2,166,731</u></b>
Equity attributable to parent	<b>1,509,207</b>	1,776,086
Equity attributable to non-controlling interests	<b><u>487,240</u></b>	<u>390,645</u>
	<b><u>1,996,447</u></b>	<b><u>2,166,731</u></b>
Cash flows from operating activities	<b>476,686</b>	245,261
Cash flows used in investing activities	<b>(287,270)</b>	(2,099,663)
Cash flows used in (from) financing activities	<b>(170,115)</b>	<u>1,747,386</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b><u>19,301</u></b>	<b><u>(107,016)</u></b>
<b>Dividends paid to non-controlling interests</b>	<b><u>(12,486)</u></b>	<b><u>(8,079)</u></b>

### 26 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
At 1 January	<b>383,057</b>	365,137
Provided for the year	<b>38,316</b>	40,705
Payments during the year	<b>(35,217)</b>	(25,635)
Charged to a related party (note 32)	<b><u>(3,883)</u></b>	<u>2,850</u>
As at 31 December	<b><u>382,273</u></b>	<b><u>383,057</u></b>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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**27 DEFERRED INCOME – GRANT**

Deferred income relates to the fair value of assets transferred in prior years from Emirates CMS Power Company PJSC, Taweelah Asia Power Company PJSC, Shuweihat CMS International Power Company PJSC, the Private Department Al Ain, Arabian Power Company (all related parties) in accordance with agreements dated August 2000, April 2005 and May 2005, the decision of Abu Dhabi Executive Council dated 15 August 2005, agreement dated 12 February 2006, and the agreement dated 06 March 2014 respectively.

Deferred income also includes an amount of AED 75,000 thousand received in prior years from Fujairah Asia Power Company PJSC (a related party) for the procurement and installation of additional water storage tanks offsite the F2 leased premises and the downstream of the intermediate pumping station of the Water Trunk Main System having a usable storage capacity of 50 MIG.

The movement in the deferred income account during the year was as follows:

	<i>31 December 2019 AED '000</i>	<i>31 December 2018 AED '000</i>
At 1 January	<b>955,865</b>	1,021,900
Amount released to other income (note 11)	<b><u>(66,031)</u></b>	<u>(66,035)</u>
At 31 December	<b><u>889,834</u></b>	<u>955,865</u>

The deferred income balance disclosed in the combined statements of financial position was as follows:

Current	<b>817,769</b>	883,800
Non current	<b><u>72,065</u></b>	<u>72,065</u>
	<b><u>889,834</u></b>	<u>955,865</u>

**28 INTEREST BEARING LOANS AND BORROWINGS**

	<i>2019 AED '000</i>	<i>2018 AED '000</i>
Interest bearing term loans- term loans	<b>9,697,905</b>	10,135,801
Prepaid finance costs	<b><u>(68,055)</u></b>	<u>(73,058)</u>
Total	<b><u>9,629,850</u></b>	<u>10,062,743</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**28 INTEREST BEARING LOANS AND BORROWINGS** continued

Disclosed in the combined statement of financial statements as follows:

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
Non-current liabilities	<b>9,254,377</b>	9,410,836
Current liabilities	<b><u>375,473</u></b>	<u>651,907</u>
	<b><u>9,629,850</u></b>	<u>10,062,743</u>

The Groups interest bearing loans and borrowing (before deducting prepaid finance cost) are repayable as follows:

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
<b>Repayments of the principal amounts of the loans are scheduled as follows:</b>		
Payable within 1 year	<b>380,331</b>	657,000
Payable within 1 and 2 years	<b>481,945</b>	372,467
Payable within 2 and 5 years	<b>1,352,462</b>	1,063,796
Payable after 5 years	<b><u>7,483,167</u></b>	<u>8,042,538</u>
	<b><u>9,697,905</u></b>	<u>10,135,801</u>

**Changes in liabilities arising from financing activities**

	<i>1 January</i> <i>2019</i> <i>AED '000</i>	<i>Cash flows</i> <i>AED '000</i>	<i>Other</i> <i>AED '000</i>	<i>31 December</i> <i>2019</i> <i>AED '000</i>
<b>2019</b>				
<i>Current:</i>				
Interest bearing loans and borrowings	651,907	(578,991)	302,557	375,473
<i>Non-current:</i>				
Interest bearing loans and borrowings	<u>9,410,836</u>	<u>141,095</u>	<u>(297,554)</u>	<u>9,254,377</u>
<b>Total</b>	<b><u>10,062,743</u></b>	<b><u>(437,896)</u></b>	<b><u>5,003</u></b>	<b><u>9,629,850</u></b>
	<i>1 January</i> <i>2018</i> <i>AED '000</i>	<i>Cash flows</i> <i>AED '000</i>	<i>Other</i> <i>AED '000</i>	<i>31 December</i> <i>2018</i> <i>AED '000</i>
<b>2018</b>				
<i>Current:</i>				
Interest bearing loans and borrowings	274,192	(281,640)	659,355	651,907
<i>Non-current:</i>				
Interest bearing loans and borrowings	<u>8,001,647</u>	<u>2,063,363</u>	<u>(654,174)</u>	<u>9,410,836</u>
<b>Total</b>	<b><u>8,275,839</u></b>	<b><u>1,781,723</u></b>	<b><u>5,181</u></b>	<b><u>10,062,743</u></b>

# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 28 INTEREST BEARING LOANS AND BORROWINGS continued

#### Term loans

All term loans are shown at amortised cost and carry an effective interest rate of LIBOR plus the margin stated unless noted otherwise.

	Currency	Effective interest rate %	Repayment date	2019 AED '000	2018 AED '000
<i>Current liabilities</i>					
Butinah Power Holding Company	USD	LIBOR+(1.56- 2.5%)	2020	<b>152,385</b>	131,647
Mirfa International Power and Water Company	USD	LIBOR+(2.25%- 3.15%)	2020	<b>145,078</b>	147,456
Sweihan Energy Holding Company	USD	LIBOR+1.20%	2020	<b><u>78,010</u></b>	<u>372,804</u>
<b>Total</b>				<b><u>375,473</u></b>	<u>651,907</u>
<i>Non-current liabilities</i>					
Butinah Power Holding Company	USD	LIBOR+(1.56- 2.5%)	2034	<b>3,210,723</b>	3,363,108
Mirfa International Power and Water Company	USD	LIBOR+(2.25%- 3.15%)	2039	<b>3,807,065</b>	3,952,234
Sweihan Energy Holding Company	USD	LIBOR+1.20%	2043	<b><u>2,236,589</u></b>	<u>2,095,494</u>
<b>Total</b>				<b><u>9,254,377</u></b>	<u>9,410,836</u>

### 29 ASSET RETIREMENT OBLIGATIONS

As part of the land lease agreement between ADPC (previously DoE) and certain Group entities, those entities have a legal obligation to remove the plant at the end of its useful life or before if such entities became unable to continue its operations and restore the land. Those entities shall at their sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas. The fair value of ARO liability has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation.

	31 December 2019 AED '000	31 December 2018 AED '000
At 1 January	<b>82,185</b>	77,885
Accretion expense (note 10)	<b><u>4,535</u></b>	<u>4,300</u>
	<b><u>86,720</u></b>	<u>82,185</u>

# Al Maqam Energy Holding LLC

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 30 LEASE LIABILITIES

The movement in the lease liabilities during the year was as follows:

	<i>31 December 2019 AED '000</i>
Balance at the beginning of the year (note 3)	75,246
Additions (note 12)	42,296
Accretion of interest (note 10)	3,002
Payment of principal and interest portion of lease liabilities	<u>(23,028)</u>
Balance at the end of the year	<u>97,516</u>
<b>Maturity analysis</b>	
Non-current	45,263
Current	<u>52,253</u>
	<u>97,516</u>
Below is the maturity analysis of leases:	
Not later than 1 year	52,253
Later than 1 year and not later than 5 years	42,765
Later than 5 years	2,498

### 31 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	<i>31 December 2019 AED '000</i>	<i>31 December 2018 AED '000</i>
Accruals related to mega development projects	4,394,082	4,156,191
Construction creditors and retentions payable (note (i))	1,775,161	2,042,654
Trade payables	1,656,955	1,201,502
Advances from customers	1,047,956	774,132
Customer and meter deposits	617,893	623,995
Employees' leave benefit entitlements	100,371	38,283
Deferred income - connection fees	77,254	31,466
VAT payable	132,455	150,836
Other accruals (note (ii))	<u>1,875,591</u>	<u>638,364</u>
Less: non- current portion	<u>262,435</u>	<u>314,572</u>
	<u>11,415,283</u>	<u>9,342,851</u>

The average credit period on purchase of goods is 30 – 45 days (2018: 30 – 45 days). No interest is charged on trade and other payables. The Group has financial risk management policies in place to ensure that all payables are paid within credit time frame.

*Note (i)*

Construction creditors and retention payables are non-interest bearing and are normally settled in accordance with the terms of the contracts.

*Note (ii)*

Other accruals includes accrued project cost in transmission and distribution companies.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**32 RELATED PARTY TRANSACTIONS**

The Group enters into transactions with companies and entities that fall within the definition of a related party. Related parties, as defined in International Accounting Standard 24: Related Party Disclosures, include associate companies, major shareholders, directors and other key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The following table provides a summary of significant related party transactions included in the combined statement of profit or loss during the year:

	<i>31 December 2019 AED '000</i>	<i>31 December 2018 AED '000</i>
<b>Significant transactions with related parties during the year were as follows:</b>		
Other operating revenue	<b>11,074,460</b>	10,565,008
Sale of electricity and water to EWEC (Fellow subsidiary)	<b>1,201,073</b>	1,050,400
System charges for the transmission of water and power ("TUoS") charged to EWEC	<b>1,149,644</b>	1,046,420
Bulk supply tariff ("BST") from EWEC	<b>(13,299,483)</b>	(13,252,401)
Administration service charge from ADPC (previously DoE) (Parent of Holding Company)	<b>(193,250)</b>	(133,889)
Charges for provision of IT support services from Injazat Data Systems (Related Party)	<b>(117,575)</b>	(101,671)
Administration service charge from DoE (previously "ADWEA")	<b>(56,587)</b>	(90,478)
Derogation charges paid to DoE	<b>(65,182)</b>	(39,747)
Finance cost by government banks	<b>(40,884)</b>	(41,649)
Operating and maintenance charges	<b>(37,598)</b>	(43,619)
Hire of vehicles from Massar Solutions (Associate)	<b>(32,828)</b>	(36,301)
GCC grid operating fees (Related Party)	<b>(23,115)</b>	(26,618)
License fees to DoE	<b>(23,429)</b>	(17,005)
Finance charge from ADPC (previously DoE)	<b>(6,873)</b>	-
Amortisation of advance to MSFC (fellow subsidiary)	<b>(6,593)</b>	(6,594)
Charge for slow moving and obsolete inventory charge to related party	-	(971)
Provision for employees end of service benefit	<b>(3,883)</b>	2,850
Payment/settlement of interest free/term loans from shareholder	<b>158,753</b>	49,291,122
Purchase of water and electricity from RASCO (fellow subsidiary)	-	(136,974)
Financial adjustment charged from RASCO	-	(60,137)
Management fees charged to RASCO	-	53,982
Property, plant and equipment transfer from related party, net (note i)	<b>1,727,115</b>	1,432,900

- (i) This represents transfer of certain assets relating to distribution and utilisation of treated wastewater and plant and machinery from fellow subsidiaries of ADPC to Al Maqam entities during the year.



NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**33 RELATED PARTY TRANSACTIONS** continued

**Compensation of key management personnel**

The remuneration of senior key management personnel of the Group during the year was as follows:

	<i>31 December</i> <i>2019</i> <i>AED '000</i>	<i>31 December</i> <i>2018</i> <i>AED '000</i>
Short-term benefits	<b>60,363</b>	65,023
Employees' end of service benefit	<b><u>7,651</u></b>	<u>3,334</u>
	<b><u>68,014</u></b>	<u>68,357</u>

**Balances with related parties and governmental agencies**

Balances with related parties that are disclosed in the combined statement of financial position as follows:

	<i>31 December</i> <i>2019</i> <i>AED '000</i>	<i>31 December</i> <i>2018</i> <i>AED '000</i>
Advance and loans to associates and joint venture (Note 14)		
Non-current asset	<b>204,130</b>	210,723
Current asset	<b><u>6,593</u></b>	<u>6,593</u>
	<b><u>210,723</u></b>	<u>217,316</u>
<i>Non-current asset</i>		
Amount due from related parties	<b><u>27,500</u></b>	<u>27,500</u>
<i>Current assets</i>		
ADPC (previously DoE) (Parent of Holding Company)	<b>7,241,228</b>	18,074,314
Amounts due from Emirates Water and Electricity Company (fellow subsidiary)	<b>312,537</b>	1,058,014
Other related parties	<b>59,045</b>	21,376
Government of Abu Dhabi (employees' end of service benefits, annual leave provision)	<b>19,974</b>	19,974
Government of Abu Dhabi (customer deposits)	<b>15,888</b>	15,888
Mirfa Shared Facility Company (fellow subsidiary)	<b>120</b>	120
<i>Less: Allowance for expected credit losses</i>	<b><u>(10,626)</u></b>	<u>(34,900)</u>
	<b><u>7,638,166</u></b>	<u>19,154,786</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**32 RELATED PARTY TRANSACTIONS** continued

**Balances with related parties and governmental agencies** continued

Net movement in allowance for expected credit losses is as follows:

	<i>2019</i> <i>AED '000</i>	<i>2018</i> <i>AED '000</i>
At 1 January	<b>34,900</b>	-
Adjustment upon application of IFRS 9	-	101,537
Reversal during the year	<u><b>(24,274)</b></u>	<u>(66,637)</u>
Balance as at 31 December	<u><b>10,626</b></u>	<u>34,900</u>
<i>Non-current liabilities</i>		
Bank loans with government owned bank	<u><b>1,054,056</b></u>	<u>1,093,813</u>
Non-current derivative financial instruments with local governmental banks	<u><b>193,475</b></u>	<u>79,151</u>
<i>Current liabilities</i>		
ADPC (previously DoE)	<b>7,466,200</b>	20,649,514
Union Water and Electricity Company	<b>2,177,435</b>	2,177,435
Emirates Water and Electricity Company	<b>1,857,703</b>	36,498
Other related parties	<u><b>27,262</b></u>	<u>37,860</u>
	<u><b>11,528,600</b></u>	<u>22,901,307</u>
Derivative financial instruments with local governmental banks	<u><b>11,561</b></u>	<u>4,331</u>

**33 COMMITMENTS AND CONTINGENCIES**

(i) *Capital commitments*

The estimated capital expenditure for the Group contracted for at the reporting date but not provided for amounted to AED 3,061,389 thousand (2018: AED 3,854,277 thousand).

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**33 COMMITMENTS AND CONTINGENCIES** continued

(ii) *Contingent liabilities*

- a) The Group has various claims lodged by contractors and consultants relating to its ongoing and completed projects, arising from extension of time and work performed but not paid. The Group is in negotiations with these contractors and consultants regarding the resolution of these claims. At this stage management believes it is not possible to determine a reliable estimate of the range of potential claims.
- b) The EPC Contractor responsible for the construction of the Mirfa plant owned by one the Group's subsidiary, Mirfa Power Holding Company ("MPHC") has failed to meet a significant number of milestones of the project and as a result, the contractual Early Power Operation ("EPO") date of 31 July 2016 was ultimately achieved on 4 May 2017. Project Commercial Operation Date ("PCOD") was delayed beyond the scheduled commercial operation date of 16 April 2017 and was achieved on 18 October 2017. The delays of the EPO and PCOD are not expected to have any adverse financial impacts on the Group, as causes for such delays are not attributable to MPHC. Any consequence thereof are expected to be recoverable under the EPC contract and / or the PWPA.

MPHC is invoicing the EPC contractor for Delay Liquidated Damages ("DLD") pursuant to the terms of the EPC contract and has elected its right to offset such accrued DLD against amounts due to the EPC contractor. Total amount charged by 31 December 2019 is equivalent to AED 544,250 thousand (2018: AED 544,220 thousand). Such EPC DLD are due to protect the economies of MPHC, which in turn, has been charged DLD under the terms of the PWPA by EWEC, the off-taker, for a total amount of AED 383,130 thousand by 31 December 2019 (2018: AED 382,800 thousand).

Up till 31 December 2019, the EPC contractor submitted MPHC various interim claims for cost of AED 1,180,33 million (2018: AED 1,241,280 thousand). In turn, MPHC had also submitted claims to EWEC in accordance with the PWPA. The view of MPHC is that it should be able to either pass on such claims to EWEC under the PWPA or reject them and recover, if applicable, the amount paid by MPHC to the off-taker amounting to AED 13,760 thousand (2018: AED 13,760 thousand). Due to material uncertainties relating to the outcome of the future discussions, the matter has been assessed as a contingent asset and liability as at the reporting date, as management are not in a position, at the date of approval of the combined financial statements, to estimate with sufficient reliability, the probable outcome of the liability or related asset, if any, that may arise from this uncertainty.

*Non-delay related claims:*

Pursuant to the terms of the EPC Contract, MPHC has been invoicing the EPC Contractor for Unavailability Liquidated Damages ("ULDs"). Such ULDs were being charged to the EPC Contractor for losses of unavailability due to works by the Contractor related to warranty claim events and clearance of the punchlist item. During the year, the ULDs claim amounting to AED 47,700 thousand have been settled with the EPC contractor, and the recoveries made during the year are accounted for as other revenue in the combined financial statements. Total amount of outstanding ULDs claims till 31 December 2019 is Nil (2018: AED 105,800 thousand).

Similarly, MPHC has raised formal claims amounting to AED 16,300 thousand against the EPC contractor for compensation against remedial work required for all outstanding and unremedied defects and punchlist items under the terms of EPC contract.

Early 2019, the EPC Contractor submitted certain claims to MPHC for events that as per the EPC contractor's views do not fall under the PWPA. The amount claimed related mostly to warranty period events for additional cost as claimed by the contractor and were fully rejected by MPHC on the basis that such costs were incurred for works already included into the EPC contract price.

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## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 33 COMMITMENTS AND CONTINGENCIES continued

#### (ii) Contingent liabilities continued

##### *Non-Delay related claims: continued*

In order to settle all non-delay related claims, MPHC and EPC contractor executed a partial settlement agreement (the "EPC Partial Settlement Agreement") on 4 November 2019. Pursuant to the terms of the EPC Partial Settlement Agreement, in addition to the Contractor's obligations to perform and complete at its sole cost and expense the remedy of nine (9) items detailed in the agreement, MPHC and the EPC contractor agreed to settle their respective entitlements by way of a set-off between:

- MPHC entitlements of AED 47,700 thousand for ULDs under the terms of EPC Contract and AED 16,300 thousand for remedial works; and
- EPC contractor's entitlement of AED 23,700 thousand, being the reimbursement invoice in relation to the existing open-cycle inventory list in accordance with the terms of the EPC contract.

Accordingly, in consideration of the above, and as per the terms of the EPC Partial Settlement Agreement, the parties agreed to irrevocably and unconditionally waive their right to, release and forever discharge each other from the EPC non-delay related claims, MPHC counterclaims and all unremedied defects and punchlist items.

#### (ii) Operating lease commitments

Future capacity payments to be received by the Group under the PWPA based on projected plant availability are as follows:

	<b>2019</b>	<b>2018</b>
	<b>AED '000</b>	<b>AED '000</b>
Within one year	<b>919,801</b>	898,566
After one year but not more than five years	<b>4,129,953</b>	3,667,513
More than five year	<b><u>14,913,698</u></b>	<u>16,480,940</u>
	<b><u>19,963,452</u></b>	<u>21,047,019</u>

### 34 FINANCIAL INSTRUMENTS

#### 34.1 Hedging Activities

##### **Cash flow hedges - Interest rate swaps**

The Group is exposed to variability in future interest cash flows on loans which bear interest at a variable rate.

##### *Mirfa Power Holding Company PJSC*

In order to reduce its exposure to interest rates fluctuations on the loans (3-month LIBOR floating rate), MPHC has entered into interest rate swap arrangements with counter-party banks for a notional amount that mirrors the drawdown and repayment schedule of the loans pursuant to the terms of the hedging strategy and its minimum requirements defined in the Finance Agreements covering up to 75% - 95% of the term loan facility as of 31 December 2019 (31 December 2018: 75%).

The notional amounts outstanding at 31 December 2019 were AED 3,792,364 thousand (2018: AED 3,107,016 thousand).

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 34 FINANCIAL INSTRUMENTS continued

#### 34.1 Hedging Activities continued

##### **Cash flow hedges - Interest rate swaps** continued

###### *Mirfa Power Holding Company PJSC* continued

The hedging arrangement is composed of a fixed leg based on fixed rate (average of 2.6641% for term loan facility up to 30 September 2021) and a variable leg considering floating interest rate defined as the 3-month LIBOR rate.

The derivative instruments which are entered into for the purpose of cash flow hedge had negative fair values (unrealised losses) of AED 474,603 thousand at 31 December 2019 (31 December 2018: AED 203,927 thousand). Non-current portion of the derivative has a negative fair value of AED 450,276 thousand (31 December 2018: AED 214,386 thousand), whereas current portion of the derivative has a negative fair value of AED 24,327 thousand (31 December 2018: positive fair value of AED 10,459 thousand).

###### *Butinah Power Holding Company PJSC*

In order to reduce its exposure to interest rates fluctuations on the loans (3-month LIBOR floating rate), BPHC has entered into interest rate swap arrangements with counter-party banks for a notional amount that mirrors the drawdown and repayment schedule of the loans approximately 100% of the outstanding term loan as of 31 December 2019 (31 December 2018: 100%).

The notional amounts outstanding at 31 December 2019 were AED 3,391,000 thousand (2018: AED 3,525,000 thousand).

At 31 December 2019, the fixed rates were from 1.625% to 5.1425% (2018: 1.6525% to 5.1425%). The floating interest rate is 3 months LIBOR. The derivative instruments which are entered into for the purpose of cash flow hedge had negative fair values (unrealised losses) of AED 621,929 thousand at 31 December 2019 (2018: AED 425,084 thousand).

An amount of AED 547,147 thousand (2018: AED 373,165 thousand), representing the non-current derivative liabilities, has been disclosed in the combined statement of financial position and the current portion derivative liabilities amounting to AED 74,782 thousand (2018: AED 51,919 thousand).

###### *Sweiha Energy Holding Company PJSC*

In order to reduce its exposure to interest rates fluctuations on the loans (3-month LIBOR floating rate), SEHC has entered into interest rate swap arrangements with counter-party banks for a notional amount that mirrors the drawdown and repayment schedule of the loans pursuant to the terms of the hedging strategy and its minimum requirements, covering 89% of the outstanding interest bearing term loans as of 31 December 2019.

The notional amounts outstanding at 31 December 2019 were AED 2,053,000 thousand (31 December 2018: AED 2,601,000 thousand) with the fixed rates ranged from 1.432% to 2.77% (31 December 2018: 1.432% to 2.77% per annum). The derivative instruments which are entered into for the purpose of cash flow hedge had negative fair value amounting to AED 152,924 thousand as at 31 December 2019 and positive fair value amounting to AED 61,532 thousand as at 31 December 2018.

As at 31 December 2019, an amount of AED 152,924 thousand representing the non-current derivative liabilities (31 December 2018: AED 23,716 thousand representing the non-current asset), and AED Nil representing the current derivative liabilities (31 December 2018: AED 37,816 thousand representing the current asset) portions of the EBL hedge and term loan hedge up to PCOD have been disclosed separately in the combined statement of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**34 FINANCIAL INSTRUMENTS** continued

**34.1 Hedging Activities** continued

**Cash flow hedges - foreign exchange forward contracts**

*Mirfa Power Holding Company PJSC*

MPHC is exposed to variability in future value of the EURO currency against the US\$ currency as a result of its EURO cash flows obligations defined under the respective Long-Term Maintenance Agreements and financing terms defined in US Dollars. In order to mitigate the risk, the Group has contracted EURO forward foreign exchange contracts covering 90% of EURO cash flow requirements during the operation phase up to 31 December 2021. The Group remains exposed to currency variations for the period starting 1 January 2022.

	<b>31 December 2019 AED '000</b>	<b>31 December 2018 AED '000</b>
Operation period up to 31 December 2019	<b>58,436</b>	32,906

An amount of AED 1,927 thousand (2018: AED 614 thousand), representing the non-current derivative liabilities, has been disclosed in the combined statement of financial position

*Butinah Power Holding Company PJSC*

In order to reduce its exposure to foreign exchange rate fluctuations relating to scheduled maintenance cost payment to an overseas supplier, BPHC has entered into a forward foreign exchange swap arrangement with a counterparty bank for the foreign exchange amounts which are required to be paid in the future. The derivative instruments which are entered into for the purpose of cash flow hedge had a negative fair value of AED 48,625 thousand at 31 December 2019 (31 December 2018: AED 36,292 thousand). An amount of AED 39,649 thousand, representing the non-current derivative liability (31 December 2018: AED 27,617 thousand) and the current portion amounting to AED 8,976 thousand (31 December 2018: AED 8,675 thousand) has been disclosed in the combined statement of financial position.

**Accounting classifications and fair values**

The following table shows the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets and liabilities measured at fair value:

	<i>Fair value hedging instruments AED '000</i>	<i>Level 1 AED '000</i>	<i>Level 2 AED '000</i>	<i>Level 3 AED '000</i>
<b>At 31 December 2019</b>				
Interest rate swaps – Liability	<b>(1,249,456)</b>	-	<b>(1,249,456)</b>	-
Foreign exchange swaps - Liability	<b>(50,552)</b>	-	<b>(50,552)</b>	-
<b>At 31 December 2018</b>				
Interest rate swaps - Asset	71,991	-	71,991	-
Interest rate swaps - Liability	(639,470)	-	(639,470)	-
Foreign exchange swaps – Liability	(36,906)	-	(36,906)	-

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**34 FINANCIAL INSTRUMENTS** continued

**34.1 Hedging Activities** continued

**Accounting classifications and fair values** continued

The table above analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

During the year ended 31 December 2018 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial instruments is included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The Group enters into derivative financial instruments with various banks and financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

**34.2 Interest rate sensitivity**

	<i>Total</i> <i>AED '000</i>
<i>At 31 December 2019</i>	
+15 increase in basis points	<b>46,102</b>
+15 decrease in basis points	<b>(46,767)</b>
<i>At 31 December 2018</i>	
+15 increase in basis points	47,237
+15 decrease in basis points	(47,949)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

**34 FINANCIAL INSTRUMENTS** continued

**34.3 Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's amount due from a related party, trade and other receivables and bank balances. The Group's customers include government departments and public at large.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter parties, and continually assessing the creditworthiness of such non-related counter parties. Credit risk relating to related party receivables is not considered as significant.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

**Receivables**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and amount due from a related party.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenue over historical period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The closing loss allowances for trade receivables and other receivables and due from a related parties as at 31 December 2019 reconcile to the opening loss allowances as follows:

	<i>Trade and other receivables AED '000</i>	<i>Due from a related parties AED '000</i>
At 1 January 2019	<b>896,962</b>	34,900
Charge (reversal) during the year	<b>26,992</b>	(24,274)
Write-offs	<b><u>(56,141)</u></b>	<u>-</u>
As at 31 December 2019	<b><u>867,813</u></b>	<u>10,626</u>



NOTES TO THE COMBINED FINANCIAL STATEMENTS

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**34 FINANCIAL INSTRUMENTS** continued

**34.4 Liquidity risk management**

	<i>On demand AED '000</i>	<i>Less than 6 months AED '000</i>	<i>6 to 12 months AED '000</i>	<i>1 to 5 years AED '000</i>	<i>≥ 5 years AED '000</i>	<i>Total AED '000</i>
<i>At 31 December 2019</i>						
Interest bearing term loans	160,860	-	575,982	5,427,693	7,816,238	13,980,773
Derivative financial instruments	63,604	-	198,880	1,085,731	1,050,682	2,398,897
Payables and accruals	873,491	743,068	8,541,059	262,435	-	10,420,053
Amounts due to related parties	2,214,311	6,904,752	2,409,537	-	-	11,528,600
Lease liabilities	-	2,318	34,697	56,516	3,985	97,516
	<u>3,312,266</u>	<u>7,650,138</u>	<u>11,760,155</u>	<u>6,832,375</u>	<u>8,870,905</u>	<u>38,425,839</u>
<i>At 31 December 2018</i>						
Interest bearing term loans	151,842	-	876,635	4,718,542	9,346,380	15,093,399
Derivative financial instruments	48,596	-	114,472	715,093	1,015,053	1,893,214
Payables and accruals	1,038,548	417,760	6,930,109	314,572	-	8,700,989
Amounts due to related parties	12,390,378	6,523,522	3,967,989	19,418	-	22,901,307
	<u>13,629,364</u>	<u>6,941,282</u>	<u>11,889,205</u>	<u>5,767,625</u>	<u>10,361,433</u>	<u>48,588,909</u>

The disclosed derivative combined financial instruments in the above table are the gross undiscounted cash outflows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

	<i>Less than 3 months AED '000</i>	<i>3 to 12 months AED '000</i>	<i>1 to 5 years AED '000</i>	<i>≥ 5 years AED '000</i>	<i>Total AED '000</i>
<i>At 31 December 2019</i>					
Outflows	(50,615)	(157,828)	(959,556)	(953,774)	(2,121,773)
Inflows	23,281	72,200	395,737	372,388	863,606
Discounted at the applicable interbank rates	<u>(24,823)</u>	<u>(83,262)</u>	<u>(539,266)</u>	<u>(499,733)</u>	<u>(1,147,084)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>At 31 December 2018</i>					
Outflows	(25,324)	(71,575)	(565,998)	(555,776)	(1,218,673)
Inflows	11,124	34,966	204,538	186,908	437,536
Discounted at the applicable interbank rates	<u>(14,137)</u>	<u>(35,998)</u>	<u>(331,228)</u>	<u>(284,554)</u>	<u>(665,917)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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## NOTES TO THE COMBINED FINANCIAL STATEMENTS

31 December 2019

### 34 FINANCIAL INSTRUMENTS continued

#### 34.5 Capital management

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, bond and term loans, trade and other payables and amounts due to related parties, less bank balances and cash. Capital includes equity less cumulative changes in fair values of derivatives.

	<i>31 December 2019 AED '000</i>	<i>31 December 2018 AED '000</i>
Interest bearing term loans	<b>9,629,850</b>	10,062,743
Accrued interest	<b>51,022</b>	52,318
Trade & other payables	<b>1,656,955</b>	1,201,502
Amounts due to related parties	<b>11,528,600</b>	22,901,307
Less: cash and cash equivalents	<b><u>(2,191,543)</u></b>	<u>(516,846)</u>
Net debt	<b>20,674,884</b>	33,701,024
Total equity	<b>69,181,514</b>	68,996,525
Add: Hedging reserves (equity holders of parent and non – controlling interest)	<b><u>1,300,008</u></b>	<u>604,385</u>
Total capital	<b><u>70,481,522</u></b>	<u>69,600,910</u>
Capital and debt	<b><u>91,156,406</u></b>	<u>103,301,934</u>
Gearing ratio	<b><u>23%</u></b>	<u>33%</u>

### 35 EVENTS AFTER REPORTING DATE

#### Asset transfer between AD Power and TAQA

In February 2020, AD Power made an offer with TAQA, to transfer certain assets into the Group in exchange for additional shares in TAQA in addition to the termination of the land lease agreement between AD Power and TAQA. According to the offer from AD Power, the transfer of assets would include most of AD Power's water and electricity generation, transmission and distribution assets. This transfer was effected through Al Maqam after its incorporation in March 2020.

#### Impact of novel coronavirus (Covid-19)

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event.

#### Capital Optimisation

In June 2020, a capital optimisation programme was completed which saw a reduction in share capital, statutory and legal reserves in addition to the settlement of intercompany balances and loans between the entities.

**PRINCIPAL OFFICE OF THE ISSUER**

Levels 23-25, Al Maqam Tower  
Abu Dhabi Global Market Square, Al Maryah Island  
P.O. Box 55224  
Emirate of Abu Dhabi  
United Arab Emirates

**ARTRANGERS AND DEALERS**

**Bank of China Limited, London**

**Branch**  
1 Lothbury  
London EC2R 7DB  
United Kingdom

**Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**First Abu Dhabi Bank PJSC**

FAB Building  
Khalifa Business Park  
– Al Qurm District  
Abu Dhabi, P.O. Box 6316  
United Arab Emirates

**HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

**Mashreqbank psc**

Mashreqbank New Head Office  
Al Umniyati Street  
Burj Khalifa Community  
P.O. Box 1250  
Dubai  
United Arab Emirates

**Mizuho International plc**

Mizuho House  
30 Old Bailey  
London EC4M 7AU  
United Kingdom

**MUFG Securities EMEA plc**

Ropemaker Place  
25 Ropemaker Street  
London, EC2Y 9AJ  
United Kingdom

**TRUSTEE**

**Citicorp Trustee Company Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**PRINCIPAL PAYING AND TRANSFER AGENT AND CALCULATION AGENT**

**Citibank, N.A.**

Citigroup Centre, Canada Square  
Canary Wharf, London E14 5LB  
United Kingdom

**REGISTRAR**

**Citigroup Global Markets Europe AG**

Frankfurter Welle, Reuterweg 16  
60323 Frankfurt  
Germany

**PAYING AND TRANSFER AGENT**

**Citibank Europe plc**  
1 North Wall Quay  
Dublin 1  
Ireland

**LEGAL ADVISERS TO THE ISSUER**

*As to English, United States and United Arab Emirates law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
England

**Allen & Overy LLP**  
52, avenue Hoche  
75379 Paris  
France

**Allen & Overy LLP**  
P.O. Box 7907  
Abu Dhabi  
United Arab Emirates

**LEGAL ADVISERS TO THE DEALERS**

*As to English, United Arab Emirates and United States law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
England

**Linklaters LLP**  
Ninth Floor, Currency House  
DIFC, P.O. Box 506516  
Dubai  
United Arab Emirates

**INDEPENDENT AUDITORS OF THE ISSUER**

**Up to 30 June 2020**  
**Ernst & Young Middle East (Abu Dhabi branch)**  
27th Floor, Nation Tower 2  
Corniche Street, P.O. Box 136  
Emirate of Abu Dhabi  
United Arab Emirates

**From 1 July 2020**  
**Deloitte & Touche (M.E.)**  
Level 11, Al Sila Tower  
Abu Dhabi Global Market Square  
Al Maryah Island  
P.O. Box 990  
Abu Dhabi  
United Arab Emirates