

**Abu Dhabi National Energy Company PJSC  
("TAQA")**

MANAGEMENT DISCUSSION & ANALYSIS  
AND INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010 (UNAUDITED)

**Abu Dhabi National Energy Company PJSC  
("TAQA")**

MANAGEMENT DISCUSSION & ANALYSIS

30 JUNE 2010

**ABU DHABI NATIONAL ENERGY COMPANY “TAQA”**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

**DATE**

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**Abu Dhabi National Energy Company PJSC  
("TAQA")**

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

30 JUNE 2010 (UNAUDITED)

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ABU DHABI NATIONAL ENERGY COMPANY PJSC (“TAQA”)**

***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Abu Dhabi National Energy Company PJSC (“TAQA” or the “Company”) and its subsidiaries (“the Group”) as at 30 June 2010, comprising of the interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated statements of income and comprehensive income for the three month period and six month period then ended, and the interim consolidated statements of changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Signed by:  
Bassam E Hage  
Partner  
Ernst & Young  
Registration No. 258

5 August 2010  
Abu Dhabi

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2010 (Unaudited)

	Notes	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
		<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
		<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>
<b>Revenues</b>					
Revenue from oil and gas		<b>1,884</b>	1,613	<b>4,127</b>	3,228
Revenue from electricity and water		<b>1,598</b>	1,557	<b>3,073</b>	2,948
Fuel revenue		<b>1,507</b>	1,064	<b>2,258</b>	2,028
Gas storage revenue		<b>26</b>	17	<b>187</b>	179
Other operating revenue		<b>126</b>	<u>129</u>	<b>272</b>	<u>197</u>
	6	<b><u>5,141</u></b>	<u>4,380</u>	<b><u>9,917</u></b>	<u>8,580</u>
<b>Cost of sales</b>					
Operating expenses		<b>(2,614)</b>	(2,190)	<b>(4,691)</b>	(4,333)
Depreciation, depletion and amortisation		<b>(1,073)</b>	<u>(979)</u>	<b>(2,169)</b>	<u>(1,973)</u>
		<b><u>(3,687)</u></b>	<u>(3,169)</u>	<b><u>(6,860)</u></b>	<u>(6,306)</u>
<b>GROSS PROFIT</b>		<b>1,454</b>	1,211	<b>3,057</b>	2,274
Administrative and other expenses		<b>(184)</b>	(184)	<b>(366)</b>	(351)
Finance costs		<b>(966)</b>	(904)	<b>(1,925)</b>	(1,875)
Changes in fair value of derivatives		<b>(58)</b>	253	<b>209</b>	297
Net foreign exchange gains (losses)		<b>116</b>	(112)	<b>157</b>	(143)
Share of results of associates		<b>137</b>	15	<b>185</b>	24
Share of results of joint venture		<b>18</b>	27	<b>42</b>	28
Interest income		<b>22</b>	25	<b>41</b>	42
Gain on repurchase of bonds	13	<b>-</b>	86	<b>-</b>	260
Other income		<b>10</b>	<u>1</u>	<b>15</b>	<u>4</u>
<b>PROFIT BEFORE TAX</b>		<b>549</b>	418	<b>1,415</b>	560
Income tax expense	3	<b>(191)</b>	<u>(103)</u>	<b>(617)</b>	<u>(109)</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>358</u></b>	<u>315</u>	<b><u>798</u></b>	<u>451</u>
Attributable to:					
Equity holders of the parent		<b>171</b>	136	<b>458</b>	176
Non-controlling interests		<b>187</b>	<u>179</u>	<b>340</b>	<u>275</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>358</u></b>	<u>315</u>	<b><u>798</u></b>	<u>451</u>
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	4	<b><u>0.028</u></b>	<u>0.022</u>	<b><u>0.075</u></b>	<u>0.029</u>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2010 (Unaudited)

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>
<b>Profit for the period</b>	<b>358</b>	315	<b>798</b>	451
<b>Other comprehensive income (loss)</b>				
Changes in fair values of derivative instruments in cash flow hedges	(917)	1,347	(1,204)	1,886
Share of other comprehensive income of associates	(1)	-	(1)	-
Board of Directors’ remuneration	-	-	(4)	(4)
Exchange differences arising on translation of overseas operations	<u>(1,145)</u>	<u>1,552</u>	<u>(403)</u>	<u>1,059</u>
<b>Other comprehensive (loss) income for the period</b>	<b><u>(2,063)</u></b>	<u>2,899</u>	<b><u>(1,612)</u></b>	<u>2,941</u>
<b>Total comprehensive (loss) income for the period</b>	<b><u>(1,705)</u></b>	<u>3,214</u>	<b><u>(814)</u></b>	<u>3,392</u>
Attributable to:				
Equity holders of the parent	(1,470)	2,404	(600)	2,229
Non-controlling interests	<u>(235)</u>	<u>810</u>	<u>(214)</u>	<u>1,163</u>
	<b><u>(1,705)</u></b>	<u>3,214</u>	<b><u>(814)</u></b>	<u>3,392</u>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010 (Unaudited)

		<i>30 June</i>	<i>(Audited)</i>
		<i>2010</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED million</i>	<i>2009</i>
			<i>AED million</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	57,832	59,329
Operating financial assets		4,878	5,253
Available for sale investments		201	159
Intangible assets	8	13,624	13,540
Investment in associates	9	1,045	1,163
Investment in a joint venture		741	699
Advance and loan to associate	10	995	-
Loan to a joint venture		865	871
Other assets		<u>560</u>	<u>512</u>
		<u>80,741</u>	<u>81,526</u>
<b>Current assets</b>			
Inventories		1,670	1,773
Operating financial assets		290	297
Advance and loan to associate	10	398	-
Accounts receivable and prepayments		4,194	3,875
Cash and short-term deposits		<u>4,541</u>	<u>4,374</u>
		<u>11,093</u>	<u>10,319</u>
<b>TOTAL ASSETS</b>		<u><b>91,834</b></u>	<u><b>91,845</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		6,225	6,225
Treasury shares		(294)	(293)
Other reserves		3,677	3,677
Equity contributed capital		25	25
Retained earnings		1,450	1,222
Proposed dividends	17	-	607
Foreign currency translation reserve		(1,361)	(958)
Cumulative changes in fair value of available for sale investments		(13)	(13)
Cumulative changes in fair value of derivatives		<u>(1,939)</u>	<u>(1,190)</u>
		7,770	9,302
Non-controlling interests		1,778	2,154
Loans from non-controlling interest shareholders in subsidiaries		610	689
Loan from Abu Dhabi Water and Electricity Authority (ADWEA)	12	<u>1,656</u>	<u>265</u>
<b>Total equity</b>		<u><b>11,814</b></u>	<u><b>12,410</b></u>
<b>Non-current liabilities</b>			
Investment in associate	9	225	-
Interest bearing loans and borrowings	13	57,964	56,144
Islamic loans	13	1,846	1,909
Deferred tax		4,273	4,057
Asset retirement obligations		5,840	5,798
Advances and loan from related parties		52	52
Loan from non-controlling interest shareholders in subsidiaries		162	162
Other liabilities		<u>3,909</u>	<u>2,687</u>
		<u>74,271</u>	<u>70,809</u>
<b>Current liabilities</b>			
Accounts payable, accruals and other liabilities		4,126	3,730
Interest bearing loans and borrowings	13	1,185	4,399
Islamic loans	13	113	105
Loans from non-controlling interest shareholders in subsidiaries		19	46
Amounts due to ADWEA and other related parties		28	18
Income tax payable		186	236
Bank overdrafts		<u>92</u>	<u>92</u>
		<u>5,749</u>	<u>8,626</u>
<b>Total liabilities</b>		<u><b>80,020</b></u>	<u><b>79,435</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>91,834</b></u>	<u><b>91,845</b></u>

DIRECTOR

DIRECTOR

CHIEF EXECUTIVE OFFICER

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six month period ended 30 June 2010 (Unaudited)

Attributed to equity holders of the parent

	Share capital AED million	Treasury shares AED million	Other reserves AED million	Equity contributed capital AED million	Retained earnings AED million	Proposed dividends AED million	Translation reserve AED million	Cumulative changes in fair value of available for sale investments AED million	Cumulative changes in fair value of derivatives AED million	Total AED million	Non-controlling interests AED million	Loan from non-controlling interest shareholders in controlled subsidiaries AED million	Loans from ADWEA AED million	Total equity AED million
Balance at 1 January 2009	6,225	(22)	3,595	25	1,733	933	(4,068)	(14)	(2,439)	5,968	585	953	241	7,747
Profit for the period	-	-	-	-	176	-	-	-	-	176	275	-	-	451
Other comprehensive income (loss) for the period	-	-	-	-	(4)	-	1,059	-	998	2,053	888	-	-	2,941
Total comprehensive income for the period	-	-	-	-	172	-	1,059	-	998	2,229	1,163	-	-	3,392
Dividends paid	-	-	-	-	-	(933)	-	-	-	(933)	-	-	-	(933)
Dividends paid to non-controlling interest shareholders in subsidiaries	-	-	-	-	-	-	-	-	-	-	(145)	-	-	(145)
Loan from Abu Dhabi Water and Electricity Authority (ADWEA)	-	-	-	-	-	-	-	-	-	-	-	-	24	24
Repayment of loans	-	-	-	-	-	-	-	-	-	-	-	(75)	-	(75)
Share capital injection by non-controlling interest shareholders	-	-	-	-	-	-	-	-	-	-	185	-	-	185
Purchase of treasury shares	-	(270)	-	-	-	-	-	-	-	(270)	-	-	-	(270)
Balance at 30 June 2009 (unaudited)	<b>6,225</b>	<b>(292)</b>	<b>3,595</b>	<b>25</b>	<b>1,905</b>	<b>-</b>	<b>(3,009)</b>	<b>(14)</b>	<b>(1,441)</b>	<b>6,994</b>	<b>1,788</b>	<b>878</b>	<b>265</b>	<b>9,925</b>
Balance at 1 January 2010	6,225	(293)	3,677	25	1,222	607	(958)	(13)	(1,190)	9,302	2,154	689	265	12,410
As previously reported	6,225	(293)	3,677	25	1,222	607	(958)	(13)	(1,190)	9,302	2,154	689	265	12,410
Adjustment relating to acquisition of an associate (note 9)	-	-	-	-	(226)	-	-	-	(98)	(324)	-	-	-	(324)
As restated	6,225	(293)	3,677	25	996	607	(958)	(13)	(1,288)	8,978	2,154	689	265	12,086
Profit for the period	-	-	-	-	458	-	-	-	-	458	340	-	-	798
Other comprehensive (loss) for the period	-	-	-	-	(4)	-	(403)	-	(651)	(1,058)	(554)	-	-	(1,612)
Total comprehensive income (loss) for the period	-	-	-	-	454	-	(403)	-	(651)	(600)	(214)	-	-	(814)
Dividends paid	-	-	-	-	-	(607)	-	-	-	(607)	-	-	-	(607)
Dividends paid to non-controlling interest shareholders in subsidiaries	-	-	-	-	-	-	-	-	-	-	(162)	-	-	(162)
Loan from Abu Dhabi Water and Electricity Authority (ADWEA) (note 12)	-	-	-	-	-	-	-	-	-	-	-	-	1,483	1,483
Repayment of loans	-	-	-	-	-	-	-	-	-	-	-	(79)	(92)	(171)
Purchase of treasury shares	-	(1)	-	-	-	-	-	-	-	(1)	-	-	-	(1)
Balance at 30 June 2010 (unaudited)	<b>6,225</b>	<b>(294)</b>	<b>3,677</b>	<b>25</b>	<b>1,450</b>	<b>-</b>	<b>(1,361)</b>	<b>(13)</b>	<b>(1,939)</b>	<b>7,770</b>	<b>1,778</b>	<b>610</b>	<b>1,656</b>	<b>11,814</b>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS Six month period ended 30 June 2010 (Unaudited)

	<i>Note</i>	<i>Six month period ended 30 June 2010 AED million</i>	<i>Six month period ended 30 June 2009 AED million</i>
<b>OPERATING ACTIVITIES</b>			
Profit before tax		1,415	560
Adjustments for:			
Depreciation, depletion and amortisation		2,169	1,973
Employee benefit obligations, net		(4)	4
Loss (gain) on exchange - loans and borrowings & operating financial assets		(176)	95
Exploration and evaluation costs derecognised during the period		42	-
Gain on repurchase of bonds		-	(260)
Provisions recognised on business combination released to statement of income		-	(9)
Interest expense and notional interest		1,750	1,747
Accretion expense		175	128
Share of results of associates		(185)	(24)
Share of results of joint venture		(42)	(28)
Unrealised (gains) on fair valuation of derivatives		(209)	(297)
Interest income		(41)	(42)
Working capital changes:			
Inventories		85	(99)
Accounts receivables and prepayments		(97)	(207)
Amounts due to ADWEA and other related parties		10	102
Accounts payable, accruals and other liabilities		(242)	381
Income tax paid		(273)	(397)
Interest paid		(1,716)	(1,795)
Board of directors' remuneration paid		(4)	(4)
Asset retirement obligation payments		(33)	(67)
Collection of operating financial assets		<u>134</u>	<u>108</u>
Net cash from operating activities		<u>2,758</u>	<u>1,869</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of investment in joint venture		-	(682)
Purchase of property, plant and equipment		(915)	(1,060)
Purchase of available for sale investments		(42)	(9)
Dividends received from associates		68	-
Advances to related parties		-	3
Loan to a joint venture		-	(908)
Advances from related party		-	(1)
Purchase of intangible assets		(207)	(274)
Interest received		41	41
Other assets		<u>(48)</u>	<u>5</u>
Net cash used in investing activities		<u>(1,103)</u>	<u>(2,885)</u>
<b>FINANCING ACTIVITIES</b>			
Interest bearing loans and borrowings received		1,325	6,869
Repurchase of bonds		-	(928)
Repayment of Islamic loans		(55)	(61)
Repayment of interest bearing loans and borrowings		(1,898)	(2,932)
Dividend paid to equity holders of the parent		(607)	(933)
Dividend paid to non-controlling interest shareholders		(138)	(145)
Share capital injection by non-controlling interest shareholders		-	185
Purchase of treasury shares		(1)	(270)
Loans received from Abu Dhabi Water and Electricity Authority		-	24
Loans received from non-controlling interest shareholders		(27)	162
Repayment of loans from non-controlling interest shareholders		<u>(79)</u>	<u>(75)</u>
Net cash (used in) from financing activities		<u>(1,480)</u>	<u>1,896</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>175</b>	<b>880</b>
Net foreign exchange difference		(8)	21
Cash and cash equivalents at the beginning of the period		<u>4,282</u>	<u>4,099</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	11	<u><b>4,449</b></u>	<u><b>5,000</b></u>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 1 CORPORATE INFORMATION

Abu Dhabi National Energy Company PJSC (“TAQA” or “the Company”) was established on 21 June 2005 pursuant to the provisions of Emiri Decree number 16/2005 as a public joint stock company with Abu Dhabi Water and Electricity Authority (“ADWEA”) as its founding shareholder and 100% owner. During the period from 23 July 2005 to 1 August 2005, 24.9% of TAQA’s shares were offered to the public on the Abu Dhabi Securities Exchange through an Initial Public Offering (“IPO”) and 24.1% were offered through a private offering with the remaining 51% interest holding in the Company retained by ADWEA and, accordingly, the Company is a subsidiary of ADWEA. Following the issuance of mandatory convertible bonds and conversion of the bonds into ordinary shares during the third quarter of 2008, ADWEA’s holding increased to 51.05%, public ownership increased to 27.95% and the balance of 21% is held by the Farmers’ Fund. The Company continues to be a subsidiary of ADWEA which was established pursuant to the provisions of Law 2 of 1998, concerning the regulation of the Water and Electricity Sector.

The principal activity of TAQA is to own and invest in companies engaged in power generation, water desalination and development, production and storage of oil and gas, in addition to other investments as considered appropriate to meet its objectives. TAQA’s registered head office is P O Box 55224, Abu Dhabi, United Arab Emirates.

The interim condensed consolidated financial statements of TAQA and its subsidiaries (“the Group”) were authorised for issuance by the Board of Directors on 5 August 2010.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams (“AED”), which is the functional currency of the parent Company and the presentation currency of the Group. All values are rounded to the nearest million (AED million) except otherwise indicated.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2009. In addition, results for the six months ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

#### 2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2009, except for the adoption of the following new standards and interpretations as of 1 January 2010, noted below:

The Group has adopted the following new amended IFRS and IFRIC interpretations as of 1 January 2010:

- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- IFRS 2 Share-based Payments: Group Cash-settled Share Based Payment Transactions effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedge Items effective 1 July 2009
- Improvements to IFRS (April 2009)

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

#### 2.2 SIGNIFICANT ACCOUNTING POLICIES continued

The adoption of the above standards and interpretations did not have a material effect on the financial performance and position of the Group. However, the changes to IFRS 3 (Revised) and IAS 27 (Amended) will affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests as summarised below:

*IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)*  
IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring on or after 1 July 2009. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest in a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

### 3 INCOME TAX

	<i>Three month period ended 30 June 2010 AED million</i>	<i>Three month period ended 30 June 2009 AED million</i>	<i>Six month period ended 30 June 2010 AED million</i>	<i>Six month period ended 30 June 2009 AED million</i>
<i>Current income tax:</i>				
Current income tax charge	127	(117)	(231)	(195)
<i>Deferred income tax:</i>				
Relating to origination and reversal of temporary differences	<u>(318)</u>	<u>14</u>	<u>(386)</u>	<u>86</u>
Income tax expense	<u>(191)</u>	<u>(103)</u>	<u>(617)</u>	<u>(109)</u>

### 4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT continued

The following reflects the income and share data used in the earnings per share computations:

	<i>Three month period ended 30 June 2010</i>	<i>Three month period ended 30 June 2009</i>	<i>Six month period ended 30 June 2010</i>	<i>Six month period ended 30 June 2009</i>
Profit for the period attributable to equity holders of the parent (AED million)	<u>171</u>	<u>136</u>	<u>458</u>	<u>176</u>
Weighted average number of ordinary shares outstanding (million)	<u>6,066</u>	<u>6,143</u>	<u>6,066</u>	<u>6,162</u>
Basic earnings per share (AED)	<u>0.028</u>	<u>0.022</u>	<u>0.075</u>	<u>0.029</u>

No figure for diluted earnings per share has been presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised. The weighted average number of shares takes into account the treasury shares as at period end.

### 5 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.

Due to high demand for natural gas in Canada and Europe in the winter period, higher revenues and operating profits are usually expected in the first and fourth quarters of the year compared to the second and third quarters of the year. Revenue from European midstream operations is generated during the first and fourth quarters of the year.

### 6 SEGMENTAL INFORMATION

For management reporting purposes the Group is organised into business units based on their geography, products and services, and has four reportable operating segments as follows:

#### *Power and Water Generation Segment*

This segment is engaged in generation of electricity and production of desalinated water for supply in UAE in addition to generation of electricity in Morocco, India, Ghana, Saudi Arabia, Caribbean Islands and North America.

#### *Oil and Gas Segment-North America*

This segment comprises of the TAQA NORTH business unit and is engaged in Upstream and Midstream oil and gas activities in Canada and the United States.

#### *Oil and Gas Segment-United Kingdom*

This segment comprises of the TAQA Bratani business unit and is engaged primarily in Upstream oil and gas activities in the United Kingdom.

#### *Oil and Gas Segment-Netherlands*

This segment comprises of the TAQA Energy business unit and is engaged primarily in Upstream and Midstream oil and gas activities in the Netherlands.

No operating segments have been aggregated to form the above reportable segments.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### **6**      **SEGMENTAL INFORMATION** continued

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing is managed on a group basis and is not allocated to operating segments.

Available for sale investments and investment in certain associates with activities other than power and water generation and oil and gas are managed on a group basis and are therefore not allocated to operating segments.

Interest bearing loans and borrowings and Islamic loans are managed on a group basis and are therefore not allocated to operating segments.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 6 SEGMENTAL INFORMATION continued

#### Operating segments

The following table presents revenue and profit information for the Group’s operating segments for the six months ended 30 June 2010 and 2009 respectively:

	<i>Power and water generation AED million</i>	<i>Oil and gas - North America AED million</i>	<i>Oil and gas - Netherlands AED million</i>	<i>Oil and gas - UK AED million</i>	<i>Adjustments, eliminations and others AED million</i>	<i>Total AED million</i>
<b>Period ended 30 June 2010:</b>						
Revenue from external customers	5,382	2,090	391	2,056	(2)	9,917
Operating expenses	(2,945)	(756)	(70)	(925)	5	(4,691)
Administrative and other expenses	(82)	(129)	(14)	(11)	(130)	(366)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>2,355</b>	<b>1,205</b>	<b>307</b>	<b>1,120</b>	<b>(127)</b>	<b>4,860</b>
Depreciation, depletion and amortisation	(584)	(1,009)	(127)	(428)	(21)	(2,169)
<b>Earnings before interest and tax (EBIT)</b>	<b>1,771</b>	<b>196</b>	<b>180</b>	<b>692</b>	<b>(148)</b>	<b>2,691</b>
Finance costs	(14)	(46)	(9)	(110)	(1,746)	(1,925)
Changes in fair value of derivatives	208	-	-	-	1	209
Net foreign exchange gains	151	2	-	49	(45)	157
Share of results of associates	9	-	66	-	110	185
Share of results of joint venture	42	-	-	-	-	42
Interest income	28	2	2	-	9	41
Other income	12	-	-	-	3	15
Income tax expense	(251)	(46)	(29)	(409)	118	(617)
<b>Profit for the period</b>	<b>1,956</b>	<b>108</b>	<b>210</b>	<b>222</b>	<b>(1,698)</b>	<b>798</b>
<b>Period ended 30 June 2009:</b>						
Revenue from external customers	5,012	1,723	306	1,538	1	8,580
Operating expenses	(2,829)	(700)	(56)	(750)	2	(4,333)
Administrative and other expenses	(72)	(122)	(16)	(14)	(127)	(351)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>2,111</b>	<b>901</b>	<b>234</b>	<b>774</b>	<b>(124)</b>	<b>3,896</b>
Depreciation, depletion and amortisation	(581)	(809)	(89)	(484)	(10)	(1,973)
<b>Earnings before interest and tax (EBIT)</b>	<b>1,530</b>	<b>92</b>	<b>145</b>	<b>290</b>	<b>(134)</b>	<b>1,923</b>
Finance costs	(12)	(34)	(5)	(98)	(1,726)	(1,875)
Changes in fair value of derivatives	297	-	-	-	-	297
Net foreign exchange losses	(93)	(5)	-	(24)	(21)	(143)
Share of results of associates	7	-	-	-	17	24
Share of results of joint venture	28	-	-	-	-	28
Interest income	23	3	3	1	12	42
Gain on purchase of bonds	-	-	-	-	260	260
Other income	3	-	-	-	1	4
Income tax expense	(159)	(3)	(80)	(68)	201	(109)
<b>Profit for the period</b>	<b>1,624</b>	<b>53</b>	<b>63</b>	<b>101</b>	<b>(1,392)</b>	<b>451</b>

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 6 SEGMENTAL INFORMATION continued

The following table presents segment assets of the Group’s operating segments as at 30 June 2010 and 31 December 2009:

	<i>Power and water generation AED million</i>	<i>Oil and gas - North America AED million</i>	<i>Oil and gas- UK AED million</i>	<i>Oil and gas - Netherlands AED million</i>	<i>Adjustments, eliminations and others AED million</i>	<i>Total AED million</i>
<b>At 30 June 2010:</b>						
Investment in associates	42	-	-	533	470	1,045
Investment in joint venture	741	-	-	-	-	741
Advance and loan to an associate	-	-	-	-	1,393	1,393
Other assets	<u>45,029</u>	<u>29,918</u>	<u>7,565</u>	<u>4,646</u>	<u>1,497</u>	<u>88,655</u>
Segment assets	<u>45,812</u>	<u>29,918</u>	<u>7,565</u>	<u>5,179</u>	<u>3,360</u>	<u>91,834</u>
<b>At 31 December 2009:</b>						
Investment in associates	46	-	-	902	215	1,163
Investment in joint venture	699	-	-	-	-	699
Other assets	<u>45,060</u>	<u>30,698</u>	<u>7,177</u>	<u>4,569</u>	<u>2,479</u>	<u>89,983</u>
Segment assets	<u>45,805</u>	<u>30,698</u>	<u>7,177</u>	<u>5,471</u>	<u>2,694</u>	<u>91,845</u>

### 7 PROPERTY, PLANT AND EQUIPMENT

During the six month period ended 30 June 2010 the Group acquired assets with a cost of AED 1,289 million (31 December 2009: AED 801 million), not including property, plant and equipment acquired through a business combination.

### 8 INTANGIBLE ASSETS

	<i>Exploration and Evaluation Assets AED million</i>	<i>Tolling Agreement AED million</i>	<i>Connection Rights AED million</i>	<i>Goodwill AED million</i>	<i>Computer Software AED million</i>	<i>Total AED million</i>
<b>Cost:</b>						
At 1 January 2010	1,276	836	1,388	10,215	41	13,756
Additions	189	-	-	-	18	207
Derecognized	(42)	-	-	-	-	(42)
Exchange adjustment	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>(260)</u>	<u>-</u>	<u>(277)</u>
At 30 June 2010	<u>1,406</u>	<u>836</u>	<u>1,388</u>	<u>9,955</u>	<u>59</u>	<u>13,644</u>
<b>Amortisation and impairment:</b>						
At 1 January 2010	-	62	154	-	-	216
Amortisation for the period	<u>-</u>	<u>31</u>	<u>19</u>	<u>-</u>	<u>9</u>	<u>59</u>
At 30 June 2010	<u>-</u>	<u>93</u>	<u>173</u>	<u>-</u>	<u>9</u>	<u>275</u>
<b>Net book value before fair value adjustment:</b>						
At 30 June 2010	<u>1,406</u>	<u>743</u>	<u>1,215</u>	<u>9,955</u>	<u>50</u>	<u>13,369</u>
<b>Fair value adjustment (note 16(iv))</b>						
	<u>-</u>	<u>255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255</u>
<b>Net book value after fair value adjustment:</b>						
At 30 June 2010	<u>1,406</u>	<u>998</u>	<u>1,215</u>	<u>9,955</u>	<u>50</u>	<u>13,624</u>
At 31 December 2009 (audited)	<u>1,276</u>	<u>774</u>	<u>1,234</u>	<u>10,215</u>	<u>41</u>	<u>13,540</u>

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 9 INVESTMENT IN ASSOCIATES

Movement in investment in associates during the period is as follows:

	<i>AED million</i>
At 1 January 2010	1,163
Adjustment relating to acquisition of an associate (note (i))	<u>(324)</u>
At 1 January 2010 - As restated	839
Share of profit during the period	185
Dividend received during the period	(67)
Share of other comprehensive income during the period	(1)
Exchange adjustment	<u>(136)</u>
<b>At 30 June 2010</b>	<b><u>820</u></b>
Analysed in the statement of financial position as:	
Non-current assets	1,045
Non-current liabilities	<u>(225)</u>
	<b><u>820</u></b>

- (i) On 30 June 2010, TAQA entered into a sale and purchase agreement with Abu Dhabi Water and Electricity Authority (“ADWEA”) for the purchase of ADWEA’s 40% holding in Sohar Aluminum Company LLC (“Sohar”) at a price equal to all of the equity capital and debt capital injected in Sohar by ADWEA since its inception.

Sohar is involved in the construction, ownership and operation of an aluminum smelter and an associated combined cycle power plant.

Since the acquisition of the associate has been made from ADWEA in its capacity as majority shareholder of TAQA, the investment has been accounted for using the pooling of interest method. Accordingly, TAQA has recorded its share of profits and other comprehensive income in Sohar starting 1 January 2010, being the effective date of the transfer. The Company’s accounting policy in relation to transactions under pooling of interest is not to restate prior year numbers. Accordingly, all adjustments relating to Sohar have been reflected in 2010.

The following table illustrates summarised information of TAQA’s net liabilities with respect to investment in Sohar:

	<i>At 30 June 2010 AED million</i>
Share of the associate’s statement of financial position	
Current assets	357
Non-current assets	3,184
Current liabilities	(253)
Non-current liabilities	(2,201)
Loans from shareholders	<u>(1,312)</u>
Net liabilities	<b><u>(225)</u></b>
Profits	<b>90</b>

TAQA has recognised its constructive obligation to its associate and hence provided for its share in the accumulated losses and recognised a liability.

Net liabilities of the associate include TAQA’s share of negative fair value of derivatives of the associate amounting to AED 89 million.



# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 10 ADVANCE AND LOAN TO AN ASSOCIATE

As described in note 9 to the interim condensed consolidated financial statements, TAQA has purchased ADWEA’s 40% holding in Sohar Aluminium Company LLC (“Sohar”) at a consideration equal to all of the equity capital and debt capital injected in Sohar by ADWEA since its inception. The balances below arise from the transfer of loans made to Sohar by ADWEA:

	<i>At 30 June 2010 AED million</i>
Advance - current	398
Mezzanine loan – non-current	<u>995</u>
	<u><u>1,393</u></u>

The advance has no repayment schedule and any repayments will be in compliance with the covenants stipulated in the common terms agreement to the secured term loan facilities.

The mezzanine loan has no repayment schedule. It carries interest at a rate equal to the lowest rate of interest payable on the Phase 1 senior debt of the associate less a discount of 5 basis points.

### 11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim consolidated statement of cash flows comprise the following amounts:

	<i>At 30 June 2010 AED million</i>	<i>At 30 June 2009 AED million</i>
Bank balances and cash	4,541	5,092
Bank overdrafts	<u>(92)</u>	<u>(92)</u>
	<u><u>4,449</u></u>	<u><u>5,000</u></u>

### 12 LOAN FROM ABU DHABI WATER AND ELECTRICITY AUTHORITY

During the period, ADWEA provided loans with a cumulative amount of AED 1,483 million. These were in respect of the purchase of investment in Sohar (notes 9 and 10). A payment of AED 90 million was received from Sohar and directly paid to ADWEA during the period.

These loans are interest free, with no repayment terms and are unsecured and subject to terms of repayment as resolved by the Board of Directors of the Company. Accordingly, they have been treated as equity.

### 13 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC LOANS

Drawdown on credit facilities:

TAQA’s wholly owned subsidiary Jorf Lasfar Energy Company recapitalized its loan structure in 2009 with a new MAD 7,400 million (AED 3,440 million) 18 year bank loan facility provided by a syndicate of Moroccan banks. The Company made its first drawdown of this loan facility in April 2009 for MAD 4,716 million (AED 1,754 million). During the period ended June 30, 2010, the Company made its second drawdown for MAD 3,000 million (AED 1,326 million). MAD 6,620 million (AED 2,704 million) is outstanding on this loan as at 30 June 2010.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 13 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC LOANS continued

The Group made the following repayments during the period:

	<i>Six month period ended 30 June 2010 AED million</i>	<i>Six month period ended 30 June 2009 AED million</i>
Interest bearing loans and borrowings	<u>1,898</u>	<u>2,932</u>
Islamic loans	<u>55</u>	<u>60</u>

Included in the repayment of interest bearing loans and borrowings of AED 2,932 million for the period ended 30 June 2009 is an amount of AED 928 million relating to the repurchase of bonds with a nominal value of US \$323 million (AED 1,188 million). This has resulted in a realised gain of AED 260 million in the consolidated statement of income for the six month period ended 30 June 2009. No bond repurchases were made during the six months ended 30 June 2010.

The Canadian revolving credit facility was refinanced on May 14 2010. The previous CDN \$1.325 billion facility was replaced by a CDN \$1.0 billion 3 year revolving facility. TAQA NORTH is the borrower of this facility with TAQA providing a parent guarantee. Accordingly, the balances related to this facility have been classified under non-current liabilities as of 30 June 2010.

### 14 RELATED PARTY TRANSACTIONS

The following table provides a summary of significant related party transactions included in the consolidated statement of income during the period:

	<i>Three month period ended 30 June 2010 AED million</i>	<i>Three month period ended 30 June 2009 AED million</i>	<i>Six month period ended 30 June 2010 AED million</i>	<i>Six month period ended 30 June 2009 AED million</i>
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*Fellow subsidiary (Abu Dhabi Water and Electricity Company):*

Revenue from electricity and water	1,283	1,246	2,440	2,347
Fuel revenue	738	358	809	588

Natural gas fuel is supplied by ADWEC to the domestic subsidiaries at no cost in accordance with the terms of the PWPAs.

#### Compensation of key management personnel

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 of the Group during the six month period was as follows:

	<i>Six month period ended 30 June 2010 AED million</i>	<i>Six month period ended 30 June 2009 AED million</i>
Short-term benefits	12	10
Post employment benefits	<u>1</u>	<u>1</u>



# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 15 COMMITMENTS

(i) *Capital expenditure commitments*

The authorised capital expenditures contracted for at 30 June 2010 but not provided for amounted to AED 944 million (31 December 2009: AED 843 million).

(ii) *Operating lease commitments*

*Group as a lessor:*

Future capacity payments to be received by the Group under PWPAs based on projected plant availability as at 30 June 2010 amounts to AED 65.3 billion (31 December 2009: AED 65.4 billion).

*Group as a lessee:*

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2010 amounts to AED 4.6 billion (31 December 2009: AED 4.3 billion).

(iii) *Other commitments*

(a) TAQA has entered into an agreement with an infrastructure fund managed by a third party and has committed to invest US \$200 million (AED 735 million) in the fund over a period of five years. As of 30 June 2010, an amount of AED 245 million (US \$67 million) (31 December 2009: AED 206 million) (US \$56 million) was invested in the fund and has been treated as an available for sale investment.

(b) During 2009, ADWEA has approved the transfer of 90% of its holding in Fujairah Water and Electricity Company to TAQA. Fujairah Water and Electricity Company holds 60% in Fujairah Asia Power Company (“FAPCO”) which owns the Fujairah 2 power and water plant. FAPCO entered into a Power and Water Purchase Agreement (“PWPA”) with Abu Dhabi Water and Electricity Company (“ADWEC”). Under the PWPA, FAPCO undertakes to make available and ADWEC undertakes to purchase the entire net capacity of the plant until 2030 in accordance with various agreed terms and conditions. The estimated future capacity payments to be received by FAPCO under the PWPA based on projected plant availability amount to AED 23.3 billion.

The transfer of the 90% interest holding in Fujairah Water and Electricity Company to TAQA is considered to be a business combination involving an entity under common control in which the combining entity is ultimately controlled by the same party both before and after the business combination. Accordingly this business combination will be recorded on the basis of the pooling of interest method, once the legal formalities for the transfer of the shares to TAQA are completed.

(c) During 2010, ADWEA has approved the transfer of 90% of its holding in Ruwais Power Holding Company to TAQA. Ruwais Power Holding Company holds 60% in Ruwais Power Company (“RPC”) which owns the Shuweihat 2 power and water plant. RPC entered into a Power and Water Purchase Agreement (“PWPA”) with Abu Dhabi Water and Electricity Company (“ADWEC”). Under the PWPA, RPC undertakes to make available and ADWEC undertakes to purchase the entire net capacity of the plant until August 2031 in accordance with various agreed terms and conditions. The estimated future capacity payments to be received by RPC under the PWPA based on projected plant availability amount to AED 21.1 billion.

The transfer of the 90% interest holding in Ruwais Power Holding Company to TAQA is considered to be a business combination involving an entity under common control in which the combining entity is ultimately controlled by the same party both before and after the business combination. Accordingly this business combination will be recorded on the basis of the pooling of interest method, once the legal formalities for the transfer of the shares to TAQA are completed.

(d) During 2009, Office National de l'Electricité (“ONE”), Jorf Lasfar Energy Company (“JLEC”) and TAQA signed a strategic partnership agreement to extend the capacity of JLEC by two new units of an approximate gross capacity of 350 Mw each. As per this agreement, JLEC or an affiliate will build, own, and operate the new units 5 and 6 under a 30-year power purchase agreement with ONE. As of the reporting date and the signing of the financial statements, the EPC contract has not been signed and no other firm commitments have been made.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 15 COMMITMENTS continued

#### (iii) Other commitments continued

- (e) On 24 June 2010, TAQA NORTH signed a Sale and Purchase agreement with Suncor Energy Oil and Gas Partnership (“Suncor”) for acquiring some oil and gas properties in West Central Alberta for a total consideration of CDN \$285 million. The acquisition is expected to be completed in the third quarter of 2010 and will add approximately 6,100 barrels of oil equivalent per day (boepd) of liquid rich natural gas.

### 16 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

#### Hedging activities

##### (i) Interest Rate Swaps – Cash flow hedges

In order to reduce its exposure to interest rate fluctuations on the interest bearing loans and borrowings and Islamic loans the Group’s subsidiaries entered into interest rate swap arrangements with counter-party banks for notional amounts that match the outstanding interest bearing loans and borrowings and Islamic loans. The following table summarises the outstanding notional amounts and the fair value position of the derivative instruments for each subsidiary or associate as of 30 June 2010 and 31 December 2009:

	Notional amount		Derivative fair value	
	30 June 2010 AED million	31 December 2009 AED million	Liabilities 30 June 2010 AED million	Liabilities 31 December 2009 AED million
ECPC	1,415	1,466	233	187
GTTPC	3,210	3,239	456	310
SCIPCO	3,783	3,783	682	539
APC	3,013	3,085	399	224
TAPCO	7,335	7,335	976	581
ESWPC	4,507	4,507	813	505
	<u>23,263</u>	<u>23,415</u>	<u>3,559</u>	<u>2,346</u>

#### Sohar Aluminum Company

In order for the Company’s associate to reduce its exposure to interest rates fluctuations on loans from banks, the associate has entered into an interest rate arrangement with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the loans. At 30 June 2010 the fixed interest rates vary from 4.74% to 4.88%. The floating interest rate is LIBOR. The notional amount outstanding at 30 June 2010 was US \$706 million (AED 2,593 million).

The derivative instruments which are entered into for the purpose of cash flow hedge had a negative fair value of US \$94 million (AED 343 million) at 30 June 2010. The carrying amount of the Company’s investment at 30 June 2010 (note 9) includes a proportionate share of the negative fair value, amounting to US \$37 million (AED 137 million).

#### Jubail Energy Company

In order for the Company’s associate to reduce its exposure to interest rates fluctuations on loans from banks, the Company’s associate has entered into an interest rate arrangement with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the loans. At 30 June 2010 the fixed interest rate is 4.57%. The floating interest rate is LIBOR. The notional amount outstanding at 30 June 2010 was US \$113 million (AED 414 million).

The derivative instruments which are entered into for the purpose of cash flow hedge had a negative fair value of US \$11 million (AED 40 million) at 30 June 2010. The carrying amount of the Company’s investment at 30 June 2010 (note 9) includes a proportionate share of the negative fair value, amounting to US \$3 million (AED 10 million).

# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2010 (Unaudited)

### 16 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES continued

#### **Hedging activities** continued

(ii) Interest Rate Swaps – Fair value hedges

In April 2010, the Group entered into interest rate swap agreements with a group of banks to hedge the changes in fair value of US\$ 1 billion Global Medium Term Notes (AED 3.7 billion) attributable to movements in the LIBOR rate component. Under the swap agreement, the group receives a fixed rate of interest of 6.6% and pays a variable rate equal to LIBOR plus margin on a notional amount. The swap has been designated as fair value hedge.

The changes in the fair value of the interest rate swap as at 30 June 2010 of AED 57 million (2009: Nil) has been recognized in the income statement to offset the changes in fair value of the bonds amounting to AED 60 million.

(iii) Hedge of net investment in foreign operations

Included in loans at 30 June 2010 is a borrowing of Euro 553 million (AED 2,499 million) (31 December 2009: Euro 553 million (AED 2,964 million)) which has been designated as a hedge of the net investment in the Netherlands subsidiary TAQA Energie BV and is being used to hedge the Group’s exposure to foreign exchange risk on this investment. During the period ended 30 June 2010, a gain of AED 465 million (31 December 2009: loss of AED 66 million) on the retranslation of this borrowing was transferred to equity to offset any gains or losses on translation of the net investment in this subsidiary.

(iv) Forward Foreign Exchange Contracts

**Shuweihat CMS International Power Company PJSC (SCIPCO)**

SCIPCO uses forward foreign exchange contracts to hedge its risk associated with foreign currency fluctuations relating to scheduled maintenance cost payments to an overseas supplier. The outstanding forward foreign exchange commitment at 30 June 2010 amounted to AED 91 million (31 December 2009: AED 118 million). The forward foreign exchange contracts qualified as cash flow hedge and accordingly changes in fair value is recorded in the consolidated statement of equity.

**Emirates CMS Power Company PJSC (ECPC)**

ECPC uses forward foreign exchange contracts to hedge its risk associated with foreign currency fluctuations relating to scheduled maintenance cost payments to an overseas supplier. The outstanding forward foreign exchange commitment at 30 June 2010 was AED 61 million (31 December 2009: AED 132 million). The forward foreign exchange contracts do not qualify for hedge accounting and accordingly, changes in fair value are recorded in the consolidated income statement.

(v) Forward Sales Transactions – Cash flow hedges

**Sohar Aluminium Company**

The Company’s associate has entered into aluminium forward sales transactions in order to hedge part of the risk arising from fluctuation in aluminium price during the operation period. Aluminium sales hedges are designated as cash flow hedges. Gains and losses recognized in the hedging reserve in equity on aluminium forward transactions are recognized in the Company’s associate income statement in the period or periods during which the hedge affects the income statement. The notional amount outstanding at 30 June 2010 was US \$295 million (AED 1,084 million).

The derivative instruments entered into had a positive fair value of US \$33 million (AED 121 million) at 30 June 2010. The carrying amount of the Company’s investment at 30 June 2010 (note 9) includes a proportionate share of the positive fair value, amounting to US \$13 million (AED 48 million).

(vi) Other

TAQA GEN X LLC, a subsidiary of TAQA utilises derivative instruments, which include futures and forwards as a hedging strategy to manage the exposure in the underlying Tolling Agreement. Forward and future transactions are contracts for delayed delivery of commodity instruments in which the counterpart agrees to make or take delivery at a specified price. As at 1 April 2010, these derivative instruments were designated as a fair value hedge of the delta of the option value in the Tolling Agreement. During the quarter, the Tolling Agreement recognized as an intangible at acquisition was adjusted for the change in fair value for movements in the designated hedge risk. The changes in the fair value of the Tolling Agreement as at 30 June 2010 was AED 255 million, (note 8) which was recognized in the

income statement. Also, the changes in the fair value of the futures and forwards contracts being the hedging instruments was a loss of AED 39 million which was recognized in the income statement.

## Abu Dhabi National Energy Company PJSC (“TAQA”)

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010 (Unaudited)

#### **17 DIVIDENDS**

During the quarter ended 30 June 2010, dividends of AED 607 million (10 fils per share) were paid (2009: AED 933 million, 15 fils per share).

#### **18 COMPARATIVE INFORMATION**

Certain comparative figures were reclassified to conform with the current period presentation. Such reclassifications as discussed below have no effect on the profit or the equity of the Group.

##### Income statement

Staff costs, repairs, maintenance and other operating expenses, fuel expenses and gas storage expenses amounting to AED 172 million, AED 1,972 million, AED 2,090 million and AED 99 million respectively for the six month period ended 30 June 2009 previously shown as separate components within costs of sales have now been combined under “Operating Expenses” within cost of sales consistent with the consolidated financial statements for the year ended 31 December 2009.