TAQA

TAQA First Half 2013 Results

31 July 2013, Abu Dhabi, United Arab Emirates - TAQA, the international energy company from Abu Dhabi, today reported its operational and financial results for the first half of 2013.

	Q2 2012	**Q2 2013**	% +/-	H1 2012	**H1 2013**	% +/-
Total assets	114,492	123,159	▲8	114,492	123,159	▲8
Total revenues	6,042	**5,863**	▼3	11,785	11,285	▼4
Power & Water (1)	2,094	**2,095**	-	3,992	3,945	▼1
Construction revenue	0	**443**	-	0	962	-
Fuel revenue	979	**916**	▼6	1,938	1,574	▼19
Oil & Gas (2)	2,969	**2,409**	▼19	5,855	4,804	▼18
Cost of sales (3)	4,212	**3,869**	▼8	7,694	7,375	▼4
Construction costs	0	**280**	-	0	670	-
EBITDA	3,113	**2,858**	▼8	6,562	5,559	▼15
Profit Before Tax	1,096	**80**	▼93	2,501	525	▼79
Net profit After Minority Interests	447	**(172)**	-	981	(66)	-
Basic earnings per share (AED)	0.074	**(0.028)**	-	0.162	(0.011)	-
Net Debt/EBITDA (times)				5.8	7.1	▲22
Net debt to capital (%)				76.6	80.7	▲4

All amounts in AED million unless otherwise stated

(1) Excludes fuel revenue and construction revenues. Also includes certain other operating revenue relevant to the Power & Water business.

(2) Includes gas storage plus certain other operating revenue relevant to the Oil & Gas business.

(3) Excluding construction costs

Summary

The first half of 2013 was characterised by good progress against TAQA's long term growth projects, while a number of short-term operational issues impacted profitability.

Lower production in the UK North Sea and unplanned outages at two power plants were the main factors behind a 4% decline in revenue to 11.3 billion dirhams. A net loss was recorded after minority interests of 66 million dirhams.

A series of one-off incidents affected both the Oil & Gas and Power & Water divisions in the first half. These were resolved before the end of the period and the outlook for the rest of the year is positive. The comparison with first half results for last year is distorted by disposals of assets in North America and the sale of shares in Tesla Motors in 2012.

TAQA has emerged from the first six months of its financial year with strong operating cash flow of 4.3 billion dirhams and a liquidity position of 19.5 billion dirhams that provides us with ample capacity to cover upcoming maturities and finance our growth plans.

In the UK North Sea, limited production has already resumed at the Cormorant Alpha platform and full production is expected in the third quarter, after an internal leak closed it in January. In Morocco, TAQA took advantage of an unexpected outage at its largest international power plant at Jorf Lasfar to bring forward maintenance that was previously scheduled for 2014.

Carl Sheldon, Chief Executive Officer of TAQA, said: “We have worked hard to overcome a number of operational challenges that affected our performance in the first half of the year, while making great progress against project milestones. We are focused on operational excellence and look forward to ending the year with a positive financial outcome.”

Stephen Kersley, Chief Financial Officer, said: “The second quarter is anticipated to be the low point of the year, with a positive outcome forecast for the 12-month period. We have over AED 19.5 billion of available liquidity, more than sufficient to cover upcoming maturities and finance our growth plans.”

TAQA’s business in North America, which accounts for approximately one quarter of the asset base, is seeing a turnaround with natural gas prices rebounding by 54% year-on-year, and production targets exceeded in the first half.

In the Kurdistan region of Iraq, TAQA and its partners submitted a field development plan for the Atrush block, where first production is expected in 2015. TAQA assumed operations of this concession in 2013 and is currently testing the third well on the block.

The major expansion project at the Jorf Lasfar power plant in Morocco is now 87% complete and scheduled for commissioning in the first half of 2014. Gas Storage Bergermeer, the strategic gas storage hub in the Netherlands, is due to begin phase one operations in mid-2014 with a full start-up in 2015. The Ghana power expansion is 44% complete and on track for an early-2015 start-up.

Financial summary: H1 2013 versus H1 2012

Revenues and costs

Total revenues for H1 2013 were AED 11.3 billion, 4% lower year-on-year, compared with total revenues of AED 11.8 billion in H1 2012. The decline in revenues was principally due to the impact of the shut-in of production at Cormorant Alpha in the North Sea. Cost of sales, excluding construction expenses, were AED 7.4 billion in H1 2013, a decrease of 4 % over the prior year period. Overall, higher maintenance costs, particularly in the UK North Sea, were offset by positive stock movements and lower gas trading expenses within the UK and Netherlands respectively.

Power & Water

Power & Water revenues, excluding supplemental fuel and construction revenues, were flat at AED 3.9 billion. Construction and finance revenues, from the Jorf Lasfar and Takoradi 2 expansion projects, and which are recognised at key stages of the project, amounted to AED 962 million and are offset, in part, by construction costs of AED 670 million, leaving a profit margin of AED 292 million.

Supplemental fuel income decreased 19 % year-on-year to AED 1.6 billion.

Operating expenses for Power & Water (which excludes fuel costs and construction costs) were flat year on year at AED 932 million in H1 2013, despite unplanned outages at Jorf Lasfar and Shuweihat 1 during the period.

Oil & Gas

Total Oil & Gas revenues (including gas storage and other income) declined by 18% to AED 4.8 billion for H1 2013. Lower production in the UK North Sea and softer pricing in Europe for oil, were offset by higher production and a continuing increase in natural gas prices in North America.

Operating expenses were flat year on year at AED 2.1 billion, as higher operating expenses in the North Sea were offset by positive stock movements and lower gas trading expenses. Oil & Gas Depreciation, Depletion and Amortisation (DD&A) expense was also flat at AED 1.8 billion in H1 2013. Higher DD&A rates within Canadian operations were offset by lower production and an adjustment to reserves within the UK.

Finance costs

Financing costs were consistent year on year at AED 2.5 billion, as higher interest expenses associated with the bond issuance in December 2012 were offset by capitalisation of interest.

Profitability

Overall Gross Profit was AED 3.2 billion in H1 2013, compared to AED 4.1 billion for the prior year. The decline was primarily driven by the operational challenges during the period, principally in the Oil & Gas division.

Overall Profit Before Tax was AED 525 million in H1 2013, 79% lower year-on-year than AED 2.5 billion in 2012. The decline was attributable to the aforementioned operational challenges but also included the impact of a number of non-recurring, non-operational events that make direct comparison difficult. H1 2012 results benefitted from gains on sales totalling AED 789 million from the disposal of the company's investment in Tesla Motors and of non-core acreage in North America. In addition, foreign exchange and derivative movements reduced profitability in H1 2013 by AED 215 million.

In line with the overall reduction in profitability, TAQA reported an income tax expense of AED 264 million compared to AED 1.2 billion in H1 2012. The overall income tax expense amounted to AED 400 million which was offset by AED 136 million deferred income tax benefit. The resulting effective tax rate was 47%.

TAQA reported a loss of AED 66 million attributable to equity holders compared to a profit of AED 981 million a year earlier. On this basis, basic and diluted earnings per share attributable to equity holders of TAQA was a loss of AED 0.011, compared to a profit of AED 0.162 in the prior period.

Financing

As of 30 June 2013, TAQA reported total debt of AED 82.5 billion, an increase of AED 3.0 billion from 30 June 2012. The increase related to the financing of the acquisition of BP assets in the UK North Sea, coupled with the expansion projects at Jorf Lasfar 5&6.

Consolidated cash on hand, as at 30 June 2013, was AED 4.1 billion compared to AED 5.2 billion in June 2012. Liquidity remains very strong with unused credit lines available to TAQA of AED 15.4 billion, resulting in overall liquidity of AED 19.5 billion.

Operational Review

Power & Water

Key Performance Indicators		H1 2012	**H1 2013**	**% +/-**
Total revenues in AED million (excl. supplemental fuel revenue & construction revenue)		3,992	**3,945**	▼1
% of overall revenues (excl. supplemental fuel revenue & construction revenue)		41%	**45%**	▲4%
Total generation capacity (MW)	*Global*	15,407	**15,407**	-
	Domestic	12,494	**12,494**	-
	International	2,913	**2,913**	-
Total power production (GWh)	*Global*	34,322	**35,007**	▲2
	Domestic	23,994	**25,751**	▲7
	International	10,328	**9,256**	▼10
Technical availability of power generation business (%)	*Global*	94.0%	**89.5%**	▼5
	Domestic	94.2%	**90.0%**	▼4%
	International	93.1%	**86.4%**	▼7%
Water desalination capacity (MIGD)	*Total*	887	**887**	-
Total water desalination (MIG)	*Total*	114,984	**120,673**	▲5

In H1 2013, TAQA produced 35,007 Gigawatt hours (GWh) of electricity and 120,673 million imperial gallons (MIG) of water. Water production increased during the period by 5% and power generation increased by 2%, despite forced outages at Shuweihat 1, Jorf Lasfar and Red Oak. These issues were quickly addressed and all operations have now returned to normal.

Though production was lower, revenues of AED 3.9 billion, excluding construction and fuel revenues, were essentially flat compared with AED 4.0 billion reported in 2012. Fuel revenues declined to AED 1.6 billion in H1 2013 compared to AED 1.9 billion. The decrease was a result of lower coal consumption and prices at Jorf Lasfar, lower fuel consumption at Red Oak and lower usage of back up fuel at domestic plants.

Overall EBITDA increased by AED 165 million reflecting the positive contribution from construction revenues from Jorf Lasfar 5&6 project. Net profit for the period amounted to AED 954 million, compared to AED 974 million in the prior year.

During the quarter, TAQA appointed Ahmed Bin Abbood Al Adawi to head the company's water divisions globally and lead the division's strategy to develop Abu Dhabi as a global leader for water desalination.

Domestic

TAQA's domestic portfolio of assets generated 25,751 GWh of electricity and 120,673 MIG of water during the quarter. Domestic availability was 90.0%, compared to 94.2% the prior year. This reduction in technical availability was driven by a forced outage at Shuweihat 1 which impacted one of the turbines during the period. The affected turbine resumed operations at the end of June. This was significantly offset by the very strong performance of the rest of the UAE fleet, half of which reported an Equivalent Forced Outage Rate (EFOR) of less than 1%.

In June, TAQA broke ground on the US$ 200 million expansion of Fujairah 1's desalination capacity. The expansion, which uses reverse osmosis technology, will increase the facility's capacity by 30 MIG per day.

International

TAQA's international power portfolio, which comprises assets in Morocco, Ghana, India, Saudi Arabia, Oman and the United States, generated 9,256 GWh of power during the period. Lower technical availability of 86.4%, compared to 93.1% in the prior year, was the result of a transformer failure and boiler leak at Jorf Lasfar, a rotor failure at Red Oak and a boiler failure at Neyveli. The respective teams worked rapidly to bring back on line the faulty units with all operations returning to normal towards the end of Q2.

The 700 MW expansion project at Jorf Lasfar, in Morocco, continued to progress well, nearing 87% completion at the end of the period. The expansion will bring the gross capacity of the Jorf Lasfar plant to 2,056 MW. The commissioning of the two expansion units is planned for early 2014.

In Q1 2013, TAQA broke ground on its expansion of Takoradi 2 in Ghana. The expansion will increase the plant's output from 220 MW by 50 per cent to approximately 340 MW, without requiring extra fuel or producing additional emissions. The expansion is approximately 44% complete and is scheduled for commissioning by early 2015.

Oil & Gas

TAQA's Oil & Gas business comprises a portfolio of assets across North America, the UK North Sea, the Netherlands and Kurdistan region of Iraq.

Key Performance Indicators		H1 2012	H1 2013	% +/-
Total revenues in AED million		5,855	**4,804**	▼18
% of overall revenues (excl. supplemental fuel income & construction revenues)		59%	**55%**	▼4%
Total production (mboe/day)	*Global*	136.6	**127.2**	▼7
	North America	86.3	**88.1**	▲2
	UK	43.1	**30.5**	▼29
	Netherlands	7.1	**8.6**	▲21
Average net realized price of **crude oil** sold (US$ per barrel)	*North America*	79.69	**76.24**	▼4
	UK	114.56	**109.10**	▼5
	Netherlands	109.89	**98.86**	▼10
Average net realized price of **natural gas** sold (US$ per thousand feet)	*North America*	2.33	**3.59**	▲54
	UK	10.40	**10.96**	▲5
	Netherlands	10.59	**10.52**	▼1

Total Oil & Gas revenues, including gas storage and other operating revenues, were AED 4.8 billion for H1 2013, a decrease of 18% on last year. As reported at Q1 2013, this was driven primarily by lower production in the UK North Sea, due to the shut-in of Cormorant Alpha in January 2013. The shut-in followed a hydrocarbon release in one of the concrete legs of the platform. As a result, Cormorant Alpha production of between 8,000 to 10,000 barrels was shut in. Repair work to two pipelines which suffered internal leaks was completed, and limited production from certain wells was restarted at the end of June. Full production is expected to resume from Cormorant Alpha in the third quarter.

Realized natural gas prices in our Canadian operations continued to strengthen during the year, with prices up 54% compared to the H1 2012. Whilst higher gas prices drove performance, this was tempered by lower natural gas liquid prices, which are down 6% year on year and crude oil prices, which declined by 4% during the same period.

Operating expenses remained flat during the period, totalling AED 2.1 billion. Higher operating costs at Tern/Eider due to additional required maintenance work were combined with greater subsea repair costs at Cormorant Alpha. These costs were offset by positive stock movements within the UK and lower gas trading expenses in the Netherlands.

Total average global daily production for H1 2013 decreased to 127.2 thousand barrels of oil equivalent per day (mboed), compared with 136.6 mboed in the same period last year, a fall of 7%, due primarily to the unplanned shut downs in the UK North Sea.

North America

North American production for the period averaged 88.1 mboed, an increase of 2% compared to last year. The increase in production was driven by strong production in Upper Manville which offset lower production in the Bakken.

UK

The challenges at Cormorant Alpha continued to affect results in H1, with average production 29% lower at 30.5 mboed. Repair work to two pipelines which suffered internal leaks was completed, and limited production from certain wells was restarted at the end of June. Full production is expected to resume from Cormorant Alpha in the third quarter.

TAQA continued to make progress at its Cladhan field with the UK Government approving the Company's development plan. Under this plan, the initial phase of development will consist of two producer wells and one injection well. Cladhan is expected to produce over 17,000 boe/d initially, with first oil expected in Q1 2015. This production will be tied back to TAQA's Tern Alpha platform driving the operational leverage of the portfolio.

North Sea Asset Acquisition

During the period, TAQA completed its acquisition of certain UK North Sea oil and gas assets from BP, consolidating the Company's position as a leading operator within the region and providing the necessary infrastructure to open up new opportunities. The acquisition includes the Harding field and production platform, Morrone, Maclure and Devenick fields, as well as increasing TAQA's interests in the Brae area and its associated transport infrastructure, including the SAGE gas pipeline and Forties-Braemar pipelines.

The integration process has successfully been completed and the assets have already made a contribution to the revenues and profitability of the quarter.

Netherlands

Production in the Netherlands continued to improve, increasing to 8.6 mboed, 21% higher than the same period last year. This was driven by the acceleration of Groet-Oost production near Alkmaar and a strong performance from the P15 and P18 and offshore partner-operated fields, as well as higher flow rates at L11-A08.

Construction at TAQA's flagship gas storage facility at Bergermeer continues to progress well with phase one operations scheduled to begin in mid-2014 with a full start-up in 2015.

Iraq

TAQA and its partners submitted a field development plan for the Atrush block, with first production expected in 2015. TAQA assumed operatorship of this highly prospective concession in 2013 and is currently testing the third well on the block.

Energy Solutions

In April, TAQA extended its partnership agreement with The Center for Waste Management – Abu Dhabi (CWM), by signing a Collaboration Agreement to study and develop a waste-to-energy demonstration facility at Abu Dhabi's Dalma Island. As part of this agreement, TAQA and CWM will develop a waste-to-energy facility that produces 1 to 2 MW of alternative energy.

Commodity price environment

Global oil prices, whilst remaining historically high, softened during the course of H1 2013. WTI averaged $94.28/bbl, 4% below the average of $98.15/bbl a year earlier. The WTI/Brent pricing differential continued with Brent averaging $108.79/bbl in H1 2013 versus $113.63/bbl in H1 2012.

The reported increase in North American natural gas prices continued into the second quarter. NYMEX gas prices for H1 2013 averaged $3.76/mmbtu, versus $2.43 for the equivalent period in 2012. Underpinning this improved pricing environment has been greater discipline on the supply side coupled with the impact of growing demand, principally the result of a prolonged winter. Longer term, we expect the North American natural gas price environment to continue to improve, as infrastructure to transport gas comes on stream and as the price differential between gas and other energy sources is arbitraged.

Post-period and corporate developments

July TAQA launched its first sustainable development report. The report outlines TAQA's approach and performance in 2012 as well as goals for workplace health and safety, staff development, environmental protection, community relations and industry partnerships.

TAQA bought a 50% interest in the 205.5 megawatt Lakefield wind project located in the Midwestern United States from a subsidiary of France-based utility Electricite de France SA (EDF).The fully operational Lakefield wind project, located in Jackson County, Minnesota, consists of 137 General Electric 1.5 MW wind turbines with the capacity to generate 205.5 MW of emissions-free electricity for more than 68,000 homes.

Ruwais Power Company (Shuweihat 2) completed an issuance of USD 825 million in project bonds. The bonds were issued at a coupon of 6% and mature in August 2036 with an average life of 21.5 years. Abu Dhabi National Energy Company (TAQA) holds a 54% interest in Shuweihat 2.

June During the period Pete Jones was appointed as Managing Director of TAQA's UK oil and gas business following Leo Koot's appointment as Managing Director of TAQA in Iraq.

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For further information:

TAQA Investor Relations, Abu Dhabi

Tanis Thacker, Head of Investor Relations

+971 2 691 4933

Mohammed Mubaideen, Investor Relations Manager

+971 2 691 4964

firstname.surname@taqaglobal.com

TAQA Media Relations, Abu Dhabi

Taryam Al Subaihi

Head of External Communication

Tel +971 2 691 4803

Mob + 97156 219 5195

Allan Virtanen

Head of Media

Tel +971 2 691 4894

Mob +971 56 685 2717

Allan.Virtanen@taqaglobal.com

About TAQA

Established in 2005, TAQA is a diversified international energy group headquartered in Abu Dhabi, the capital of the United Arab Emirates, and listed on the Abu Dhabi Securities Exchange (ADX: TAQA). TAQA's business is made up of three operating divisions spread across the entire energy value chain: power generation & water desalination; oil and gas exploration & production; and emerging & alternative energy technologies.

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

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

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

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

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

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