

# Full Year 2016 Financial Results Analyst Presentation

Abu Dhabi National Energy Company PJSC (TAQA)  
Abu Dhabi, 30 March 2017



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# 2016 Full Year Results highlights



- Oil and gas price environment remained challenging
- Transformation Programme successfully completed
- Strong operational performance in Power & Water
- Maintained Oil & Gas production despite capex cuts
- EBITDA down 11%, but Free Cash Flow up 25%
- Non-cash impairment, offset by equity contribution



# Commodity price environment

Recovery in late 2016, but average prices still down from 2015



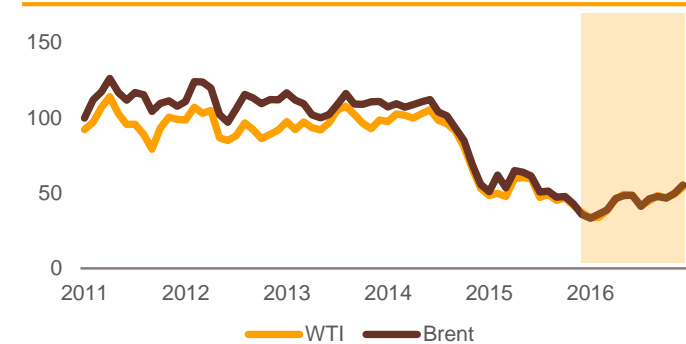
## Crude oil

- Realised oil price down 19% vs 2015
- Prices strengthened in H2 2016, with Brent up 55% from 2016 lows
- Mixed outlook: OPEC production restraints vs resurgence in new US shale oil drilling

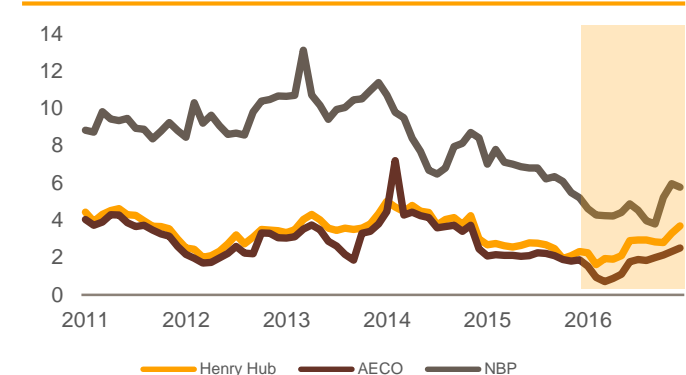
## Natural gas

- Realised gas prices down 27% vs last year.
- Prices strengthened during H2 2016 due to declining storage levels
- Outlook: Warm weather has offset strong power demand, supply increases in northeast US a risk

Crude Oil  
\$/bbl



Natural Gas  
\$/mmbtu



# TAQA Transformation

## Two-year programme complete with significant achievements



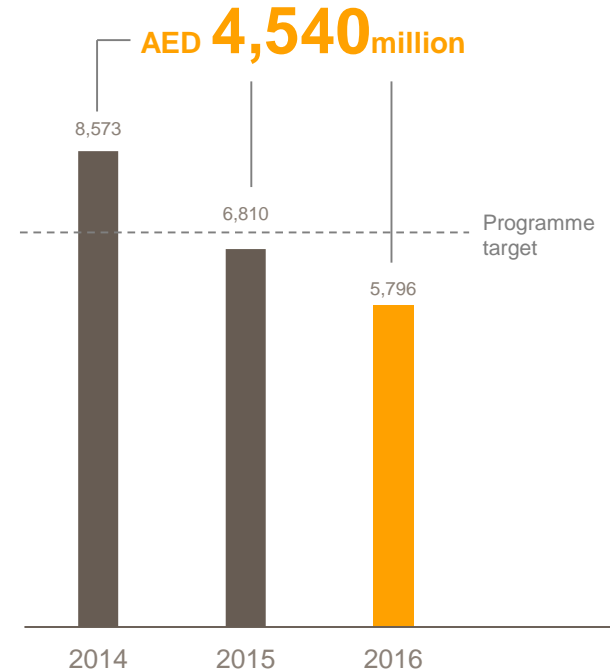
### AED 13.2 billion in total cost savings over two years

- Cash costs reduction: AED 4.5 billion
- Capex reduction: AED 8.6 billion
- Operational expenditure per barrel reduced by 33%

### Organisation delayed and simplified

- 25% reduction in global headcount costs
- Merged Africa and Europe businesses
- Organisation now 'fit for purpose'

### Cash cost reductions vs 2014 AED million



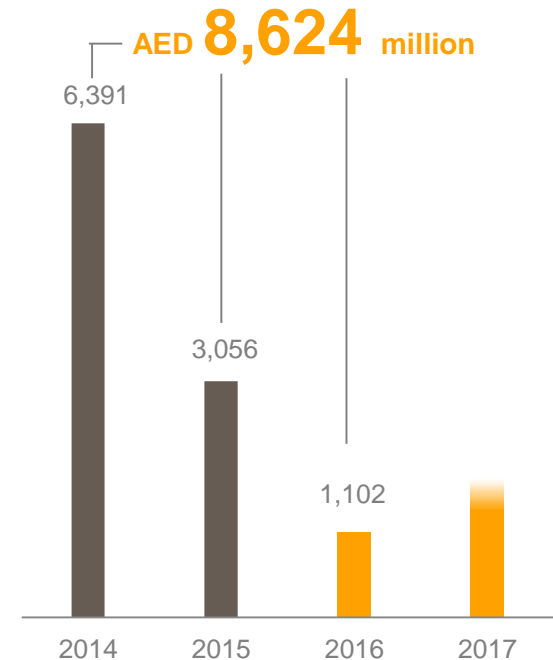
# Capital Expenditure

## Significant savings achieved, positioned for future growth



- **2016 Capex: AED 1.1 billion**
  - 64% reduction on 2015
  - Cumulative savings against 2014: AED 8.6 billion
- **2017 forecast at AED 1.8 billion**
  - Increase in capex in line with commodity price recovery, to protect and sustain the value of global assets
  - Follows several years of deep cuts
  - Self-funded by cash generated by the business

Capex reductions vs 2014  
AED million



# Asset transfer offsets AED 16.9 billion impairment



- Impairment due to continued low commodity prices
- Asset transfer highlights value created through successful Abu Dhabi's privatisation, and follows long track record of ADWEA support
  - Transfer of 54% ownership in 8 IWPPs in the UAE since 2005
  - AED 2.7 billion equity injection via 2008 convertible offering
  - Transfer of stake in Sohar Aluminium smelter in Oman
  - Waiver of AED 2.9 billion shareholder loan
- Transfer avoids share recapitalisation or dilution, and provides solid foundation to capitalise on future opportunities



# Power & Water

## Record production and stable financial performance



### ▪ Continued strong operational performance

- Record power generation
- Technical availability at 93.6%
- Equivalent forced outage rate at 2.9%
- Stable water volumes at 257,169 MIG

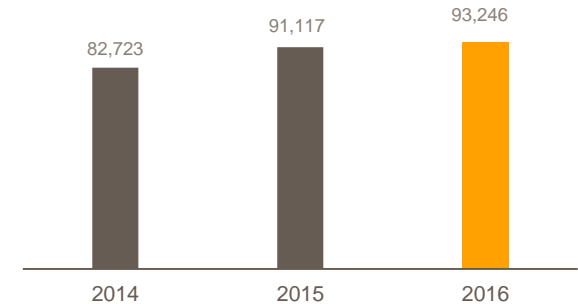
### ▪ Stable financials driven by contracted nature of business

- Revenues at AED 11.3 billion
- EBITDA of AED 6.7 billion

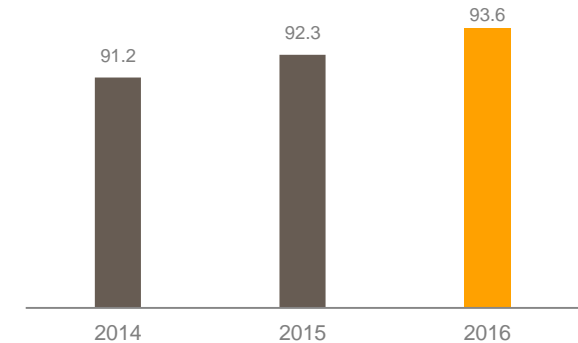
### ▪ Key Focus for 2017

- Driving further fleet optimisation and efficiencies
- Evaluate future growth initiatives

Power generation  
GWh



Technical availability  
%





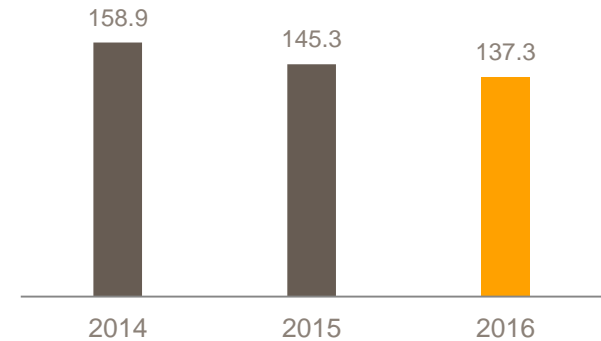
# Oil & Gas

## Continued efficiency and cost improvement



- **Production at 137,300 barrels per day**
  - Production declined only 5% compared to 2015, despite 70% reduction in capex
  - North America at 80,800 boed; Europe at 56,500 boed
  - Revenues of AED 4.9 billion; EBITDA of AED 1.9 billion
- **Key Focus for 2017**
  - North America: deploy capital to core plays
  - North Sea: efficient late life operations
  - Iraq: achieving Atrush first oil

**Average production**  
mboe/d



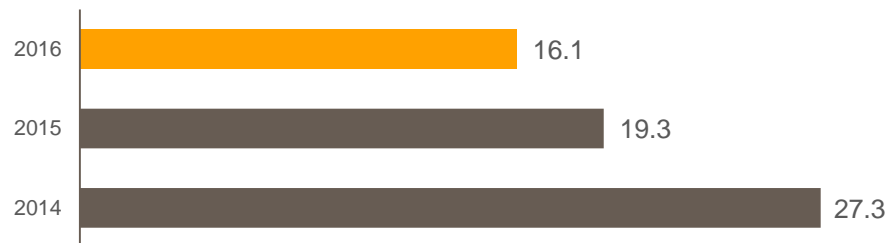
# Financial performance

## Relatively stable cash flows despite commodity price volatility



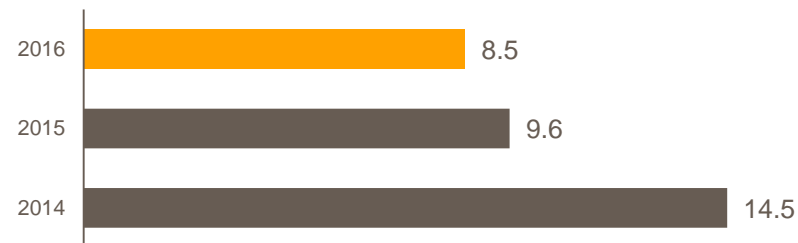
### Total sales revenue

AED billion



### EBITDA

AED billion



### Net Income attributable to equity holders of the parent

AED billion



### Free cash flow\*

AED billion



\*Free Cash Flows represents Operating less Investing Cash Flows

# Liquidity and key ratios

Rating reflective of Abu Dhabi Government ownership



## ▪ Robust liquidity position despite reduced ratios

- Available liquidity at AED 14.9 billion
- Bond refinancing reduced financing costs

## ▪ Ratings reaffirmed through continued Abu Dhabi Government support

- Moody's: A3
- Standard & Poor's: A

## Liquidity AED billions

|                           | 2015 | 2016 |
|---------------------------|------|------|
| Cash and cash equivalent  | 3.4  | 3.8  |
| Undrawn credit facilities | 9.2  | 11.1 |

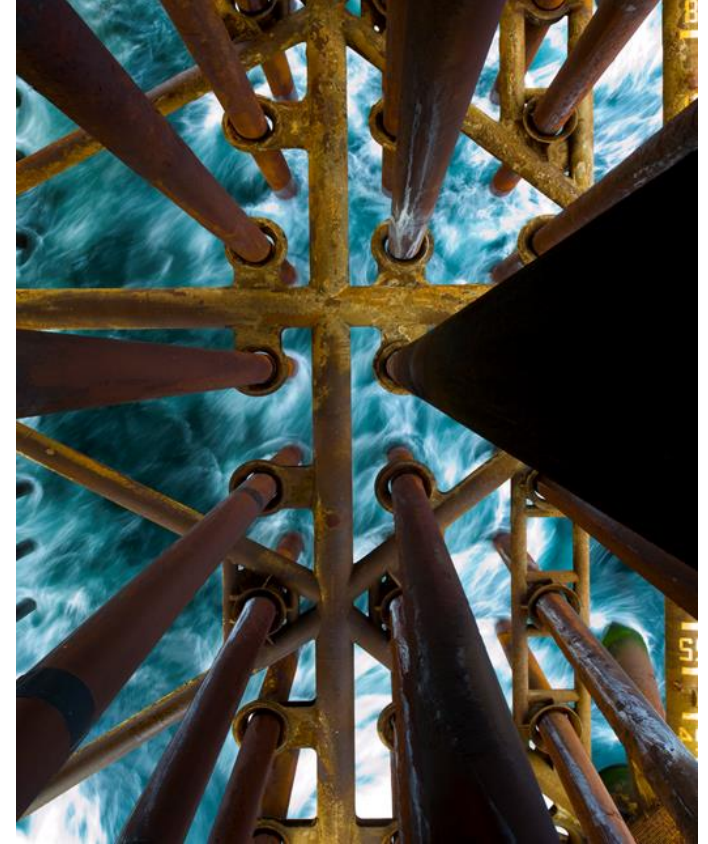
## Key ratios

|                        | 2015 | 2016 |
|------------------------|------|------|
| Net debt / net capital | 86%  | 85%  |
| EBITDA/Interest        | 2.5x | 2.2x |
| Net Debt/EBITDA*       | 7.4x | 8.0x |

# Concluding remarks



- Successful Transformation Programme dramatically improved sustainability in low commodity price environment
- Strong underlying operational performance
- Recent and continued equity contribution from the shareholder strengthens TAQA's balance sheet
- Business is well-positioned to pursue growth and value creating opportunities, focused on Power & Water







## Appendix

# Operational Data – Power & Water KPIs



## UAE domestic plants

|                            | 2015    | 2016    |
|----------------------------|---------|---------|
| Power generation (GWh)     | 64,324  | 66,652  |
| Water desalination (MIG)   | 264,127 | 257,169 |
| Technical availability (%) | 92.9    | 94.3    |

## International plants

|                            | 2015   | 2016   |
|----------------------------|--------|--------|
| Power generation (GWh)     | 26,793 | 26,594 |
| Technical availability (%) | 89.5   | 90.6   |

# Operational Data – Oil & Gas Production



| <b>North America</b>            | 2015  | 2016  |
|---------------------------------|-------|-------|
| Crude oil (mbbls/day)           | 15.2  | 13.4  |
| Natural gas liquids (mbbls/day) | 10.1  | 11.7  |
| Natural gas (mmcf/day)          | 325.9 | 334.6 |
| Average (mboe/day)              | 79.5  | 80.8  |
| <b>Europe</b>                   | 2015  | 2016  |
| Crude oil (mbbls/day)           | 53.1  | 44.9  |
| Natural gas liquids (mbbls/day) | 1.0   | 1.0   |
| Natural gas (mmcf/day)          | 69.6  | 63.6  |
| Average (mboe/day)              | 65.7  | 56.5  |
| <b>Total Production</b>         | 2015  | 2016  |
| Crude Oil (mbbls/day)           | 68.3  | 58.3  |
| Natural Gas Liquids (mbbls/day) | 11.0  | 12.6  |
| Natural Gas (mmcf/day)          | 395.5 | 398.2 |
| Average (mboe/day)              | 145.3 | 137.3 |



# Operational Data – Oil & Gas Pricing



## North America

|                                | 2015  | 2016  |
|--------------------------------|-------|-------|
| Crude oil (US\$/bbl)           | 37.45 | 32.33 |
| Natural gas liquids (US\$/bbl) | 22.02 | 20.42 |
| Natural gas (US\$/mcf)         | 2.20  | 1.70  |
| Average (US\$/boe)             | 18.92 | 15.34 |

## Europe

|                                | 2015  | 2016  |
|--------------------------------|-------|-------|
| Crude oil (US\$/bbl)           | 52.21 | 42.29 |
| Natural gas liquids (US\$/bbl) | 31.59 | 25.34 |
| Natural gas (US\$/mcf)         | 6.74  | 4.68  |
| Average (US\$/boe)             | 49.92 | 39.13 |

# Operational Data – Oil & Gas Netbacks



## North America

|                            | 2015  | 2016  |
|----------------------------|-------|-------|
| Gross price (\$/boe)       | 18.92 | 15.34 |
| Royalties (\$/boe)         | 2.03  | 1.59  |
| Net sales price (\$/boe)   | 16.89 | 13.75 |
| Operating costs (\$/boe)   | 8.54  | 7.65  |
| Operating netback (\$/boe) | 8.36  | 6.10  |

## Europe

|                            | 2015  | 2016  |
|----------------------------|-------|-------|
| Gross price (\$/boe)       | 49.92 | 39.13 |
| Royalties (\$/boe)         | 0.00  | 0.00  |
| Net sales price (\$/boe)   | 49.92 | 39.13 |
| Operating costs (\$/boe)   | 27.83 | 23.31 |
| Operating netback (\$/boe) | 22.08 | 15.82 |