



## **Abu Dhabi National Energy Company PJSC Board Report**

On behalf of the Board of Directors of Abu Dhabi National Energy Company PJSC (TAQA or the Company), I am pleased to present the financial statements of TAQA for the year ended 31 December 2016.

TAQA was established pursuant to Emiri Decree No. 16 of 2005 as a public joint stock company with Abu Dhabi Water and Electricity Authority (ADWEA) as its founding shareholder holding a 52.4% equity interest. Accordingly, the Company is a subsidiary of ADWEA.

TAQA has completed its two-year Transformation Programme which delivered cumulative savings of AED 13.2 billion, including a capital expenditure reduction of AED 8.6 billion from 2014 to 2016. Additionally, TAQA has delivered a 25% reduction in global headcount with over 1,000 positions reduced across its global operations.

TAQA's 2016 full-year results have highlighted the operational efficiency gains and financial savings achieved through the Transformation Programme, most notably through:

- Record power generation of 93,246 gigawatt hours (GWh)
- Limited Oil & Gas production decline despite 70% reduction in Oil & Gas capex
- Significant reduction in Oil & Gas unit operating costs, down 33% compared to 2014
- Successful refinancing of AED 6.4 billion in maturing bonds at lower rates

The company has booked a post-tax impairment of AED 16.9 billion, primarily related to its Oil & Gas assets, in response to the lower commodity price environment. This contributed to a Net Loss of AED 19.0 billion for the financial year 2016, with a pre-impairment Net Loss of AED 2.1 billion. The impairment is a one-time non-cash charge, and has no impact on TAQA's ability to meet its obligations, including its ongoing debt service obligations.

As a consequence of these losses, TAQA will not be paying a dividend for 2016.

TAQA has also completed the transformation of its balance sheet. This was achieved through several measures, including the utilisation of certain land areas on which TAQA's UAE power and water plants are located. The privatisation of Abu Dhabi's power and water assets has unlocked significant long-term value which has been utilised by TAQA through signing a land lease agreement valued at AED 18.7 billion as of 31 December 2016. The valuation of the land lease rights was undertaken by two international, independent valuation experts. A previous agreement with a related party regarding TAQA's Oil & Gas assets is no longer in effect.

TAQA's Power & Water portfolio includes assets in the UAE, United States, Ghana, India, Morocco, Oman and Saudi Arabia. In 2016 the division achieved record operational and financial performance, generating 93,246 gigawatt hours (GWh), up 2% on 2015 and EBITDA of AED 6.7 billion driven by strong operational performance.

Following the completion of the two year Transformation Programme, TAQA's Oil & Gas assets in Europe and North America are operating more efficiently and are positioned to create additional value when pricing improves. TAQA is also the operator of 30,000 boed facility in the Kurdistan region of Iraq, and is expected to deliver first oil in 2017.



### Financial highlights:

- **Total revenues** of AED 16.1 billion, a decrease of 17% on previous year (2015: AED 19.3 billion), driven primarily by the impact of lower commodity prices and volumes.
- **Cash cost savings** of over AED 1 billion during 2016 driven by Transformation Programme.
- **EBITDA** of AED 8.5 billion (2015: AED 9.6 billion) primarily as a result of lower oil and gas revenues. EBITDA for TAQA's power and water division remained stable at AED 6.7 billion (2015: AED 6.7 billion) driven by strong performance of UAE and Africa businesses.
- **Net loss** of AED 19.0 billion driven by AED 16.9 billion impairment primarily related to Oil & Gas assets in response to lower commodity prices. Recognised as a one-time non-cash charge with no impact on ability to meet obligations including ongoing debt service obligations.
- **Free cash flow** of AED 7.3 billion, an increase of 25% (2015: AED 5.8 billion) due to effective cost management as well as capex reductions.
- **Total liquidity** of AED 14.9 billion, including AED 3.8 billion in cash and cash equivalents and AED 11.1 billion of undrawn credit facilities.
- **Ratings agencies** reaffirm A3 (Moody's) and A (Standard and Poor's) ratings in line with continued Abu Dhabi Government support.

### Transformation Programme Update:

- **Cumulative savings** of AED 13.2 billion in two year period (2014 to 2016).
- **Cumulative capital expenditure reduction** of AED 8.6 billion in two year period.

### Operational Highlights: Power & Water

- **Record operational performance**, generating 93,246 gigawatt hours (GWh) in the year.
- **Industry top quartile performance** by global technical availability factor metrics.
- **UAE operations produced** 66,652 GWh of electricity and 257,169 million imperial gallons of desalinated water, continuing to deliver the vast majority of water and electricity requirements of Abu Dhabi.
- **Expansion of the Fujairah F1 water desalination** was completed in December 2015 and delivered positive net income in 2016, benefiting from the increase in capacity by 30% to 130 million imperial gallons per day.
- **The Jorf Lasfar power plant in Morocco**, which accounts for half of the country's power supply, produced 15,317 GWh in 2016 and achieved an availability factor of 92.5%.

### Operational Highlights: Oil & Gas

- **Production volumes** of 137,300 barrels of oil equivalent per day (boed) in 2016, a decrease of only 5% on 2015 (145,300 boed) despite substantial 70% reduction in capital expenditure.
- **North American assets** produced 80,800 boed with an ongoing focus on ensuring safe operations, cost control and the efficient deployment of capital. Investments targeted core operations in Central Alberta due to its scalability and high capital efficiency.
- **European assets** produced 56,500 boed, negatively impacted by North Sea platform maintenance. There was a 16% reduction in European per-barrel operating costs compared to 2015, and a reduction of almost 32% when compared to 2014.



- **Iraq project on track** - 30,000 boed Kurdistan Atrush facility, operated by TAQA, is expected to achieve first oil in 2017.

Over the past two-years, TAQA have doubled the ratio of UAE nationals in senior leadership roles to 75%, and UAE nationals in Abu Dhabi to 55%. This achievement demonstrates the Company's commitment to play an active role in developing and enabling the UAE's workforce. TAQA plans to target a steady annual increase in Emiratisation, with a goal of achieving 85% by 2020.

The Company's successful delivery of its two-year Transformation Programme and the continuous support from the government of Abu Dhabi has improved TAQA's resilience and ensured that it is better placed to take on challenges facing the Company in 2017 and beyond.

Saeed Mubarak Al-Hajeri

Chairman of the Board

Abu Dhabi National Energy Company PJSC

