

ABU DHABI NATIONAL ENERGY COMPANY PJSC (“TAQA”)

DETAILED ANALYSIS OF ACCUMULATED LOSSES

18 March 2020



Financial position as at 31 December 2019

Analysis of accumulated losses (AED million)	<i>As at</i>	
	31 December 2019	31 December 2018
Accumulated losses	1,637	2,651
Issued share capital	6,066	6,066
Accumulated losses to capital ratio	26.98%	43.70%

Main reasons leading to these accumulated losses and their history:

TAQA is a global energy company with investments in power generation, water desalination, oil and gas exploration, production and gas storage. The challenging commodity price environment throughout 2014 to 2016 caused the Company to record significant impairment losses primarily as a result of its exposure to the oil and gas industry. During this downturn, the Company recorded write downs largely due to its oil and gas assets including the goodwill associated with the acquisition of the oil and gas businesses, pushing the company into an accumulated loss position.

Measures to be taken to address accumulated losses:

In February 2020, the Company received an offer from its parent company, Abu Dhabi Power Corporation (ADPC), to transfer certain assets into the Company in exchange for the issuance of additional shares in TAQA to ADPC in addition to the termination of the land lease agreement between ADPC and TAQA.

According to the offer received from ADPC, the transfer of assets would include most of ADPC’s water and electricity generation, transmission and distribution assets. The combined assets reported net income of AED 4.8 billion and total assets of approximately AED 120 billion for the year ended 31 December 2018. This would significantly improve the Company’s ability to address its accumulated loss position.

The offer is subject to various approvals, including by the Abu Dhabi Department of Energy (DoE), the Securities and Commodities Authority (SCA) and TAQA shareholders. The Board of TAQA will consider the transaction proposed by ADPC before making any recommendation to the shareholders.

Should an agreement be reached between the two parties, it is envisaged that the terms of the proposed transaction will be finalised during the first half of 2020. A TAQA general assembly meeting will consider approving the transaction followed by closing during the third quarter of 2020. At this time, there is no certainty that any transaction will result. Therefore, the Company’s consolidated 2019 financial results and position do not include any income, costs, assets or liabilities with regards to this proposed transaction. If the transaction does not close, management will consider alternative measures to address accumulated loss position.

Signed for and on behalf of Abu Dhabi National Energy Company PJSC

Saeed Hamad Al Dhaheri
Chief Executive Officer

Mohammed Abdulla Al Ahabbi
Chief Financial Officer