Abu Dhabi National Energy Company PJSC ("TAQA")

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2018 (UNAUDITED)

Building a better working world

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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") and its subsidiaries (the "Group") as at 30 June 2018, comprising of the interim consolidated statement of financial position as at 30 June 2018 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:
Anthony O'Sullivan
Partner
Ernst & Young
Registration No. 687

8 August 2018
Abu Dhabi

Abu Dhabi National Energy Company PJSC ("TAQA")

INTERIM CONSOLIDATED INCOME STATEMENT
Period ended 30 June 2018 (Unaudited)

	Notes	*Three month period ended 30 June* **2018** AED million	*Three month period ended 30 June* 2017 AED million	*Six month period ended 30 June* **2018** AED million	*Six month period ended 30 June* 2017 AED million
Revenues					
Revenue from oil and gas		**1,202**	1,274	**2,617**	2,536
Revenue from electricity and water		**2,436**	2,380	**4,657**	4,614
Fuel revenue		**491**	454	**1,007**	852
Gas storage revenue		**35**	31	**79**	149
Other operating revenue		**100**	72	**241**	201
		4,264	4,211	**8,601**	8,352
Cost of sales					
Operating expenses		**(1,776)**	(1,818)	**(3,714)**	(3,485)
Depreciation, depletion and amortisation		**(889)**	(942)	**(1,792)**	(1,333)
		(2,665)	(2,760)	**(5,506)**	(4,818)
GROSS PROFIT		**1,599**	1,451	**3,095**	3,534
Administrative and other expenses		**(214)**	(181)	**(290)**	(250)
Finance costs		**(1,075)**	(1,090)	**(2,110)**	(2,204)
Changes in fair value of derivatives and fair value hedges		**82**	11	**105**	6
Net foreign exchange (losses) gains		**(38)**	24	**(41)**	(1)
Gain on derecognition of a subsidiary	8	**-**	86	**-**	86
Gain on sale of land and oil and gas assets		**45**	5	**46**	18
Share of results of associates		**138**	31	**144**	40
Share of results of joint venture		**6**	6	**17**	24
Interest income		**24**	11	**39**	20
Other gains		**5**	4	**9**	2
PROFIT BEFORE TAX		**572**	358	**1,014**	1,275
Income tax expense	3	**(135)**	(70)	**(273)**	(758)
PROFIT FOR THE PERIOD		**437**	288	**741**	517
Attributable to:					
Equity holders of the parent		**168**	35	**278**	112
Non-controlling interests		**269**	253	**463**	405
PROFIT FOR THE PERIOD		**437**	288	**741**	517
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	4	**0.028**	0.006	**0.046**	0.018

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 June 2018 (Unaudited)

	Three month period ended 30 June		***Six month period ended 30 June***	
	2018	*2017*	***2018***	*2017*
	AED million	*AED million*	***AED million***	*AED million*
Profit for the period	**437**	288	**741**	517
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Changes in fair values of derivative instruments in cash flow hedges	**98**	(212)	**540**	(277)
Reclassification adjustments for losses included in the consolidated income statement	**147**	194	**307**	407
Realised loss of foreign currency translation reserve on derecognition of a subsidiary	**-**	52	**-**	52
Exchange differences arising on translation of overseas operations	**119**	9	**150**	123
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**364**	43	**997**	305
Total comprehensive income for the period	**801**	331	**1,738**	822
Attributable to:				
Equity holders of the parent	**428**	90	**912**	360
Non-controlling interests	**373**	241	**826**	462
	801	331	**1,738**	822

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018 (Unaudited)

	Notes	30 June 2018 AED million	(Audited) 31 December 2017 AED million
ASSETS			
Non-current assets			
Property, plant and equipment	6	**70,575**	71,610
Operating financial assets		**8,145**	8,642
Intangible assets		**2,233**	2,232
Investment in associates		**1,150**	1,017
Investment in joint venture		**155**	151
Advances and loans to associates		**698**	702
Deferred tax assets		**5,411**	5,462
Other assets		**492**	582
		88,859	90,398
Current assets			
Inventories		**2,798**	2,785
Operating financial assets		**1,201**	1,198
Accounts receivable and prepayments		**4,547**	4,252
Cash and short-term deposits		**4,159**	4,400
		12,705	12,635
TOTAL ASSETS		**101,564**	103,033
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital		**6,066**	6,066
Contributed capital		**25**	25
Other reserves		**3,689**	3,689
Accumulated losses		**(2,679)**	(2,707)
Foreign currency translation reserve		**(1,778)**	(1,928)
Cumulative changes in fair value of derivatives in cash flow hedges		**(1,133)**	(1,617)
		4,190	3,528
Non-controlling interests		**5,786**	5,366
Loans from non-controlling interest shareholders in subsidiaries		**225**	242
		6,011	5,608
TOTAL EQUITY		**10,201**	9,136

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
As at 30 June 2018 (Unaudited)

	Notes	*30 June 2018 AED million*	*(Audited) 31 December 2017 AED million*
Non-current liabilities			
Interest bearing loans and borrowings	9	**62,953**	61,750
Islamic loans	9	**1,231**	1,331
Deferred tax liabilities		**936**	909
Asset retirement obligations		**14,161**	14,120
Advances and loans from related parties		**267**	266
Loans from non-controlling interest shareholders in subsidiaries		**43**	69
Other liabilities		**2,061**	2,807
		81,652	81,252
Current liabilities			
Accounts payable, accruals and other liabilities		**4,543**	4,675
Interest bearing loans and borrowings	9	**4,203**	6,964
Islamic loans	9	**191**	180
Amounts due to related parties		**79**	88
Income tax payable		**589**	545
Bank overdrafts		**106**	193
		9,711	12,645
TOTAL LIABILITIES		**91,363**	93,897
TOTAL EQUITY AND LIABILITIES		**101,564**	103,033

CHAIRMAN OF THE BOARD OF DIRECTORS

CHAIRMAN OF THE AUDIT COMMITTEE

ACTING CHIEF OPERATING OFFICER

ACTING CHIEF FINANCIAL OFFICER

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six month period ended 30 June 2018 (Unaudited)

	Attributable to equity holders of the parent									
	Issued capital AED million	*Contributed capital AED million*	*Other reserves AED million*	*Accumulated losses AED million*	*Foreign currency translation reserve AED million*	*Cumulative changes in fair value of derivate for cash flow hedges AED million*	*Total AED million*	*Non-controlling interests AED million*	*Loans from non-controlling interest shareholders in subsidiaries AED million*	*Total equity AED million*
Balance at 1 January 2017	6,066	25	3,612	(2,802)	(1,904)	(2,026)	2,971	4,789	312	8,072
Profit for the period	-	-	-	112	-	-	112	405	-	517
Other comprehensive income for the period	-	-	-	-	175	73	248	57	-	305
Total comprehensive income for the period	-	-	-	112	175	73	360	462	-	822
Dividends declared to subsidiaries' non-controlling interests	-	-	-	-	-	-	-	(332)	-	(332)
Repayment of loans	-	-	-	-	-	-	-	-	(36)	(36)
Balance at 30 June 2017 (unaudited)	6,066	25	3,612	(2,690)	(1,729)	(1,953)	3,331	4,919	276	8,526
Balance at 1 January 2018	6,066	25	3,689	(2,707)	(1,928)	(1,617)	3,528	5,366	242	9,136
Impact of adopting IFRS 9 at 1 January 2018 (note 2.3)	-	-	-	(250)	-	-	(250)	(21)	-	(271)
Restated balance at 1 January 2018	6,066	25	3,689	(2,957)	(1,928)	(1,617)	3,278	5,345	242	8,865
Profit for the period	-	-	-	278	-	-	278	463	-	741
Other comprehensive income for the period	-	-	-	-	150	484	634	363	-	997
Total comprehensive income for the period	-	-	-	278	150	484	912	826	-	1,738
Dividends declared to subsidiaries' non-controlling interests	-	-	-	-	-	-	-	(385)	-	(385)
Repayment of loans	-	-	-	-	-	-	-	-	(17)	(17)
Balance at 30 June 2018 (unaudited)	**6,066**	**25**	**3,689**	**(2,679)**	**(1,778)**	**(1,133)**	**4,190**	**5,786**	**225**	**10,201**

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Six month period ended 30 June 2018 (Unaudited)

	Six month period ended 30 June 2018 AED million	*Six month period ended 30 June 2017 AED million*
OPERATING ACTIVITIES		
Profit before tax	**1,014**	1,275
Adjustments for:		
Depreciation, depletion and amortisation	**1,792**	1,333
Amortisation of deferred expenditure	**16**	19
Release of onerous contracts provision	**(2)**	(3)
Employee benefit obligations, net	**(8)**	5
(Gain) loss on exchange - loans and borrowings and operating financial assets	**(37)**	189
Exploration and evaluation costs derecognised during the period	**14**	-
Gain on derecognition of a subsidiary	**-**	(86)
Gain on sale of land and oil and gas assets	**(46)**	(18)
Interest expense and notional interest	**1,764**	1,853
Accretion expense	**346**	351
Share of results of associates	**(144)**	(40)
Share of results of joint venture	**(17)**	(24)
Unrealised gains on fair valuation of derivatives and fair value hedges	**(90)**	(12)
Interest income	**(39)**	(20)
Revenue from service concession arrangements	**(728)**	(707)
Working capital changes:		
Inventories	**(16)**	72
Accounts receivable and prepayments	**(411)**	309
Amounts due to related parties	**(9)**	(17)
Accounts payable, accruals and other liabilities	**49**	(134)
Income tax paid	**(68)**	(157)
Asset retirement obligation payments	**(214)**	(221)
Cash received from service concession arrangements	**918**	780
Net cash from operating activities	**4,084**	4,747

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS continued
Six month period ended 30 June 2018 (Unaudited)

	Notes	***Six month period ended 30 June 2018 AED million***	*Six month period ended 30 June 2017 AED million*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(800)**	(568)
Movement in capex liabilities		**7**	(56)
Proceeds from sale of non-core assets		**7**	20
Dividends received from joint venture and associate		**24**	12
Purchase of intangible assets		**(29)**	(47)
Interest received		**39**	20
Movement of other assets		**41**	(30)
Net cash used in investing activities		**(711)**	(649)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	9	**6,425**	3,418
Repayment of interest bearing loans and borrowings	9	**(7,897)**	(5,355)
Repayment of Islamic loans	9	**(92)**	(91)
Interest paid		**(1,732)**	(1,889)
Dividends paid to non-controlling interest shareholders		**(384)**	(398)
Repayment of loans from ADWEA		**-**	(1)
Repayment of loans to non-controlling interest shareholders in subsidiaries		**(41)**	(47)
Net cash used in financing activities		**(3,721)**	(4,363)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(348)**	(265)
Net foreign exchange difference		**194**	(32)
Cash and cash equivalents at 1 January		**4,207**	3,784
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	**4,053**	3,487

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

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 52.38%. Public ownership increased to 24.79% and the balance of 22.83% 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.

In February 2018, Law No. 11 of 2018 on the establishment of the Energy Department was published. Pursuant to the law, all of ADWEA's assets, rights and obligations will be transferred to the Energy Department. The Energy Department will be responsible for the entire energy sector in the Emirate of Abu Dhabi, including the Emirate's energy strategy.

TAQA owns a number of strategic power generation and water desalination assets in its domestic market in the UAE and operates internationally across the energy value chain from upstream and midstream oil and gas businesses through to power generation. TAQA's registered head office is at 25th Floor, Al Maqam Tower, Abu Dhabi Global Market Square, PO Box 55224, Abu Dhabi, United Arab Emirates.

The interim condensed consolidated financial statements of TAQA and its subsidiaries (the "Group") as at and for the period ended 30 June 2018 were authorised for issuance by the Board of Directors on 8 August 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six month ended 30 June 2018 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 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 2017. In addition, results for the six month ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2017, except the following accounting policies which are applicable from 1 January 2018:

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

2.2.1 IFRS 9 FINANCIAL INSTRUMENTS

The requirements of IFRS 9 represents a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Impairment
The Group recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which the counter-party has an investment grade credit rating or credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date

Measurement of ECL
ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

2.2.1 IFRS 9 FINANCIAL INSTRUMENTS continued

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial
- reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2.2.2 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Management has assessed the impact of IFRS 15 in line with the current revenue recognition policies. Based on this assessment, there has not been any material impact on the adoption of IFRS 15 in line with revenue recognition policies as detailed out in note 2.5 of the Group's annual consolidated financial statements for the year ended 31 December 2017.

2.3 TRANSITION TO IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except the comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in accumulated losses as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 TRANSITION TO IFRS 9 continued

Impact on components of statements of financial position balances to IFRS 9

Explanations in respect of change in measure of categories of financial assets in accordance with IFRS 9 as at 1 January 2018 primarily comprises the following:

- Operating financial assets – an opening accumulated losses adjustment of AED 213 million has resulted in decrease in carrying value of AED 9,840 million at 1 January 2018 to AED 9,627 million;
- Advance and loans to associates – an opening accumulated losses adjustment of AED 4 million has resulted in decrease in carrying value of AED 702 million at 1 January 2018 to AED 698 million;
- Non-current other assets – an opening accumulated losses adjustment of AED 18 million has resulted in decrease in carrying value of AED 582 million at 1 January 2018 to AED 564 million;
- Account receivable and prepayments – an opening accumulated losses adjustment of AED 34 million has resulted in decrease in carrying value of AED 4,252 million at 1 January 2018 to AED 4,218 million; and
- Cash and short term deposits – an opening accumulated losses adjustment of AED 2 million has resulted in decrease in carrying value of AED 4,400 million as at 1 January 2018 to AED 4,398 million.

Reconciliation of impairment provision balance from IAS 39 to IFRS 9

The following table reconciles the closing impairment loss allowance for financial assets in accordance with IAS 39 Financial Instruments: Recognition and Measurement as at 31 December 2017 to the opening Expected Credit Loss ("ECL") allowance determined in accordance with IFRS 9 as at 1 January 2018.

	31 December 2017 AED million	*Re-measurement AED million*	*1 January 2018 AED million*
Operating financial assets	9,840	(213)	9,627
Advance and loans to associates	702	(4)	698
Non-current other assets	582	(18)	564
Accounts receivable and prepayments	4,252	(34)	4,218
Cash and short term deposits	4,400	(2)	4,398
	19,776	**(271)**	**19,505**

3 INCOME TAX

	Three month period ended 30 June 2018 AED million	*Three month period ended 30 June 2017 AED million*	**Six month period ended 30 June 2018 AED million**	*Six month period ended 30 June 2017 AED million*
Current income tax:				
Current income tax charge	**32**	108	**195**	253
Deferred income tax:				
Relating to origination and reversal of temporary differences	**103**	(38)	**78**	505
Income tax expense	**135**	70	**273**	758

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.

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

	Three month period ended 30 June 2018	*Three month period ended 30 June 2017*	**Six month period ended 30 June 2018**	*Six month period ended 30 June 2017*
Profit for the period attributable to equity holders of the parent (*AED million*)	**168**	35	**278**	112
Weighted average number of ordinary shares issued (million)	**6,066**	6,066	**6,066**	6,066
Basic earnings per share (AED)	**0.028**	0.006	**0.046**	0.018

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.

5 OPERATING SEGMENT INFORMATION

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

- Power and Water Segment – U.A.E
- Power Segment – Others
- Oil and Gas Segment – North America
- Oil and Gas Segment – Europe
- Oil and Gas Segment – Atrush

Power and Water Segment – U.A.E
This segment is engaged in generation of electricity and production of desalinated water for supply in UAE.

Power Segment – Others
This segment is engaged in generation of electricity in Morocco, India, Ghana, Saudi Arabia and United States.

Oil and Gas Segment-North America
This segment is engaged in Upstream and Midstream oil and gas activities in Canada and the United States.

Oil and Gas Segment-Europe
This segment is engaged primarily in Upstream oil and gas activities in the United Kingdom, and Upstream and Midstream oil and gas activities in the Netherlands.

Oil and Gas Segment-Atrush
This segment is engaged primarily in Upstream oil and gas activities in Kurdistan, Iraq.

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

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 profit or loss. Group financing cost and income except for the subsidiaries with project financing arrangements and interest income is managed on a group basis and is not allocated to operating segments.

Investment in certain associates with activities other than power and water generation and oil and gas and available for sale investments are managed on a group basis and are therefore not allocated to operating segments. In addition, leasehold land contributed by ADWEA during the previous year is also managed on a group basis and therefore not allocated to operating segments.

Interest bearing loans and borrowings and Islamic loans except for the subsidiaries with project financing arrangements and bank overdrafts are managed on a group basis and are not allocated to operating segments.

5 OPERATING SEGMENT INFORMATION continued

The following table presents revenue and profit information for the Group's operating segments:

	Power and water generation - UAE AED million	*Power generation - others AED million*	*Oil and gas - North America AED million*	*Oil and gas - Europe AED million*	*Oil and gas - Atrush AED million*	*Adjustments, eliminations and unallocated AED million*	*Consolidated AED million*
Period ended 30 June 2018:							
Revenue from external customers	3,478	2,163	930	1,941	85	4	8,601
Operating expenses	(751)	(1,409)	(494)	(1,031)	(29)		(3,714)
Administrative and other expenses	(72)	(47)	(66)	(28)	(17)	(60)	(290)
Share of results of joint venture	-	-	-	-	-	17	17
Share of results of associates	-	3	-	-	-	141	144
Earnings before interest, tax, depreciation and amortization (EBITDA)	**2,655**	**710**	**370**	**882**	**39**	**102**	**4,758**
Depreciation, depletion and amortization	(920)	(32)	(486)	(323)	(31)	-	(1,792)
Earnings before interest and tax (EBIT)	**1,735**	**678**	**(116)**	**559**	**8**	**102**	**2,966**
Finance costs	(859)	(143)	(54)	(262)	-	(792)	(2,110)
Changes in fair value of derivatives and fair value hedges	-	105	-	-	-	-	105
Net foreign exchange gains (losses)	12	27	2	15	-	(97)	(41)
Gain from sale of land and oil and gas assets	-	-	46	-	-	-	46
Interest income	-	-	-	-	-	39	39
Other gains	1	9	(1)	-	-	-	9
Income tax expense	-	(168)	(9)	(88)	-	(8)	(273)
Profit (loss) for the period	**889**	**508**	**(132)**	**224**	**8**	**(756)**	**741**

5 OPERATING SEGMENT INFORMATION continued

The following table presents revenue and profit information for the Group's operating segments:

	Power and water generation - UAE AED million	*Power generation - others AED million*	*Oil and gas - North America AED million*	*Oil and gas - Europe AED million*	*Oil and gas - Atrush AED million*	*Adjustments, eliminations and unallocated AED million*	*Consolidated AED million*
Period ended 30 June 2017:							
Revenue from external customers	3,509	2,006	964	1,872	1	-	8,352
Operating expenses	(846)	(1,285)	(425)	(929)	-	-	(3,485)
Administrative and other expenses	(70)	(53)	(53)	(29)	(17)	(28)	(250)
Share of results of joint venture	-	-	-	-	-	24	24
Share of results of associates	-	4	-	-	-	36	40
Earnings before interest, tax, depreciation and amortization (EBITDA)	2,593	672	486	914	(16)	32	4,681
Depreciation, depletion and amortization	(910)	(36)	(505)	121	-	(3)	(1,333)
Earnings before interest and tax (EBIT)	1,683	636	(19)	1,035	(16)	29	3,348
Finance costs	(886)	(172)	(65)	(271)	-	(810)	(2,204)
Changes in fair value of derivatives and fair value hedges	7	(1)	-	-	-	-	6
Net foreign exchange gains (losses)	(1)	16	(1)	(23)	-	8	(1)
Gain on derecognition of a subsidiary	-	-	-	-	-	86	86
Gain from sale of land and oil and gas assets	-	-	18	-	-	-	18
Interest income	-	-	-	-	-	20	20
Other gains	-	1	(5)	-	-	6	2
Income tax (expense) credit	-	(102)	3	(677)	-	18	(758)
Profit (loss) for the period	803	378	(69)	64	(16)	(643)	517

5 OPERATING SEGMENT INFORMATION continued

The following table presents segment assets of the Group's operating segments as at 30 June 2018 and 31 December 2017:

	Power and water generation - UAE AED million	*Power generation - others AED million*	*Oil and gas - North America AED million*	*Oil and gas - Europe AED million*	*Oil and gas - Atrush AED million*	*Adjustments, eliminations and unallocated AED million*	*Consolidated AED million*
At 30 June 2018							
Investment in associates	-	**101**	-	-	-	**1,049**	**1,150**
Investment in joint venture	-	-	-	-	-	**155**	**155**
Advances and loans to associates	-	-	-	-	-	**698**	**698**
Operating financial assets	-	**9,346**	-	-	-	-	**9,346**
Leasehold land	-	-	-	-	-	**18,682**	**18,682**
Other assets	**45,466**	**3,830**	**9,371**	**9,956**	**2,344**	**566**	**71,533**
Segment assets	**45,466**	**13,277**	**9,371**	**9,956**	**2,344**	**21,150**	**101,564**
Segment liabilities	**32,650**	**7,025**	**2,599**	**12,512**	**196**	**36,381**	**91,363**
At 31 December 2017							
Investment in associates	-	98	-	-	-	919	1,017
Investment in joint venture	-	-	-	-	-	151	151
Advances and loans to associates	-	-	-	-	-	702	702
Operating financial assets	-	9,840	-	-	-	-	9,840
Leasehold land	-	-	-	-	-	18,682	18,682
Other assets	46,490	3,607	9,742	9,780	2,467	555	72,641
Segment assets	46,490	13,545	9,742	9,780	2,467	21,009	103,033
Segment liabilities	34,723	7,439	2,810	11,973	227	36,725	93,897

6 PROPERTY, PLANT AND EQUIPMENT

During the six month period ended 30 June 2018, the Group acquired assets with a cost of AED 800 million (30 June 2017: AED 568 million).

7 CASH AND CASH EQUIVALENTS

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

	At 30 June 2018 AED million	*At 30 June 2017 AED million*
Cash at banks and on hand	**2,736**	3,014
Short-term deposits	**1,423**	570
	4,159	3,584
Bank overdrafts	**(106)**	(97)
	4,053	3,487

8 DERECOGNITION OF A SUBSIDIARY

On 30 May 2017, in accordance with the purchase agreement entered into between TAQA India Power Ventures Private Limited, Himachal Sorang Power Limited ("HSPL") and Greenko East Coast Power Projects Pvt. Limited ("Greenko"), the Group handed over the management control of its subsidiary, HSPL to Greenko. Accordingly, the Group does not hold any beneficial interest in HSPL with effect from this date. A gain of AED 86 million was recognized during the six month period ended 30 June 2017 by the Company on derecognition of HSPL as follows:

	At 30 May 2017 AED million
Non-current assets	**336**
Current assets	**45**
Non-current liabilities	**(339)**
Current liabilities	**(180)**
Net liabilities derecognised	**(138)**
Currency translation reserve recycled to profit and loss	**52**
Gain on derecognition of a subsidiary	**86**

9 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC LOANS

	Six month period ended 30 June 2018 AED million	*Six month period ended 30 June 2017 AED million*
Receipts:		
Loans received during the period are as follows:		
Interest bearing loans and borrowings	6,425	3,418
Repayments:		
The Group made the following repayments during the period:		
Interest bearing loans and borrowings	(7,897)	(5,355)
Islamic loans	(92)	(91)

On 23 April 2018, the Company raised AED 6.4 billion (US $1.75 billion) in a two-tranche dollar denominated bond issue. The two tranches consisted of AED 2.8 billion (US $750 million) bonds maturing in 2025, with a coupon of 4.375% per annum and AED 3.7 billion (US $1 billion) bonds maturing in 2030, with a coupon of 4.875% per annum. The proceeds from the issue were used to settle the bridge loan and prefund AED 1.8 billion (US $500 million) bonds maturing in August 2018.

Changes in liabilities arising from financing activities

	1 January 2018 AED million	*Cash flows AED million*	*Other AED million*	*30 June 2018 AED million*
2018				
Current:				
Interest bearing loans and borrowings	6,964	(1,472)	(1,289)	4,203
Islamic loans	180	(92)	103	191
	7,144	(1,564)	(1,186)	4,394
Non-current:				
Interest bearing loans and borrowings	61,750	-	1,203	62,953
Islamic loans	1,331	-	(100)	1,231
	63,081	-	1,103	64,184
Total	70,225	(1,564)	(83)	68,578

10 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.

11 RELATED PARTY TRANSACTIONS

The following table provides a summary of significant related party transactions included in the interim consolidated income statement during the three month and six month periods:

	Three month period ended 30 June 2018 AED million	*Three month period ended 30 June 2017 AED million*	***Six month period ended 30 June 2018 AED million***	*Six month period ended 30 June 2017 AED million*
Fellow subsidiary (Abu Dhabi Water and Electricity Company):				
Revenue from electricity and water	**1,826**	1,821	**3,460**	3,478
Fuel revenue	**9**	14	**18**	31

Compensation of key management personnel and board of directors
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 and board of the directors of the Group during the six month period was as follows:

	Three month period ended 30 June 2018 AED million	*Three month period ended 30 June 2017 AED million*	***Six month period ended 30 June 2018 AED million***	*Six month period ended 30 June 2017 AED million*
Key management short-term benefits	**3**	4	**6**	8
Board of directors' remuneration	**4**	-	**4**	-

12 COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure commitments
The authorised contracted capital expenditure contracted for at 30 June 2018 but not provided for amounted to AED 1,175 million (31 December 2017: AED 752 million).

(ii) Operating lease commitments
Group as a lessor:
Future capacity payments to be received by the Group under the power and water purchase agreement ("PWPA") based on projected plant availability as at 30 June 2018 amount to AED 70 billion (31 December 2017: AED 72 billion).

Group as a lessee:
Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 amount to AED 1 billion (31 December 2017: AED 1 billion).

Joint Venture:
The Group's joint venture has future minimum rentals payable under a non-cancellable operating lease as at 30 June 2018 amounting to AED 1,406 million (31 December 2017: AED 1,448 million), of which the Group's share is AED 703 million (31 December 2017: AED 724 million).

Associates:
Sohar Aluminium Company LLC, one of the Group's associates, has future minimum rentals payable under a non-cancellable operating lease as at 30 June 2018 amounting to AED 799 million (31 December 2017: AED 838 million), of which the Group's share is AED 320 million (31 December 2017: AED 335 million).

12 COMMITMENTS AND CONTINGENCIES continued

(iii) Other commitments

a) As at the reporting date TAQA North has entered into contractual commitments, mainly pipeline usage and commitments, under which they are committed to spend AED 850 million as at 30 June 2018 (31 December 2017: AED 737 million).

(iv) Contingencies

a) As a result of acquisitions made in prior periods, there are contingent liabilities arising from (a) tax assessments or proposed assessments and (b) certain other disputes, all of which are being contested. Pursuant to the Purchase and Sale Agreements between TAQA and the sellers, the sellers have provided TAQA and its subsidiaries with indemnity obligations with respect to such contingent liabilities for the periods prior to the dates of the respective acquisitions.

b) TAQA GEN X LLC ("GENX") is the owner by assignment of a Fuel Conversion Services, Capacity and Ancillary Services Purchase Agreement dated as of 17 September 1999 (the "Tolling Agreement") by and between AES Red Oak, L.L.C. ("AES") and Williams Energy Marketing & Trading Company, as well as other ancillary rights and agreements. GENX entered into an Energy Management Agreement ("EMA") and an International Swap & Derivatives Master Agreement ("ISDA") both dated 28 December 2010 with Morgan Stanley Capital Group Inc. to manage the energy products under the Tolling Agreement and ancillary rights and agreements. The Group guaranteed the obligations of GENX to Morgan Stanley Capital Group Inc. under the EMA and ISDA agreement. Payments under this guarantee shall not exceed US $100 million (AED 367 million) (31 December 2017: AED 367 million) over the life of the EMA. No payments have been made to date (31 December 2017: nil).

c) TAQA Bratani Ltd. has entered into decommissioning deeds for certain North Sea Assets acquired by it, pursuant to which it may be required to provide financial security to the former owners of the assets, either by means of (a) placing monies in trust or procuring the issuance of letters of credit in an amount equal to its share of the net decommissioning costs of the subject fields plus an allowance for uncertainty; or (b) procuring a guarantee from a holding company or affiliate which satisfies a minimum credit rating threshold; or (c) providing security in such other form as may be agreed by parties to the deeds. TAQA Bratani Ltd. initially provided TAQA's ("parent company") guarantee, but in the interim the parent company's credit rating was reduced to below the minimum credit rating specified in the deeds. The Group has previously been in good faith discussions with the other parties to the deeds regarding whether and to what extent the Group will be required to replace or supplement some or all of the parent guarantee with other acceptable credit support but no outcomes were concluded, and the parent guarantee remains in place. However, since that time, the U.K. Government has introduced a legislative framework that is designed to allow security arrangements for North Sea decommissioning obligations to be made on a post-tax basis, to the extent parties to the decommissioning deeds adopt modified decommissioning deeds, and the Group would expect that if or when the discussions with counter-parties resume, it would most probably be on that basis. If the Group was required to replace the parent guarantee in its entirety, the amount it would have to procure through the issuance of letters of credit or other collateral, could be in excess of US $1.0 billion (31 December 2017: US $ 1.0 billion).

In respect of certain other North Sea Assets acquired by members of the Group, the Group is able to meet the security arrangements for decommissioning obligations by way of provision of a parent company guarantee, so long as the Group continues in majority – ownership of the Government of Abu Dhabi.

d) In addition to the above, there are certain guarantees and letters of credit arising in the ordinary course of business to which TAQA and certain other subsidiaries are parties. These do not create any material additional obligations other than what is disclosed in the consolidated statement of financial position as at period end.

13 FINANCIAL INSTRUMENTS

13.1 Hedging Activities

	30 June 2018			*(Audited) 31 December 2017*		
	Notional amount	***Fair value Current***	***Fair value Non-current***	*Notional amount*	*Fair value Current*	*Fair value Non-current*
	AED million	***AED million***	***AED million***		*AED million*	*AED million*
Cash flow hedges						
Assets						
Interest rate swaps – hedged	**658**	**-**	**22**	698	-	5
Forward foreign exchange contracts	**164**	**5**	**6**	279	10	13
		5	**28**		10	18
Liabilities						
Cross currency interest rate swap	**1,267**	**25**	**284**	1,255	31	325
Interest rate swaps - hedged	**23,291**	**360**	**1,615**	24,820	484	2,303
Forward foreign exchange contracts	**93**	**18**	**5**	129	19	13
		403	**1,904**		534	2,641
Fair value hedges						
Liabilities						
Futures and forward contracts		**35**	**-**		105	-

13.2 Fair values

The fair values of the financial instruments of the Group are not materially different from their carrying values at the reporting date, except for certain fixed interest borrowings and operating financial assets. Set out below is a comparison of the carrying amounts and fair values of fixed interest borrowings and operating financial assets:

	Carrying amount		*Fair value*	
	30 June 2018	*(Audited) 31 December 2017*	***30 June 2018***	*(Audited) 31 December 2017*
	AED million	*AED million*	***AED million***	*AED million*
Operating financial assets	**9,346**	9,840	**9,667**	10,290
Interest bearing loans and borrowings (note i)	**35,017**	31,392	**36,082**	33,901

(i) Interest bearing loans and borrowings comprise the Abu Dhabi National Energy Company Global Medium Term notes, Abu Dhabi National Energy Company bonds, Emirates Semb Corp Water and Power Company bond and the Ruwais Power Company bond.

The fair value of operating financial assets is estimated by discounting the expected future cash flows using appropriate interest rates for assets with similar terms, credit risk and remaining maturities.

The fair value of the interest bearing loans and borrowings is based on price quotations at the reporting date.

13 FINANCIAL INSTRUMENTS continued

13.3 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Total AED million	*Level 1 AED million*	*Level 2 AED million*	*Level 3 AED million*
At 30 June 2018				
Financial assets measured at fair value				
Forward foreign exchange contracts	**11**	-	**11**	-
Interest rate swaps- hedged	**22**	-	**22**	-
Financial assets disclosed at fair value				
Operating financial assets	**9,667**	-	-	**9,667**
Financial liabilities measured at fair value				
Interest rate swaps- hedged	**1,975**	-	**1,975**	-
Forward foreign exchange contracts	**23**	-	**23**	-
Cross currency interest rate swaps	**309**	-	**309**	-
Financial liabilities disclosed at fair value				
Interest bearing loans and borrowings	**36,082**	**36,082**	-	-
At 31 December 2017				
Financial assets measured at fair value				
Interest rate swaps – hedged	5	-	5	-
Forward foreign exchange contracts	23	-	23	-
Financial assets disclosed at fair value				
Operating financial assets	10,290	-	-	10,290
Financial liabilities measured at fair value				
Interest rate swaps – hedged	2,787	-	2,787	-
Forward foreign exchange contracts	32	-	32	-
Cross currency interest rate swaps	356	-	356	-
Futures and forward contracts	105	-	105	-
Financial liabilities disclosed at fair value				
Interest bearing loans and borrowings	33,901	33,901	-	-

During the period ended 30 June 2018 and the year ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

For financial instruments where there is no active market, fair value is determined using valuation techniques. These techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.