Abu Dhabi National Energy Company PJSC (“TAQA”)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2014 (UNAUDITED)

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 31 March 2014, comprising of the interim consolidated statement of financial position as at 31 March 2014 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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. 258

13 May 2014
Abu Dhabi

INTERIM CONSOLIDATED INCOME STATEMENT
Three month period ended 31 March 2014 (Unaudited)

	Notes	***Three months period ended 31 March 2014 AED million***	*Three months period ended 31 March 2013 AED million*
Revenues			
Revenue from oil and gas		**3,506**	2,151
Revenue from electricity and water		**2,244**	2,364
Fuel revenue		**953**	658
Gas storage revenue		**167**	121
Other operating revenue		**394**	128
		7,264	5,422
Cost of sales			
Operating expenses		**(2,929)**	(2,490)
Dry hole expenses		**-**	(39)
Depreciation, depletion and amortisation		**(1,718)**	(1,367)
		(4,647)	(3,896)
GROSS PROFIT		**2,617**	1,526
Administrative and other expenses		**(258)**	(264)
Finance costs		**(1,232)**	(1,248)
Changes in fair values of derivatives and fair value hedges		**(258)**	96
Net foreign exchange (losses) gains		**(27)**	138
Gain on sale of land and oil and gas assets		**13**	11
Share of results of associates		**18**	45
Share of results of joint ventures		**9**	27
Interest income		**4**	19
Other gains		**19**	95
PROFIT BEFORE TAX		**905**	445
Income tax expense	3	**(529)**	(220)
PROFIT FOR THE PERIOD		**376**	225
Attributable to:			
Equity holders of the parent		**274**	106
Non-controlling interests		**102**	119
PROFIT FOR THE PERIOD		**376**	225
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	4	**0.045**	0.017

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Three month period ended 31 March 2014 (Unaudited)

	Three months period ended 31 March 2014 AED million	*Three months period ended 31 March 2013 AED million*
Profit for the period	**376**	225
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	**(654)**	237
Reclassification adjustments for losses included in the consolidated income statement	**365**	373
Reclassification adjustments for ineffective cash flow hedges	**(21)**	-
Share of other comprehensive income of associates	**1**	(4)
Exchange differences arising on translation of overseas operations	**(41)**	(691)
Changes in fair values of available for sale investments	**19**	(58)
Other comprehensive loss for the period	**(331)**	(143)
Total comprehensive income for the period	**45**	82
Attributable to:		
Equity holders of the parent	**34**	(310)
Non-controlling interests	**11**	392
	45	82

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2014 (Unaudited)

	Notes	*31 March 2014 AED million*	*(Audited) 31 December 2013 AED million*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**81,087**	81,654
Operating financial assets		**10,339**	9,977
Available for sale investments		**602**	583
Intangible assets	7	**14,501**	14,274
Investment in associates		**609**	592
Investment in joint venture		**145**	144
Advance and loans to associates		**398**	398
Deferred tax asset		**494**	494
Other assets		**439**	480
		108,614	108,596
Current assets			
Inventories		**2,870**	2,732
Operating financial assets		**329**	342
Advance and loans to associates		**578**	583
Accounts receivable and prepayments		**5,500**	5,632
Cash and short-term deposits		**4,252**	4,040
		13,529	13,329
TOTAL ASSETS		**122,143**	121,925
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	9	**6,066**	6,225
Treasury shares	10	**-**	(293)
Contributed capital		**25**	325
Other reserves		**4,156**	4,290
Retained losses		**(801)**	(1,375)
Foreign currency translation reserve	11	**(1,235)**	(1,194)
Cumulative changes in fair value of available for sale investments		**87**	68
Cumulative changes in fair value of derivatives in cash flow hedges		**(2,811)**	(2,593)
		5,487	5,453
Non-controlling interests		**3,177**	3,595
Loans from non-controlling interest shareholders in subsidiaries		**628**	642
Loan from Abu Dhabi Water and Electricity Authority (ADWEA)		**2,617**	2,624
		6,422	6,861
TOTAL EQUITY		**11,909**	12,314

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
As at 31 March 2014 (Unaudited)

	Notes	***31 March 2014 AED million***	*(Audited) 31 December 2013 AED million*
Non-current liabilities			
Interest bearing loans and borrowings	12	**70,876**	71,058
Islamic loans	12	**2,088**	2,112
Deferred tax liabilities		**4,295**	4,131
Asset retirement obligations		**12,300**	12,196
Advances and loans from related parties		**109**	109
Loans from non-controlling interest shareholders in subsidiaries		**177**	185
Other liabilities		**4,410**	4,232
		94,255	94,023
Current liabilities			
Accounts payable, accruals and other liabilities		**8,203**	7,970
Interest bearing loans and borrowings	12	**6,374**	6,272
Islamic loans	12	**144**	143
Loans from non-controlling interest shareholders in subsidiaries		**20**	20
Amounts due to ADWEA and other related parties		**439**	453
Income tax payable		**702**	636
Bank overdrafts		**97**	94
		15,979	15,588
Total liabilities		**110,234**	109,611
TOTAL EQUITY AND LIABILITIES		**122,143**	121,925

DIRECTOR DIRECTOR CHIEF OPERATING OFFICER

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2014 (Unaudited)

	Attributable to owners of the parent													
	Issued capital AED million	Treasury shares AED million	Equity contributed capital AED million	Other reserves AED million	Retained earnings (losses) AED million	Proposed dividends AED million	Foreign currency translation reserve AED million	Cumulative changes in fair value of available for sale investment 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 shareholder in subsidiaries AED million	Loan from ADEWA AED million	Total equity AED million
Balance at 1 January 2013	6,225	(293)	325	4,188	1,005	607	189	89	(4,343)	7,992	1,687	979	2,655	13,313
Profit for the period	-	-	-	-	106	-	-	-	-	106	119	-	-	225
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(691)	(58)	333	(416)	273	-	-	(143)
Total comprehensive income (losses) for the period	-	-	-	-	106	-	(691)	(58)	333	(310)	392	-	-	82
Dividends paid to subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(214)	-	-	(214)
Repayment of loans	-	-	-	-	-	-	-	-	-	-	-	(87)	-	(87)
Balance at 31 March 2013 (unaudited)	6,225	(293)	325	4,188	1,111	607	(502)	31	(4,010)	7,682	1,865	892	2,655	13,094
Balance at 1 January 2014	6,225	(293)	325	4,290	(1,375)	-	(1,194)	68	(2,593)	5,453	3,595	642	2,624	12,314
Profit for the period	-	-	-	-	274	-	-	-	-	274	102	-	-	376
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(41)	19	(218)	(240)	(91)	-	-	(331)
Total comprehensive income (loss) for the period	-	-	-	-	274	-	(41)	19	(218)	34	11	-	-	45
Transfer to retained earnings	-	-	(300)	-	300	-	-	-	-	-	-	-	-	-
Dividends paid to subsidiaries' non-controlling interests	-	-	-	-	-	-	-	-	-	-	(429)	-	-	(429)
Cancellation of treasury shares	(159)	293	-	(134)	-	-	-	-	-	-	-	-	-	-
Repayment of loans	-	-	-	-	-	-	-	-	-	-	-	(14)	(7)	(21)
Balance at 31 March 2014 (unaudited)	**6,066**	**-**	**25**	**4,156**	**(801)**	**-**	**(1,235)**	**87**	**(2,811)**	**5,487**	**3,177**	**628**	**2,617**	**11,909**

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Three month period ended 31 March 2014 (Unaudited)

	Notes	***Three months period ended 31 March 2014 AED million***	*Three months period ended 31 March 2013 AED million*
OPERATING ACTIVITIES			
Profit before tax		**905**	445
Adjustments for:			
Depreciation, depletion and amortisation		**1,718**	1,367
Release of onerous contracts provision		**(25)**	(31)
Employee benefit obligations, net		**(4)**	2
Loss on exchange - loans and borrowings and operating financial assets		**(52)**	(72)
Dry hole expenses		**-**	(39)
Exploration and evaluation costs derecognised during the period		**14**	50
Gain on sale of land and oil and gas assets		**(13)**	(11)
Interest expense and notional interest		**1,068**	1,124
Accretion expense		**164**	124
Share of results of associates		**(18)**	(45)
Share of results of joint ventures		**(9)**	(27)
Unrealised (losses) gains on fair valuation of derivatives and fair value of hedges		**180**	(16)
Interest income		**(4)**	(19)
Other non-cash adjustments		**-**	(83)
Construction costs		**177**	383
Revenue from operating financial assets		**(505)**	(659)
Working capital changes:			
Inventories		**(137)**	14
Accounts receivables and prepayments		**(210)**	776
Amounts due to ADWEA and other related parties		**(19)**	**-**
Accounts payable, accruals and other liabilities		**188**	(246)
Income tax paid		**(241)**	(762)
Asset retirement obligation payments		**(37)**	(27)
Cash received from service concession arrangements		**166**	232
Net cash from operating activities		**3,306**	2,480

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS continued
Three month period ended 31 March 2014 (Unaudited)

	Notes	***Three months period ended 31 March 2014 AED million***	*Three months period ended 31 March 2013 AED million*
INVESTING ACTIVITIES			
Proceeds from sale of non-core assets		-	11
Purchase of property, plant and equipment		**(975)**	(1,162)
Construction costs paid		**(177)**	(767)
Dividend received from joint venture		**7**	-
Loan repayment by an associate		**5**	4
Purchase of intangible assets		**(154)**	(197)
Interest received		**4**	19
Acquisition of other assets		**(7)**	11
Net cash used in investing activities		**(1,297)**	(2,081)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	12	**470**	3,667
Repayment of interest bearing loans and borrowings	12	**(605)**	(2,426)
Repayment of Islamic loans	12	**(26)**	(25)
Interest paid		**(1,203)**	(1,167)
Dividend paid to non-controlling interest shareholders		**(316)**	(184)
Repayment of loans from ADWEA		**(7)**	-
Loans received from non-controlling interest shareholders		-	42
Repayment of loans to non-controlling interest shareholders in subsidiaries		**(22)**	(87)
Net cash used in financing activities		**(1,709)**	(180)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**300**	219
Net foreign exchange difference		**(91)**	(87)
Cash and cash equivalents at 1 January		**3,946**	3,807
CASH AND CASH EQUIVALENTS AT 31 MARCH	8	**4,155**	3,939

The attached notes 1 to 18 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 51.05%. Public ownership increased to 27.95% and the balance of 21% 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.

The principal activity of TAQA is to own and invest in companies engaged in power generation, water desalination and exploration, development, production and storage of oil and gas, supplemented by developing alternative and technology-driven energy initiatives, in addition to other investments as considered appropriate to meet its objectives. TAQA’s registered head office is P O Box 55224, Abu Dhabi, United Arab Emirates.

The interim condensed consolidated financial statements of TAQA and its subsidiaries (“the Group”) for the period ended 31 March 2014 were authorised for issuance by the Board of Directors on 13 May 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months period ended 31 March 2014 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 where 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 2013. In addition, results for the three months ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

As of 31 March 2014, the Group’s current liabilities exceeded its current assets by AED 2,450 million. The interim condensed consolidated financial statements have been prepared on a going concern basis since the Group has unused credit lines of AED 10,746 million as of 31 March 2014 and because management believes that the Group will continue to generate sufficient cash flows from operations to meet its liabilities as and when they fall due.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the following new standards and interpretations effective as of 1 January 2014:

IFRS 9 Financial Instruments
In November 2009, IFRS 9 was issued which introduced new requirements for the classification and measurement of financial assets. It was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 are required to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. IFRS 9 also allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In November 2013, the IASB issued new IFRS 9 requirements related to hedge accounting (except accounting for open portfolio or macro hedging) which align hedge accounting more closely with risk management, resulting in more useful information to users of financial statements. The requirements also establish a more principal based approach to hedge accounting and address inconsistencies in the hedge accounting model in IAS 39.

IFRS 9 has not yet been fully finalised as the impairment of financial assets phase is still under deliberation. The mandatory date of application is 1 January 2018. However, the Group has decided to early adopt IFRS 9 as of 1 January 2014. No retrospective adjustments were required as a result of early adopting IFRS 9.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. These amendments have no impact on the Group, since none of the entities in the Group qualifies as an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies
IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g. IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. These amendments have no impact to the Group.

3 INCOME TAX

	Three months period ended 31 March 2014 AED million	*Three months period ended 31 March 2013 AED million*
Current income tax:		
Current income tax charge	**341**	321
Deferred income tax:		
Relating to origination and reversal of temporary differences	**188**	(101)
Income tax expense	**529**	220

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 months period ended 31 March 2014	*Three months period ended 31 March 2013*
Profit for the period attributable to owners of the parent (*AED million*)	**274**	106
Weighted average number of ordinary shares issued (million)	**6,066**	6,066
Basic earnings per share (AED)	**0.045**	0.017

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. For the three months period ended 31 March 2013, the weighted average number of shares excludes the treasury shares as at the period end.

5 OPERATING SEGMENT INFORMATION

The Group's operating segments are established on the basis of those components of the group that are evaluated regularly by the chief operating decision maker in determining allocation of resources and assessing performance. The Group is organised into business units based on products and services and has resulted in the Group having two main operating segments as follows:

- *Power and Water Segment*

This segment is engaged in generation of electricity and production of desalinated water for supply.

- *Oil and Gas Segment*

This segment is engaged in upstream and midstream oil and gas activities.

Segment performance is evaluated based on cash flows. Group financing (including finance costs except for the subsidiaries involved in power and water generation 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.

Interest bearing loans and borrowings and Islamic loans except for the subsidiaries involved in power and water generation 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 for the three months ended 31 March 2014 and 2013 respectively:

	Power and water generation AED million	*Oil and gas AED million*	*Adjustments, eliminations and unallocated AED million*	*Consolidated AED million*
Three months period ended 31 March 2014:				
Revenue from external customers	**3,308**	**3,956**	**-**	**7,264**
Operating expenses	**(1,518)**	**(1,411)**	**-**	**(2,929)**
Administrative and other expenses	**(64)**	**(120)**	**(74)**	**(258)**
Share of results of associates	**2**	**-**	**16**	**18**
Share of results of joint venture	**-**	**-**	**9**	**9**
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	**1,728**	**2,425**	**(49)**	**4,104**
Depreciation, depletion and amortisation	**(463)**	**(1,252)**	**(3)**	**(1,718)**
Earnings (loss) before interest and tax (EBIT)	**1,265**	**1,173**	**(52)**	**2,386**
Finance costs	**(666)**	**(153)**	**(413)**	**(1,232)**
Changes in fair value of derivatives and fair value hedges	**(244)**	**(18)**	**4**	**(258)**
Net foreign exchange (losses) gains	**(12)**	**7**	**(22)**	**(27)**
Gain on sale of land and oil and gas assets	**-**	**13**	**-**	**13**
Interest income	**2**	**-**	**2**	**4**
Other gains	**19**	**-**	**-**	**19**
Income tax credit (expense)	**18**	**(600)**	**53**	**(529)**
Profit (loss) for the period	**382**	**422**	**(428)**	**376**
Three months period ended 31 March 2013:				
Revenue from external customers	3,026	2,396	-	5,422
Operating expenses	(1,517)	(973)	-	(2,490)
Administrative and other expenses	(62)	(140)	(62)	(264)
Share of results of associates	2	-	43	45
Share of results of joint venture	-	27	-	27
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	1,449	1,310	(19)	2,740
Dry hole expenses	-	(39)	-	(39)
Depreciation, depletion and amortisation	(455)	(907)	(5)	(1,367)
Earnings (loss) before interest and tax (EBIT)	994	364	(24)	1,334
Finance costs	(627)	(114)	(507)	(1,248)
Changes in fair value of derivatives and fair value hedges	91	(4)	9	96
Net foreign exchange gains	28	46	64	138
Gain on sale of land and oil and gas assets	-	11	-	11
Interest income	-	-	19	19
Other gains	3	-	92	95
Income tax (expense) credit	(51)	(238)	69	(220)
Profit (loss) for the period	438	65	(278)	225

5 OPERATING SEGMENT INFORMATION continued

The following table presents segment assets of the Group's operating segments as at 31 March 2014 and 31 December 2013:

	Power and water generation AED million	*Oil and gas AED million*	*Adjustments, eliminations and unallocated AED million*	*Consolidated AED million*
At 31 March 2014				
Investment in associates	**73**	**-**	**536**	**609**
Investment in joint venture	**-**	**-**	**145**	**145**
Advance and loan to an associate	**8**	**-**	**968**	**976**
Operating financial assets	**10,668**	**-**	**-**	**10,668**
Other assets	**56,455**	**52,096**	**1,194**	**109,745**
Segment assets	**67,204**	**52,096**	**2,843**	**122,143**
At 31 December 2013				
Investment in associates	71	-	521	592
Investment in joint venture	-	-	144	144
Advance and loan to an associate	13	-	968	981
Operating financial assets	10,319	-	-	10,319
Other assets	57,142	51,739	1,008	109,889
Segment assets	67,545	51,739	2,641	121,925

6 PROPERTY, PLANT AND EQUIPMENT

During the three month period ended 31 March 2014, the Group acquired assets with a cost of AED 975 million (31 March 2013: AED 1,162 million).

7 INTANGIBLE ASSETS

Exploration and evaluation assets
On 12 March 2013, the Kurdistan Regional Government exercised its option of Government Participation in the Atrush block which could potentially reduce TAQA's interest in the block from 53.2% to a minimum of 39.9%. The mechanism by which this will be achieved, including the settlement of outstanding petroleum costs owed to the contractors by the Government for its participating interest share, is currently being negotiated. An amount of AED 88 million is held in a receivables account for reimbursement of petroleum costs. The transaction is expected to be finalised during 2014.

8 CASH AND CASH EQUIVALENTS

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

	At 31 March 2014 AED million	*At 31 March 2013 AED million*
Cash at banks and on hand	**3,674**	2,270
Short term deposits	**578**	1,736
	4,252	4,006
Bank overdrafts	**(97)**	(67)
	4,155	3,939

9 ISSUED CAPITAL

	At 31 March 2014 AED million	*(Audited) At 31 December 2013 AED million*
Share capital	**6,225**	6,225
Cancellation of treasury shares (see note 10 (i))	**(159)**	-
	6,066	6,225

10 CAPITAL RESERVES

(i) Treasury shares

	At 31 March 2014 AED million	*(Audited) At 31 December 2013 AED million*
Opening balance at 1 January	**293**	293
Cancellation of treasury shares (i)	**(293)**	-
Closing balance	**-**	293

(i) On 4 February 2014, the Board approved the cancellation of 158,713,000 treasury shares. The articles of association were amended and approved by the shareholders at their extra-ordinary general meeting held on 22 April 2014 to reflect the new number of issued and outstanding shares of the company. The cancellation of the AED 293 million treasury shares was recorded against share capital (AED 159 million) and other reserves (AED 134 million).

10 CAPITAL RESERVES continued

(ii) Contributed capital

	At 31 March 2014 AED million	*(Audited) At 31 December 2013 AED million*
Opening balance at 1 January	**325**	325
Transfer to retained earnings (i)	**(300)**	-
Closing balance	**25**	325

(i) The transfer to retained earnings represents the excess of fair value over the consideration paid for an available for sale investment transferred from Abu Dhabi Water & Electricity Authority during 2010. The investment was disposed of during 2012 and as such a profit was realised and the contributed capital has been transferred to retained earnings.

11 FOREIGN CURRENCY TRANSLATION RESERVE

Change in functional currency at TAQA North

As of 1 January 2014, the long term funding of TAQA North was redenominated from Canadian dollars to US dollars and as a result, TAQA North changed its functional currency from Canadian dollars to US dollars. TAQA North's functional currency is determined based upon the secondary factors contained within IAS 21, whereby the currency of the long term funding determines the functional currency. The secondary factors are relevant because the primary indicators of functional currency contained within IAS 21 *The Effects of Changes in Foreign Exchange Rates* indicate that both Canadian dollar and US dollar functional currency are equally relevant for TAQA North. In accordance with the requirements of IAS 21, the change has been applied prospectively, with all of TAQA North's assets, liabilities and equity items being translated into US dollars at the exchange rate on 1 January 2014. The cumulative translation adjustment associated with TAQA North will remain in equity and only be adjusted on disposal or partial disposal of TAQA North.

12 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC LOANS

Receipts:
Loans received during the period are as follows:

	Three month period ended 31 March 2014 AED million	*Three month period ended 31 March 2013 AED million*
Interest bearing loans and borrowings	**470**	3,667

Repayments:
The Group made the following repayments during the period:

Interest bearing loans and borrowings	**605**	2,426
Islamic loans	**26**	25

13 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.

14 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 period:

	Three months period ended 31 March 2014 AED million	*Three months period ended 31March 2013 AED million*
Fellow subsidiary (Abu Dhabi Water and Electricity Company):		
Revenue from electricity and water	**1,585**	1,591
Fuel revenue	**5**	3

Compensation of key management personnel
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 of the Group during the three month period was as follows:

	Three months period ended 31 March 2014 AED million	*Three months period ended 31March 2013 AED million*
Short-term benefits	**10**	11
Post-employment benefits	**1**	1
	11	12

15 COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure commitments
The authorised contracted capital expenditure contracted for at 31 March 2014 but not provided for amounted to AED 5,098 million (31 December 2013: AED 4,830 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 31 March 2014 amount to AED 87.8 billion (31 December 2013: AED 88.6 billion).

Group as a lessee:
Future minimum rentals payable under non-cancellable operating leases as at 31 March 2014 amount to AED 2.7 billion (31 December 2013: AED 2.6 billion).

Joint Venture:
The Group's joint venture has future minimum rentals payable under a non-cancellable operating lease as at 31 March 2014 amounting to AED 1,752 million (31 December 2013: AED 1,790 million), of which the Group's share is AED 876 million (31 December 2013: AED 895 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 31 March 2014 amounting to AED 1,562 million (31 December 2013: AED 1,498 million), of which the Group's share is AED 625 million (31 December 2013: AED 599 million).

(iii) Other commitments

a) TAQA has entered into an agreement with an infrastructure fund managed by a third party and has committed to invest US $200 million (AED 735 million) in the fund over a period of five years. As of 31 March 2014, an amount of AED 589 million (US $160 million) (31 December 2013: AED 589 million, US $160 million) was invested in the fund. The investment has been treated as an available for sale investment.

b) As at the reporting date TAQA North has entered into contractual commitments, mainly pipeline usage commitments, under which they are committed to spend AED 298 million prior to 31 December 2016 (31 December 2013: AED 348 million).

c) On 8 April 2012, TAQA signed a joint venture agreement with Mass Global Investments Company Limited ("MGIC") to acquire a 50% interest in the 1,000 MW gas fired IPP situated near Sulaymaniyah, in the Kurdish region of the Republic of Iraq. The power plant has been operating since 2009. The transaction is subject to the fulfilment of certain conditions precedent and is expected to complete during 2014.

d) On 2 March 2014, TAQA announced that it has agreed to acquire, through a consortium group, the Baspa Stage II and Karcham Wangtoo hydroelectric plants in the northern state of Himachal Pradesh, India, from Jaiprakash Power Ventures Limited, a subsidiary of Indian infrastructure conglomerate Jaypee Group. TAQA holds a 51% stake in the consortium and will control the operations and management of both facilities under the proposed deal. The equity invested by the consortium in the acquisition of the two hydroelectric plants will amount to approximately INR 3,820 crores (AED 2,263 million), of which 51% is from TAQA. The consortium will also acquire the assets' non-recourse project debt. The transaction is subject to the fulfilment of certain conditions precedent and is expected to complete during 2014.

(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 date of the respective acquisitions.

15 COMMITMENTS AND CONTINGENCIES continued

(iv) Contingencies continued

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 September 17, 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 $100 million (AED 367 million) (31 December 2013: US$ 100 million) over the life of the EMA. No payments have been made to date (31 December 2013: nil).

c) 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.

16 FINANCIAL INSTRUMENTS

16.1 Hedging Activities

	31 March 2014 Notional amount	Fair value Current AED million	Fair value Non-current AED million	*(Audited) 31 December 2013* Notional amount	Fair value Current AED million	Fair value Non-current AED million
Cash flow hedges						
Assets						
Commodity forward contracts (note i)	62m GJ natural gas	**104**	-		-	-
Interest rate swaps	AED 5,417m	**23**	**90**	AED 6,032m	41	115
Forward foreign exchange contracts	AED 892 m	**24**	**75**	AED 597 m	20	80
		151	**165**		61	195
Liabilities						
Cross currency interest rate swap	AED 731m	**-**	**163**	AED 731 m	-	166
Interest rate swaps	AED 27,512m	**911**	**3,988**	AED 27,652m	897	3,801
Forward foreign exchange contracts	AED 379m	**7**	**31**	AED 392m	7	33
		918	**4,182**		904	4,000
Fair value hedges						
Assets						
Futures and forward contracts		**-**	**-**		225	-
Liabilities		**69**	**-**		-	-
Futures and forward contracts						

i) Commodity forward contracts

During January 2014, TAQA North entered into a series of derivative financial contracts to mitigate the risk of natural gas price volatility. There were no cash premiums paid on any of the contracts and the counterparties are major Canadian banks.

16 FINANCIAL INSTRUMENTS continued

Fair value hedges
TAQA GEN X LLC, a subsidiary of TAQA utilises derivative instruments, which include futures and forwards as a hedging strategy to manage the exposure in the fair value of the underlying Tolling Agreement. Forward and future transactions are contracts for delayed delivery of commodity instruments in which the counterpart agrees to make or take delivery at a specified price.

During the year ended 31 December 2013, TAQA GEN X LLC terminated hedge accounting for the changes in fair value of the underlying Tolling Agreement as a result of hedge ineffectiveness under *IAS 39: Financial Instruments*. The accumulated adjustment in fair value of the Tolling Contract since the inception of the accounting hedge designation totalled a AED 302 million gain which will be amortised on a straight line basis over the remaining useful life of the toll agreement, until 2022.

As of 1 January 2014, as a result of early adopting IFRS 9, TAQA GEN X LLC designated a new hedge relationship. The changes in the fair value of the Tolling Agreement attributable to the hedged risk, for the three month period ended 31 March 2014 was a gain of AED 135 million which was recognised in the consolidated income statement.

16.2 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*	
	31 March 2014 AED million	*(Audited) 31 December 2013 AED million*	***31 March 2014 AED million***	*(Audited) 31 December 2013 AED million*
Operating financial assets	**10,668**	10,319	**11,019**	10,575
Interest bearing loans and borrowings (note i)	**32,589**	32,568	**35,914**	35,206

(i) Interest bearing loans and borrowings relates to the Abu Dhabi National Energy Company Global Medium Term notes, Abu Dhabi National Energy Company bonds 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.

16.3 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.

16 FINANCIAL INSTRUMENTS continued

16.3 Fair value hierarchy

	Total AED million	*Level 1 AED million*	*Level 2 AED million*	*Level 3 AED million*
At 31 March 2014				
Financial assets measured at fair value				
Available-for-sale investments	**602**	**-**	**-**	**602**
Forward foreign exchange contracts	**99**	**-**	**99**	**-**
Cross currency interest rate swaps	**113**	-	**113**	-
Commodity forward contracts	**104**	**-**	**104**	**-**
Financial assets disclosed at fair value				
Operating financial assets	**11,019**	**-**	**-**	**11,019**
Financial liabilities measured at fair value				
Interest rate swaps	**4,899**	**-**	**4,899**	-
Forward foreign exchange contracts	**38**	**-**	**38**	-
Cross currency interest rate swaps	**163**	-	**163**	-
Futures and forward contracts	**69**	**-**	**69**	-
Financial liabilities disclosed at fair value				
Interest bearing loans and borrowings	**35,914**	**35,914**	**-**	**-**
At 31 December 2013				
Financial assets measured at fair value				
Available-for-sale investments	583	-	-	583
Forward foreign exchange contracts	100	-	100	-
Interest rate swaps	156	-	156	-
Futures and forward contracts	225	-	225	-
Financial assets disclosed at fair value				
Operating financial assets	10,575	-	-	10,575
Financial liabilities measured at fair value				
Interest rate swaps	4,698	-	4,698	-
Forward foreign exchange contracts	40	-	40	-
Cross currency interest rate swaps	166	-	166	-
Financial liabilities disclosed at fair value				
Interest bearing loans and borrowings	35,206	35,206	-	-

	AED million
Available-for-sale investments	
At 1 January 2014	**583**
Unrealised gain recognised in other comprehensive income during the period	**19**
At 31 March 2014	**602**

During the period ended 31 March 2014 and the year ended 31 December 2013, 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.

17 EVENTS AFTER THE REPORTING PERIOD

On 17 April 2014, TAQA signed a JPY 20.4 billion (AED 734.6 million) Samurai term loan facility agreement. The five-year loan was arranged by Bank of Tokyo-Mitsubishi UFJ at a rate of 60 basis points over Japanese Yen LIBOR, and has been fully hedged into US dollars by Mitsubishi UFJ Securities.

On 30 April 2014, TAQA finalised the issuance of US $750 million (AED 2,755 million), 3.875% senior notes due in May 2024. The proceeds of the offering will be used to repay part of the US $1.2 billion of bonds scheduled to mature in September 2014.

18 COMPARATIVE INFORMATION

Certain comparative numbers were reclassified to conform to the current year presentation. Such reclassifications as discussed below have no effect on the previously reported profit or the equity of the Group.

Income statement:
- Dry hole expenses of AED 39 million for the three month period ended 31 March 2013 previously shown under operating expenses have been reclassified separately as dry hole expenses

Statement of cash flows:
- The movement of operating financial assets has now been split out between construction costs, revenue from operating financial assets and cash received from service concession arrangements.