PROSPECTUS

Abu Dhabi National Energy Company PJSC

(*incorporated with limited liability in the United Arab Emirates*)

U.S.$750,000,000 2.5% Notes due 2018

Issue price: 99.483%

U.S.$1,250,000,000 3.625% Notes due 2023

Issue price: 99.404%

The U.S.$750,000,000 2.5% Notes due 2018 (the "**Series A Notes**") and the U.S.$1,250,000,000 3.625% Notes due 2023 (the "**Series B Notes**" and, together with the Series A Notes, the "**Notes**" and each a "**Series**") are issued by Abu Dhabi National Energy Company PJSC ("**TAQA**" or the "**Issuer**"). The Notes are issued in registered form.

Except for the first payment, interest will be payable on the Notes semi-annually in arrear on 12 January and 12 July in each year. The first payment of interest on the Notes will be made in respect of the period from and including 12 December 2012 to but excluding 12 July 2013 and will be paid on 12 July 2013. Interest will accrue from and including 12 December 2012 to but excluding 12 January 2018 (in the case of the Series A Notes) and 12 January 2023 (in the case of the Series B Notes). Interest will be paid at a rate of 2.5% per annum (in the case of the Series A Notes) and 3.625% per annum (in the case of the Series B Notes), in each case as further described, and except as mentioned, in Condition 5. The Issuer may, at its option, redeem all, but not some only, of the Notes of a Series at any time at their principal amount plus accrued interest, in the event of certain tax changes as described in Condition 6. The Series A Notes mature and will be repaid at their principal amount on 12 January 2018 and the Series B Notes mature and will be repaid at their principal amount on 12 January 2023.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for each Series of the Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for each Series of the Notes to be admitted to trading on the London Stock Exchange's regulated market. References in this Prospectus to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

Each Series of the Notes will initially be evidenced by registered certificates (each a "**Certificate**"). The Certificates of each Series will be evidenced on issue by (i) interests in a global unrestricted note certificate in registered form (the "**Regulation S Global Note Certificate**" for the relevant Series) in the case of Notes offered to non-US persons outside the United States in reliance on Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") and (ii) interests in one or more global restricted note certificates in registered form (each a "**Rule 144A Global Note Certificate**" for the relevant Series and together with the Regulation S Global Note Certificate, the "**Global Note Certificates**" for that Series) in the case of Notes offered within the United States only to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A ("**Rule 144A**") under the Securities Act. The Regulation S Global Note Certificates will be deposited on 12 December 2012 (the "**Issue Date**") with, and registered in the name of a nominee of, a common depositary (the "**Common Depositary**") on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Each Rule 144A Global Note Certificate will be deposited on the relevant issue date with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**"). Beneficial interests in a Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, see "*Clearing and Settlement*".

The Notes have been rated A3 by Moody's Investors Service Limited ("**Moody's**") and A- by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). For further information on credit rating agencies, see page ix of this Prospectus. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States. Subject to certain exceptions, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S). The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and within the United States only to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of notes and distribution of this Prospectus, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Joint Lead Managers and Joint Bookrunners

BNP PARIBAS | **Citi**

HSBC | **National Bank of Abu Dhabi P.J.S.C.**

Standard Chartered Bank

Co-Lead Managers

BofA Merrill Lynch | **Mitsubishi UFJ Securities**

The Royal Bank of Scotland | **Société Générale Corporate & Investment Banking**

6 December 2012

This Prospectus comprises a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Issuer and its subsidiaries (the "**Group**") and the Notes which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus must be read in conjunction with all documents which are incorporated herein by reference, see "*Documents Incorporated by Reference*". This Prospectus shall be read and construed on the basis that such documents are incorporated into and form part of this Prospectus.

Certain information under the headings "*Risk Factors*", "*Clearing and Settlement*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Overview of the UAE and Abu Dhabi*" has been extracted from the sources identified in the respective section. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus has been prepared on the basis that any offer of the Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Manager (as defined under "*Subscription and Sale*") to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Manager has authorised, nor does any of them authorise, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer or any Manager to publish or supplement a prospectus for such offer.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restriction. None of the Issuer or the Managers represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Managers which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such

restrictions on the distribution of this Prospectus and the offering and sale of the Notes. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "*Subscription and Sale*".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for, or purchase, any Notes. None of the Managers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

To the fullest extent permitted by law, none of the Managers accept any responsibility for the contents of this Prospectus or any information incorporated by reference into this document or for any other statement which is consistent with the contents of this Prospectus made, or purported to be made, by a Manager or on its behalf in connection with the Issuer, or the issue and offering of the Notes. Each Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Managers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Managers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Managers.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

In connection with the issue of the Notes, Standard Chartered Bank (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the relevant Series of Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States in reliance on Rule

144A under the Securities Act and the listing of the Notes. The Issuer and the Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any QIB and to whom an offer has been made directly by one of the Managers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus contains "forward-looking statements" that is, statements related to future, not past, events. In this context, forward-looking statements often address TAQA's expected future business and financial performance, and often contain words such as "expects", "anticipates", "estimates", "intends", "plans", "aims", "believes", "seeks", "may", "should", "will" and other similar expressions. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For TAQA, particular uncertainties arise from future integration of acquired businesses, from unanticipated loss of power generation or water capacity and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause TAQA's actual future results to be materially different from those expressed in TAQA's forward-looking statements. These forward-looking statements speak only as of the date of this Prospectus. TAQA expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in TAQA's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The risks and uncertainties referred to above include:

- the Issuer's ability to receive dividends, distributions and other revenue flows from its investments (including its subsidiaries);
- the Issuer's ability to obtain and maintain sufficient capital to fund its current and future investments and financial obligations, including the Issuer's ability to obtain external financing;
- the Issuer's ability to manage the growth of the Group successfully;
- the occurrence of any one or more of a wide range of operational risks faced by the Group or of any external catastrophic event over which the Group has no control;
- actions taken by the Group's joint venture partners that may not be in accordance with the Issuer's policies and/or objectives;
- changes in international crude oil and natural gas prices;
- changes in tax regulations applicable to Group companies;
- changes in regulatory restrictions applicable to certain companies within the Group pursuant to environmental and health and safety laws and potential liabilities arising thereunder; and
- changes in political, social, legal or economic conditions in the markets that affect the Group and the value of the Group's investments internationally, as well as in the Middle East and North Africa ("**MENA**") region.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

NOTICE TO INVESTORS

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO BAHRAIN RESIDENTS

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (Decree Law No. 64 of 2006). The offering documents have not been and will not be registered as a prospectus with the Central Bank of Bahrain (the "**CBB**"). Accordingly, the Notes may not be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase the Notes, whether directly or indirectly, to persons in the Kingdom of Bahrain.

The CBB has not reviewed or approved the offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Prospectus does not and is not intended to constitute an offer, sale or delivery of the Notes under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or Qatar Central Bank. The Notes are not and will not be traded on the Qatar Exchange.

KINGDOM OF SAUDI ARABIA NOTICE

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Notes should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Issuer's financial information as at and for the nine months ended 30 September 2012 and 30 September 2011 and as at and for the years ended 31 December 2011, 2010 and 2009 has, subject to rounding, been extracted from the Issuer's unaudited reviewed interim condensed consolidated financial statements as at and for the nine months ended 30 September 2012 (together with the review report thereon, the "**Interim Financial Statements**") and the Issuer's audited annual consolidated financial statements as at and for the years ended 31 December 2011 (together with the audit report thereon, the "**2011 Financial Statements**") and 31 December 2010 (together with the audit report thereon, the "**2010 Financial Statements**" and, together with the 2011 Financial Statements, the "**Annual Financial Statements**" and, together with the Interim Financial Statements, the "**Financial Statements**"), in each case incorporated by reference in this Prospectus.

From 1 January 2010, the Group:

- applied on a prospective basis IFRS 3 (Business Combinations (Revised)) in accounting for business combinations. As a result, for acquisitions after 1 January 2010, the Group measures goodwill at the acquisition date as (i) the fair value of the consideration transferred, plus (ii) the recognised amount of any non-controlling interests in the acquiree, plus (iii) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree less (iv) the net recognised amount (generally fair value) of the identifiable assets and liabilities assumed; and
- applied on a prospective basis IAS 27 (Consolidated and Separate Financial Statements (2008)) in accounting for acquisitions of non-controlling interests. As a result, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions.

For further information on these changes in accounting policy, see note 2.3 to the 2010 Financial Statements.

From 1 January 2011, the Group:

- adopted Improvements to IFRSs (May 2010) that resulted in changes to accounting policies relating to IFRS 3 (Business Combinations). Only components of non-controlling interest that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are measured at their acquisition date fair value. For further information on this change in accounting policy, see note 2.3 to the 2011 Financial Statements;
- reclassified its gas trading income from "Revenue from oil and gas" to "Other operating revenue" reflecting the fact that this revenue became more significant in 2011; and
- enhanced the disclosure within its statement of comprehensive income by presenting in a separate line item "Reclassification adjustments for losses included in the income statement". These reclassification losses had previously been presented as part of the line item "Change in fair values of derivative instruments in cash flow hedges". The new line item shows separately the finance cost on derivatives which previously had been deducted from the mark to market movement recorded in equity.

Corresponding reclassification adjustments have also been made to the Group's income statement and statement of comprehensive income for each of 2010 and 2009.

From 1 January 2012, the Group:

- reclassified interest paid previously shown under net cash from operating activities as net cash used in financing activities to more closely align with management's view of the transactions concerned. The amount reclassified in the nine months ended 30 September 2012 amounted to AED 2,835 million; and
- reclassified staff costs relating to the Group's UAE Power and Water subsidiaries from operating expenses to administrative and other expenses. The amount reclassified in the nine months ended 30 September 2012 amounted to AED 47 million.

Corresponding reclassification adjustments have also been made to the Group's cash flow statement and income statement for the nine month period ended 30 September 2011.

The Group's financial year ends on 31 December, and references in this Prospectus to any specific year are to the 12-month period ended on 31 December of such year unless indicated otherwise. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and the Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

Where information is identified in a table as unaudited, this means that the information has been extracted from information that has not been audited and does not imply that all other information in the table has been separately audited.

Non-GAAP Financial Measures

This Prospectus includes EBITDA data. EBITDA is a non-IFRS financial measure that is used by management as an additional measure of performance. EBITDA is not defined by IFRS or recognised within IFRS as a measure of performance and should therefore not be considered as an alternative to other IFRS measures, such as:

- profit after tax (as determined in accordance with IFRS);
- cash flow from operating, investing or financing activities (as determined in accordance with IFRS); or
- any other measures of performance under IFRS;

or as a measure of operating performance or the Group's ability to meet its cash needs. The Group defines EBITDA as net income before finance costs, taxes, depreciation, depletion, amortisation, foreign exchange (losses) gains, other income, interest income, gain on repurchase of bonds, changes in fair value of derivatives, bargain purchase gain, gain on disposal of subsidiary and equity accounted investees, gain on sale of assets and reversal/charge for impairment.

EBITDA has limitations as an analytical tool and an investor should not consider this measure in isolation, or as a substitute for other measures used in analysing the Group's results of operations. Some limitations of EBITDA are that:

- it does not reflect the Group's cash expenditures;
- it does not reflect the Group's future requirements for capital expenditure or contractual commitments;
- it does not reflect the Group's cash requirements or changes in the Group's working capital needs;
- it does not reflect interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future and this measure does not reflect any cash requirements for such replacements; and
- other companies in the Group's industry may calculate this measure differently from how the Group does, limiting its usefulness as a comparative measure.

EBITDA may not be indicative of the Group's historical operating results, and it is not meant to be a projection or forecast of future results. In particular, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of its business.

The Group believes that EBITDA provides useful information to investors because it is used by management in analysing the Group's core performance excluding the impact of certain non-operating factors, as it removes the results of certain decisions that are outside the control of operating management and can differ significantly from company to company depending on long term strategic decisions regarding capital structure, the stage of growth development, capital expenditure requirements and the jurisdictions in which certain of its companies operate and make capital investments.

In addition, the Group believes that EBITDA is a measure commonly used by investors, analysts and other interested parties in the Group's industry. EBITDA is not subject to audit or review by any independent auditors.

Presentation of Other Information

In this document, unless otherwise specified or the context otherwise requires, references to:

- "**$**", "**U.S.$**" and "**U.S. dollars**" are to U.S. dollars;
- "**UAE dirham**" and "**AED**" are to UAE dirham;
- "**£**" and "**sterling**" are to the currency of the United Kingdom;
- "**rupees**" are to the currency of the Republic of India:
- "**MYR**" are to the currency of Malaysia;
- "**Canadian dollars**" and "**C$**" are to the currency of Canada; and
- "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

The Issuer publishes its financial statements in AED. This Prospectus contains a conversion of certain AED amounts into U.S. dollars at specified rates solely for the convenience of the reader. These conversions should not be construed as representations that the AED amounts actually represent such U.S. dollar amounts or could actually be converted into U.S. dollars at the rate indicated. The UAE dirham has been pegged to the U.S. dollar at a fixed exchange rate of AED 3.6725 = U.S.$1.00 since 22 November 1980 and, unless otherwise indicated, U.S. dollar amounts in this Prospectus have been converted from AED at this exchange rate.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

See "*Glossary and Certain Defined Terms*" for the meaning of certain technical terms and abbreviations used in this Prospectus. References to a "**billion**" are to a thousand million.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the Financial Statements (as defined on page vi), which have been previously published or are published simultaneously with this Prospectus and which have been filed with the Financial Services Authority. Such documents shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the Issuer's website (www.taqa.ae). Save for the documents specifically incorporated by reference in this Prospectus, the information contained on the Issuer's website is not incorporated by reference into, or otherwise included in, this Prospectus.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, it will during any period that it is neither subject to section 13 or 15(d) of the United States Securities and Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of Notes or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Notes are governed by English law and disputes in respect of them may be settled under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**") in London, England. In addition, actions in respect of the Notes may be brought in the English courts and in any other court of competent jurisdiction.

The majority of the directors of the Issuer are resident outside the United States and the United Kingdom, and a substantial portion of the assets of such persons and the Issuer are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States and/or the United Kingdom upon the Issuer or such persons or to enforce against any of them in the United States courts or courts located in the United Kingdom judgments obtained in United States courts or courts located in the United Kingdom, respectively, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

A substantial part of the Issuer's assets are located in the UAE. In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the Emirate of Abu Dhabi's courts are unlikely to enforce a United States or English court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Notes. Investors may have difficulties in enforcing any English court judgments or arbitral awards against the Issuer in the courts of the Emirate of Abu Dhabi. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the Emirate of Abu Dhabi law and public policy. Moreover, judicial precedent in the UAE has no binding effect on subsequent decisions and there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions.

CREDIT RATING AGENCIES

The Issuer has been assigned ratings of A3 (stable outlook) by Moody's and A (stable outlook) by S&P. Moody's and S&P are established in the European Union and were registered by the European Securities and Markets Authority under Regulation (EC) No 1060/2009 (the CRA Regulation) on 31 October 2011.

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RISK FACTORS

TAQA believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and TAQA is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which TAQA believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

TAQA believes that the factors described below represent the principal risks inherent in investing in the Notes, but TAQA may be unable to pay principal, interest or other amounts on or in connection with the Notes for other reasons, and TAQA does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. If any of the following risks actually materialises, the Group's revenue, financial condition and results of operations may be adversely affected.

Certain defined terms used in this section have the meaning given to them in ''Glossary and Certain Defined Terms'' below.

FACTORS THAT MAY AFFECT TAQA'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES

Risks Relating to the Group's Business Generally

TAQA's ability to make payments under the Notes depends upon dividends and distributions from its subsidiaries and the companies in which it invests from time to time

TAQA is a holding company that conducts its operations principally through, and derives substantially all of its revenue from, its operating subsidiaries and other companies in which it invests. As a result of its holding company structure, TAQA's operating cash flow and ability to meet its obligations, including payments of principal and interest under the Notes, each depend upon the operating cash flow of TAQA's subsidiaries and the companies in which it invests.

The ability of those subsidiaries and companies to pay dividends or make other distributions or payments to TAQA will be subject to, among other things, the availability of profits or distributable funds, restrictions on the payment of dividends in covenants given in connection with financial indebtedness and restrictions in applicable laws and regulations, including, as a result of TAQA's investments in regulated utilities, restrictions that may be imposed by regulatory authorities. The terms and conditions of the Notes contain no covenants that prevent TAQA's subsidiaries or the other companies in which it invests from entering into agreements that may restrict their ability to pay dividends or make payments to TAQA and its affiliates, and the majority of TAQA's power generation and water desalination plants have been financed with limited recourse project finance facilities, which contain restrictive covenants, including a prohibition on the payment of dividends in certain circumstances, see ''*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Resources — Project finance term loans*''.

Generally, in the event of a winding-up or insolvency of a subsidiary of TAQA, claims of secured and unsecured creditors of such subsidiary will have priority with respect to the assets and revenue of such subsidiary over the claims of TAQA or creditors of TAQA. Claims in respect of the Notes will therefore be effectively subordinated to creditors of existing and future subsidiaries of TAQA.

The Group's results of operations may be adversely affected by any decline in general economic or business conditions or continued disruptions in the global credit markets

Since early 2008, many economies around the world, including those in which the Group operates, have suffered slowdowns and/or recessionary conditions. These conditions have been exacerbated by disruptions to the global credit markets, particularly in the United States and Europe, as a result of the global financial crisis and, more recently, the European sovereign debt crisis. In addition, global commodity prices have been and continue to be volatile, see ''— *Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Business — The Group has recognised impairment charges in respect of certain of its crude oil or natural gas assets in each of the three years ended 31 December 2011, and may recognise additional impairments in the future*'', and there has been, and in some countries continues to be, significant political instability in the MENA region. Although some economies appear to have stabilised, the extent and timing of any

recovery remain uncertain. The Group's financial performance could be adversely affected in the future by any deterioration of general economic and financial conditions in the markets in which the Group operates if such conditions result in reduced demand for the products the Group produces. Further, during periods of adverse economic conditions, TAQA and its subsidiaries may have difficulty accessing financial markets, which could make it more difficult or impossible to obtain funding for existing or proposed projects on acceptable conditions or at all. Such adverse economic or financial conditions could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business is subject to significant operational hazards inherent in the power generation and oil and gas industries

The Group's business is subject to all of the operating risks normally associated with the ownership and management of power generation plants as well as the exploration for, and the production, storage, transmission and marketing of, crude oil, natural gas and natural gas liquids. These risks include explosions, fire, gaseous leaks, migration of harmful substances and oil spills, any of which individually or in combination could cause personal or fatal injury, result in damage to, or destruction of, oil and gas wells or formations, production facilities, other property and equipment and the environment, as well as interrupt operations. In addition, power generation plants may be subject to unplanned outages as a result of equipment failure or for other reasons, see "— *Risks Relating to the Group's Power Generation and Water Desalination Businesses — The Group's power generation facilities may experience equipment failures or may otherwise not operate as planned*". Any such events could therefore result in costs, losses or liabilities accruing to the Group and could also significantly adversely affect the Group's reputation. As a result, the occurrence of any of these risks could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the Group's oil and gas operations are subject to all of the risks normally incidental to the drilling of crude oil and natural gas wells, laying pipelines, constructing sophisticated gas storage facilities and the operation and development of oil and gas properties, including encountering premature decline of reservoirs, invasion of water into producing formations, unexpected formations or pressures, blowouts, explosions, fires, equipment failures and other accidents, uncontrollable flows of oil, gas or well fluids, adverse weather conditions, adverse seismic conditions, chemical reactions in reservoirs, pollution and other environmental risks. The Group's offshore production facilities are also subject to incremental hazards inherent in offshore drilling, including loss of integrity as a result of the age of the facilities and their exposure to an extreme marine environment, capsizing, sinking, grounding, vessel collision and damage from severe weather conditions. The Group is also exposed to these risks through their impact on common facilities utilised by the Group, such as the Sullom Voe Terminal in the Shetland Islands, through which the Group's oil production in the UK North Sea is further processed, or the Cormorant Alpha platform, through which the Group's Brent production passes. A loss of these common facilities could thus result in the shutdown or partial shutdown of other facilities and their operations.

The materialisation of any of these risks could, individually or in the aggregate, have a material adverse effect on the Group's business, results of operations and financial condition.

Group companies may have significant liabilities relating to investments and divestments undertaken by them

In connection with the investment in, or divestment of, shareholdings in or assets of a company, the relevant Group company may not always be fully indemnified by the transferor, or may owe obligations to the transferee, as the case may be, in respect of certain liabilities relating to the companies or the assets transferred.

Although TAQA undertakes customary due diligence prior to the acquisition of assets and interests that it believes is consistent with industry best practice, such a process may not necessarily reveal all relevant existing or potential problems, nor will it permit a buyer of assets from the Group to become sufficiently familiar with the properties to exhaustively assess their deficiencies and capabilities. TAQA does not inspect every oil and gas well, storage or distribution facility, power generation facility or water desalination facility it acquires, and even when it inspects a well or facility it may not discover all structural, subsurface or environmental problems that may exist or arise and which could have an adverse impact on the value of such asset. Structural or environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. It may therefore be possible that the entities and assets acquired are subject to liabilities of which the relevant Group company is unaware. In addition, the relevant Group

company may be required to assume liabilities accrued prior to the transfer of its assets, including environmental, tax and other liabilities, and may acquire interests in properties on an "as is" basis. In instances where an acquiring Group company has obtained warranties or other protections to mitigate such risks, there is no certainty that it will be able to enforce its contractual or other rights or that such rights will be sufficient to cover the full extent of losses from such risks. For example, as a result of TAQA's acquisition in 2007 of CMS Generation LLC, TAQA has assumed contingent liabilities in respect of certain past and potential future tax assessments and in respect of certain other disputed matters, see note 17(iv)(a) to the Interim Financial Statements.

If any Group company incurs significant post-acquisition liabilities that it is unsuccessful in mitigating (whether through claims under applicable indemnities or otherwise), the Group's business, results of operations and financial condition could be materially adversely affected.

The Group is substantially dependent on a limited number of customers for a significant proportion of its revenue and is also dependent on third party suppliers of fuel to its power and water generation subsidiaries

TAQA's UAE power and water generation subsidiaries sell their products to one related party, the Abu Dhabi Water and Electricity Company ("**ADWEC**"), which is also the Group's most significant customer, accounting for 25.6% of the Group's total revenue in the nine months ended 30 September 2012, 33.9% in 2011, 36.6% in 2010 and 32.8% in 2009. Generally, TAQA's non-UAE power generation subsidiaries also sell their products to one party, which is typically a governmental entity. This concentration of sales with one entity exposes the Group to risks if the off-taker experiences financial or other difficulties, such as with TAQA's Indian subsidiary, ST-CMS Electric Company, which has in the past experienced, and is currently experiencing, delays in obtaining payment from its sole off-taker. The Group also has individually significant customers in the oil and gas business, for example all of the Group's Northern North Sea oil and Brae oil are sold to STASCO (Shell International Trading and Shipping Company), and all of the natural gas produced by the Group in The Netherlands is sold to GasTerra B.V., an entity owned by the Dutch government, under a long-term contract. In the year ended 31 December 2011, sales by the Group to customers who individually account for more than 10% of the Group's total revenue accounted for 66.3% of the Group's total revenue for the period, compared to 61.3% in 2010 and 64.0% in 2009. The Group had two such customers in the nine month period ended 30 September 2012.

TAQA's UAE power and water generation subsidiaries are dependent on supplies of gas and back-up fuel to operate their facilities. This fuel is supplied by ADWEC under the PWPA it has entered into with each generation subsidiary. ADWEC in turn is dependent on the operation of the Dolphin gas pipeline to receive the gas which it supplies. As a result, the Group is exposed to any interruptions in gas supply through the Dolphin pipeline and to non-performance by ADWEC in relation to its fuel supply obligations under the PWPAs. TAQA's international power and water generation subsidiaries have similar exposures under their contractual documentation with fuel suppliers.

Any interruption to or termination of any of the Group's contracts with any one or more of its individually significant customers or suppliers could have a material adverse effect on the Group's business, financial condition and results of operations.

The Notes are not guaranteed by the government of Abu Dhabi

Potential investors should note that, although the Abu Dhabi Department of Finance has confirmed that the Abu Dhabi government's policy is to provide broad and ongoing support to a limited number of government-owned entities, including TAQA, it is under no obligation to extend financial support to TAQA in the future. TAQA's obligations under the Notes are not guaranteed by the government of Abu Dhabi, and the Notes do not benefit from any legally enforceable government backing. TAQA's ability to meet its obligations under the Notes is solely dependent on TAQA's ability to fund such amounts from its operations, profit and cash flow or from external borrowings.

The Group's facilities could be exposed to catastrophic events, including natural disasters, terrorist attacks or war, that are beyond the Group's control

The Group's facilities may be exposed to the effects of natural disasters and other potentially catastrophic events, such as major accidents, armed conflicts, hostilities and terrorist attacks. This risk is increased by the broad geographical scope of the Group's operations and the fact that the Group's operations are commonly large, key infrastructure facilities. The Group's facilities may not be adequately protected or insured against all such events, see "— *The Group's insurance policies may not always be adequate and may not cover all damage and losses*". In addition, the Group may suffer

adverse consequences from any such events affecting similar or related facilities in the countries or regions in which it operates, even if the Group's own facilities are not directly affected, particularly if the facilities affected are significant to the Group such as pipelines or transmission infrastructure upon which it is reliant. If any such events occur, this could materially and adversely affect a facility's operations and thereby have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's strategy is focused on realising the full potential of its existing asset base through organic growth, and any failure to exploit its asset base effectively could adversely affect the Group's business

The Group's business has expanded rapidly since 2006, and it has diversified its activities from electricity generation and water desalination in the UAE into the upstream (exploration and production) and midstream (storage and transmission) sectors of the oil and gas industry. During this time, it has also expanded its geographic scope and its assets are now located in North America (including Canada and the United States), the United Kingdom, The Netherlands, Morocco, India, Ghana, Oman, Saudi Arabia and Iraq. This growth has been achieved principally through a number of material acquisitions made in 2007 and 2008 and, to a lesser extent, in 2009 and thereafter.

The Group's current strategy is primarily focused on realising the full potential of the Group's asset base to create long-term value for its stakeholders. As a result of the shift of focus primarily to organic growth rather than acquisition-led growth, the Group's revenue and assets are likely to grow more slowly than in previous years and the Group is exposed to the risk that it may not be able to successfully exploit all the growth opportunities it has identified, including, in particular, those identified under "*— Significant capital expenditure and ongoing funding is required to develop the Group's assets*". Any failure to consolidate its asset base and realise relevant growth opportunities could have an adverse effect on the Group's business, results of operations and financial condition.

The Group's strategy contemplates selective acquisitions that could prove to be costly in terms of management time and resources and may impose post-acquisition risks

Although the Group's current strategy is focused on organic growth, it is currently considering, and will continue to consider, selective acquisitions that are complementary to its existing businesses and are expected to be accretive to its revenue and cash flow. Such acquisitions may prove costly and may result in the incurrence of additional debt. Recent acquisitions announced by the Group are discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments*". Such acquisitions may also require significant amounts of time and attention of senior managers and other resources. In addition, the Group may encounter difficulties in integrating the accounting and information technology systems of acquired entities and in ensuring that the compliance systems in acquired companies match those in the rest of the Group.

Although the Group's focus is on its current geographic footprint, being the Middle East, North and Sub-Saharan Africa, North America, Europe and India, the Group will consider expansion in other regions where there is a logical advantage and capability that would distinguish the Group. There are certain risks inherent in doing business in new jurisdictions, including regulatory requirements, legal uncertainty, trade barriers, difficulties in staffing and managing foreign operations, political instability and potentially adverse financial and tax consequences, including the inability to repatriate profits.

Should Group companies enter into significant acquisitions in the future, any of the foregoing factors could have a material adverse effect on the Group's business, results of operations and financial condition.

Significant capital expenditure and ongoing funding is required to develop the Group's assets

The Group's business plan to exploit and commercialise its assets, including maintaining the integrity of its existing facilities, requires significant capital expenditure and funding, for example in the development of the Bergermeer gas reservoir, the expansion of the Jorf Lasfar power generation facility in Morocco and the Group's drilling programme and any consequent development activities in Western Canada and the United Kingdom. If sufficient funding is not available to meet these planned capital expenditure and funding requirements, this could have a material adverse effect on the Group's business, results of operations and financial condition, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Commitments — Capital expenditure*" and "*— The Group's results of operations may be adversely affected by any decline in general economic or business conditions or continued disruption in the global credit markets*".

The Group is subject to joint venture risks

Some of the Group's current and future operations and investments are or will be in jointly controlled entities and associated companies (together referred to as "**joint ventures**"). Co-operation and agreement among joint venture partners on existing or any future projects are important factors for their smooth operation and financial success. Joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group, (b) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or (c) experience financial, operational or other difficulties which may materially adversely impact the success of the relevant investment. TAQA can give no assurance as to the performance of any of the Group's joint venture partners.

Further, TAQA (through the relevant Group joint venture company) may not be able to control the decision-making process of the joint ventures without reference to the joint venture partners, especially if, as is the case with its associated companies, it does not have majority control of the joint venture. Although TAQA will seek to exert a degree of influence over the management and operation of its investments by negotiating to obtain positions on management committees, to share control of the project with its joint venture partners and to have veto rights in respect of key decisions, TAQA may not always be successful. Moreover, these provisions may cause the management of relevant companies to become deadlocked, which may result in increased costs for the relevant joint ventures, delays to the projects they operate and failure to realise the relevant joint venture's business plans. In addition, the consent of its joint venture partners may be required for the payment of distributions or for the sale of those investments. This could prevent the Group from managing its investments in the manner that it would prefer and may hinder or prevent the Group from realising the benefits of its investments, including through the payment of dividends to TAQA, see "*— TAQA's ability to make payments under the Notes depends upon dividends and distributions from its subsidiaries and the companies in which it invests from time to time*".

Any of the foregoing could materially and adversely affect the Group's business, results of operation and financial condition.

The Group's projects under construction may not commence operation as scheduled or within budget or may not meet project specifications

The period leading to the commencement of operation of newly constructed power generation and water desalination plants (including the extension of the Jorf Lasfar power generation facility in Morocco, see "*Description of the Group — Business Streams — Power and Water — International power and water assets — Jorf Lasfar (Morocco)*") and oil and gas facilities (including the Bergermeer gas storage project in The Netherlands, see "*Description of the Group — Business Streams — Oil and Gas — Midstream oil and gas storage, processing and transport — The Netherlands midstream assets*") involves many risks, including:

- environmental, engineering, procurement and construction cost overruns and delays;
- the breakdown or failure of equipment, processes or technology;
- start-up and commissioning problems;
- problems relating to the connection of the new facilities to distribution networks;
- legal obstacles, such as obtaining rights of way or changes being made to the third party access rules; and
- delays in receiving necessary permits or licences for a proposed project.

By way of example, the final approvals and permits to construct and operate the Group's Bergermeer gas storage facility were received by the Group on 19 May 2011. However, on 8 August 2011, The Netherlands Council of State announced the suspension of site preparation activities for the Bergermeer gas storage facility until all appeals regarding the permits and approvals for the facility had been resolved. The final appeal decision of The Netherlands Council of State was granted on 2 May 2012. As a result, TAQA experienced a nine-month delay in implementing the Bergermeer project and generating any revenue from it, see "*Description of the Group — Business Streams — Oil and Gas — Midstream oil and gas storage, processing and transport — The Netherlands midstream assets*".

In addition to Bergermeer, realisation of any such risks with respect to other projects under development may significantly delay or prevent the commencement of operations of such projects, or

increase the cost of implementing such projects, which, in turn, may materially and adversely affect the Group's business, results of operations and financial condition.

The Group's land and mineral rights may be subject to challenge

The Group has extensive land and mineral rights in a number of jurisdictions that are subject to different laws and regulations. There is no assurance that an unforeseen defect in title, change in law or interpretation of law or political events will not arise to allow a third party to challenge the claim of the Group to one or more of its properties and/or assets or significantly limit its ability to use such properties or assets, which could have a material adverse effect on the Group's business, results of operations and financial condition.

For example, the Group's operations in Iraq may be adversely affected by tensions between the Iraqi government and the Kurdistan Regional Government ("**KRG**"), the official ruling body of the semi-autonomous region of Kurdistan. While the KRG asserts jurisdiction over oil and gas resources in Kurdistan and has granted production sharing contracts ("**PSCs**") for the exploration and production of oil thereunder (WesternZagros, in which the Group had an approximately 18% stake which it recently sold, participates in two PSCs and the Group recently agreed to acquire an interest in an exploration block in Kurdistan which will give it an interest in PSCs in the region, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments*"), there is no agreed legal framework in place in Iraq in relation to oil and gas. The Iraqi Ministry of Oil has denied the legitimacy of such PSCs and asserted that any international companies who have entered into and will enter into any such PSCs will be prohibited from tendering under national laws. Furthermore, in April 2012, the KRG halted oil and gas exports from Kurdistan, claiming that the Iraqi government had failed to make payments to companies in the region. Although exports resumed in August 2012, this was followed by threats by the KRG to stop exports again as the KRG claimed that the Iraqi government was continuing to withhold payments. Such tensions between the KRG and the Iraqi government may constrain the Group's ability to operate in Iraq or to profit from any future oil or gas discoveries, and any change in the political position of the KRG could lead to legal and regulatory changes, which may in turn have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's licences may be suspended, terminated or revoked before their expiration and Group companies may be unable to obtain or maintain various permits or authorisations for their operations

The Group conducts its oil and gas operations under numerous exploration, development and production licences and leases. In addition, the Group conducts its power and water operations under numerous licences. Most of these licences and leases may be suspended, terminated or revoked if the relevant Group licensee fails to comply with the licence or lease requirements, does not make timely payments of levies and taxes, does not comply with emissions and other environmental requirements, systematically fails to provide information, becomes insolvent, fails to fulfil any capital expenditure or production obligations or does not develop the area to which the licence or lease relates. The Group may not comply with certain licence or lease requirements for some or all of its licence and lease areas. If it fails to fulfil the specific terms of any of its licences or leases or if it operates in its licence and lease areas in a manner that violates applicable law, government regulators may impose fines or suspend or terminate its licences or leases, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, to operate its business as currently contemplated, the Group must obtain permits and authorisations to conduct operations, such as land allotments, approvals of designs and feasibility studies, environmental impact studies, pilot projects and development plans, and for the construction of any facilities. This includes permits and authorisations from local municipalities. The Group may not be able to obtain, in a timely manner or at all, the required permits and authorisations for many reasons, including reasons beyond its control. If, as was the case with the development of the Bergermeer gas reservoir, see "*Description of the Group — Business Streams — Oil and Gas — Midstream oil and gas storage, processing and transport — The Netherlands midstream assets*", the Group experiences any material delays in the receipt of any required permits or authorisations, or suspension of such permits or authorisations, it may have to delay its investment or development programmes, or both, which could materially adversely affect its business, results of operations and financial condition.

The Group could incur significant decommissioning costs in relation to its facilities

The costs of decommissioning oil and gas production, distribution and storage facilities as well as power generation and water desalination facilities that are currently in operation or development are generally payable at a time when the assets are no longer generating cash flow. These decommissioning costs may be significant, depending on the location, size and length of operation of the facility being decommissioned. Although the Group makes an accounting provision for decommissioning and site restoration costs, there are no immediate plans to establish a reserve account for these potential costs in respect of any of the Group's current properties or facilities. Rather, the costs of decommissioning are expected to be paid from the proceeds of revenue generated by these assets in accordance with industry practice. There can, however, be no assurance that the Group will accurately estimate decommissioning costs or that the revenue generated by these assets will be sufficient to meet the costs of decommissioning at the time when required to be incurred. To the extent that the Group is required to divert funds from other operations to meet decommissioning costs, its business, results of operations and financial condition could be materially adversely affected.

In addition, when Group companies have acquired facilities from third parties, as part of the consideration for such acquisitions, TAQA has, in most instances, been required to accept the decommissioning liabilities with respect to such facilities and to protect the selling parties from the future decommissioning liabilities. Some of these third parties have the right to require TAQA to secure its obligations with a parent company guarantee, letter of credit or other cash equivalent collateral. For example, a member of the Group has entered into decommissioning deeds for certain North Sea Assets acquired by it pursuant to which it is required to either (a) place monies in trust or procure the issuance of letters of credit in an amount equal to 150% of its share of the net decommissioning costs of the subject fields or (b) procure a guarantee from TAQA or an affiliate with a credit rating of AA- (Standard & Poor's) or Aa3 (Moody's) or better. TAQA initially provided a parent company guarantee, but in the interim TAQA's credit rating was reduced to below the minimum credit rating specified in the deeds. TAQA has been and continues to be in good faith discussions with the other parties to the deeds regarding whether and to what extent TAQA will be required to replace some or all of the parent guarantee with other acceptable credit support, with no final decision having been reached and the parent guarantee remaining in place. If TAQA was required to replace the parent guarantee in its entirety, the amount it would have to place in trust, or procure through the issuance of letters of credit or other cash equivalent collateral, would be in excess of U.S.$1.0 billion. Given the potential size of the decommissioning liabilities, if these third parties were to require TAQA to post security for all or a material portion of these liabilities, it may cause TAQA to divert funds or liquidity from other business purposes such that the Group's business, results of operations and financial condition could be materially adversely affected.

The Group's ability to sell its crude oil and natural gas production may be adversely affected by constraints on pipeline and transport systems or various other transport interruptions

The marketability of the Group's crude oil and natural gas production depends in part on the availability, proximity and capacity of pipeline transportation and gathering systems owned by third parties. The lack of available transportation capacity in these systems and facilities could result in the shutting-in of producing wells, the delay or discontinuance of development plans for properties, or lower price realisations. Although the Group has some contractual control over the transportation of its production, material changes in these business relationships could materially affect the Group's operations.

The Group may also experience difficulties transporting the oil and gas it produces depending upon the proximity of its reserves to pipelines, gathering systems and processing facilities. In particular, if the Group's exploratory drilling in the Western Canada Sedimentary Basin continues to be successful and new producing wells are established, new transport infrastructure, including pipelines and gathering systems, will need to be built to profit from the crude oil and natural gas expected to be produced by the Group in that area.

If there are substantial capacity constraints on the Group's ability to transport its crude oil and natural gas production over an extended period of time, this could have a material adverse effect on the Group's business, results of operations and financial condition.

Compliance with or any breach of environmental legislation may significantly increase the Group's operating costs

The Group is subject to environmental laws and regulations in each jurisdiction in which it operates. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation, such as the requirement to monitor ground water at its Takoradi plant to detect fuel spills and resultant impacts to adjacent estuarine wetlands, and further social and environmental obligations may be imposed upon the Group through the terms of its commercial contracts and finance documents.

Significant liabilities could be imposed upon the Group for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property purchased by Group companies or non-compliance with environmental laws or regulations. Should the Group fail to comply with these obligations, it may be subject to substantial penalties, including the loss of its operating licences, termination of its commercial contracts, default under its financing contracts and/or criminal sanctions such as fines, see "*Description of the Business — Litigation*". Any of these could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, governmental authorities in the jurisdictions where the Group operates may enforce existing laws and regulations more strictly than they have done in the past and may impose stricter environmental standards, or higher levels of fines and penalties for violations, than those now in effect. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require the Group to pay material amounts for the installation and operation of systems and equipment for remedial measures, to pay fees or fines for pollution or other breaches of environmental requirements and/or to curtail or cease certain operations. Accordingly, TAQA is unable to estimate the future financial impact of compliance with, or the cost of a violation of, its environmental obligations. There can be no assurance that such environmental obligations will not have a material adverse effect on the Group's business, results of operations and financial condition.

Group companies could be found to be in violation of the safety standards and regulations that apply to them

The Group is subject to safety standards in each jurisdiction in which it operates in accordance with applicable law. These laws and regulations set various standards regulating certain aspects of health, safety and security. A violation of health and safety laws or failure to comply with the instructions of the relevant authorities could lead to, among other things, a temporary shutdown of all, or a portion of, individual facilities and the imposition of costly compliance procedures. If health and safety authorities suspend or shutdown any of the Group's facilities or impose costly compliance measures, the Group's business, results of operations and financial condition could be materially and adversely affected. In addition, any actual or alleged violation of safety standards may have an adverse effect on the Group's reputation.

The nature of the Group's operations creates a risk of accidents, incidents and fatalities among its workforce, and Group companies may be required to pay compensation or suspend a part or all of their operations as a result of any accidents, incidents or fatalities that occur, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's insurance policies may not always be adequate and may not cover all damage and losses

The Group believes that it takes a conservative approach to managing risk and uses insurance products to mitigate the effects of unexpected events on its operating assets and infrastructure. In addition, its operating subsidiaries are often required by the terms of their commercial contracts and finance documents to procure comprehensive insurance and reinsurance packages, see "*Summary of Material Agreements — Summary of Principal UAE Generation Agreements — Power and Water Purchase Agreement — Insurance*". However, there can be no assurance that sufficient amounts of insurance and reinsurance will always be available at a reasonable price and on reasonable commercial terms.

In many cases it is not currently possible to procure insurance on a full reinstatement basis against the risk of terrorist attack. Moreover, the capacity of the international reinsurance market may be materially affected by disasters occurring elsewhere in the world to an extent which may restrict or prevent the Group's ability to obtain new policies at acceptable prices or at all.

Even if a loss suffered by the Group is fully insured, the Group may experience delays in recovering under its insurance policies and is also exposed to the risk that the relevant insurance

company may become insolvent or otherwise be unable to make payment in full under the relevant policy or that the policy is invalidated through the Group's failure to comply with the terms of the policy.

In addition, the terms of TAQA's operating subsidiaries' finance documents often impose restrictions on distributions during periods where those companies are not in full compliance with their insurance procurement obligations.

Any of these risks materialising may have a material adverse effect on the Group's business, results of operations and financial condition.

Group companies may be unable to recruit and retain qualified personnel

The Group's continued success and its ability to meet its growth targets will depend, in part, on its ability to attract, recruit and retain qualified and experienced technical and management personnel. There can be no assurance that the Group will be able to retain or attract the relevant personnel that it needs or will need to achieve its business objectives. In common with other energy companies in the regions in which it operates, Group companies are likely to face challenges in recruiting and retaining such personnel as a result of intense competition for personnel with relevant experience, which is in turn due to the relatively small number of available qualified individuals. The geographic location of certain of the Group's operations may also make them less attractive to a large proportion of potential applicants. In addition, TAQA and its UAE generation subsidiaries are subject to Emiratisation targets as discussed under "*Description of the Group — Emiratisation*". TAQA and its UAE subsidiaries are broadly in compliance with their targets for levels of Emirati employees; however, competition for suitable, qualified Emirati employees is intense and recruiting sufficient numbers of Emirati employees to comply with applicable targets may be challenging for these companies. An inability to recruit, train or retain necessary personnel could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, the Group depends to a large extent on its senior management team. The Group does not currently have insurance against costs or losses that may be incurred in the event of the loss or dismissal of key personnel, including, for example, the executive officer of each of its two principal business streams. The loss of the services of key members of the Group's senior management or staff with institutional knowledge may cause significant delays in meeting its strategic objectives and could have a material adverse effect on its business, financial condition and results of operations.

Group companies may be subject to labour or other unplanned production disruption

The Group has a number of staff belonging to certain trade unions that have a record of occasional industrial action. Third party contractors who provide services to the Group may also have staff belonging to these or other trade unions. The presence of trade unions may limit the flexibility of certain Group companies in dealing with their staff and third party contractors, including their ability to adjust capacity of operations in response to market conditions. If there is a material disagreement between any Group companies and one or more trade unions, those companies' operations could suffer an interruption or shutdown which could have a material adverse effect on the Group's business, results of operations and financial condition. Even trade union disputes that do not involve Group employees have the potential to impact the Group. For example, in August 2012, employees of several third party contractors of ST-CMS Electric Company went on strike, which resulted in a short shutdown of the Group's power generation facility in India.

Litigation could adversely affect the Group's results of operations and financial condition

From time to time, Group companies may be subject to litigation arising out of their operations, see "*Description of the Group — Litigation*". Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially and adversely impact the Group's business, results of operations and financial condition. While each relevant Group company assesses the merits of each lawsuit and defends itself accordingly, it may be required to devote significant expenses or resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, Group companies are subject to the risk of litigation or regulatory action by regulators in respect of their activities, including for breaches of applicable tax, environmental, health and safety and other laws and regulations. Any regulatory actions against one or more Group companies could lead to fines, the loss or restriction of operating licences, or other penalties, thereby

having a material adverse effect on the Group's business, results of operations and financial condition.

The Group faces foreign exchange risk exposure

Group companies operate in a number of different jurisdictions and their functional currencies may be UAE dirham, U.S. dollars, euro, Canadian dollars, Moroccan dirham, Indian rupees, Ghanaian cedis, Omani rials, Saudi riyals, Iraqi dinars, pounds sterling or other currencies, depending on the jurisdiction in which they operate. The impact of the businesses of these subsidiaries on the Group's financial results will depend on the prevailing rates of exchange between the UAE dirham, the functional currency of the Group, and the relevant functional currency of the subsidiary concerned, and the Group's results of operations will be exposed to the risk of adverse fluctuations in such exchange rates. While the Group seeks to match the currency of the Group's cash flow and liabilities where possible, if significant foreign exchange risk exposure materialises, it may have a material adverse effect on the Group's business, results of operations and financial condition. In addition, to the extent that the Group expands its international operations and derives its revenue in additional currencies, the Group's results of operations will become subject to increased risks relating to exchange rate fluctuations.

The Group's business may be adversely affected if the existing UAE dirham/U.S. dollar peg were to be removed or adjusted

The Group maintains its accounts, and reports its results, in UAE dirham. As at the date of this Prospectus, the UAE dirham remains pegged to the U.S. dollar. However, there can be no assurance that the UAE dirham will not be de-pegged or that the existing peg will not be adjusted in the future. Any such de-pegging or adjustment could have a material adverse effect on the Group's business, results of operations and financial condition.

Potential conflicts of interest may arise between TAQA and its majority shareholder, and the interests of TAQA's majority shareholder may be different from those of its creditors

Abu Dhabi Water and Electricity Authority ("**ADWEA**") is the majority shareholder of TAQA and a minority shareholder in each of TAQA's UAE generation operations. ADWEC, a company wholly-owned by ADWEA, is also the primary supplier of fuel to the Group's UAE generation operations and the sole off-taker for their power and desalinated water output, see "— *The Group is substantially dependent on a limited number of customers for a significant proportion of its revenue and is also dependent on third party suppliers of fuel to its power and water generation subsidiaries*". Because of these different roles held by ADWEA and ADWEC, potential conflicts of interest may arise between TAQA and ADWEA resulting in the conclusion of transactions on terms not determined by market forces.

Potential investors should note that ADWEA and the Abu Dhabi government have the ability to control the composition of TAQA's board of directors and the outcome of most actions requiring shareholder approval. The interests of ADWEA and the Abu Dhabi government may be different from those of TAQA's creditors (including Noteholders).

The Group's operations are subject to stringent regulation in all the jurisdictions in which it operates and changes in law and regulation may adversely affect the Group

The Group's operations are subject to stringent regulation in the jurisdictions in which it operates. Applicable regulations include the need to comply with complex and varied legal and regulatory requirements, including with respect to prices, taxes, royalties, land tenure, allowable production, the extraction, production, transportation, storage and export of crude oil and natural gas and the generation, production and distribution of power and desalinated water.

Consequently, changes in law or regulation or regulatory policy and precedent in the countries in which the Group operates, including changes in tax law, could materially adversely affect the Group. In particular, decisions or rulings concerning, for example: (a) whether licences, approvals or agreements to operate or supply are granted or are renewed or whether there has been any breach of the terms of a licence, approval or regulatory requirement; (b) timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, a decoupling of energy usage and revenue; (c) matters relating to the impact of general economic conditions on the Group, its markets and customers, implications of climate change, the level of permitted revenue and dividend distributions for its businesses and in relation to proposed business development activities; and (d) structural changes in regulation could each have a material adverse impact on the Group's business,

results of operations and financial condition. For example, in March 2011, the UK government increased the rate of supplementary charge to corporation tax on UK oil and gas production activities from 20% to 32% resulting in a U.S.$24 million deferred tax expense being recognised by the Group in 2011. In addition, in July 2012 the UK government passed legislation to restrict tax relief available for decommissioning expenditures from 62% to 50%. As a result, the Group recognised a further deferred tax adjustment of U.S.$74 million in the third quarter of 2012, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Nine Months ended 30 September 2012 Compared to Nine Months ended 30 September 2011 — Income Tax (Expense) Credit*".

It is also important that the Group maintains good relations with the governments and regulatory authorities of the jurisdictions in which the Group operates. This is particularly key in the emerging markets where there is significant scope for development of the Group's business. Any deterioration in the Group's relations with the governments and regulatory authorities in the jurisdictions in which it operates could adversely affect the Group's ability to develop its business in these jurisdictions.

The laws and regulations in some of the countries in which the Group operates change frequently and unexpectedly and may be subject to inconsistent application or enforcement, potentially causing problems for Group entities operating in these countries. This is a particular threat in countries where changes in law depend on the decisions of authoritarian governments. Changes in law, including delays in amendments to legislation, create uncertainty in relation to the Group's ability to comply with such changed laws, potential restrictions on the Group's scope of operations and the Group's costs of doing business in the relevant countries, and may therefore adversely affect the Group's business, results of operations and financial condition.

The Group is subject to political and economic conditions in the regions and countries in which it operates

TAQA is incorporated in Abu Dhabi and listed on the Abu Dhabi Securities Exchange and, currently, a significant proportion of the Group's operations and interests are located in the UAE. While the UAE is seen as a relatively stable country, certain other regions and countries in which the Group operates, such as India, Iraq, Morocco and Ghana, are not. In particular, since early 2011, there has been political unrest in a range of countries in the MENA region, including Lebanon, Egypt, Algeria, Libya, Bahrain, Saudi Arabia, Yemen, Syria, Tunisia and Oman. This unrest has ranged from public demonstrations to, in extreme cases such as Syria, ongoing armed conflict and has given rise to increased political uncertainty across the region.

It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or more generally the financial, political and economic conditions prevailing from time to time, in regions and countries in which the Group does business, or the impact of such occurrences or conditions, and no assurance can be given that the Group would be able to sustain its current profit levels if adverse political events or circumstances were to occur. A general downturn or instability in certain sectors of the UAE or the regional economy or political upheaval therein, could have an adverse effect on the Group's business, results of operations and financial condition. Investors should also note that the Group's business and financial performance could be adversely affected by political, economic or related developments both within and outside the MENA region because of interrelationships within the global financial markets.

Investors should also be aware that investments in these and other emerging markets in which the Group operates, including India, Iraq, Morocco and Ghana, are subject to greater risks than those in more developed markets, including risks such as:

- political, social and economic instability;
- acts of warfare and civil conflict;
- governments' actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;
- changes in regulation, taxation and law;
- difficulties and delays in obtaining new permits and consents for the Group's operations or renewing existing ones;
- opposition from local communities and special-interest groups;
- potential lack of reliability as to title to real property in certain jurisdictions where the Group operates; and

- inability to repatriate profits and/or dividends.

If any of these risks should occur, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions

European, U.S. and other international sanctions have in the past been imposed on companies engaging in certain types of transactions with specified countries or companies or individuals in those countries. Companies operating or investing in certain countries in the Middle East and Africa have been subject to such sanctions in the past. The terms of legislation and other rules and regulations that establish sanctions regimes are often broad in scope and difficult to interpret. Neither the Group nor any of its affiliates is currently the target of any such sanctions, and the Group has procedures designed to comply with applicable sanction regulations.

The Office of Foreign Assets Control of the U.S. Department of Treasury ("**OFAC**") administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries and specially designated nationals (together "**Sanction Targets**"). As the Group is not a Sanction Target, OFAC regulations do not prohibit U.S. persons from investing in, or otherwise engaging in business with the Group. However, to the extent that the Group engages in business with Sanction Targets, directly or indirectly, U.S. persons investing in the Group, including through the purchase of the Notes, may incur the risk of being exposed, indirectly, to Sanction Targets.

Risks Relating to the Group's Power Generation and Water Desalination Businesses

The loss of significant long-term contracts could have a material adverse effect on the Group's business, results of operations and financial condition

The Group's power generation and water desalination subsidiaries are largely dependent on their ability to on-sell the power generated and desalinated water produced at their respective facilities. The arrangements typically take the form of off-take and marketing agreements, power purchase agreements ("**PPAs**") or power and water purchase agreements ("**PWPAs**"), which are long-term in nature (typically with a term of 20 to 30 years). All of the Group's power generation and water desalination facilities currently have significant long-term arrangements in place with key off-takers of their power and desalinated water in the jurisdictions in which they operate, but there is no guarantee that these arrangements will continue, or that, at the end of the relevant term, further arrangements will be implemented.

Further, such off-take arrangements only retain their value to the extent that the requisite power and desalinated water capacity can be made available. If for any reason the Group is not able to make available the requisite capacity, it could be in breach of its obligations under one or more of its agreements, which could result in litigation proceedings being brought against the Group or its relevant subsidiaries. Similarly, such agreements only retain their value to the extent that the off-taker is able to retain its creditworthiness. If the off-taker's creditworthiness materially deteriorates, the off-taker may no longer be able to fulfil its obligations under the agreement, such as paying for the capacity that has been made available or the electricity or desalinated water that has been supplied.

The Group's power generation and water desalination facilities are subject to changes in their operating cost structure. Although each of the Group's UAE generation facilities have long-term fuel supply arrangements pursuant to which its customers assume responsibility for purchasing and supplying primary fuel to its facilities or have PWPAs pursuant to which the cost of fuel is paid for by the customer on a pass-through basis, these facilities may in the future experience increases in costs relating to fuel to the extent that these are not covered by fuel supply contracts or under the relevant PWPA. In relation to Jorf Lasfar and Neyveli, the project companies are responsible for purchasing fuel, but pass the cost through to the off-taker based on a formula that is intended generally to allow a full pass-through of costs. In the case of the Red Oak Facility, the Group is exposed to changes in the price of the fuel used. In addition, operations, maintenance and repair costs and costs relating to environmental compliance, such as the cost of purchasing emissions offsets and capital expenditure incurred in installing environmental emission equipment, may increase in the future.

If the Group is unable to meet its obligations under the off-take and marketing agreements or power and water purchase agreements, or if these agreements are terminated for any reason, without

suitable replacement arrangements being put in place, or if there are any adverse changes in the cost structure of the Group's power generation and water desalination facilities, the Group's business, results of operations and financial condition could be adversely affected.

The Group's power generation facilities may experience equipment failures or may otherwise not operate as planned

The operation of industrial facilities such as power generation and water desalination plants means that the Group's business is exposed to material operating risks. These can include, among other things, unplanned outages (such as the damaged generator rotor at the Group's Takoradi facility in Ghana which adversely impacted that facility's capacity and production in 2011), leading to a loss of revenue and profit, facilities operating inefficiently or below their designed capacity, unexpectedly high operating and maintenance costs, equipment failures and unforeseen third-party liabilities. The Group has, in the past, experienced certain unplanned outages at its generation facilities due to equipment failures, which negatively impacted the relevant operating subsidiary's net income through lost revenue, penalty payments for capacity unavailability and increased costs. In addition, any planned outages that are a part of routine maintenance operations may last longer or cost more than anticipated, adversely affecting the Group's revenue and costs from its power generation and water desalination activities. In addition, the Group's power generation and water desalination facilities may require unexpected maintenance outside the scope of the scheduled maintenance programme. If the performance of any plant is below its expected levels of output or efficiency for these or any other reason, this could materially and adversely affect the return on the Group's investment in that plant and thereby significantly adversely affect the Group's business, results of operations and financial condition.

Reliance on back-up fuel over extended periods of time may have a material adverse effect on power and water plant operations

The primary energy source for each of TAQA's UAE generation subsidiaries' plants is natural gas. In the past, supplies of natural gas in the UAE have not always been sufficient to meet demand, including from natural gas fuelled generation plants. The Dolphin pipeline, operated by Dolphin Energy Limited, commenced operations in May 2007 and reached full capacity in early 2008. When operating at full capacity, the pipeline carries approximately 2,000 mmscf/d of natural gas from Qatar to the UAE. ADWEA is the principal UAE customer for the gas transported through the Dolphin pipeline and, as a result, problems related to gas shortages experienced by the UAE generation subsidiaries were reduced significantly when the pipeline became fully operational. However, demand for natural gas in the UAE continues to increase and ADWEC, as the Group's gas supplier in the UAE, continues to face competing priorities and is not always able to make natural gas available to the Group in the quantities required to operate its facilities. In such instances, the UAE generation subsidiaries must rely on back-up fuel oil to operate their plants. The Group's UAE generation facilities have used significant amounts of back-up fuel in recent periods, with total consumption of back-up fuel of 86.9MIG in 2009, 234.1MIG in 2010 and 137.3MIG in 2011. In the nine months ended 30 September 2011, total consumption of back-up fuel was 134.3MIG compared to 2.7MIG in the corresponding period of 2012. During extended periods of operation on back-up fuel oil, the UAE generation subsidiaries are dependent on the delivery of additional supplies of fuel oil to the plants. With, in most cases, only a seven day storage capacity at the plants, the logistics of supplying back-up fuel are such that, over an extended period of operation on back-up fuel, it may not be possible to supply the quantities of back-up fuel needed to continue to operate all of the plants at full capacity. Additionally, operation of the plants on back-up fuel oil over an extended period of time may result in increased maintenance costs and may reduce the expected useful life of the plants.

Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Businesses

Revenue derived from the Group's crude oil and natural gas assets may fluctuate based on market conditions

The Group's business, results of operations, financial condition and future growth depend in significant part on the prices it is able to realise for its crude oil and natural gas production. The Group has entered into a range of sale and purchase agreements in relation to its crude oil and natural gas production. The pricing mechanism for all these agreements is generally based on the spot price or monthly average prices for the relevant commodity at the time of delivery to the purchaser. As a result, the Group is exposed to volatility in the prices of the crude oil, natural gas and natural gas liquids it produces and sells.

Historically, the markets for crude oil and natural gas have been volatile, and such markets are likely to continue to be volatile in the future. For example, according to Bloomberg data, the average price per barrel for West Texas Intermediate crude oil (the most relevant reference price for the Group's North American crude oil production) was U.S.$61.99 in 2009, U.S.$79.51 in 2010 and U.S.$95.11 in 2011. In the nine months ended 30 September 2011 and 2012, the average price per barrel for West Texas Intermediate crude oil was U.S.$95.39 and U.S.$96.16, respectively. Similarly, the average price per barrel for Brent crude oil (the most relevant reference price for the Group's UK North Sea crude oil production) was U.S.$62.04 in 2009, U.S.$79.73 in 2010 and U.S.$110.91 in 2011. In the nine months ended 30 September 2011 and 2012, the average price per barrel for Brent crude oil was U.S.$111.62 and U.S.$112.20, respectively. The average price per mmbtu for Henry Hub natural gas (the most relevant reference price for the Group's North American natural gas production) was U.S.$3.94 in 2009, U.S.$4.37 in 2010 and U.S.$4.03 in 2011. In the nine months ended 30 September 2011 and 2012, the average price per mmbtu for Henry Hub natural gas was U.S.$4.22 and U.S.$2.58, respectively.

Prices for crude oil and natural gas are based on world supply and demand and are subject to large fluctuations in response to relatively minor changes in demand and a variety of additional factors beyond the control of the Group. These uncertainties and additional factors may include actions taken by the Organization of Oil Producing and Exporting Countries ("**OPEC**") and adherence to agreed production quotas, war, terrorism, government regulation, social and political conditions in oil and gas producing countries generally, economic conditions, prevailing weather patterns and meteorological phenomena such as storms and hurricanes and the availability of alternative sources of energy. It is impossible to accurately predict future oil and gas price movements.

Similarly, the revenue for services provided in connection with the Group's midstream business is, or in the future will be, subject to market conditions, including as a result of the existing fixed price contract with respect to the PGI Alkmar facility expiring in 2017. The markets for gas storage and similar services are not well developed and are based to some extent on other commodity prices, which have been and may continue to be volatile. As such, it is not possible to predict the actual prices at which the Group may be able to sell services associated with the midstream assets.

Any sustained decline in oil and gas prices or the price for midstream services could have a material adverse effect on the Group's revenue, operating income, cash flow and borrowing capacity and may lead to a reduction in the carrying value of the Group's assets, its planned level of spending for exploration and development and the level of its reserves. See also, "— *The Group has recognised impairment charges in respect of certain of its crude oil or natural gas assets in each of the three years ended 31 December 2011, and may recognise additional impairments in the future*". No assurance can be given that prices will be sustained at levels that will enable the Group to operate its oil and gas business profitably.

The Group implemented a commodity hedging policy in the summer of 2010 to manage its exposure to commodity price volatility by using zero cost collar derivative instruments. The commodity hedging policy gave management the authority to hedge forward oil and gas prices of up to 50% of the forecasted production, net of royalties, from existing producing properties up to 18 months into the future. This policy was suspended in the second quarter of 2012 but it can be reinstated in the future at any time by the Group's Board of Directors based on the Group's need for management of commodity price risk and in forms that the Board determines to be appropriate. As of 30 September 2012, approximately 7,000 barrels of oil per day of the production in the fourth quarter of 2012 and a declining balance of the production up to the fourth quarter of 2013 at TAQA North (the only subsidiary which has implemented the policy to date) has been hedged. None of TAQA North's production of natural gas has been hedged. It should be noted that while commodity price hedging may limit the downside on the prices the Group receives for its crude oil and natural gas sales, it will also cap the maximum prices the Group will receive if prices for these commodities rise substantially over the price established by the hedge. Furthermore, some of the hedging transactions may involve basis risk, which can occur when the change in the index upon which the hedge is based does not correlate well with the change in the index upon which the hedge production is valued, thereby making the hedge less effective.

The Group may fail to replace its current oil and gas reserves

The Group's future crude oil and natural gas production levels, and therefore its cash flow and profits, are highly dependent upon the Group's ability to increase its reserves base by drilling new

wells. Particularly with regard to its UK North Sea assets, the producing crude oil and natural gas reserves are in decline. While the Group and its joint venture partners are involved in active exploration and development, those efforts may result in dry holes or in the discovery of hydrocarbons that cannot be produced economically under prevailing conditions or are otherwise not successful. In addition, given the capital intensive nature of exploration and development activities, to the extent that the Group's cash flow from operations and external sources of financing are insufficient to sustain its drilling programme, its reserve base may be depleted and its reserve life may decline. New reserves from exploration wells will be influenced by oil and gas prices, therefore the exploration programme may be affected by prevailing oil and gas pricing. If the Group is unsuccessful in expanding its reserve base through exploration and development and/or through acquisitions, its business, results of operations and financial condition will be materially adversely affected.

Even if the Group is able to obtain the funds it needs to sustain its drilling programme, there can be no assurance that any production will be obtained as a result of these activities, or that if such production is obtained, it will be profitable. As a result, the Group may expend substantial funds without benefit, possibly resulting in significant impairments in its oil and gas operations, see "*— The Group has recognised impairment charges in respect of certain of its crude oil or natural gas assets in each of the three years ended 31 December 2011, and may recognise additional impairments in the future*".

The oil reserve and oil and gas resource data in this Prospectus are only estimates, and the Group's actual production, revenue and expenditure with respect to its reserves may be materially different from such estimates

There are numerous uncertainties inherent in estimating quantities of proved, probable, possible and contingent reserves, including many factors beyond the Group's control. The reserves information set out in this Prospectus are estimates only. In general, estimates of economically recoverable oil and gas reserves are based on a number of factors and assumptions made as of the date on which the reserves estimates were determined, such as geological and engineering estimates (which have inherent uncertainties), historical production from the assets, the assumed effects of regulation by governmental agencies and estimates of future commodity prices, capital expenditure and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain, and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable oil and gas reserves attributable to any particular group of assets and the classification of such reserves based on risk recovery prepared by different engineers or by the same engineers at different times may vary substantially. In addition, due to the inherent risk in exploration and development activities, there can be no assurance that any of the Group's estimated oil and gas reserves will be converted into commercial production or that the Group will meet its targeted production timelines. The Group's actual production, revenue, taxes and development and operating expenditures with respect to its reserves are likely to vary from such estimates, and such variances could be material.

Estimates with respect to oil and gas reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves, rather than upon actual production history. Subsequent evaluation of the same reserves based upon production history will result in variation, which may be material, in the estimated or actually recovered reserves.

The estimates for the Group's proven and probable reserves set out in this Prospectus were evaluated using the Society of Petroleum Engineers' Petroleum Resource Management System. Potential investors should note that the definitions and guidelines prescribed by the U.S. Securities and Exchange Commission or any other regulatory body may provide for a more conservative approach to reserve estimates and therefore result in lower reserve values than the approach currently followed by the Group. There can be no assurance that an assessment of the reserves using the Group's current methodology would be consistent with an assessment using any other methodology.

The Group has recognised impairment charges in respect of certain of its crude oil or natural gas assets in each of the three years ended 31 December 2011, and may recognise additional impairments in the future

TAQA's management determines whether there are any indications of impairment to the carrying values of the Group's property, plant and equipment at each reporting date based upon the difference between the recoverable amounts of cash-generating units and their carrying values. TAQA's management also determines recoverable amounts of cash-generating units based on the

higher of value-in-use and fair value less costs to sell. For the Group's oil and gas assets, these calculations require the use of estimates and assumptions, including assumptions regarding oil and gas prices, which may in turn impact the estimated life of a field, as well as assumptions related to operating costs, anticipated production from proved reserves and other relevant data. An actual or anticipated substantial and prolonged decline in oil or gas prices or unanticipated drilling results may indicate a need for the Group to write down the value of certain of its assets. For example, in the year ended 31 December 2011, the Group recorded an impairment charge of AED 587 million representing the write-down of certain of its Canadian oil and gas properties primarily as a result of deteriorating gas prices and poor asset performance.

The Group has recorded impairments in relation to its oil and gas properties in each of the three years ended 31 December 2011, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Years ended 31 December 2011, 2010 and 2009 Compared — Cost of Sales — Oil and Gas business stream*". Subsequent adverse changes in oil and gas prices or drilling results may result in the Group being unable to recover the carrying value of certain of its assets (particularly those with a long life), and make it appropriate to recognise more impairments in future periods. While a write-down does not directly affect cash flow, the charge to earnings results in a decrease in earnings and could be viewed unfavourably in the market or could materially adversely affect the Group's business, results of operations and financial condition or the market value of the Notes.

The cost of materials and services relating to the Group's oil and gas exploration and production activities could increase

A number of Group companies rely on oil and gas suppliers and contractors to provide materials and services in conducting their exploration and production businesses. Any substantial increase in the worldwide prices of commodities, such as steel, and competitive pressures on oil field suppliers could result in a material increase in costs for the materials and services required by these companies to conduct their business. In addition, due to high global demand, the cost of oil and gas field services and goods has increased significantly in recent years compared to prior years and could continue to increase. Future increases could have an adverse effect on the Group's operating income and cash flow and may require a reduction in the carrying value of the Group's properties, its planned level of spending for exploration and development and the level of its reserves. No assurance can be given that prices for materials and services will be sustained at levels which will enable the Group to operate profitably. Any significant or sustained increase in such costs could have a material adverse effect on the Group's business, results of operations and financial condition.

Crude oil and natural gas exploration and development activities are inherently risky and subject to change

The Group's crude oil and natural gas exploration may involve unprofitable efforts, not only from dry wells but also from wells that are producing but do not produce sufficient net revenue to return a profit after drilling, operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells, see "*— Risks Relating to the Group's Business Generally — The Group's business is subject to significant operational hazards inherent in the power generation and oil and gas industries*".

Further, some of the Group's development and exploration projects are or may be located in hostile environments, or involve or may involve production from challenging reservoirs, which can exacerbate such problems. The climate and topography of some of the regions in which the Group's fields are located may limit access to certain fields and facilities during certain times of the year. For example, in winter, extreme weather could limit access to certain wells, and extreme cold could cause the temporary suspension of operations of wells with a high watercut. Such weather conditions could also limit the Group's exploration operations.

Whether the Group ultimately undertakes an exploration or development project depends upon a number of factors, including the availability and cost of capital, current and projected oil and gas prices, receipt of government approvals, current and projected taxation levels, access to the property, the costs and availability of drilling rigs, completion services and other equipment, supplies and personnel necessary to conduct these operations, the success or failure of activities in similar areas and changes in the estimates for completing the projects.

TAQA will continue to gather data about its new venture opportunities and other projects. Additional information could cause TAQA to alter its schedule or determine that a new venture opportunity or project should not be pursued, which could adversely affect the Group's business, results of operations and financial condition.

Some of the Group's oil and gas installations are past their original designed life

The Group conducts its operations in the North Sea and The Netherlands using facilities the Group acquired from BP Nederland Energie B.V. in 2007 and from Shell UK Limited and Esso Exploration and Production UK Limited in 2008, respectively. Many of these facilities are over 30 years old, which exceeds their original designed life. Management may not always be able to anticipate where modernisation efforts are needed to continue operating the installations at their current output levels, or to execute such efforts prior to any failure of the installations. Such failures may require increased levels of capital expenditure to replace these facilities, or result in a higher likelihood of oil spills, operating outages or other hazards, as described in "— *Risks Relating to the Group's Business Generally — The Group's business is subject to significant operational hazards inherent in the power generation and oil and gas businesses*".

For example, in March 2011, an approximately 40-year old onshore facility of the Group in The Netherlands suffered a leak, which may have been due in part to the age of the facility. There can be no assurance that similar incidents will not occur in the future.

Any continued decline in operating integrity of any of the Group's installations in the North Sea and The Netherlands could lead to an increase in health and safety risks, increased maintenance costs, financial losses and/or create significant reputational or legal liability, and could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's exploration and development activities depend on its ability to procure appropriate drilling and related equipment and personnel and the Group may only have limited control over the nature and timing of exploration and development on certain of its properties

Oil and gas exploration and development activities depend on the availability of drilling and related equipment and drilling personnel and specialists in the particular areas where such activities will be conducted. Demand for limited equipment such as drilling rigs or access restrictions may affect the availability of such equipment to the Group and may delay its exploration and development activities. In the areas in which the Group operates there is significant demand for drilling rigs and other equipment. Accordingly, any failure by the Group to secure the necessary equipment or personnel may have a material adverse effect on its business, results of operations and financial condition.

In addition, certain of the Group's oil and gas properties are operated by third parties or may be subject to operating committees, and, as a result, the Group has limited control over the nature and timing of exploration and development of such properties or the manner in which operations are conducted on such properties.

The Group may not be successful in achieving its midstream initiatives

The Group is currently in the process of converting the depleted Bergermeer gas reservoir into a seasonal gas storage facility. TAQA is also considering the future conversion of certain of the Group's gas fields which are offshore The Netherlands for carbon sequestration storage. To the extent the Group is unsuccessful in completing the Bergermeer gas storage project or certain of its other midstream initiatives, it may not realise the full value of these assets, which could have a material adverse effect on the Group's business, results of operations and financial condition, see "— *Risks Relating to the Group's Business Generally — The Group's licences may be suspended, terminated or revoked before their expiration and Group companies may be unable to obtain or maintain various permits or authorisations for their operations*".

The oil and gas industry is highly competitive

The oil and gas industry is highly competitive in all its phases. The Group competes with numerous other participants in the search for, and the acquisition of, oil and gas assets and in the marketing of oil and gas, including other oil and gas companies that possess greater technical, physical and/or financial resources. Many of these competitors not only explore for and produce oil and gas, but also carry on refining operations and market petroleum and other products on an international basis. In addition, oil and gas production blocks or acreage are typically auctioned by governmental authorities and the Group faces intense competition in bidding for such production

blocks, especially for those blocks with the most attractive oil and gas potential reserves. Such competition may result in the Group failing to obtain desirable production blocks or may result in the Group acquiring such blocks at a price which could result in the subsequent production not being economically viable. The Group also competes with other companies to attract and retain experienced skilled management and industry professionals. If the Group is unsuccessful in competing against other companies or if the Group fails to acquire or discover and thereafter develop new oil and gas reserves on a cost-effective basis, its business, results of operations and financial condition could be materially adversely affected.

Risks Relating to the UAE and the Middle East

The Group is subject to political and economic conditions in the UAE

Although the UAE has generally enjoyed significant economic growth and stability over the last decade, there can be no assurance that such growth or stability will continue particularly if events similar to the significant adverse financial and economic conditions experienced worldwide in 2008 and 2009 were to recur. Those events gave rise to a slowdown or, in some cases, a temporary reversal of the high rates of growth that had previously been experienced by many countries within the Gulf Co-operation Council ("**GCC**") and the UAE. Moreover, while the UAE government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained.

Because of the influence the government of Abu Dhabi has exercised, and can be expected to continue to exercise, over the Group's operations, unexpected changes in governmental policy may materially affect its results of operations and financial condition

The government of Abu Dhabi has exercised, and can be expected to continue to exercise, a strong influence over the Group's operations. ADWEA, a governmental agency, is TAQA's founding shareholder and owns approximately 51% of its equity. In addition, the government has an indirect ownership interest of approximately 21% through the Fund for the Support of Farm Owners in the Emirate of Abu Dhabi (the "**Farm Owners' Fund**"). Because of its shareholding, the government of Abu Dhabi is in a position to approve the election of all the members of the Board of Directors. Any unexpected changes in the government's policy on water production or power generation as it applies to the Group's UAE generation subsidiaries could have a material adverse effect on the Group's results of operations and financial condition.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES

The Notes may be redeemed prior to their final maturity date for tax reasons

In the event that TAQA would be obliged to increase the amounts payable in respect of the Notes due to certain changes affecting taxation in the UAE or the Emirate of Abu Dhabi or any political subdivision thereof, it may redeem all but not some only of the outstanding Notes of either or both Series in accordance with the Terms and Conditions of the Notes.

Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures

The Notes of each Series will be represented on issue by one or more Global Note Certificates that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and a nominee for DTC. Except in the circumstances described in each Global Note Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note Certificate held through it. While the Notes are represented by a Global Note Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Note Certificates, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note Certificate.

Holders of beneficial interests in a Global Note Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent

that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Abu Dhabi

The payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

Under current Abu Dhabi law, the Abu Dhabi courts are unlikely to enforce an English or United States court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the UAE, may not accord with the perception of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE. The UAE is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in Abu Dhabi. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

The Notes, the Agency Agreement and the Trust Deed are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the LCIA Rules.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Abu Dhabi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. It should be noted that only the Dubai Court of Cassation decision was a final decision. The uncertainty regarding the interpretation and application of the New York Convention provisions by the courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Abu Dhabi courts will take the same approach in similar proceedings in the future.

The Issuer's waiver of immunity may not be effective under the laws of the UAE

UAE law provides that public or private assets owned by the UAE or any of the emirates may not be confiscated. Since the Issuer is majority-owned and controlled by the government of Abu Dhabi, there is a risk that the assets of the Issuer may fall within the ambit of government assets and as such cannot be attached or executed upon.

The Issuer has waived its rights in relation to sovereign immunity; however, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Agency Agreement and the Trust Deed are valid and binding under the laws of the UAE and applicable in Abu Dhabi.

The Notes are subject to modification, waivers and substitution

The Terms and Conditions of the Notes of each Series contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. The Terms and Conditions of the Notes of each Series also provide that a written resolution signed by the holders of 75% in nominal amount of the Notes of that Series outstanding shall take effect as if it were an Extraordinary Resolution. These provisions permit defined majorities to bind all Noteholders including Noteholders

who did not attend and vote at the relevant meeting (where applicable) and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes of each Series also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes of that Series or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of TAQA or any previously substituted company, in the circumstances described in Condition 11 of the Terms and Conditions of the Notes of each Series.

The EU Savings Directive may result in withholding on the Notes

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or certain other persons in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) to operate a withholding system in relation to such payments deducting tax at rates rising over time to 35.0% (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other territories). The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to, such Directive, neither the Issuer nor any Paying and Transfer Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying and Transfer Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to, such Directive.

Changes of law may adversely affect the Notes

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

A secondary market may not develop for the Notes

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

The Notes may be subject to exchange rate risks and exchange controls

TAQA will pay principal and interest on the Notes in U.S. dollars (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even

if there are no actual exchange controls, it is possible that the Specified Currency would not be available when the Notes fall due to be redeemed.

The Notes are subject to interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Credit ratings may not reflect all risks

The ratings assigned to the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the assigning rating agency at any time. Any negative change in an applicable credit rating could adversely affect the price of the Notes.

OVERVIEW

TAQA is the holding company for a diversified international energy group headquartered in the Emirate of Abu Dhabi, United Arab Emirates. The Group's operating business comprises two principal business streams, the Power and Water business stream and the Oil and Gas business stream. In addition, in January 2012 the Group established a third business stream, Energy Solutions, which is still at an early stage of development and is not yet generating revenue. For the year ended 31 December 2011, the Group's revenue and profit were AED 24,187 million and AED 1,584 million, respectively, and, for the nine months ended 30 September 2012, the Group's revenue and profit for the period were AED 20,618 million and AED 1,255 million, respectively.

Power and Water

The Group owns, develops, acquires and operates power generation and water desalination facilities in the Middle East, Africa and India and has a contractual interest in a power generation facility in the United States. TAQA owns majority interests in eight power generation and water desalination facilities in the UAE. In addition, TAQA owns an interest in and operates power generation facilities in each of Morocco, India and Ghana. TAQA also owns a majority interest in a tolling agreement in relation to a power generation facility in the United States and minority interests in a company which operates an aluminium smelter and related power generation plant in Oman and a power generation company in Saudi Arabia. In April 2012, TAQA signed a joint venture agreement with Mass Global Investments Company Limited under which it will acquire a 50% interest in a 1,000MW gas fired IPP near Sulaymaniyah in the Kurdish region of Iraq. The transaction is subject to the fulfilment of certain conditions precedent. In addition, in September 2012, TAQA and an Indian partner entered into a securities purchase agreement for the acquisition of an interest in Himachal Sorang Power Limited, which is developing a 100 MW hydro-electric power plant in Himachal Pradesh, India. Subject to the satisfaction of certain conditions precedent, TAQA and the partner will progressively acquire 100% of the share capital of HSPL.

For the year ended 31 December 2011, the Power and Water business stream generated consolidated revenue from external customers of AED 12,204 million, or 50.5% of the Group's total consolidated revenue, and recorded a profit for the year of AED 2,253 million. For the nine months ended 30 September 2012, the Power and Water business stream generated consolidated revenue from external customers of AED 11,790 million, or 57.2% of the Group's total consolidated revenue, and recorded a profit for the period of AED 1,622 million.

As at 30 September 2012, the Group's facilities (excluding the power generation plant at Sohar Aluminium in Oman but including the Group's minority interest in the Jubail power plant in Saudi Arabia) had a gross power generation capacity of 12,494MW in the UAE and 2,918MW in operations outside the UAE and a gross desalinated water production capacity of 887MIGD. Based on TAQA's percentage ownership, its aggregate net interest in the facilities as at 30 September 2012 was 6,747MW in the UAE, 2,576MW internationally and 479MIGD, respectively. For the nine month period ended 30 September 2012, total power production from the facilities was 58,296GWh and total desalinated water production from the facilities was 179,915MIG.

Oil and Gas

The Group is engaged in upstream and midstream oil and gas businesses with its principal operations in North America (comprising Canada and the northwestern United States), the UK North Sea and The Netherlands. The Group's upstream oil and gas business includes exploration, development and production of crude oil, natural gas and natural gas liquids. The Group's midstream oil and gas business includes gas storage, oil and gas processing and transport. For the year ended 31 December 2011, the Oil and Gas business stream generated consolidated revenue from external customers of AED 11,983 million, or 49.5% of the Group's total consolidated revenue, and recorded a profit for the year of AED 1,004 million. For the nine months ended 30 September 2012, the Oil and Gas business stream generated consolidated revenue from external customers of AED 8,828 million, or 42.8% of the Group's total consolidated revenue, and recorded a profit for the period of AED 534 million. For the nine month period ended 30 September 2012 aggregate daily average crude oil, natural gas liquids and natural gas production was 58.2 mboe/d, 12.1 mboe/d and 385.0 mmcf/d, respectively.

Strategy

TAQA's strategy is to continue to develop the Group into a diversified energy business with a portfolio of high quality assets covering certain key segments of the energy industry and balanced across developed and emerging markets. TAQA built the Group's diverse and broad asset base through acquisitions that transformed the Group from a holding company for a power generation and water desalination business in the UAE into an international energy group operating across a number of segments of the energy industry. This asset base provides TAQA with significant opportunities for value creation, and TAQA is focused on realising the full potential of the Group's asset base to create long-term value for its stakeholders, in particular through:

- organic growth opportunities within its existing Oil and Gas and Power and Water businesses, including further exploration of its Canadian oil and gas properties and expansion projects at certain of its international power generation plants, see "— *Competitive Strengths — Significant Unrealised Value in Assets*";
- developing the Group's new business stream, Energy Solutions, to originate, execute and operate alternative energy projects and develop alternative and technology-driven energy initiatives, see "*Description of the Group — Business Streams — Energy Solutions*";
- building on the Group's gas storage business in Europe, possibly including carbon capture and sequestration business opportunities around the Group's depleted and nearly depleted gas reservoirs in Europe;
- managing its finances in a prudent manner with carefully planned and executed capital expenditure programmes and maintaining strong, investment grade credit ratings;
- utilising technologies such as new drilling and exploitation methods to enhance the recovery potential of the Group's crude oil and natural gas reserves;
- seeking and developing synergies between the Oil and Gas and Power and Water business streams;
- investing in the Group's management and employees to build the in-house knowledge, experience and expertise required to create a sustainable long-term business for TAQA's stakeholders; and
- focusing on operational and execution excellence, including operating its business efficiently through investments in people and technologies and a disciplined approach to project execution which does not compromise the health and safety of the Group's employees or the Group's commitment to the environment.

In terms of its geographic focus, TAQA is committed to achieving business growth in line with the Group's current geographic footprint, which includes the Middle East, North and Sub-Saharan Africa, North America, Europe and India.

In addition to organic growth, TAQA is currently considering, and intends to continue to consider, selective acquisitions that are complementary to its existing businesses and are expected to be accretive to the Group's revenue and cash flow. Such selective opportunities include oil and gas development and production assets, as well as power generation and/or water desalination projects in the Group's current regions of operation and potentially other regions.

Within the UAE, TAQA intends to continue to provide most of the power and water needs of the Emirate of Abu Dhabi and to play a role in the supply of power and water to the rest of the UAE. TAQA expects to continue to benefit from ADWEA's strategy of brownfield and greenfield development of power generation and water desalination facilities in the UAE followed by partial privatisation through the sale of a minority interest to international operators and the transfer of a majority interest to TAQA, see "*Description of the Group — Business Streams — Power and Water — UAE power and water assets*".

Competitive Strengths

The Group's principal competitive strengths are set out below.

Abu Dhabi Government Support

TAQA is majority owned and supported by the Abu Dhabi government through TAQA's controlling shareholder ADWEA and the Farm Owners' Fund. The Group, through its majority ownership interests in its UAE power and water production assets, provides more than 95% of the

electricity and water requirements of the Emirate of Abu Dhabi. The Group's strong UAE power and water generation base and support from the Abu Dhabi government has underpinned the Group's growth into a diversified international energy business. The Abu Dhabi government is one of the highest rated sovereigns in the Middle East, see "*Overview of the UAE and Abu Dhabi — Abu Dhabi*". TAQA considers its Abu Dhabi base and the support provided by the Abu Dhabi government to be critical elements of the Group's competitive strength. For example, the Abu Dhabi government signed a joint declaration with the Republic of Turkey on 9 October 2012 in which both governments expressed their strong support for the co-operation between the Turkish entity Electricity Generation Co. Inc. ("**EÜAŞ"**) and TAQA regarding government-backed power investments in Turkey's Afşin-Elbistan region. TAQA understands that further announcements in this regard may be made in the near future. The Abu Dhabi government has indicated that it will provide front end financial support to TAQA in implementing any material project that may arise out of these co-operative efforts. See further "*Overview of the UAE and Abu Dhabi — TAQA's Relationship with the Government of Abu Dhabi*".

Large, Diversified and Robust Business

The Group operates in 11 countries spread across four continents, with businesses that span the energy value chain from upstream oil and gas exploration, development and operations to midstream oil and gas transport and storage services, as well as power generation and water desalination. This diversified platform has enabled the Group to reduce its exposure to individual business and country risks. The Group's Oil and Gas and Power and Water business streams are balanced between elements dependent on commodity prices and elements that provide long-term committed revenue and earnings, see "*Description of the Group — Business Streams — Power and Water — Contractual nature of the power and water business*", as well as elements in developed and emerging markets. This balance has been tested through the significant down-cycle in commodity prices in 2009 during which the Group remained profitable, evidencing the financially robust nature of its business model.

Presence in, and Exposure to, Emerging Markets

The Group's Power and Water business has assets in a number of emerging markets, including the Middle East, North and Sub-Saharan Africa and India. Many of these economies are experiencing, and are expected to continue to experience, higher economic growth rates than more mature markets. This growth not only translates into higher demand growth for energy, particularly electricity, but also requires significant investments in critical infrastructure such as power generation facilities and related energy infrastructure. TAQA believes that the Group is well positioned to benefit not only directly through its power generation presence in such markets, but also indirectly through its Oil and Gas business due to higher demand for crude oil and natural gas that is expected to accompany the growth of these markets and other large emerging markets such as China and Brazil.

Significant Unrealised Value in Assets

The Group has significant unrealised value across its asset base. The Group's Oil and Gas business has one of the largest land holdings in the Western Canada Sedimentary Basin, with significant potential for unlocking additional oil and gas reserves through the deployment of new drilling and enhanced recovery technologies. In the UK North Sea, the Group has also identified several opportunities that are expected to significantly extend the life of its assets in the northern North Sea. The Group's oil and gas properties are described under "— *Business Streams — Oil and Gas*".

The Group's assets in The Netherlands offer potential for developing the midstream business, a process that has commenced with the development and start of construction of the Bergermeer gas storage project that, when completed, is expected to be one of the largest open access gas storage facilities in Western Europe. The Bergermeer facility is expected to provide natural gas storage capacity to the market, enabling customers to manage gas price volatilities, while providing stable revenue and earnings to TAQA, see "*Description of the Group — Business Streams — Oil and Gas — Midstream oil and gas storage, processing and transport — The Netherlands midstream assets*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Commitments — Capital expenditure*" but also see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business Generally — The Group's projects under construction may not commence operation as scheduled or within budget or may not meet project specifications*".

The Group's Power and Water business has made significant progress in unlocking growth opportunities within its portfolio of assets. For example, the expansion process at Jorf Lasfar (Morocco) began with the commencement of construction in the fourth quarter of 2010 and the signing of financing documents in the second quarter of 2012; a 110MW combined cycle expansion of Takoradi (Ghana) was approved by the Ghanaian parliament, with the project and financing documentation signed in July 2012 and construction commencing in the third quarter of 2012; and TAQA has commenced preliminary studies in relation to the expansion of its Neyveli power generation plant in India, see "*Description of the Group — Business Streams — Power and Water — International power and water assets — Neyveli (India)*".

Experienced Management Team

TAQA's management team comprises senior Emirati and international executives with extensive experience and established track records in the energy industry. Headquartered in the Emirate of Abu Dhabi, TAQA also has operational centres matching its business footprint, providing strong management and operational teams at the Group's main centres of operation.

The Notes

Issuer	Abu Dhabi National Energy Company PJSC.
Notes	U.S.$750,000,000 2.5% Notes due 2018 (Series A). U.S.$1,250,000,000 3.625% Notes due 2023 (Series B).
Issue price	99.483% (for Series A). 99.404% (for Series B).
Issue Date	12 December 2012.
Trustee	Citicorp Trustee Company Limited.
Registrar	Citigroup Global Markets Deutschland AG & Co. KGaA.
Principal Paying and Transfer Agent	Citibank, N.A.
Form of the Notes:	The Notes will be issued in registered form and will be evidenced by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Notes of a Series.
Clearing systems	Clearstream, Luxembourg and Euroclear (in the case of Regulation S Notes) and DTC (in the case of Rule 144A Notes).
Initial delivery of the Notes	The Notes of each Series will be evidenced by (i) interests in a Regulation S Global Note Certificate in the case of Notes offered outside the United States in reliance on Regulation S and (ii) interests in one or more Rule 144A Global Note Certificates in the case of Notes offered inside the United States to QIBs in reliance on Rule 144A. Each Regulation S Global Note Certificate will be deposited on the Issue Date with, and registered in the name of a nominee of, the Common Depositary. Each Rule 144A Global Note Certificate will be deposited on the Issue Date with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in any Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, see "*Clearing and Settlement*". The provisions governing the exchange of interests in Global Note Certificates for Individual Certificates of the same Series are described in "*Summary of Provisions Relating to the Notes while in Global Form*".
Denomination	U.S.$200,000 and integral multiples of U.S.$1,000 thereafter.
Interest	Except for the first payment, interest will be payable on the Series A Notes in arrear on 12 January and 12 July in each year. The first payment of interest on the Series A Notes will be made in respect of the period from and including 12 December 2012 to but excluding 12 July 2013 and will be paid on 12 July 2013. Interest will accrue

	from and including 12 December 2012 to but excluding 12 January 2018 and will paid be at a rate of 2.5% per annum as further described, and as except as mentioned, in Condition 5. Except for the first payment, interest will be payable on the Series B Notes in arrear on 12 January and 12 July in each year. The first payment of interest on the Series B Notes will be made in respect of the period from and including 12 December 2012 to but excluding 12 July 2013 and will be paid on 12 July 2013. Interest will accrue from and including 12 December 2012 to but excluding 12 January 2023 and will paid be at a rate of 3.625% per annum as further described, and as except as mentioned, in Condition 5.
Redemption	The Series A Notes mature and will be repaid at their principal amount on 12 January 2018. The Series B Notes mature and will be repaid at their principal amount on 12 January 2023.
Noteholder put option upon change of control	If the Emirate of Abu Dhabi, including, without limitation, any agency of its government or any entity controlled by it, at any time ceases to own and control (directly or indirectly) more than 50% of the economic and voting rights in respect of the Issuer, then each Note will be redeemable at the option of the holder at its nominal amount, together with (if applicable) interest accrued to but excluding the relevant Put Date (as defined in Condition 6) if such option is exercised within the period of 30 days after the relevant Change of Control Notice (as defined in Condition 6) is given.
Status.....	Subject as set out in "— *Negative Pledge*" below, the Notes are unsecured obligations of the Issuer which rank *pari passu*, without any preference among themselves and, subject as aforesaid, with all other outstanding present and future unsecured and unsubordinated obligations of the Issuer.
Negative pledge.....	The Notes contain a negative pledge in respect of the Issuer and any Material Subsidiary in relation to any Security Interest (other than certain Permitted Security Interests) for Relevant Indebtedness (as each such term is defined in Condition 4).
Restriction on disposals	The Notes contain a restriction on disposals for so long as any Existing Bonds remain outstanding (other than as approved by an Extraordinary Resolution (each such term as defined in the Conditions)) (1) by the Issuer or any Subsidiary (as defined in Condition 4) of shares in any Domestic Subsidiary (or any holding company of any Domestic Subsidiary), in each case if, and to the extent that, any such disposal would result in the proportion of the total issued share capital of such Domestic Subsidiary beneficially owned by the Issuer (either directly or indirectly) being less than the proportion so owned by the Issuer on the Existing Bonds Issue Date (as defined in Condition 4), and (2) disposals by each Domestic Subsidiary of its assets other than: (i) sales of inventory (including for this purpose, without limitation, electricity and desalinated water) in the ordinary course of business; (ii) sales or transfers between one or more Domestic Subsidiaries; (iii) sales of equipment which is uneconomic, obsolete or no longer useful in the business of the relevant Domestic Subsidiary; and (iv) disposals of assets to a bank or other financial institution made in connection with, and solely for the purpose of, any financing to be extended to the debtor on a Shari'ah compliant basis.

	Domestic Subsidiary (as defined in Condition 4) includes any subsidiary of the Issuer which is engaged from time to time in the business of power generation and/or water desalination in the Emirates of Abu Dhabi or Fujairah.
Cross acceleration.....	The Notes contain a cross-acceleration provision in respect of other Borrowed Money Indebtedness (as defined in Condition 10 and including for this purpose any guarantee or indemnity in respect of the relevant indebtedness) or a failure by the Issuer or any Material Subsidiary to pay when due, or within any applicable grace period, any Borrowed Money Indebtedness subject to an aggregate threshold amount of such Borrowed Money Indebtedness of U.S.$50,000,000.
Early redemption	Except as provided in "*Noteholder put option upon change of control*" above, the Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons, see Condition 6.
Withholding tax.....	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United Arab Emirates or the Emirate of Abu Dhabi subject to customary exceptions (including the ICMA Standard EU Tax Exemption Tax Language), all as described in Condition 8.
Rating of the Notes.....	The Notes have been rated A3 by Moody's and A- by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Governing law.....	English.
Listing and admission to trading.....	Application has been made to list each Series of the Notes on the Official List and to admit them to trading on the London Stock Exchange's regulated market.
Selling restrictions	The United States, the United Kingdom, the United Arab Emirates, the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar, the State of Kuwait, the Republic of Singapore, Hong Kong and the State of Japan, see "*Subscription and Sale*".

TERMS AND CONDITIONS OF THE SERIES A NOTES

The following is the text of the terms and conditions that, subject to amendment, shall be applicable to the Series A Notes.

The U.S.$750,000,000 2.5% Notes due 2018 (the "**Notes**") are issued on 12 December 2012 (the "**Issue Date**") and are constituted by an amended and restated Trust Deed dated 25 November 2011 as amended and supplemented by a Supplemental Trust Deed dated the Issue Date (together, the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Certificates referred to below. An amended and restated Agency Agreement dated 25 November 2011 as amended and supplemented by a Supplemental Agency Agreement dated the Issue Date (together, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank, N.A. as initial principal paying and transfer agent and Citigroup Global Markets Deutschland AG & Co. KGaA as registrar and paying and transfer agent. The principal paying and transfer agent, the paying and transfer agents and the registrar are referred to below respectively as the "**Principal Paying and Transfer Agent**", the "**Paying and Transfer Agents**" (which expression shall include the Principal Paying and Transfer Agent) and the "**Registrar**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee which, as at the Issue Date, is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England) and at the specified offices of the Paying and Transfer Agents.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in registered form the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 thereafter.

The Notes are evidenced by registered certificates ("**Certificates**") and, save as provided in Condition 2, each Certificate shall evidence the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate evidencing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" (in relation to a Note) means the person in whose name a Note is registered. Any terms defined in the Trust Deed and not in these Conditions shall have the same meaning when used herein except where otherwise indicated.

2. TRANSFERS OF NOTES

2.1 Transfer of Notes

One or more Notes may be transferred upon the surrender (at the specified office of the Registrar or any Paying and Transfer Agent) of the Certificate evidencing such Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or any Paying and Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be

changed by the Issuer, with the prior written approval of the Registrar and the Trustee, such approval not to be unreasonably withheld or delayed. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

2.2 Exercise of Noteholders' Option and Transfer to Existing Holders

In the case of an exercise of the Noteholders' option in Condition 6.3 in respect of some only of a holding of Notes evidenced by a single Certificate, a new Certificate shall be issued to the holder in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Paying and Transfer Agent. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding.

2.3 Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2.1 or 2.2 shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6.3) and surrender of the existing Certificate. Delivery of the new Certificate(s) shall be made at the specified office of the relevant Paying and Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Paying and Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2.3, "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Paying and Transfer Agent or the Registrar (as the case may be).

2.4 Transfer Free of Charge

Transfer of Notes and Certificates and exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Paying and Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Issuer, the Registrar or the relevant Transfer Agent may require).

2.5 Closed Periods

No Noteholder may require the transfer of a Note to be registered (a) during the period of 15 days ending on the due date for redemption of that Note, (b) after any such Note has been called for redemption or (c) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7.1).

3. STATUS

The Notes constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4. COVENANTS

4.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed) the Issuer will not and will ensure that none of its Material Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenue (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness or Relevant Sukuk

Obligation, guarantee or indemnity or such other security as either (a) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (b) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

In these Conditions:

"**Domestic Subsidiary**" means:

(a) Emirates CMS Power Company PJSC, Gulf Total Tractebel Power Company PJSC, Arabian Power Company PJSC, Shuweihat CMS International Power Company PJSC, Taweelah Asia Power Company PJSC, Emirates SembCorp Water and Power Company PJSC, Fujairah Asia Power Company and Ruwais Power Company PJSC; and

(b) any other Subsidiary which is engaged from time to time in the business of power generation and/or water desalination in the Emirates of Abu Dhabi or Fujairah;

"**Excluded Subsidiary**" means any Subsidiary:

(a) which is a single purpose company whose principal assets and business are constituted by the ownership, construction, acquisition, development and/or operation of an asset or group of related assets;

(b) whose indebtedness for borrowed money in respect of the financing of such ownership, construction, acquisition, development and/or operation of an asset or group of related assets is subject to no recourse (other than any Permitted Recourse) to any member of the Group (other than such Subsidiary or another Excluded Subsidiary) in respect of the repayment thereof; and

(c) which has been designated as such by the Issuer by written notice to the Trustee,

provided that the Issuer may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary;

"**Group**" means the Issuer and all the Subsidiaries;

"**Material Subsidiary**" means, at any time, any Subsidiary (other than an Excluded Subsidiary):

(a) whose total assets exceed 10% of the consolidated total assets of the Issuer; or

(b) whose net profit before taxation exceeds 10% of the consolidated net profit before taxation of the Issuer.

For these purposes:

(i) all calculations shall be determined in accordance with the generally accepted accounting principles used in the preparation of:

  (A) the then latest annual audited consolidated financial statements of the relevant Subsidiary (in the case of a Subsidiary preparing consolidated financial statements) or the then latest annual audited financial statements of the relevant Subsidiary (in the case of a Subsidiary preparing non-consolidated financial statements); and

  (B) the then latest annual audited consolidated financial statements of the Issuer;

(ii) upon a Material Subsidiary transferring all or substantially all of its assets or business to another Subsidiary, the transferor shall cease to be a Material Subsidiary on the effective date of such transfer and thereupon the transferee shall be deemed to be a Material Subsidiary until the date of its next annual audited consolidated financial statements or, as the case may be, annual audited financial statements are prepared after which whether it is or is not a Material Subsidiary shall be determined in accordance with paragraphs (a) and (b) above; and

(iii) subject to paragraph (ii) above, if as a result of any transfer, reconstruction, amalgamation, reorganisation, merger or consolidation of a company which, immediately before such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation, satisfied either of the tests set forth in paragraphs (a) or (b) above, but immediately after such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation does not satisfy either such test, such company shall immediately cease to be a Material Subsidiary;

"**Permitted Recourse**" means recourse for any indebtedness that may be incurred in connection with the financing of the ownership, construction, acquisition, development, construction and/or operation of an asset or group of related assets by any member of the Group, so long as the terms of such recourse are restricted such that:

(a) it shall be released following completion of the development or construction of such asset or group of related assets to the satisfaction of the holders of such indebtedness; or

(b) it is limited to:

  (i) an agreed cash amount, and may only be enforced in the event that the development or construction of such asset or group of related assets cannot be completed or is subject to cost overruns or delays;

  (ii) the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset or group of related assets;

  (iii) shares, securities or other instruments representing ownership in, or indebtedness of, an Excluded Subsidiary;

  (iv) an agreement by the relevant member of the Group not to dispose of any or all of such shares, securities or other instruments;

  (v) an agreement by the relevant member of the Group to subordinate its rights in respect of such shares, securities or other instruments for the benefit of the holders of indebtedness incurred by an Excluded Subsidiary;

  (vi) recourse for any indebtedness that may be incurred under a direct agreement entered into by the relevant member of the Group in connection with the project financing of such asset or group of related assets by an Excluded Subsidiary; or

  (vii) recourse in respect of any policy of insurance (or similar instrument, but for the avoidance of doubt not including any financial guarantee) which may be granted by a member of the Group which is not an Excluded Subsidiary for the benefit of an Excluded Subsidiary.

"**Permitted Security Interest**" means a Security Interest:

(a) securing indebtedness outstanding as of the Issue Date;

(b) securing indebtedness acquired on acquisition of any Material Subsidiary, or on the acquisition of any property or assets, if, in either case, such Security Interest was not created in contemplation of the acquisition;

(c) securing any indebtedness incurred in respect of the refinancing of any of the above, so long as such indebtedness is for an amount not materially greater than the principal (and any capitalised interest and fees) of such indebtedness and does not extend to property or assets having, in aggregate, a greater value than those to which the Security Interest being replaced relates;

"**Project Finance Indebtedness**" means any present or future indebtedness for borrowed money incurred to finance the ownership, construction, acquisition, development and/or operation of an asset or group of related assets of a member of the Group:

(a) which is incurred by an Excluded Subsidiary; or

(b) in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has no recourse (other than any Permitted Recourse) to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof;

"**Relevant Indebtedness**" means any indebtedness (other than Project Finance Indebtedness) which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (otherwise than to constitute or represent advances made by banks and/or other lending financial institutions) which (a) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market and (b) are denominated or confer a right to payment of principal and/or interest in a currency other than the currency of the jurisdiction of incorporation of the Issuer;

"**Relevant Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities issued in compliance with (or intended to be issued in compliance with) the principles of Shari'ah (other than where such trust certificates or other securities form part of any Project Finance Indebtedness), whether or not in return for consideration of any kind, which (a) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market and (b) are denominated or confer a right to payment of principal and/or profit in a currency other than the currency of the jurisdiction of incorporation of the Issuer; and

"**Subsidiary**" means, at any time, any entity whose financial statements at such time are required by law or in accordance with applicable generally accepted accounting principles at such time to be fully consolidated with those of the Issuer.

4.2 Disposals

So long as any Existing Bonds remain outstanding (except as shall have been approved by an Extraordinary Resolution) (a) the Issuer will not and will procure that no Subsidiary will convey, lease, sell, transfer or otherwise dispose of (or agree to do so at any future time) all or any of the shares in any Domestic Subsidiary (or in any holding company of any Domestic Subsidiary) held by the Issuer or such Subsidiary, as the case may be, in each case if, and to the extent that, any such disposal would result in the proportion of the total issued share capital of such Domestic Subsidiary beneficially owned by the Issuer (either directly or indirectly) being less than the proportion so owned by the Issuer on the Existing Bonds Issue Date and (b) the Issuer will procure that none of the Domestic Subsidiaries will convey, lease, sell, transfer or otherwise dispose of (or agree to do so at any future time) all or any part of their assets except (in respect of the restriction in this Condition 4.2 only):

(a) sales of inventory (including, without limitation, electricity and desalinated water) in the ordinary course of business;

(b) sales or transfers between one or more Domestic Subsidiaries;

(c) sales of equipment which is uneconomic, obsolete or no longer useful in the business of the relevant Domestic Subsidiary; and

(d) disposals of assets to a bank or other financial institution made in connection with, and solely for the purpose of, any financing to be extended to the debtor on a Shari'ah compliant basis.

In these Conditions, "**Existing Bonds**" means any of the U.S.$l,000,000,000 5.875% Bonds due 2016, U.S.$1,500,000,000 6.5% Bonds due 2036 or €750,000,000 4.375% Bonds due 2013, in each case issued on 27 October 2006 (the "**Existing Bonds Issue Date**") by the Issuer.

4.3 Certificates

The Issuer shall, at the same time as sending the certificate referred to in the next paragraph, and also within 28 days of a request therefor made by the Trustee, provide to the Trustee a certificate of the Issuer signed by a duly authorised officer listing those Subsidiaries which as at the last day of the last financial year of the Issuer, or, as the case may be, as at the date specified in such request, were Material Subsidiaries, Excluded Subsidiaries and any Domestic Subsidiary falling within paragraph (b) of the definition thereof (and, in the case of any entity which is a Material Subsidiary as a result of satisfying either of the tests set out in paragraphs (a) or (b) of the definition thereof, the extracted figures used for the purpose of applying such test and the calculation thereof) provided that if no Existing Bonds remain outstanding the certificate need not identify Domestic Subsidiaries. The mathematical accuracy of the calculations in such certificate shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders and the Trustee shall be entitled to rely on such certificate without any further investigation and shall not be liable to any person for so doing.

The Issuer has undertaken in the Trust Deed to deliver to the Trustee, within 30 days of its annual audited financial statements being made available to its members, and also within 30 days of a request therefor made by the Trustee, a certificate of the Issuer signed by a duly authorised officer as to there not having been an Event of Default or Potential Event of Default or a Change of Control (as defined in Condition 6 below) or other breach of the Trust Deed since the date of the last such certificate or, if none, the date of the Trust Deed, or if such an

event has occurred, giving details of it. The Trustee shall be entitled to rely on such certificate and shall not be obliged to independently monitor compliance by the Issuer with the covenants set forth in this Condition 4, nor be liable to any person for not so doing and need not enquire further as to circumstances existing on the date of such certificate.

5. INTEREST

5.1 Interest

Each Note bears interest on its outstanding nominal amount from the Issue Date at the rate of 2.5% per annum, such interest (except for the first payment) being payable semi-annually in arrear on 12 January and 12 July in each year (each, an "**Interest Payment Date**"). The first payment of interest on the Notes will be made in respect of the period from and including 12 December 2012 to but excluding 12 July 2013 and will be paid on 12 July 2013 (also an Interest Payment Date). The amount of interest payable shall be determined in accordance with Condition 5.4.

5.2 Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the rate provided in Condition 5.1 in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

5.3 Rounding

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (a) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (b) all figures shall be rounded to seven significant figures (with halves being rounded up) and (c) all amounts that fall due and payable shall be rounded to the nearest cent (with halves being rounded up).

5.4 Calculations

The amount of interest payable per U.S.$1,000 nominal amount of Notes for any Interest Period (as defined in Condition 5.5) (except for the first Interest Period) shall be U.S.$12.50. The amount of interest payable per U.S.$1,000 nominal amount of Notes for the first Interest Period shall be U.S.$14.583. In respect of any other period for which interest is required to be calculated, the amount of interest payable per U.S.$1,000 nominal amount of Notes shall be equal to the product of 2.5%, U.S.$1,000 and the day count fraction, which will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

5.5 Definitions

In these Conditions, unless the context otherwise requires:

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

6. REDEMPTION, PURCHASE AND CHANGE OF CONTROL PUT OPTION

6.1 Final Redemption

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on 12 January 2018 at its nominal amount.

6.2 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their nominal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as

a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Abu Dhabi or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver to the Trustee a certificate signed by two duly authorised officers of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders.

6.3 Redemption at the Option of Noteholders

If a Change of Control occurs, the Issuer shall, at the option of the holder of any Note (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 6.2), redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Put Date at its nominal amount together (if applicable) with interest accrued to but excluding the Put Date.

Promptly upon the Issuer becoming aware that a Change of Control has occurred the Issuer shall, and, at any time following the occurrence of a Change of Control, the Trustee, if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution, shall, give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 16 specifying the nature of the Change of Control.

If 85% or more in nominal amount of the Notes then outstanding have been redeemed or, as the case may be, purchased, pursuant to this Condition 6.3, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Put Date), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes at their nominal amount together (if applicable) with interest accrued to but excluding the date fixed for redemption or purchase, as the case may be.

The Trustee is under no obligation to ascertain whether a Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control or other such event has occurred.

For the purpose of these Conditions:

(i) a "**Change of Control**" shall occur if the Emirate of Abu Dhabi, including, without limitation, any agency of its government or any entity controlled by it, at any time ceases to own and control (directly or indirectly) more than 50% of the economic and voting rights in respect of the Issuer;

(ii) "**Put Date**" shall be the tenth business day (being for this purpose a day, other than a Saturday or Sunday, on which commercial banks are open for business in London and New York City) after the expiry of the Put Period; and

(iii) "**Put Period**" shall be the period of 30 days after a Change of Control Notice is given.

To exercise the option specified in this Condition 6.3 the holder must deposit the Certificate evidencing such Note(s) with the Registrar or any Paying and Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying and Transfer Agent or the Registrar (as applicable) within the Put Period. No Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

6.4 Purchases

The Issuer and any Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

6.5 Cancellation

All Notes purchased by or on behalf of the Issuer or its Subsidiaries may be surrendered for cancellation by surrendering the Certificate evidencing such Notes to the Registrar and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. PAYMENTS

7.1 Notes

(a) Payments of principal in respect of the Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Paying and Transfer Agents or of the Registrar and in the manner provided in Condition 7.1(b) below.

(b) Interest on the Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in U.S. dollars by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Paying and Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in U.S. dollars maintained by the payee with a bank.

7.2 Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders in respect of such payments.

7.3 Appointment of Agents

The Principal Paying and Transfer Agent, the Paying and Transfer Agents and the Registrar initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying and Transfer Agent, the Paying and Transfer Agents and the Registrar act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee, such approval not to be unreasonably withheld or delayed, to vary or terminate the appointment of the Principal Paying and Transfer Agent, any other Paying and Transfer Agent or the Registrar and to appoint additional or other Paying and Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying and Transfer Agent, (ii) a Registrar, (iii) a Paying and Transfer Agent (which may be the Principal Paying and Transfer Agent) having its specified office in a major European city to the extent required by any stock exchange or other relevant authority on which the Notes may at the relevant time be listed or admitted to trading and (iv) a Paying and Transfer Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any change of any specified office shall promptly be given to the Noteholders.

7.4 Non-Business Days

If any date for payment in respect of the Notes is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7.4, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in the relevant place of presentation and in New York City.

8. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Arab Emirates or the Emirate of Abu Dhabi therein or any authority therein or thereof having power to tax, unless such

withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to the Notes:

(a) **Other connection**

To, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of the Notes by reason of his having some connection with the United Arab Emirates or the Emirate of Abu Dhabi therein other than the mere holding of the Notes;

(b) **Surrendered for payment more than 30 days after the Relevant Date**

In cases where surrender is required, in respect of which the Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrender of such Certificate for payment on the thirtieth day assuming that day to have been a business day (as defined in Condition 7.4 above);

(c) **Payment to individuals**

Where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/ EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) **Payment by another Paying and Transfer Agent**

In cases where surrender is required, by or on behalf of a holder who would have been able to avoid such withholding or deduction by surrendering the relevant Certificate to another Paying and Transfer Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of the Notes means whichever is the later of (i) the date on which payment in respect of it first becomes due and (ii) if the full amount payable has not been received by the Principal Paying and Transfer Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. References in these Conditions to "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution and subject to being indemnified and/or secured and/or prefunded to its satisfaction shall, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their nominal amount together with accrued interest:

(a) **Non-Payment**

The Issuer fails to pay any (i) principal in respect of any of the Notes when due and such failure continues for a period of seven days or (ii) interest on any of the Notes when due and such failure continues for a period of 14 days;

(b) **Breach of Other Obligations**

The Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the written opinion of the Trustee capable of remedy, is not in the written opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee;

(c) **Cross-Acceleration**

(i) any other Borrowed Money Indebtedness of the Issuer or any Material Subsidiary becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such Borrowed Money Indebtedness is not paid when due or, as the case may be, within any applicable grace period provided that the aggregate amount of the relevant Borrowed Money Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$50,000,000 or its equivalent in another currency (as reasonably determined by the Trustee);

(d) **Enforcement Proceedings**

A distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or, in the opinion of the Trustee, any material part of the property, assets or revenue of the Issuer or any Material Subsidiary and is not discharged or stayed within 90 days;

(e) **Security Enforced**

Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person, but excluding the issue of any notification to the Issuer or the relevant Material Subsidiary that such mortgage, charge, pledge, lien or other encumbrance has become enforceable);

(f) **Insolvency**

The Issuer or any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Trustee, a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of the debts of the Issuer or any Material Subsidiary;

(g) **Winding-up**

An order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any Material Subsidiary, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except, in any case, for the purpose of and followed by a transfer, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the relevant Material Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary;

(h) **Illegality**

It is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(i) **Analogous Events**

Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

provided that (save in the case of paragraphs (a) and (c) and (in so far as they relate to the Issuer) paragraphs (f) and (g)) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purpose of this Condition, "**Borrowed Money Indebtedness**" means, in relation to any person, any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent, comprising or constituted by:

(a) any liability to repay the principal of or to pay interest on borrowed money or deposits;

(b) any liability under or pursuant to any:

(i) letter of credit;

(ii) acceptance credit facility;

(iii) note purchase facility; or

(iv) foreign currency transaction;

(c) any liability in respect of any purchase price for property or services, payment for which is deferred for a period in excess of 180 days after the later of taking possession or becoming the legal owner thereof; or

(d) any liability under or pursuant to any guarantee or indemnity in respect of any of the obligations referred to in paragraphs (b) or (c) above.

References in Condition 10(c) and (f) to "**Borrowed Money Indebtedness**" and "**debts**", respectively, shall be deemed to include any analogous transaction entered into in compliance with (or intended to be entered into in compliance with) the principles of Shari'ah, whether entered into directly or indirectly by the Issuer or a Material Subsidiary, as the case may be and provided that (i) in the case of an analogous financing the proceeds accrue directly or indirectly for the benefit of the Issuer or a Material Subsidiary, as the case may be, and (ii) in the case of an analogous guarantee or indemnity, the guarantee or indemnity is given by the Issuer or a Material Subsidiary, as the case may be.

11. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

11.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest on the Notes, (ii) to reduce or cancel the nominal amount of the Notes, (iii) to reduce the rate or amount of interest in respect of the Notes, (iv) to vary the currency of payment or denomination of the Notes, or (v) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75% in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

11.2 Modification of the Trust Deed and Waiver

The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed which is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

11.3 Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of certain other entities in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

11.4 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

12. ENFORCEMENT

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

14. REPLACEMENT OF NOTES AND CERTIFICATES

If a Note or Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying and Transfer Agent and of the Registrar or such other Paying and Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity as may be required by the Issuer. Mutilated or defaced Notes or Certificates must be surrendered before replacements will be issued.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Notes or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued and forming a single series with the Notes. Any further securities forming a single series with the Notes shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series constituted by the Trust Deed where the Trustee so decides.

16. NOTICES

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the first weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW AND JURISDICTION

18.1 Governing Law

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

18.2 Arbitration

(a) Subject to Condition 18.2(b) below, the Trustee and the Issuer have irrevocably agreed in the Trust Deed that any dispute arising out of or connected with the Trust Deed (which includes the Certificates, these Conditions and this Condition 18.2), including a dispute as to the validity, existence or termination of the Trust Deed or a dispute relating to any non-contractual obligations arising out of the Trust Deed (a "**Dispute**") shall be resolved by arbitration in London, England conducted in the English language by three arbitrators, in accordance with the rules (as amended from time to time, the "**Rules**") of the London Court of International Arbitration (the "**LCIA**") (with party nomination of arbitrators), which Rules are deemed to be incorporated by reference into this Condition, save that, unless the parties agree otherwise, the third arbitrator, who shall act as chairman of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If he is not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, he shall be chosen by the LCIA.

(b) Notwithstanding Condition 18.2(a) above, a Dispute may, at the sole option of the Trustee, be resolved by proceedings brought in the courts of England. If the Trustee wishes to exercise this option, it must do so by notice (the "**Notice**") to the Issuer and, if a Request for Arbitration (as defined in the Rules) has been served, the Notice must be given within 28 days of such service. If the Trustee gives Notice pursuant to this Condition 18.2(b), the Dispute to which such Notice refers shall be determined in accordance with Condition 18.2(d) and any arbitration commenced under Condition 18.2(a) in respect of the Dispute will be terminated. Subject, in the case of the Trustee, to its rights under Clause 9 of the Trust Deed, each of the parties to the terminated arbitration will bear its own costs in relation thereto.

(c) If any Notice is given after service of any Request for Arbitration in respect of any Dispute, the Trustee must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination of such arbitration shall be without prejudice to:

  (i) the validity of any act done or order made by that arbitrator or by the LCIA Court or Tribunal in support of that arbitration before his appointment is terminated;

  (ii) the entitlement of any arbitrator to be paid his proper fees and disbursements; and

  (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

(d) If a Notice is given pursuant to Condition 18.2(b), the courts of England shall have jurisdiction to settle any Dispute, and the Issuer has waived under the Trust Deed any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Dispute, and has agreed not to claim that any such court is not a convenient or appropriate forum. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts. This submission is made for the benefit of each of the Noteholders and the Trustee and shall not limit the right of any of them to take proceedings in respect of a Dispute

in any other court of competent jurisdiction nor shall the taking of such proceedings in one or more jurisdictions preclude the taking of such proceedings in any other jurisdiction (whether concurrently or not).

18.3 Service of Process

The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any legal action or proceedings in England in connection with a Dispute. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.4 Waiver of immunity

To the extent that the Issuer may in any jurisdiction claim for itself or its assets immunity from suit, execution, seizure, attachment or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets such immunity (whether or not claimed), the Issuer has in the Trust Deed irrevocably agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

TERMS AND CONDITIONS OF THE SERIES B NOTES

The terms and conditions of the Series B Notes will be identical to those of the Series A Notes save that:

(i) The defined term "Notes" shall mean the U.S.$1,250,000,000 3.625% Notes due 2023;

(ii) In Condition 5.1, the rate of interest in respect of the Series B Notes will be 3.625% per annum;

(iii) Condition 5.4 in respect of the Series B Notes shall be as follows:

"The amount of interest payable per U.S.$1,000 nominal amount of Notes for any Interest Period (as defined in Condition 5.5) (except for the first Interest Period) shall be U.S.$18.125. The amount of interest payable per U.S.$1,000 nominal amount of Notes for the first Interest Period shall be U.S.$21.146. In respect of any other period for which interest is required to be calculated, the amount of interest payable per U.S.$1,000 nominal amount of Notes shall be equal to the product of 3.625%, U.S.$1,000 and the day count fraction, which will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed."; and

(iv) Condition 6.1 in respect of the Series B Notes shall be as follows:

"Unless previously redeemed, purchased or cancelled as provided below, each Note shall be finally redeemed on 12 January 2023 at its nominal amount."

The names and addresses of the specified offices of the Paying and Transfer Agents and the Registrar (as set out at the end of this Prospectus) will be included in the Certificates.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

THE GLOBAL NOTE CERTIFICATES

The Notes of each Series will be evidenced on issue by a Regulation S Global Note Certificate (deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg) and one or more Rule 144A Global Note Certificates (deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC).

Beneficial interests in each Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time, see "*Clearing and Settlement — Book-Entry Ownership*". By acquisition of a beneficial interest in a Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, and that, if it determines to transfer such beneficial interest prior to the expiration of the 40-day restricted period, it will transfer such interest only to a person whom the seller reasonably believes (a) to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) to be a person who takes delivery in the form of an interest in a Rule 144A Global Note Certificate of the same Series, see "*Transfer Restrictions*".

Beneficial interests in each Rule 144A Global Note Certificate may only be held through DTC at any time, see "*Clearing and Settlement — Book-Entry Ownership*". By acquisition of a beneficial interest in a Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed, see "*Transfer Restrictions*".

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth therein and in the Trust Deed, and with respect to Rule 144A Notes, as set forth in Rule 144A, and the Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*". A beneficial interest in a Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note Certificate of the same Series in denominations greater than or equal to the minimum denominations applicable to interests in such Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in a Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate of the same Series only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made to a non-U.S. person and in accordance with Regulation S.

Any beneficial interest in a Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note Certificate of the same Series will, upon transfer, cease to be an interest in such Regulation S Global Note Certificate and become an interest in such Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate of the same Series will, upon transfer, cease to be an interest in such Rule 144A Global Note Certificate and become an interest in such Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of Certificates representing Notes in definitive form ("**Individual Certificates**") of the same Series. The Notes will not be issued in bearer form.

AMENDMENTS TO TERMS AND CONDITIONS OF THE NOTES

Each Global Note Certificate contains provisions that apply to the Notes that they evidence, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions.

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate will be made against presentation for endorsement by the Principal Paying and Transfer Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note Certificate to or to the order of the Principal Paying and Transfer Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be entered in the Register and endorsed in the appropriate schedule to the relevant Global Note Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

All payments in respect of Notes evidenced by a Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Meetings

The holder of each Global Note Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each U.S.$1,000 of the Notes represented by the relevant Global Note Certificate.

Trustee Powers

In considering the interests of Noteholders while the Global Note Certificates are held through or on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to each Global Note Certificate and may consider such interests as if such accountholders were the holders of any Global Note Certificate.

Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by the Registrar making a notation of such event in the Register, and by reduction in the principal amount of the applicable Global Note Certificate.

Transfers

Transfers of interests in the Notes in respect of which the applicable Global Note Certificate is issued shall be made in accordance with the Agency Agreement.

Notices

So long as any Notes are evidenced by a Global Note Certificate and such Global Note Certificate is held on behalf of a clearing system, notices to the holders of the Notes may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for delivery of the relevant notice to the holder of the Global Note Certificate. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to the relevant clearing system as aforesaid. The Issuer shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which the Notes are for the time being, or by which they have for the time being been, admitted to trading.

Electronic Consent and Written Resolution

While any Note is held on behalf of, or any Certificate is registered in the name of any nominee for, a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75% in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed); and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a written resolution (as specified in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Note Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg, DTC or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

A written resolution (as specified in the Trust Deed) and/or Electronic Consent shall take effect as an Extraordinary Resolution. A written resolution (as specified in the Trust Deed) and/or Electronic Consent will be binding on all Noteholders, whether or not they participated in such written resolution or Electronic Consent.

EXCHANGE FOR INDIVIDUAL CERTIFICATES

Exchange

Each Global Note Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Individual Certificates of the same Series if: (i) a Global Note Certificate is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar, or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 of the Terms and Conditions of the Notes which would not be suffered were the Notes in definitive form and a notice to such effect signed by two duly authorised officers of the Issuer or by any other person(s) empowered by the board of directors of the Issuer to sign on behalf of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar and the Noteholders of its intention to exchange the relevant Global Note Certificate for Individual Certificates of the same Series on or after the Exchange Date (as defined below) specified in the notice.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Individual Certificates of the same Series for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

"**Exchange Date**" means a day falling not later than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Paying and Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note Certificate shall be exchangeable in full for Individual Certificates of the same Series and the Issuer will, free of charge to the Noteholders (but against such indemnity as the Registrar or any relevant Paying and Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates of the relevant Series to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates and (b) in the case of a Rule 144A Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Individual Certificates issued in exchange for an interest in a Rule 144A Global Note Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of an Individual Certificate may transfer the Notes evidenced thereby in whole or in part in amounts of at least U.S.$200,000 by surrendering it at the specified office of the Registrar or any Paying and Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Individual Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Individual Certificate, the Issuer will deliver only Rule 144A Individual Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

USE OF PROCEEDS

It is anticipated that the net proceeds from the issue and sale of both Series of the Notes (after deduction of commisions but before other expenses) will be U.S.$1,982,672,500. Such proceeds will be applied by the Issuer for its general corporate purposes, including repayment of outstanding debt.

CAPITALISATION

The table below shows the Group's unaudited capitalisation and indebtedness as at 30 September 2012. This table should be read together with the Group's Interim Financial Statements incorporated by reference in this Prospectus.

	As at 30 September 2012
	(unaudited) *(AED millions)*
Bank balances and cash[(1)]	3,568
Debt:	
Short-term debt[(2)]	8,919
Long-term debt[(3)]	63,998
Total debt	**72,917**
Equity:	
Issued share capital	6,225
Treasury shares	(293)
Equity contributed capital	341
Other reserves	4,048
Retained earnings	1,825
Foreign currency translation reserve	321
Cumulative change in the fair value of available for sale investments	89
Cumulative change in the fair value of derivatives	(4,629)
Non-controlling interests	1,312
Loan from non-controlling interest shareholders in controlled subsidiaries	1,043
Loan from ADWEA	2,655
Total equity	**12,937**
Total capitalisation[(4)]	**76,935**

Notes:

(1) Comprises cash and bank balances that are readily convertible into cash.

(2) Includes bank overdrafts and long-term debt with a maturity of less than 12 months.

(3) The Notes, when issued, will constitute long-term debt.

(4) Total equity plus long-term debt.

In October 2012, the Group (i) borrowed AED 2,608 million under a revolving credit facility entered into by TAQA North and AED 4,959 million under a revolving credit facility entered into by the Issuer and (ii) redeemed notes outstanding under its global medium term note programme in an amount of AED 3,345 million. Save for these borrowings and redemptions, there has been no significant change in capitalisation of the Group since 30 September 2012.

SELECTED FINANCIAL AND OTHER INFORMATION

The selected financial information set forth below has been derived from the Group's Financial Statements which have been prepared in accordance with IFRS. The Group's Financial Statements are incorporated by reference in this Prospectus. The selected financial data set forth below should be read in conjunction with "*Presentation of Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements.

Consolidated Income Statement Data

	Nine months ended 30 September			Year ended 31 December		
	2012	2012	2011	2011	2010	2009
		(unaudited)				
	(U.S.$ millions)			*(AED millions)*		
Revenue from oil and gas (net of royalties)	2,109	7,747	8,056	10,825	8,419[1]	6,630[1]
Revenue from electricity and water	1,642	6,030	5,400	7,309	6,330	6,128
Fuel revenue	787	2,890	4,157	4,768	5,343	3,383
Gas storage revenue	33	123	187	271	290	287
Net liquidated damages	–	–	115	49	451	22
Construction revenue	766	2,814	–	–	–	–
Other operating revenue	276	1,014	828	965	568[1]	405[1]
	5,613	20,618	18,743	24,187	21,401	16,855
Cost of sales						
Operating expenses	(2,063)	(7,576)	(7,776)[2]	(9,782)	(10,176)	(8,160)
Depreciation, deletion and amortisation	(1,118)	(4,105)	(3,937)	(5,289)	(4,490)	(3,974)
Construction costs	(744)	(2,731)	–	–	–	–
(Provisions) reversals for impairment of property, plant and equipment	–	–	–	(616)	416	(538)
	(3,924)	(14,412)	(11,713)	(15,687)	(14,250)	(12,672)
Gross profit	**1,690**	**6,206**	**7,030**	**8,500**	**7,151**	**4,183**
Administrative and other expenses	(196)	(721)	(631)[2]	(798)	(823)	(744)
Finance costs	(1,022)	(3,754)	(3,300)	(4,555)	(4,003)	(3,732)
Interest income	6	23	38	44	148	73
Changes in fair value of derivatives and fair value hedges	57	211	173	281	55	356
Net foreign exchange gains (losses)	18	66	53	117	58	(59)
Bargain purchase gain	27	100	–	–	191	–
Gain (loss) on sale of oil and gas assets	105	385	80	91	(171)	–
Share of results of associates	33	123	249	298	226	50
Share of results of joint ventures	20	73	85	103	176	85
(Loss) gain on repurchase of bonds	–	–	–	(81)	–	260
Gain from sale of joint venture	–	–	28	28	–	–
Gain on sale of available for sale investment	113	415	–	–	–	–
Impairment loss on available for sale investment	(23)	(83)	–	–	–	–
Gain on deemed disposal of associate	6	23	–	–	–	–
Other income	35	129	46	90	27	12
Profit before tax	**870**	**3,196**	**3,851**	**4,118**	**3,035**	**484**
Income tax (expense) credit	(528)	(1,941)	(2,017)	(2,534)	(1,152)	289
Profit for the period/year	**342**	**1,255**	**1,834**	**1,584**	**1,883**	**773**
Attributable to:						
Owners of the parent	189	693	1,124	744	1,019	182
Non-controlling interests	153	562	710	840	864	591
Profit for the period/year	**342**	**1,255**	**1,834**	**1,584**	**1,883**	**773**

Notes:

(1) Reclassified to reflect the 2011 presentation, see "*Presentation of Financial and Other Information*".

(2) Reclassified to reflect the presentation adopted for the nine months ended 30 September 2012, see "*Presentation of Financial and Other Information*".

Statement of Comprehensive Income Data

	Nine months ended 30 September			Year ended 31 December		
	2012	2012	2011	2011	2010	2009
		(unaudited)				
	(U.S.$ millions)			*(AED millions)*		
Profit for the period/year	**342**	**1,255**	**1,834**	**1,584**	**1,883**	**773**
Other comprehensive income (loss)						
Change in fair values of derivative instruments in cash flow hedges	(433)	(1,590)	(4,133)	(4,332)	(2,300)[1]	1,279[1]
Share of other comprehensive income of associates	1	3	(22)	(1)	(52)	–
Reclassification adjustments for losses included in the income statement	311	1,142	1,138	1,494	1,177[1]	1,048[1]
Board of Directors' remuneration	(2)	(6)	(4)	(4)	(4)	(4)
Exchange differences arising on translation of overseas operations	238	875	(1,363)	(767)	1,171	3,110
Changes in fair value of available for sale investments	45	167	(17)	74	193	–
Impairment loss on available for sale investment recognised in the consolidated income statement	23	83	–	–	–	–
Realised gain on sale of investment carried at fair value through other comprehensive income	(113)	(415)	–	–	–	–
Other comprehensive (loss) income for the period/year	**70**	**259**	**(4,401)**	**(3,536)**	**185**	**5,433**
Total comprehensive (loss) income for the period/year	**412**	**1,514**	**(2,567)**	**(1,952)**	**2,068**	**6,206**
Attributable to:						
Owners of the parent	303	1,112	(1,874)	(1,475)	1,703	4,537
Non-controlling interests	109	402	(693)	(477)	365	1,669
	412	**1,514**	**(2,567)**	**(1,952)**	**2,068**	**6,206**

Consolidated Statement of Financial Position Data

	At 30 September		At 31 December		
	2012	2012	2011	2010	2009
	(unaudited)				
	(U.S.$ millions)		*(AED millions)*		
Assets					
Non-current assets					
Property, plant and equipment	21,148	77,676	77,439	78,651	59,329
Operating financial assets	1,111	4,082	4,363	4,879	5,253
Available for sale investments	111	406	1,122	947	159
Intangible assets	3,935	14,455	13,430	13,945	13,540
Investment in associates	151	556	512	314	261
Investment in joint ventures	194	712	735	814	1,601
Loan to a joint venture	–	–	–	–	871
Advances and loan to an associate	108	398	398	398	–
Other assets	108	397	420	590	512
	26,866	98,682	98,419	100,538	81,526
Current assets					
Inventories	806	2,960	3,122	2,115	1,773
Operating financial assets	130	478	417	449	297
Advance and loan to associates	207	759	810	921	20
Accounts receivable and prepayments	2,238	8,219	6,537	5,332	3,855
Cash and short-term deposits	971	3,568	3,988	5,581	4,374
	4,352	15,984	14,874	14,398	10,319
Assets classified as held for sale	–	–	1,400	1,123	–
Total assets	**31,218**	**114,666**	**114,693**	**116,059**	**91,845**
Equity and liabilities					
Equity attributable to owners of the parent					
Issued capital	1,695	6,225	6,225	6,225	6,225
Treasury shares	(80)	(293)	(293)	(293)	(293)
Equity contributed capital	93	341	341	341	25
Other reserves	1,102	4,048	4,048	3,881	3,677
Retained earnings	497	1,825	1,138	1,172	1,222
Proposed dividends	–	–	607	607	607
Foreign currency translation reserve	87	321	(554)	213	(958)
Cumulative changes in fair values of available for sale investments	24	89	254	180	(13)
Cumulative changes in fair values of derivatives in cash flow hedges	(1,260)	(4,629)	(4,344)	(2,822)	(1,190)
	2,158	7,927	7,422	9,504	9,302
Equity attributable to non-controlling interests					
Non-controlling interests	357	1,312	1,433	2,091	2,154
Loans from non-controlling interest shareholders in subsidiaries	284	1,043	1,060	891	689
Loan from ADWEA	723	2,655	2,675	2,752	265
	1,364	5,010	5,168	5,734	3,108
Total equity	**3,522**	**12,937**	**12,590**	**15,238**	**12,410**

	At 30 September		At 31 December		
	2012	2012	2011	2010	2009
	(unaudited)				
	(U.S.$ millions)		*(AED millions)*		
Non-current liabilities					
Investment in associate	1	4	86	203	–
Interest bearing loans and borrowings	16,785	61,652	67,178	72,855	56,144
Islamic loans	639	2,346	1,661	1,788	1,909
Deferred tax	1,279	4,697	4,606	4,657	4,057
Asset retirement obligations	2,191	8,049	7,502	6,557	5,798
Advances and loan from related parties	31	114	345	337	52
Loan from non-controlling interest shareholders in subsidiaries	23	85	94	119	162
Other liabilities	2,067	7,592	7,317	5,132	2,687
	23,016	84,539	88,789	91,648	70,809
Current liabilities					
Accounts payable, accruals and other liabilities	1,747	6,418	6,627	6,271	3,730
Interest bearing loans and borrowings	2,379	8,737	4,911	2,058	4,399
Islamic loans	36	131	127	118	105
Loans from non-controlling interest shareholders in subsidiaries	5	20	20	46	46
Amounts due to ADWEA and other related parties	130	479	444	461	18
Income tax payable	369	1,354	955	127	236
Bank overdrafts	14	51	169	92	92
	4,680	17,190	13,253	9,173	8,626
Liabilities classified as held for sale	–	–	61	–	–
Total liabilities	**27,696**	**101,729**	**102,103**	**100,821**	**79,435**
Total equity and liabilities	**31,218**	**114,666**	**114,693**	**116,059**	**91,845**

Cash Flow Statement Data

	Nine months ended 30 September			Year ended 31 December		
	2012	2012	2011	2011	2010	2009
		(unaudited)				
	(U.S.$ millions)			*(AED millions)*		
Net cash from operating activities	2,354	8,645	8,471[(1)]	6,911	5,573	4,617
Net cash used in investing activities	(889)	(3,265)	(3,762)	(5,146)	(7,350)	(5,515)
Net cash (used in) from financing activities	(1,528)	(5,611)	(6,191)[(1)]	(3,472)	3,215	1,103
Net foreign exchange differences	(19)	(71)	4	37	(231)	(22)
Cash and cash equivalents at 1 January	1,040	3,819	5,489	5,489	4,282	4,099
Cash and cash equivalents at the end of the period/year	958	3,517	4,011	3,819	5,489	4,282

Note:
Reclassified to reflect the presentation adopted for the nine months ended 30 September 2012, see "*Presentation of Financial and Other Information*".

EBITDA and Certain Ratios

The table below shows the Group's EBITDA and a reconciliation of profit for the period to EBITDA for each of the nine months ended 30 September 2012 and 2011 and for each of 2011, 2010 and 2009.

	Nine months ended 30 September			Year ended 31 December		
	2012	2012	2011	2011	2010	2009
		(unaudited)				
	(U.S.$ millions)			*(AED millions)*		
Profit for the period	**342**	**1,255**	**1,834**	**1,584**	**1,883**	**773**
Income tax	528	1,941	2,017	2,534	1,152	(289)
Other income and interest income	(42)	(152)	(84)	(134)	(175)	(85)
Loss (gain) on repurchase of bonds	–	–	–	81	–	(260)
Net foreign exchange (gains) losses	(18)	(66)	(53)	(117)	(58)	59
Changes in fair value of derivatives and fair value hedges	(58)	(211)	(173)	(281)	(55)	(356)
Finance costs	1,022	3,754	3,300	4,555	4,003	3,732
Bargain purchase gain	(27)	(100)	–	–	(191)	–
Gain on disposal of interests in subsidiary and equity accounted investees	–	–	(28)	(28)	–	–
(Gain) loss on sale of assets	(105)	(385)	(80)	(91)	171	–
Gain on sale of available for sale investment	(113)	(415)	–	–	–	–
Reversal of impairment/ impairment charge	23	83	–	616	(416)	538
Depreciation, depletion and amortisation	1,118	4,105	3,937	5,289	4,490	3,974
Gain on deemed disposal of associate	(6)	(23)	–	–	–	–
EBITDA	**2,664**	**9,786**	**10,670**	**14,008**	**10,804**	**8,086**

EBITDA is a non-IFRS financial measure that is used by management as an additional measure of performance. EBITDA is not defined by IFRS or recognised within IFRS as a measure of performance and should therefore not be considered as an alternative to other IFRS measures. For the periods under review, the Group has determined EBITDA as net income before finance costs, taxes, depreciation, depletion, amortisation, net foreign exchange gains or losses, other income and interest income, net gains or losses on repurchase of bonds, changes in fair value of derivatives and fair value hedges, bargain purchase gain, gain on disposal of interests in subsidiary and equity accounted investees, gains or losses on sale of assets, gain on sale of available for sale investment, gain on deemed disposal of an associate and reversal/charge for impairment. For further discussion of non-GAAP measures, see "*Presentation of Financial and Other Information — Presentation of Financial Information — Non-GAAP Financial Measures*".

The table below shows certain ratios for the Group as at the dates and for the periods stated.

	As at/nine months ended 30 September	As at/year ended 31 December		
	2012	2011	2010	2009
	(unaudited)			
Gross margin[1] (%)	30	35	33	25
Return on equity[2] (%)	4[3]	10	11	2
Net debt/total capital[4] (%)	76	77	78	80
EBITDA/net interest[5] (x)	2.62	3.11	2.80	2.21
Net debt/EBITDA (x)	5.28[6]	5.00	6.60	7.21

Notes:

(1) Calculated as gross profit divided by total revenue.

(2) Calculated as profit attributable to equity holders of the parent divided by equity attributable to equity holders of the parent.

(3) Calculated based on a profit figure for the 12 months ended 30 September 2012.

(4) Net debt is calculated as total long-term debt (current and non-current) less cash and cash equivalents. Total capital is calculated as net debt plus equity less changes in the fair value of derivatives.

(5) Net interest comprises finance costs less interest income.

(6) Calculated based on an EBITDA figure for the 12 months ended 30 September 2012.

(7) For the definition of EBITDA, see "*Presentation of Financial and Other Information*".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the information set out in ''Selected Financial and Other Information'' and the consolidated financial statements and accompanying notes incorporated by reference in this document. The following discussion contains certain forward-looking statements that involve risks and uncertainties. The Group's future results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections entitled ''Cautionary Statement Regarding Forward-Looking Information'', ''Risk Factors'' and ''Description of the Group'' elsewhere in this document.

This section presents a discussion and analysis of the Group's unaudited interim condensed consolidated financial statements as at and for the nine months ended 30 September 2012 and 30 September 2011, prepared in accordance with International Accounting Standard 34, and the Group's audited consolidated financial statements as at and for the years ended 31 December 2011, 2010 and 2009, prepared in accordance with IFRS.

All information in this section as at, and relating to the nine month periods ended, 30 September 2012 and 30 September 2011 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year. See ''Presentation of Financial and Other Information'' for a discussion of certain reclassifications and disclosure enhancements that have been made and affect comparative financial data included in this section.

OVERVIEW

TAQA is the holding company of a diversified international energy group headquartered in Abu Dhabi, United Arab Emirates. The Group's energy business comprises two principal business streams: the Power and Water business stream and the Oil and Gas business stream. The Group's power and water business includes ownership and operation of power generation facilities in the Middle East, Africa, India and North America, and water desalination facilities in the UAE. The Group's oil and gas business includes upstream exploration and production and midstream processing, transmission and storage assets in North America and Europe. In January 2012 the Group established a third business stream, Energy Solutions, which is still at an early stage of development and is not yet generating revenue.

At the end of 2009, the Group's strategy changed from one of growth driven by leveraged acquisitions to a more measured organic growth strategy linked to its existing assets and including the ongoing transfer of developed assets to the Group by its controlling shareholder, ADWEA. TAQA expects to continue to make acquisitions but on a selective and opportunistic basis to complement its existing businesses. TAQA currently intends to maintain the natural hedge between its power and water and oil and gas businesses, where the power and water business generates long-term contracted stable earnings while the oil and gas business generates more volatile earnings.

In the nine months ended 30 September 2012, the Group's revenue and profit were AED 20,618 million and AED 1,255 million, respectively. For the year ended 31 December 2011, the Group's revenue and profit were AED 24,187 million and AED 1,584 million, respectively. At 30 September 2012, the Group had total assets of AED 114,666 million.

FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations. Certain factors, including a number of significant acquisitions, make direct comparisons between certain of the periods reviewed more difficult.

Significant Acquisitions and Asset Transfers between 1 January 2009 and 30 September 2012

Acquisitions

In March 2009, the Group acquired from Marubeni Caribbean Power Holdings, Ltd. a 50% interest in MaruEnergy Caribbean Holdings, Ltd. (''**MaruEnergy**''), which holds power generation assets in Jamaica, Trinidad and Tobago, Curaçao and The Bahamas. MaruEnergy was a jointly controlled entity and was accounted for using the equity method. This holding was subsequently sold in the first quarter of 2011 to the Group's joint venture partner.

In October 2009, the Group acquired all of the outstanding shares in DSM Energie Holding B.V. (''**DSM Energie**''), which holds 20 producing oil and gas fields in the Dutch North Sea, a 40%

interest in Noordgastransport B.V. ("**Noordgastransport**"), a pipeline company, and three other pipelines. The consideration paid was AED 760 million (excluding the consideration for Noordgastransport). The results of operations of DSM Energie have been included in the Group's financial statements for 2009 from the effective date of acquisition (being 1 October 2009) and for subsequent periods, but not for any prior periods. The 40% interest in Noordgastransport was acquired for AED 978 million and is accounted for using the equity method.

In August 2010, the Group acquired a package of oil and gas properties in West Central Alberta (the "**Suncor Assets**") from Suncor Oil and Gas Partnership for AED 990 million. The Suncor Assets include oil and gas properties producing approximately 6,100 boe/d and certain natural gas processing facilities. The aggregate value of the transaction was AED 990 million. The results of operations of the Suncor Assets have been included in the Group's financial statements for 2010 from the effective date of acquisition (being 31 August 2010) and for subsequent periods, but not for any prior periods.

During 2010, TAQA agreed to purchase an 81% equity share in production licences for two blocks in the Otter field development area in the UK North Sea for AED 183 million. As a result of the changes that took place between the agreement date and the legal completion date, TAQA received AED 144 million at the completion date. The acquisition took place in two phases. The first phase, comprising a 31% equity interest and operatorship of the field, was completed on 1 July 2011. A bargain purchase gain of AED 94 million arose on the transaction as a result of the change in fair values between the economic date of the agreement (1 September 2009) and the legal completion dates when purchase accounting was applied. The second phase comprising a 50% equity interest was completed on 24 February 2012. A bargain purchase gain of AED 6 million arose on the second phase, giving rise to an aggregate bargain purchase gain for the transaction as a whole of AED 100 million.

On 25 October 2011, TAQA acquired a 19.9% shareholding in WesternZagros Resources Ltd. ("**WesternZagros**"), a company listed on the TSX Venture Exchange of Canada, for AED 163 million. WesternZagros is an international natural resources company engaged in acquiring properties, and exploring for, developing and producing crude oil and natural gas. WesternZagros holds two production sharing contracts with the Kurdistan Regional Government in the Kurdistan Region of Iraq. On 5 December 2012, the Group sold its interest in WesternZagros, see "*—Recent Developments*".

Asset transfers from ADWEA

The Group has participated in the privatisation of power and water related projects and other related investments undertaken by ADWEA, see "*Description of the Group — History*". ADWEA undertakes the development of power generation and water desalination facilities in the UAE through a competitive tender process involving major independent developers of such infrastructure. Once a power and water project undertaken by ADWEA nears commercial operation, ADWEA has, in the past, typically transferred 90% of its 60% interest in the project to the Group, resulting in the Group holding a majority interest (typically 54%) in the project. The transfers are usually structured so that the Group acquires its equity interest in the project from ADWEA at ADWEA's carrying amount for the project. The results of operations of the project are included in the Group's financial statements from the beginning of the year in which such transfers from ADWEA to the Group are effected.

In June 2010, ADWEA transferred 90% of its holding in Fujairah Water and Electricity Company ("**FWEC**") to the Group for consideration of AED 9 million. FWEC holds 60% of the shares in Fujairah Asia Power Company ("**FAPCO**") with the remaining 40% owned equally by Marubeni Corporation and International Power plc. As a result, the Group holds a 54% interest in FAPCO through FWEC. FAPCO owns and operates the Fujairah 2 power generation and water desalination facility ("**Fujairah 2**"), which has installed capacity of 2,000MW per year and 130MIGD. The transfer of 90% of ADWEA's interest in FWEC to the Group was treated as a business combination involving entities or businesses under common control and was accounted for under the pooling of interests method, effective 1 January 2010.

In June 2010, ADWEA agreed to transfer to the Group a 40% stake in Sohar Aluminium Company LLC ("**Sohar Aluminium**") for a consideration of AED 1,391 million. Sohar Aluminium produces 360,000 tonnes of aluminium a year and also owns and operates a 1,000MW combined cycle captive power plant. Sohar Aluminium is a joint venture with the Oman Oil Company (40%) and Rio Tinto Alcan (20%). Sohar Aluminium has been accounted for as an associate using the pooling of interests method, effective 1 January 2010.

In December 2010, ADWEA transferred 90% of its holding in Ruwais Power Holding Company ("**RPHC**") to the Group for a consideration of AED 1,076 million. RPHC holds 60% of the shares in Ruwais Power Company ("**RPC**") with the remaining 40% owned equally by GDF Suez and Marubeni Corporation. As a result, the Group holds a 54% interest in RPC through RPHC. RPC was established to construct, own and operate the Shuweihat 2 power generation and water desalination facility ("**Shuweihat 2**"), with planned installed capacity of 1,500MW and 130MIGD. RPC also owns 30% of the shares in Shuweihat Shared Facilities Company ("**SSFC**"). Shuweihat 2 commenced commercial operation in July 2011. The transfer of 90% of ADWEA's interest in RPHC to the Group has increased the Group's effective interest in SSFC from 22% to 38%. The transfer of 90% of ADWEA's interest in RPHC to the Group was treated as a business combination involving entities or businesses under common control and was accounted for under the pooling of interests method, effective 1 January 2010.

Additional information relating to acquisitions and asset transfers

The table below sets out certain information regarding the completed acquisitions and asset transfers described above. All of the entities listed below are fully consolidated, except for MaruEnergy (which was sold in the first quarter of 2011) and Sohar Aluminium, Noordgastransport and WesternZagros (which are equity accounted for). For further details concerning the Group's acquisitions, asset transfers and related financing issues, see "— *Liquidity and Capital Resources*".

Acquired Entity or Assets	Date of Acquisition	Percentage Acquired	Percentage Currently Held	Cost of Acquisition	Goodwill Arising on Acquisition
		(%)		*(AED million)*	
Oil and Gas					
DSM Energie[(1)]	October 2009	100	100	760	341
Suncor Assets	August 2010	–	–	990	(191)[(2)]
Otter (phase 1)	July 2011	31	–	(58)	(94)
Otter (phase 2)	February 2012	50	31	(86)	(6)[(3)]
WesternZagros[(4)]	October 2011	19.9	17.96	163	–
Power and Water					
MaruEnergy[(5)]	March 2009	50	0	680[(6)]	–
FAPCO	June 2010	54	54	9	–
Sohar Aluminium	June 2010	40	40	1,391	–
RPC	December 2010	54	54	1,076	–

Notes:

(1) Excludes 40% interest in Noorgastransport acquired for AED 978 million, including AED 245 million consideration in excess of fair value.

(2) The Group recorded a bargain purchase gain reflecting the fact that the purchase price paid was less than the fair value of the assets acquired.

(3) The Group recorded a bargain purchase gain as a result of the change in fair values between the economic date of the agreement (1 September 2009) and the legal completion dates when purchase accounting was applied.

(4) The Group sold this interest on 5 December 2012.

(5) Subsequently sold in the first quarter of 2011.

(6) Carrying amount of the investment, including AED 116 million consideration in excess of fair value.

These acquisitions have affected the Group's business and, as a result, its results of operations for each year under review are not directly comparable. In addition, the Group's results for future periods may not be directly comparable to its results for the same periods in prior years. The Group's financial condition and results of operations in future periods will be affected by, among other things, completion of announced acquisitions, the change in its business mix, any impairment of goodwill and increased leverage as a result of financing its acquisitions.

- *Change in business mix*: Since its establishment, the Group's business has developed from electricity generation and water desalination in the UAE to an international business operating in the upstream and midstream oil and gas sector and the power generation sector. As a result, its results of operations have become more volatile (reflecting the increasing effect of international crude oil and natural gas prices on the Group's business) and its expansion into the oil and gas business has resulted in increased capital expenditure requirements.

- *Impairment of goodwill*: In connection with the acquisitions made by the Group, the excess of the purchase price over the fair market value of the net identifiable assets, if any, has been recorded as goodwill. Goodwill on acquisition is initially measured at cost and reviewed for impairment on an annual basis in accordance with International Accounting Standard 36. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. While the goodwill is supported by the cash flow and synergies arising from the acquisition, a significant change in the key economic assumptions of the acquired businesses could result in an impairment charge in the future.
- *Increased leverage*: The acquisitions made by TAQA have been primarily funded by borrowings. Reflecting the cash flow generated by the acquired businesses, the Group's interest coverage ratio (calculated as EBITDA divided by finance costs) was 2.2 at 31 December 2009, 2.8 at 31 December 2010, 3.1 at 31 December 2011 and 2.6 at 30 September 2012, in each case, principally as a result of the effect on its operating profit of changes in crude oil and natural gas prices and, since 2010, the results of operations from assets transferred from ADWEA in 2010. The cash flow generated by the Group's oil and gas operations is partly dependent on a minimum level of maintenance capital expenditure, although the Group has some flexibility in the timing of these expenditures.

Factors Affecting the Group's Revenue

TAQA generates its revenue primarily from its Power and Water and Oil and Gas business streams operating in the Middle East, India, Africa, North America and Europe. The most significant factors affecting the Group's revenue and results of operations are its ability to make available power generation and water desalination capacity and the prices obtained for its crude oil and natural gas production. The Group's revenue is derived principally from the sale of power and desalinated water capacity under its PWPAs and PPAs and the sale of crude oil and natural gas production.

Power and water sales revenue

Each of TAQA's eight UAE generation subsidiaries has entered into a PWPA with ADWEC. Under the PWPAs, each operating subsidiary undertakes to make available, and ADWEC undertakes to purchase, for the duration of the PWPA, the available net capacity of the plants owned by the respective operating subsidiaries in accordance with the terms and conditions set out in the relevant PWPA. Under each PWPA, the tariff has been structured such that revenue of each UAE generation subsidiary is expected to exceed its operating, maintenance and capital expenses by a margin intended to allow for debt service and to provide the owners of the plant with an agreed rate of return on their investment.

Payments under the PWPAs consist, broadly, of capacity payments and payments for operating and maintenance expenses that are passed through to ADWEC. ADWEC is obliged to supply natural gas (which is the primary source fuel) free of cost to each UAE generation subsidiary. In addition, the PWPAs contain a mechanism whereby the cost of procuring back-up fuel in the case where ADWEC has failed to supply sufficient natural gas is passed on to ADWEC. Capacity payments are determined and invoiced on a monthly basis. Capacity payments are increased or decreased to the extent that an operating subsidiary achieves power or water availability ratings which are above or below contracted targets. The effect of these adjustments is amplified during the summer period (defined as the period from 1 April to 31 October in each year) by a multiplication factor. Capacity payments are also calculated by reference to, among other things, a plant's thermal, or energy conversion, efficiency. Revenue broadly increases to the extent that the plant is able to achieve contracted availability with less than the corresponding contracted amount of fuel.

As a result of the number of factors that determine the calculation of the tariff in respect of any particular month, there is no strict correlation between the annualised figures for power and water availability and the actual amount of revenue of an operating subsidiary. For example, reduced availability during the winter period will have less impact on annual revenue than if the same reduced availability had occurred during summer. Moreover, as reduced availability will also, in some circumstances, lead to a reduction in operating and maintenance expenses, the impact on an operating subsidiary's operating profit caused by reduced availability may be partially offset by a reduction in operating costs.

TAQA's generation subsidiaries in Morocco, Ghana and India have each entered into a long-term PPA with a government-controlled entity in their respective jurisdictions of operation. These entities are the Office National de l'Electricité et de l'Eau Potable ("**ONEE**") in the case of Jorf Lasfar in Morocco, the Volta River Authority in the case of Takoradi in Ghana and TANGEDCO in the case of Neyveli in India. Under their respective PPAs, each subsidiary undertakes to make available, and the respective off-takers undertake to purchase, for the duration of the PPA, the available net capacity of the plants in accordance with the terms and conditions set out in the relevant PPA. Under each PPA, the tariff has been structured such that expected revenue exceeds costs by a margin intended to allow for debt service and to provide the owners of the plants with an agreed rate of return on their investment.

These PPAs provide for capacity payments and payments for fixed and variable and operating maintenance costs which are passed through to the respective off-takers. Capacity payments are affected by adjustments to capital costs and are increased or decreased to the extent that an operating subsidiary achieves availability ratings which are above or below contracted targets and energy payments.

TAQA Gen-X LP ("**TAQA Gen-X**"), which is 85% owned by TAQA, holds a 100% interest in a tolling agreement in relation to a power generation plant located in New Jersey in the United States of America (the "**Red Oak Tolling Agreement**"), under which TAQA Gen-X is entitled to the economic rights (including revenue from the sale of electricity, capacity payments and payments for other ancillary services) related to the power plant and is obliged to supply fuel and also make certain fixed and variable payments to the operator.

Power and Water production

The Group's revenue from power and water production is principally affected by net available capacity made available to the off-taker. Tariffs for power and water generation are set in the PWPAs and PPAs entered into by each of the Group's generation subsidiaries, and in the Red Oak Tolling Agreement in the case of TAQA Gen-X.

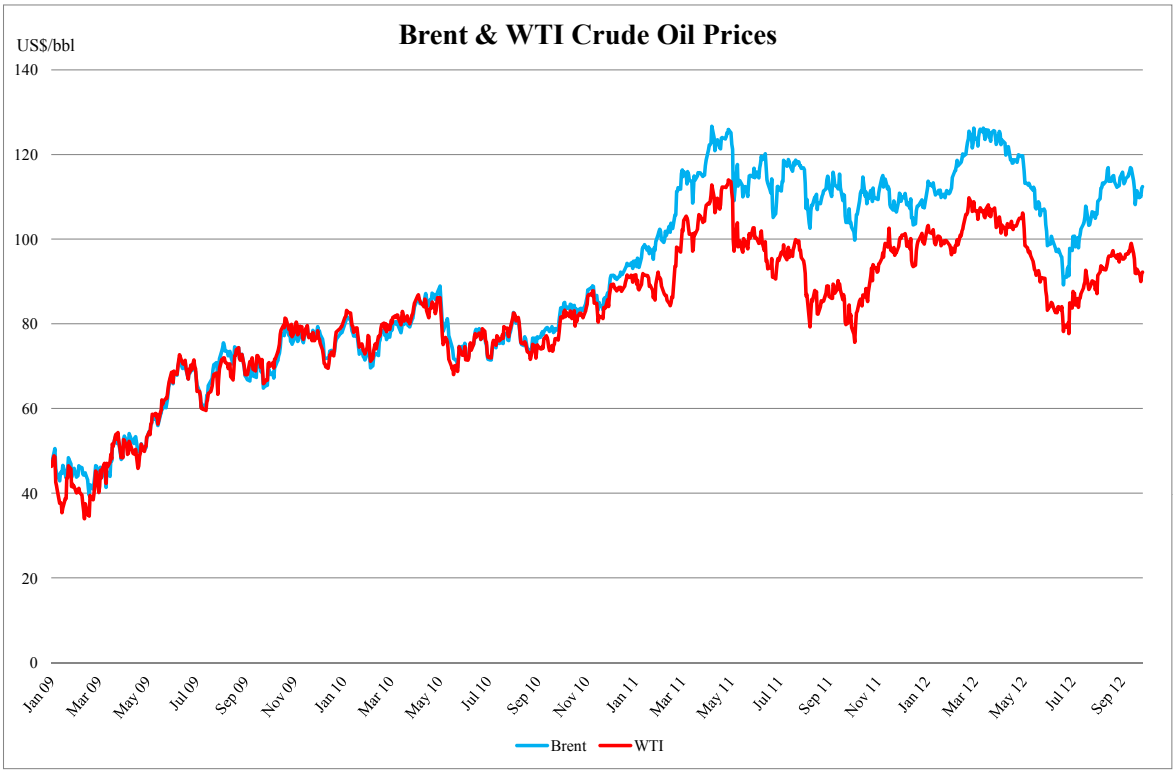
The table below shows TAQA's power generation and water desalination production, as well as the average technical availability of its plants, for each of the nine month periods ended 30 September 2012 and 30 September 2011 and for each of 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
UAE generation plants					
Power generation (*GWh*)	42,272	36,678	48,087	39,397	37,628
Water desalination (*MIG*)	179,915	163,931	220,530	195,415	207,227
Technical availability	95.6%	94.5%	93.0%	93.8%	96%
International generation plants					
Power generation (*GWh*)	15,825	10,682	19,303	14,512	14,148
Technical availability	94.4%	90.3%	88.7%	91.3%	88%

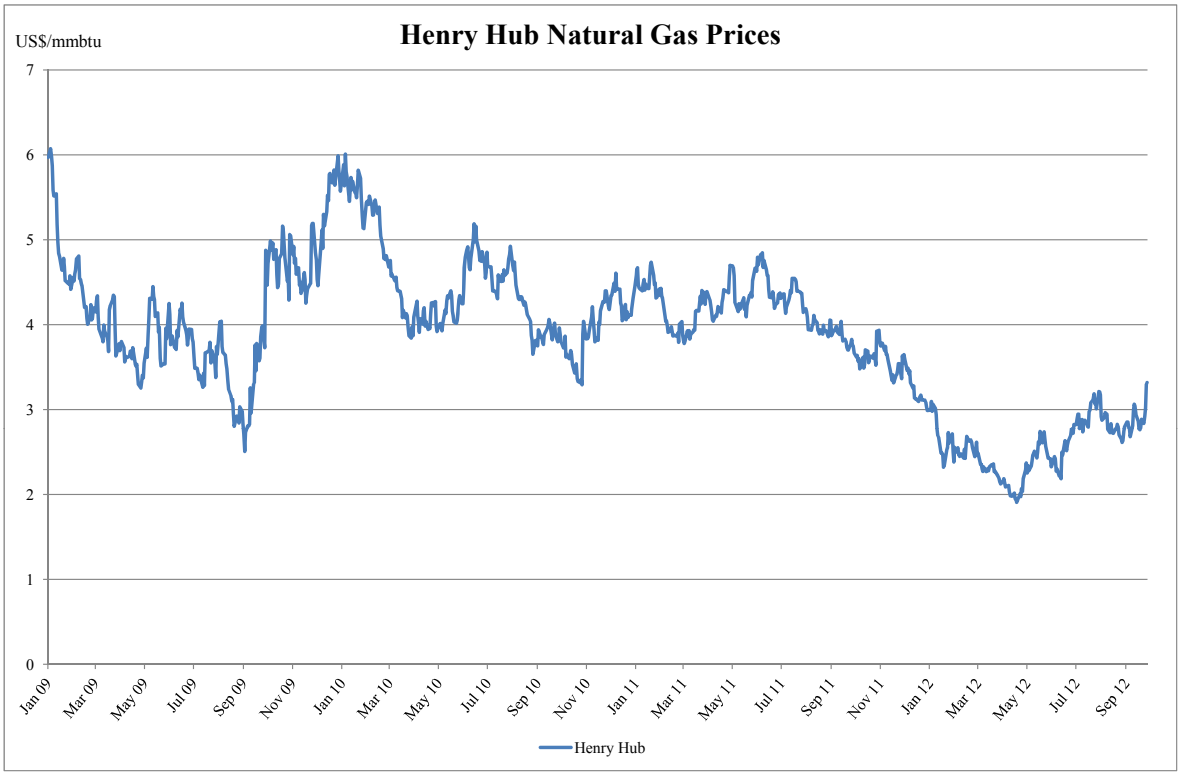
Oil and gas sales revenue

The Group's revenue from the sale of crude oil and natural gas produced by it is principally affected by changes in the prices it is able to achieve, which in turn principally depend upon prevailing market reference prices at the time of sale and, to a lesser extent, changes in its production volumes. Prevailing market reference prices are driven principally by changes in international supply and demand for crude oil and natural gas products.

Crude oil prices have experienced significant volatility during the periods under review. The charts below show the price trend for both Brent crude oil (which is the industry reference price for the Group's UK North sea crude oil and natural gas liquids production and its Netherlands crude oil production) and West Texas Intermediate ("**WTI**") crude oil (which is the industry reference price for the Group's North American crude oil and natural gas liquids production) between 1 January 2009 and 30 September 2012 and the price trend for Henry Hub natural gas (which is the industry reference price for the Group's North American natural gas production) over the same period.



Source: Bloomberg



Source: Bloomberg

Average realised prices

The table below shows TAQA's average realised prices for crude oil, natural gas liquids and natural gas for each of the nine month periods ended 30 September 2012 and 30 September 2011 and for each of 2011, 2010 and 2009. The averages are calculated by dividing the gross realised revenue in U.S. dollars by the corresponding sales volume in each period.

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(U.S.$/boe for crude oil, natural gas liquids and the overall average realised price and U.S.$/mmbtu for natural gas)				
Crude oil					
North America average	78.29	84.87	86.11	67.82	53.15
UK North Sea average	112.13	112.89	112.18	80.34	60.90
The Netherlands average	105.63	99.71	98.97	82.61	59.83
Total crude oil average	**102.37**	**102.95**	**102.95**	**75.66**	**57.91**
Natural gas liquids					
North America average	60.96	71.94	71.95	53.69	42.48
UK North Sea average	66.58	77.01	68.64	58.27	37.57
Total natural gas liquids average	**61.26**	**72.18**	**71.80**	**54.18**	**42.14**
Natural gas					
North America average	2.42	4.16	4.02	4.21	3.81
UK North Sea average	10.14	9.05	9.28	6.81	5.64
The Netherlands average	10.44	10.41	10.63	7.75	7.94
Total natural gas average	**3.38**	**4.94**	**4.84**	**4.74**	**4.33**
Overall average realised price	**60.10**	**64.72**	**64.59**	**50.27**	**39.79**

TAQA's realised prices for its crude oil, natural gas liquids and natural gas production are principally related to industry reference prices, including the WTI price, the Brent price and Henry Hub prices as discussed above and National Balancing Point ("**NBP**") prices for its UK North Sea natural gas production and NIP prices for its Netherlands natural gas production, see "*Summary of Material Agreements — Summary of Principal Oil and Gas Agreements — Gas Sales and Gas Storage Agreements (The Netherlands)*" for a description of NIP prices. The realised price for its North American crude oil is generally lower than the benchmark WTI price due to adjustments for the quality of the crude oil and inherent transportation costs.

The table below shows average industry reference prices for crude oil, natural gas liquids and natural gas for each of the nine month periods ended 30 September 2012 and 30 September 2011 and for each of 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(U.S.$/barrel)		
Crude oil					
WTI	96.16	95.39	95.11	79.51	61.99
Brent	112.20	111.62	110.91	79.73	62.04
			(U.S$/mmbtu)		
Natural gas					
Henry Hub	2.58	4.22	4.03	4.37	3.94

Source: Bloomberg

The Board of Directors of TAQA approved a commodity hedging policy in the summer of 2010, which authorised management to enter into financial derivative contracts to manage the Group's exposure to commodity price volatility. TAQA North was the only Group company to implement a hedging programme and, in the second quarter of 2012, the commodity hedging programme was suspended. In 2011, the net realised and unrealised gain recognised in the income statement in relation to these instruments was AED 6 million (compared to net realised and unrealised losses of AED 51 million in 2010) and the net impact on the statement of comprehensive income was a gain of AED 7 million in 2011 and a loss of AED 11 million in 2010. In the nine months ended 30 September 2012, the net realised and unrealised gain recognised in the income statement in relation to these instruments was AED 22 million (compared to net realised and unrealised gains of AED 93 million in the nine months ended 30 September 2011) and the net impact on the statement of comprehensive income was a gain of AED 12 million in the nine months ended 30 September 2012 and a gain of AED 51 million in the nine months ended 30 September 2011. This policy was suspended in the second quarter of 2012 and, as of 30 September 2012, approximately 7,000 barrels of oil per day of the production in the fourth quarter of 2012 and a declining balance of the production up to the fourth quarter of 2013 at TAQA North (the only subsidiary which has implemented the policy to date) has been hedged. None of TAQA North's production of natural gas has been hedged.

Netback Analysis

The table below shows the average operating netback (being the gross average realised price less any royalties and operating costs for the relevant company's total production of crude oil, natural gas liquids and natural gas) per barrel of oil equivalent for each of TAQA North, TAQA Bratani and TAQA Energy for each of the nine month periods ended 30 September 2012 and 30 September 2011 and for each of 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			(U.S.$/boe)		
TAQA North					
Gross average realised price	33.63	44.36	44.19	38.93	31.99
Royalties	(5.05)	(7.49)	(7.54)	(6.05)	(4.80)
Net average realised sales price	28.58	36.87	36.65	32.88	27.19
Operating costs	(11.71)	(11.55)	(11.49)	(10.08)	(9.73)
TAQA North operating netback	16.86	25.33	25.16	22.80	17.46
TAQA Bratani					
Gross average realised price	109.31	108.96	108.41	75.57	56.42
Royalties[(1)]	–	–	–	–	–
Net average realised sales price	109.31	108.96	108.41	75.57	56.42
Operating costs	(32.67)	(28.30)	(29.10)	(30.74)	(26.87)
TAQA Bratani operating netback	76.64	80.65	79.31	44.83	29.55
TAQA Energy					
Gross average realised price	69.65	69.79	70.73	50.85	48.62
Royalties[(1)]	(1.12)	(1.37)	(1.25)	(1.91)	(2.51)
Net average realised sales price	68.54	68.43	69.48	48.94	46.11
Operating costs	(19.22)	(15.90)	(15.61)	(13.49)	(8.28)
TAQA Energy operating netback	49.32	52.52	53.87	35.46	37.83

Note:

(1) No oil and gas royalties are levied in the United Kingdom and only limited royalties are levied in The Netherlands. However, both jurisdictions levy specific oil and gas-related taxes which are accounted for as tax expense.

Average daily production

The table below shows TAQA's average daily production of crude oil, natural gas liquids and natural gas for each of the nine month periods ended 30 September 2012 and 30 September 2011 and for each of 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	(mboe/d for crude oil and natural gas liquids and mmcf/d for natural gas)				
Crude oil					
North America	17.0	19.8	20.0	21.3	20.4
UK North Sea	40.0	39.4	40.4	33.4	32.3
The Netherlands	1.2	1.5	1.5	1.2	0.6
Total crude oil	**58.2**	**60.7**	**61.7**	**55.9**	**53.3**
Natural gas liquids					
North America	11.4	10.9	11.0	10.8	10.2
UK North Sea	0.7	0.5	0.5	0.8	0.9
The Netherlands	–	–	–	–	–
Total natural gas liquids	**12.1**	**11.4**	**11.5**	**11.6**	**11.1**
Natural gas					
North America	336.6	341.4	342.4	339.2	355.5
UK North Sea	11.1	12.1	12.3	18.9	30.2
The Netherlands	37.2	40.0	39.8	45.0	37.3
Total natural gas	**384.9**	**393.5**	**394.5**	**403.1**	**423.0**
Total production (*mboe/d*)	**134.4**	**137.7**	**139.1**	**134.6**	**134.9**

Taxation

In each of 2011 and the nine months ended 30 September 2012, the Group was subject to material tax changes imposed by the UK government that have had a significant impact on its results of operations. In March 2011, the UK government increased the rate of supplementary charge to corporation tax on UK oil and gas production activities from 20% to 32%, resulting in a U.S.$24 million deferred tax expense being recognised by the Group in 2011. In July 2012, the UK government passed legislation to restrict tax relief available for decommissioning expenditures from 62% to 50%. As a result, the Group recognised a further deferred tax adjustment of U.S.$74 million in the third quarter of 2012, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business Generally — The Group's operations are subject to stringent regulation in all the jurisdictions in which it operates and changes in law and regulation may adversely affect the Group*".

The tax changes introduced by the UK government which are discussed above are expected to cost the Group an amount equivalent to up to 9% of the pre-tax income of TAQA Bratani on an ongoing basis. The UK government also has introduced certain allowances for marginal fields which need to meet set criteria. The Group has identified a limited number of marginal fields which are expected to qualify for these allowances and the Group expects to realise some tax benefits in this respect although it is not yet possible to quantify these allowances.

Capital Expenditures

The Group's results of operations can be adversely affected by the level of capital expenditures that it is required to make. Capital expenditures are funded from cash flow from operations and, when considered appropriate, from external financing. The ability to make significant capital expenditures in the future may be limited by the Group's ability to obtain external financing.

The Group's current capital expenditures are primarily for exploration and development (including acquisitions) of oil and gas reserves (principally in North America), development of gas storage facilities in The Netherlands and expansion of international power generation facilities. The

Group generally does not incur material capital expenditure costs in relation to its UAE power and water generation plants as this cost is principally incurred by ADWEA before the plants are transferred to the Group, see "— *Significant Acquisitions and Asset Transfers between 1 January 2009 and 30 September 2012 — Asset transfers from ADWEA*". Capital expenditure in each period generally results in increased depreciation in future periods as a result of an increased depreciable asset base and, to the extent that the capital expenditure has been financed by external borrowing, in increased finance costs in future periods, see "— *Liquidity and Capital Resources — Capital Commitments — Capital expenditure*" for a discussion of the Group's committed capital expenditure at 30 September 2012.

Exchange Rates

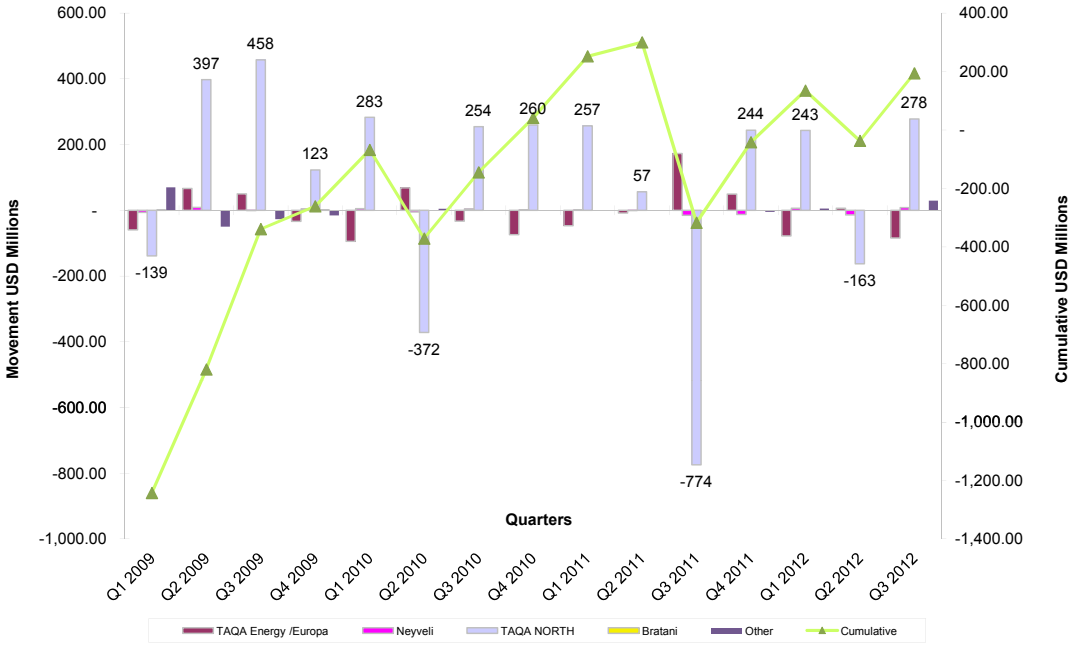
The Group is exposed to currency transaction risks and currency translation risks in respect of its operations conducted in currencies other than the UAE dirham, its functional and reporting currency. The Group is subject to currency transaction risks when its revenue and costs are denominated in different currencies. For example, the revenue of the Group's oil and gas sales is primarily denominated in U.S. dollars, whereas part of its oil and gas expenses are denominated in euro, Canadian dollars and pounds sterling. In the Group's power and water operations outside the UAE, currency mismatches may arise if financing is denominated in a currency other than that of the revenue generated by the plant, as is currently the case in Morocco. In addition, financing for the operations of a Group company may be in a currency other than that company's functional currency, depending on market prices at the time. TAQA attempts to hedge against currency transaction risk primarily by matching revenue and costs in the same currency and, to a lesser extent, by entering into hedging transactions.

In addition, the Group is subject to currency translation risk in that the results of each of its operating companies are reported in the operating currency of the jurisdiction in which that company primarily operates. These amounts, if not reported in UAE dirham, are then translated into UAE dirham for inclusion in the Group's consolidated financial statements.

Accordingly, currency transaction and currency translation risks may significantly impact the Group's financial results in the future from period to period and affect their comparability. The chart below shows the currency translation movement by principal business and cumulatively for each quarter from the first quarter of 2009 to the third quarter of 2012. As indicated in the chart, TAQA's major currency translation movements over the period have occurred in TAQA North, which has the Canadian dollar as its functional currency.

In 2009, the Canadian dollar generally appreciated against the UAE dirham giving rise to a significant currency translation gain in that year. In 2010, the Canadian dollar/UAE dirham exchange rate was more stable, although overall there was a currency translation gain in that year. In 2011, the Canadian dollar weakened significantly against the UAE dirham in the third quarter, giving rise to an overall currency translation loss in that year. In the nine months to 30 September 2012, the Canadian dollar generally appreciated against the UAE dirham giving rise to a currency translation gain in that period.

Currency Translation Movement



Seasonality of Operations

The Group's operations experience a degree of seasonality, driven principally by climatic conditions in the respective regions of operations. Due to high demand for natural gas in Canada, Europe and the United Kingdom in the winter period, higher revenue and operating profits are usually recorded from oil and gas operations in the first and fourth quarters of the year compared to the second and third quarters of the year. Due to higher electricity demand in the summer period in the UAE, higher revenue and operating profits are usually recorded for UAE generation subsidiaries in the second and third quarters of the year compared to the first and fourth quarters of the year.

RECENT DEVELOPMENTS

In October 2012, TAQA acquired oil and gas assets in central Alberta, Canada from NuVista Energy Limited for U.S.$162 million. The acquired production and associated transport and processing infrastructure are located adjacent to TAQA's existing assets in the Alder, Minnehik, Ferrier, Pembina and Easyford areas. The acquisition includes 45,700 hectares of land rights and approximately 6,000 boe/d of natural gas production rich in high-value liquids. It also includes processing and pipeline capacity allowing TAQA to access additional capacity and benefit from lower fees as a result of being an owner rather than a third party.

In November 2012, TAQA announced the signing of an agreement with BP plc to acquire interests in oil and gas fields and associated infrastructure in the UK North Sea. The acquisition consists of a 70% operated interest in the Harding field, a 37.03% operated interest in the Maclure field and an 88.7% operated interest in the Devenick field, all of which are located in the central part of the UK North Sea. TAQA will also increase its non-operated interests in the Brae area and associated transport infrastructure, including the SAGE, Forties-Brae and Forties-Braemar pipelines. The total value of the transaction is approximately U.S.$1,058 million including tax allowances based on an effective date for the acquisition of 1 January 2012 (except for Devenick where the effective date will be 1 January 2013). An advance payment of U.S.$632 million has already been made and this payment and any remaining consideration payable by TAQA at completion (which will be net of the cash flow generated by the acquired assets since the relevant effective date) has been, and is expected to be, funded from the Group's existing operating cash flow and credit lines. TAQA has also committed to enter into an agreement to share net cash flows from the Devenick field area with BP. The acquisition is expected to increase TAQA's reserves and net production by approximately 91 mmboe and 21,000 boe/d, respectively, and will also add a second major development hub to TAQA's UK North Sea business. The acquisition is subject to the satisfaction of pre-emption rights as well as governmental and certain third party approvals and is expected to complete by mid-2013.

On 30 November 2012, TAQA signed an agreement to acquire a 53.2% undivided participating interest in the Atrush exploration block in the Kurdistan region of Iraq from General Exploration Partners, Inc., an affiliate of Aspect Holdings, LLC. The acquisition price was an amount up to U.S.$600 million. TAQA expects the transaction to be completed before the end of 2012 and to be funded from the Group's existing operating cash flow and credit lines. This acquisition is in line with TAQA's acquisition strategy, see "*Description of the Group — Strategy*", and the acquisition cost is expected to be substantially matched over time by cash raised from future sales of non-core assets. If the acquisition is successfully closed, TAQA anticipates that it will incur limited capital expenditure on exploration of the block and constructing related infrastructure. Thereafter, TAQA expects to manage its exploration and production programmes such that revenue from producing wells can be utilised to fund future capital expenditures.

On 5 December 2012, TAQA sold its holding of shares in WesternZagros as this holding was no longer considered strategic in light of TAQA's investment in the Atrush exploration block described above. The sale price was approximately C$85,000,000.

SIGNIFICANT ACCOUNTING POLICIES

The Group's significant accounting policies are summarised in Note 2.5 to its 2011 Financial Statements and certain of these accounting policies are described below.

Revenue Recognition

Power and Water

Under the Group's PWPAs, the generating subsidiaries receive payments for the provision of power and water capacity (whether or not the off-taker requests power or water output) and for the variable costs of production. As TAQA has determined that the PWPAs are lease arrangements and that, based on the contractual arrangements in place, its generation subsidiaries retain the principal risks and rewards of ownership of the plants, the PWPAs are accounted for as operating leases.

Under the Group's PPAs, the generating subsidiaries undertake to make available, and the off-takers undertake to purchase, the available net capacity of the plants for a period of time in accordance with various agreed terms and conditions as specified in the PPAs. In each case, TAQA has determined that the PPAs are service concession arrangements and the PPAs are therefore accounted for in this manner.

Power and water revenue is recognised as follows:

- where TAQA determines that the relevant contract meets the financial asset model for service concession arrangements (as is the case with the PPAs), consideration receivable is allocated by reference to the relative fair values of the services delivered;
- where TAQA determines that the relevant contract contains an operating lease (as is the case with the PWPAs), capacity payments are recognised as operating lease rental revenue on a systematic basis to the extent that capacity has been made available to the off-taker during the year;
- payments other than capacity payments under the relevant contract are recognised as revenue as and when received in accordance with the contractual terms of the PWPA;
- revenue under the Red Oak Tolling Agreement is also recognised as revenue as and when received in accordance with the contractual terms;
- fuel revenue is recognised as and when amounts are received from the off-takers towards fuel consumed in the production of power and water. In the case of power generation and water desalination in the UAE, fuel revenue arises only when the plants have to use back-up fuel for production since generally fuel is provided free of cost in accordance with the terms of the PWPA. In other cases, the receipt of fuel revenue is based on the terms of the PPA and accounted accordingly; and
- energy and water payments are recognised as revenue when the contracted power and water is delivered to the off-taker.

Oil and gas

Revenue from the sale of crude oil and natural gas is recognised when the significant risks and rewards of ownership are transferred to the buyer. This generally occurs when the product is

transferred into a delivery mechanism such as a vessel or a pipeline. Oil and gas revenue is stated net of sales taxes, royalties and other similar levies.

The income from natural gas storage, processing and transport is recognised when the service is provided and accepted by customers.

Liquidated damages

Liquidated damages entitlements in respect of loss of revenue due to late commissioning are included in revenue net of liquidated damages payable to the off-taker when the right to receive liquidated damages is established.

Oil and Gas Accounting

Exploration and evaluation costs

Pre-licence costs and geological and geophysical exploration costs incurred prior to obtaining the rights to explore are recognised in the income statement when incurred. Costs incurred after the rights to explore have been obtained, such as geological and geophysical costs, drilling and commercial appraisal costs and other directly attributable costs of exploration and evaluation activity, including technical and administrative costs for each exploration asset, are capitalised as intangible exploration and evaluation ("**E&E**") assets. E&E costs are not amortised prior to the conclusion of appraisal activities.

At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered at each field level then, following development sanction, the carrying value of the relevant E&E asset is reclassified as a development and production asset. This category reclassification is only performed after the carrying value of the relevant E&E asset has been assessed for impairment and, where appropriate, its carrying value adjusted. If commercial reserves are not discovered at the completion of appraisal activity of each field and no future economic benefits are expected, the E&E asset is written off through the income statement.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

Oil and gas joint ventures

Certain of the Group's activities in the oil and gas segment are conducted through joint ventures where the venturers have a direct ownership interest in and jointly control the underlying assets of the venture. The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

In relation to these joint ventures, it is often not practical for each participant to take in kind or to sell its exact share of production during a period. In most periods some participants in the joint venture will be in an overlift position (i.e. they have taken more product than their proportionate entitlement) while other participants may be in an underlift position (i.e. they have taken less product than their proportionate entitlement).

Under the entitlements method of accounting, net revenue reflects the participant's share of production regardless of which participant has actually made the sale and invoiced the production. This is achieved by adjusting cost of sales, which are adjusted to take account of an asset or liability that reflects the lifting imbalance. If the adjustments are recorded at the market value of the product then it results in recognition of gross profit on an entitlements basis, while at the same time permitting revenue to be shown at the actual invoiced amount.

Depreciation

TAQA determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. The residual value and useful lives are reviewed annually and the future depreciation charge is adjusted where it is believed that the useful lives differ from previous estimates. Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Oil and gas properties are depreciated on a unit-of-production basis over the proved and probable reserves of the field concerned. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with estimated future development expenditure. Depreciation on oil and gas properties does not commence until the commencement of production from the property.

For all other assets, depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Buildings	20 to 40 years
Plant and machinery	3 to 40 years (with 0 to 10% estimated residual value)

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed their estimated recoverable amount, assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. The cost of spare parts held as essential for the continuity of operations and which are designated as strategic spares are depreciated on a straight line basis over the estimated remaining operating life of the plant and equipment to which they relate. Spare parts used for normal repairs and maintenance are expensed when issued.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

Provisions

General

Provisions are recognised when there is an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Where TAQA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Asset retirement obligations/decommissioning liability

Some Group companies have legal obligations in respect of site restoration and abandonment of their power generation, water desalination and oil and gas properties at the end of their useful lives and restoration of the land (i.e., decommissioning costs). Accordingly, at initial recognition, a liability representing the fair value of the decommissioning cost of the assets at the end of their useful lives is recorded and a corresponding asset is recognised in property, plant and equipment which is subsequently depreciated during the useful life of the assets concerned. Decommissioning costs are recorded at the present value of expected costs to settle the obligations using estimated cash flow and using the appropriate discount rate specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated income statement as a finance cost. Estimated future decommissioning costs are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. Note 34 to the 2011 Financial Statements provides details of the Group's asset retirement obligations at 31 December 2011.

Derivatives

TAQA uses derivative financial instruments such as forward currency and commodity contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations and its commodity price risks. In addition, TAQA Gen-X uses futures and options to manage its exposure under the Red Oak Tolling Agreement. Such derivative financial instruments are

initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges which is recognised in other comprehensive income.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flow that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, TAQA normally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flow attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flow and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the consolidated income statement in finance costs. For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated income statement over the remaining term to maturity. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement. Certain hedging arrangements entered into by TAQA Gen-X are classified as fair value hedges, see "— *Primary Risks — Commodity Price Risk*".

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated income statement in other operating expenses. Amounts recognised as other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects profit or loss, for example when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if

its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment occurs. Certain hedging arrangements entered into by Group companies (including those entered into by TAQA North) are classified as cash flow hedges, see "— *Primary Risks — Commodity Price Risk*".

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in other comprehensive income is transferred to the consolidated income statement.

Further information in relation to the Group's outstanding derivative contracts at 31 December 2011 is set out in Note 42 to the 2011 Financial Statements.

Foreign Currency Translation

The Group's consolidated financial statements are presented in UAE dirham, which is the Group's presentation currency. Each Group company determines its own functional currency and items included in the financial statements of that company are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange difference on those monetary items are also recorded in other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On consolidation, the assets and liabilities of foreign operations are translated into UAE dirham at the rate of exchange in effect at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Business Combinations and Goodwill

Prior to 1 January 2010, business combinations were accounted for using the purchase method. The cost of an acquisition was measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest. Since 1 January 2010, business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree, measured either (i) at fair value or (ii) at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

For all years under review, goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value of the acquisition is less than the fair value

of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment of Financial and Non-Financial Assets

TAQA assesses at each reporting date whether there is any indication that a non-financial asset may be impaired. If any such indication exists, TAQA estimates the recoverable amount of the asset concerned. If the carrying value of the asset exceeds its recoverable amount it is considered to be impaired and is written down to the recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell (determined on the basis of recent comparable market transactions or, if none, using an appropriate valuation model) and its value in use (being the estimated future cash flow discounted using an appropriate discount rate). Specific additional requirements apply to impairment testing of goodwill and exploration and evaluation costs. TAQA has made impairments (and reversed certain impairments) to its oil and gas properties in each of 2011, 2010 and 2009, see "*— Years ended 31 December 2011, 2010 and 2009 Compared — Cost of Sales*".

TAQA assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. This is deemed to be the case if, and only if, one or more events has occurred after the initial recognition of the asset which has an impact that can be reliably estimated on the estimated future cash flow from the asset. Financial assets may be individually assessed for impairment or assessed on a collective basis if they are part of a group of assets with similar characteristics. Evidence of impairment may include indications that a debtor is in financial difficulties and default or delays in payments of principal or interest.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. TAQA's significant judgments, estimates and assumptions are described in Note 2.4 to its 2011 Financial Statements and certain of them are summarised below.

Judgments, estimates and assumptions are evaluated based on available information and experience. Actual results could differ under different assumptions or conditions. TAQA's management believes that, in particular, the judgments, estimates and assumptions discussed below involve significant management judgment due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts.

Oil and Gas Reserves

Estimated reserve quantities and related estimates of future net cash flow are critical estimates for the Group because they affect the perceived value of the Group. Additionally, they are used to determine operating measures, such as the reserve replacement ratio, and to calculate depletion, depreciation and impairment of the Group's proved oil and gas properties. Future cash inflows and future production and development costs are determined by applying prices and costs, including transportation, quality differentials and basis differentials, applicable to each period to the estimated quantities of proved oil and gas reserves remaining to be produced at the end of that period. Expected cash flow is discounted to present value using an appropriate discount rate.

Oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves and incorporating the estimated future cost of developing and extracting those reserves. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The level of

estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets has been impaired.

Although reserve estimates are inherently imprecise, and estimates of new discoveries and undeveloped locations are more imprecise than those of established producing properties, the Group's crude oil and natural gas reserves and resources used for accounting purposes are estimated using internationally accepted methods and standards, such as the Society of Petroleum Engineers Petroleum Resources Management System guidelines. The Group's annual crude oil and natural gas reserves and resources review process includes an annual external review process conducted by appropriately qualified independent reserves auditors. The Group evaluates and estimates its crude oil and natural gas reserves at 31 December in each year, although it is currently planning to initiate quarterly evaluations in due course.

All reserve estimates are subject to revision, either upward or downward, based on new information, including that from development drilling and production activities or from changes in economic factors, such as product prices, contract terms or development plans. In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. TAQA has made impairments (and reversed certain impairments) to its oil and gas properties in each of 2011, 2010 and 2009, see "— *Years ended 31 December 2011, 2010 and 2009 Compared — Cost of Sales*".

Asset Retirement Obligations/Decommissioning Costs

The Group recognises an estimated liability for decommissioning costs to be incurred by the Group at the end of the operating life of certain of its facilities and properties. In the Group's oil and gas operations, these liabilities generally arise from contractual obligations; in the power and water operations, they generally arise as a result of regulatory requirements. The ultimate decommissioning costs or asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The estimated timing and amount of expenditure can also change, for example in response to changes in laws and regulations or their interpretation. As a result, there could be significant adjustment to the provisions established, which would affect future financial results through changes in the asset retirement obligations accretion expense incurred by the Group in each accounting period, see "— *Significant Accounting Policies — Provisions — Asset retirement obligations/decommissioning liability*".

Income Taxes

TAQA recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires management to make estimates related to the expectations of future taxable income. Significant judgment is required in determining whether or when these events may occur and whether recovery of any tax asset is more likely than not. Estimates of future taxable income are based on forecast cash flow from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flow and taxable income differ significantly from estimates, TAQA's ability to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit its ability to obtain tax deductions in future periods.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from stock market quotations, they are derived using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible and, if not possible, a degree of judgment is required in establishing fair values. The judgments include consideration of liquidity risk, credit risk and volatility, among other factors. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of Non-financial Assets

Impairment testing of non-financial assets is based on their estimated recoverable amount, which is the higher of value in use and fair value less costs to sell. In determining the recoverable amount of an asset, certain price and foreign exchange rate assumptions and appropriate discount rates have to be determined. See further Notes 8 and 17 to the Group's 2011 Financial Statements.

Business Acquisitions

Accounting for the acquisition of a business requires an estimate of fair value to be made for most assets and liabilities of the acquired business. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licences and other assets and market multiples. TAQA's management uses all available information to make these fair value determinations. TAQA has, if necessary, up to one year after the acquisition closing date to finish these fair value determinations and finalise the acquisition accounting.

NINE MONTHS ENDED 30 SEPTEMBER 2012 COMPARED TO NINE MONTHS ENDED 30 SEPTEMBER 2011

Revenue

The table below sets out the Group's revenue for each of the nine month periods ended 30 September 2012 and 30 September 2011.

	Nine months ended 30 September	
	2012	**2011**
	(unaudited) *(AED million)*	
Revenue from oil and gas (net of royalties)	7,747	8,056
Revenue from electricity and water	6,030	5,400
Fuel revenue	2,890	4,157
Gas storage revenue	123	187
Net liquidated damages	–	115
Construction revenue	2,814	–
Other operating revenue	1,014	828
Total revenue	**20,618**	**18,743**

The Group generates revenue primarily from power generation, water desalination, oil and gas production and gas storage. The Group's total revenue in the nine months ended 30 September 2012 was AED 20,618 million, an increase of AED 1,875 million, or 10.0%, compared to total revenue of AED 18,743 million in the corresponding period of 2011.

The Group has five reporting segments, which it classifies in two business streams: the Power and Water business stream and the Oil and Gas business stream. The reporting segments within the Power and Water business stream are Power and Water Generation — UAE and Power Generation — Others for all periods under review except 2009 when there was a single Power and Water Generation reporting segment. The reporting segments within the Oil and Gas business stream are Oil and Gas — North America, Oil and Gas — UK and Oil and Gas — Netherlands. Detailed information on the Group's reporting segments is set out in note 4 to its Annual Financial Statements and note 7 to its Interim Financial Statements. Financial results ascribed to business streams below are derived from an aggregation of the equivalent results for each reporting segment within a business stream.

Power and Water business stream

The Group's Power and Water business stream principally generates revenue from the sale of electricity and water and from fuel revenue. In addition, net liquidated damages in the 2011 period and construction revenue in the 2012 period related to the Power and Water business stream. In the

nine months ended 30 September 2012, the Group's Power and Water business stream generated revenue of AED 11,790 million, an increase of AED 2,058 million, or 21.1%, from the AED 9,732 million in the corresponding period of 2011.

The Group's revenue from the sale of electricity and water in the nine months ended 30 September 2012 was AED 6,030 million, an increase of AED 630 million, or 11.7%, from AED 5,400 million in the corresponding period of 2011. This increase was principally due to an increase in available capacity from the Shuweihat 2 plant (which commenced phased production in July 2011), which increased revenue from the sale of electricity and water by AED 662 million in the 2012 period. The increase was, however, partly offset by a net decrease in the Group's international plants of AED 47 million as a result of capital cost adjustments at Neyveli due to revenue recognition phasing with regard to the capital lease component of the PPA and lower tariffs and the devaluation of the euro against the Moroccan dirham at Jorf Lasfar.

Fuel revenue in the nine months ended 30 September 2012 was AED 2,890 million, a decrease of AED 1,267 million, or 30.5%, from AED 4,157 million in the corresponding period of 2011, principally as a result of the lower use of back up fuel in the Group's UAE generation facilities, although this was partially offset by increased usage at the Group's international plants. Fuel revenue in relation to the UAE plants primarily represents reimbursement by ADWEC for the use of such fuel, which the generating subsidiaries record as an operating expense when incurred. The use of back up fuel at these facilities decreased as there was a more consistent supply of natural gas in the 2012 period compared to the 2011 period. Fuel revenue in relation to the Group's international plants generally increased, in particular reflecting a three-month unplanned outage at Takoradi during the late summer months of 2011, which significantly reduced its fuel expenses in the 2011 period and increased coal costs at Jorf Lasfar in Morocco in the 2012 period. The Group derives fuel revenue in relation to its Jorf Lasfar, Takoradi and Neyveli plants by way of reimbursement from the offtaker for their purchases of fuel, which purchases are recorded as an operating expense when incurred.

In the nine months ended 30 September 2011, the Group received net liquidated damages (which represent the amount received by the Group from contractors in respect of construction delays at its UAE generation facilities net of the amounts the Group is required to pay to ADWEC in respect of the delay) of AED 115 million, relating to the Shuweihat 2 plant. No net liquidated damages were received by the Group in the nine months ended 30 September 2012.

Construction revenue in the nine months ended 30 September 2012 was AED 2,814 million and represents revenue recognised under IFRIC 12 (Service Concession Agreements) in respect of the construction of units 5 and 6 at the Jorf Lasfar plant in Morocco further to the expansion plan entered into in April 2011. This revenue was first recognised in the 2012 period once financing for the construction was sufficiently certain to permit its recognition and it, together with the associated costs, is recognised on a percentage of completion basis. As at 30 September 2012, the construction of units 5 and 6 was 73% complete.

Oil and Gas business stream

The Group's Oil and Gas business stream principally generates revenue from the sale of oil and gas. In addition, the business stream generates gas storage revenue and other operating revenue. In the nine months ended 30 September 2012, the Group's Oil and Gas business stream generated revenue (net of royalties) of AED 8,828 million, a decrease of AED 183 million, or 2.0%, from the AED 9,011 million in the corresponding period of 2011.

The Group's revenue from the sale of oil and gas (net of royalties) in the nine months ended 30 September 2012 was AED 7,747 million, a decrease of AED 309 million, or 3.8%, compared to the AED 8,056 million recorded in the corresponding period of 2011. This decrease was principally driven by lower natural gas prices in Canada, where average realised prices were U.S.$2.42 per mmbtu in the 2012 period compared to U.S.$4.16 per mmbtu in the 2011 period, a decrease of 41.8%. In addition, the Group experienced a 1.4% decline in its production of natural gas in North America in the 2012 period compared to the 2011 period, resulting from the unplanned maintenance of five plants and other factors. The Group's total average daily crude oil production volume was 58.2 mmbbls in the nine months ended 30 September 2012 compared to 60.7 mmbbls in the corresponding period of 2011, a decrease of 4.1% whilst its average realised price for crude oil production was relatively stable, at U.S.$102.19 per boe in the nine months ended 30 September 2012 compared to U.S.$102.37 per boe in the corresponding period of 2011. For natural gas liquids, the Group's average realised prices decreased by 15.1% whilst its daily average production increased by 6.1% in the nine months ended 30 September 2012 compared to the corresponding period in 2011.

Gas storage revenue was AED 123 million in the nine months ended 30 September 2012 compared to AED 187 million in the corresponding period of 2011, a decrease of AED 64 million, or 34.2%. The reduction was due to lower volumes stored by TAQA North and lower prices. The Group's other oil and gas operating revenue in the nine months ended 30 September 2012 was AED 958 million, an increase of AED 190 million, or 24.7%, compared to AED 768 million in the corresponding period of 2011. This was principally driven by higher gas trade sales by TAQA Energy in the 2012 period.

Cost of sales

The table below sets out the Group's cost of sales for each of the nine month periods ended 30 September 2012 and 30 September 2011.

	Nine months ended 30 September	
	2012	**2011**
	(unaudited) *(AED million)*	
Operating expenses	(7,576)	(7,776)
Construction costs	(2,731)	–
DD&A	(4,105)	(3,937)
Total cost of sales	**(14,412)**	**(11,713)**

The Group's cost of sales comprises operating expenses, construction costs, depreciation, depletion and amortisation ("**DD&A**") costs and any net provisions (or net reversals of provisions) for impaired property, plant and equipment. The Group's total cost of sales was AED 14,412 million in the nine months ended 30 September 2012, an increase of AED 2,699 million, or 23.0%, compared to the AED 11,760 million cost of sales recorded in the corresponding period of 2011.

Power and Water business stream

The Group's cost of sales in the Power and Water business stream in the two nine month periods under review principally comprised fuel expenses (which are substantially matched by fuel revenue), construction costs (in the 2012 period which are substantially matched by construction revenue), other operating expenses and DD&A costs. Other operating expenses in the Power and Water business stream include repairs, maintenance and consumables used, charges by operation and maintenance contractors and staff costs. In the nine months ended 30 September 2012, the Group's Power and Water business stream's cost of sales was AED 8,129 million, an increase of AED 1,980 million, or 32.2%, from AED 6,149 million in the corresponding period of 2011. Excluding construction costs, the Group's Power and Water business stream's cost of sales in the 2012 period would have been AED 5,398 million, a decrease of 12.2% from the 2011 period.

Excluding fuel expenses, the Power and Water business stream's operating expenses in the nine months ended 30 September 2012 were AED 1,420 million, an increase of AED 4 million, or 0.3%, compared to the AED 1,416 million recorded in the corresponding period of 2011.

Fuel expenses were AED 2,631 million in the nine months ended 30 September 2012, a decrease of AED 945 million, or 26.4%, compared to the AED 3,576 million recorded in the corresponding period of 2011. This principally reflected reduced fuel expense at the UAE generation facilities and lower fuel cost at Red Oak, which was partially offset by higher fuel prices at Jorf Lasfar and Takoradi.

Construction costs were AED 2,731 million in the nine months ended 30 September 2012 and represent the costs of construction of units 5 and 6 at Jorf Lasfar recognised on a percentage of completion basis.

DD&A expenses for the Power and Water business stream were AED 1,347 million in the nine months ended 30 September 2012, an increase of AED 190 million, or 16.4%, compared to the AED 1,157 million recorded in the corresponding period of 2011. The Shuweihat 2 facility contributed AED 162 million of this increase.

Oil and Gas business stream

The Group's cost of sales in respect of the Oil and Gas business stream in the two nine month periods under review principally comprised operating expenses and DD&A costs. Operating expenses include staff costs, repairs, maintenance and consumables used, gas storage expenses and fuel expenses. In the nine months ended 30 September 2012, the Group's Oil and Gas business stream's cost of sales was AED 6,262 million, an increase of AED 723 million, or 13.1%, from the AED 5,539 million cost of sales in the corresponding period of 2011.

The Oil and Gas business stream's operating expenses were AED 3,518 million in the nine months ended 30 September 2012, an increase of AED 743 million, or 26.8%, compared to AED 2,775 million in the corresponding period of 2011. The principal increases in the 2012 period were due to stock movement accounted for under the entitlements method of accounting (see "— *Significant Accounting Policies — Oil and Gas Accounting — Oil and gas joint ventures*"), AED 220 million at TAQA Energy from higher trade gas costs due to increased trade gas sales, AED 124 million as a result of higher repair and maintenance costs at TAQA Bratani, principally due to the Otter acquisition, and AED 100 million as a result of an exploration costs write off in respect of a dry hole.

The Oil and Gas business stream's DD&A expenses were AED 2,744 million in the nine months ended 30 September 2012, a decrease of AED 20 million, or 0.7%, compared to AED 2,764 million in the corresponding period of 2011. The decrease in the 2012 period was primarily due to lower depreciation of AED 153 million as a result of lower production at TAQA North and TAQA Energy, which was partially offset by higher depreciation of AED 133 million at TAQA Bratani as a result of higher production.

Gross Profit

Reflecting the above factors, the Group's gross profit was AED 6,206 million for the nine months ended 30 September 2012 compared to AED 7,030 million for the corresponding period of 2011. The Group's gross profit margin was 30.1% for the 2012 period compared to 37.5% for the 2011 period.

Other Income and Expense Items

The table below sets out the Group's other income and expense items for each of the nine month periods ended 30 September 2012 and 30 September 2011.

	Nine months ended 30 September	
	2012	**2011**
	(unaudited) *(AED million)*	
Finance costs	(3,754)	(3,300)
Administrative and other expenses	(721)	(631)
Share of results of equity accounted investees	196	334
Interest income	23	38
Changes in fair value of derivatives and fair value hedges	211	173
Net foreign exchange gains	66	53
Gain on sale of oil and gas assets	385	80
Other income and expenses	584	74
of which:		
Bargain purchase gain	100	–
Gain on sale of available for sale investment	415	–
Gain from sale of joint venture	–	28
Impairment loss on available for sale investment	(83)	–
Total other income and expense items	**(3,010)**	**(3,179)**

Finance costs

The Group's finance costs primarily consist of interest expense on bank loans and outstanding bonds. Finance costs were AED 3,754 million in the nine months ended 30 September 2012, an

increase of AED 454 million, or 13.8%, compared to finance costs of AED 3,300 million in the corresponding period of 2011. The increase in finance costs in the 2012 period principally resulted from:

- the acquisition of Shuweihat 2, which contributed AED 323 million of the increase;
- increased borrowings, principally as a result of the issue of U.S.$1.5 billion of medium term notes at the end of 2011 and an MYR 650 million sukuk (equivalent to approximately U.S.$215 million) in the first quarter of 2012, which contributed AED 232 million of the increase; and
- higher accretion expense relating to asset retirement obligations at TAQA Bratani, which contributed AED 30 million of the increase.

Against these increases, interest expense at the existing UAE generation subsidiaries fell slightly as a result of lower borrowings.

Administrative and other expenses

The Group's administrative and other expenses consist of salaries and related expenses, professional fees and other expenses. Administrative and other expenses were AED 721 million in the nine months ended 30 September 2012, an increase of AED 90 million, or 14.3%, compared to AED 631 million in the corresponding period of 2011. The increase in the 2012 period principally reflected higher salaries as a result of a new long-term incentive plan at TAQA North, increased administrative costs at Jorf Lasfar and increased staff costs at the Group's Abu Dhabi headquarters.

Share of results of equity accounted investees

The Group's equity accounted investees comprise its jointly controlled joint ventures and its associates. See Note 2.5 to the Financial Statements for a discussion of the Group's accounting treatment of its investments in joint ventures and associates. The Group's share of the results of its equity accounted investees was AED 196 million in the nine months ended 30 September 2012, a decrease of AED 138 million, or 41.3%, compared to AED 334 million in the corresponding period of 2011. This decrease was principally due to Sohar Aluminium, which was adversely affected by lower aluminium prices in the 2012 period. Within the Oil and Gas business stream, the Group's share of the results of Noordgastransport was AED 12 million lower in the nine months ended 30 September 2012 than in the corresponding period of 2011, mainly as a result of higher depreciation.

Interest income

The Group's interest income was AED 23 million in the nine months ended 30 September 2012, a decrease of AED 15 million, or 39.5%, compared to AED 38 million in the corresponding period of 2011. Interest income over the two periods was principally derived from loans to joint ventures and associates and interest on short-term deposits. The decrease in the 2012 period principally resulted from lower interest rates on short-term deposits compared to the 2011 period.

Changes in the fair value of derivatives

In the nine months ended 30 September 2012, the Group recorded gains on changes in the fair value of derivative contracts of AED 211 million compared to gains of AED 173 million in the corresponding period of 2011. In both periods, these gains principally related to derivative contracts entered into in relation to the Red Oak Tolling Agreement and derivatives contracts entered into by TAQA North to reduce its exposure to commodity prices. In the 2012 period, the gains on the Power and Water business stream's derivative contracts were AED 191 million compared to AED 104 million in the 2011 period. In the 2012 period, the gains on the Oil and Gas business stream's derivative contracts were AED 24 million compared to gains of AED 93 million in the 2011 period.

Net foreign exchange gains

The Group's net foreign exchange gains are the net result of the foreign exchange gains and losses arising from the translation of net monetary assets and liabilities of subsidiaries and the settlement of transactions denominated in currencies other than the UAE dirham, the Group's functional currency. Net foreign exchange gains were AED 66 million in the nine months ended 30 September 2012 compared to AED 53 million in the corresponding period of 2011. The gain in the 2012 period principally reflected:

- foreign exchange gains not attributed to a business stream of AED 74 million resulting from short-term deposits and foreign exchange contracts;
- a net AED 5 million gain resulting from fluctuations in the value of the U.S. dollar against the Indian rupee in relation to changes in balance sheet values of operating financial assets at Neyveli and the U.S. dollar against the Moroccan dirham in relation to changes in balance sheet values of loans at Jorf Lasfar; and
- a net AED 11 million loss resulting from fluctuations in the value of the U.S. dollar against the pound sterling on the revaluation of net monetary liabilities in the Group's northern North Sea oil and gas business.

Gain on asset sales

In the nine months ended 30 September 2012, the Group recorded a gain on asset sales of AED 385 million compared to a gain on asset sales of AED 80 million in the corresponding period of 2011. In both periods, the gains related to disposals by TAQA North of non-core land holdings and operating assets.

Other income and expenses

In the nine months ended 30 September 2012, the Group recorded a gain of AED 415 million on the sale of its available for sale investment in Tesla Motors, an AED 100 million bargain purchase gain on the acquisition of the Otter field and an impairment loss of AED 83 million on its investment in Carlyle Infrastructure Partners L.P., see ''— *Liquidity and Capital Resources — Investments*''. The impairment reflected a prolonged and significant decline in two of the L.P.'s investments. Including these gains and loss, the Group's net other income and expenses were income of AED 584 million in the nine months ended 30 September 2012 compared to AED 46 million in the corresponding period of 2011.

Income Tax (Expense) Credit

The Group's income tax expense was AED 1,941 million in the nine months ended 30 September 2012 comprising AED 1,871 million of current income tax expense and AED 70 million of deferred income tax expense, resulting in an effective tax rate of 60.7%. The Group's income tax expense was AED 2,017 million in the nine months ended 30 September 2011 comprising AED 1,915 million of current income tax expense and AED 102 million of deferred income tax expense, resulting in an effective tax rate of 52.4%. In both periods, the effective tax rate reflected the effect of additional taxes introduced by the UK government in March 2011, see '' — *Years ended 31 December 2011, 2010 and 2009 Compared — Income Tax (Expense) Credit*'', and, in the 2012 period, it also reflected higher one-off tax charges on the Group's oil and gas operations in the United Kingdom as a result of new legislation reducing tax deductions on decommissioning expenses coming into force in the third quarter of 2012.

Profit for the Period

Reflecting the above factors, the Group's profit for the nine months ended 30 September 2012 (before non-controlling interest) was AED 1,255 million, a decrease of AED 579 million, or 31.6%, compared to its profit of AED 1,834 million in the corresponding period of 2011.

Other Comprehensive Income (Loss)

The Group's other comprehensive income or loss principally comprises changes in the fair values of derivative instruments, reclassification adjustments for losses included in the income statement and exchange rate differences arising on the translation of overseas operations.

The Group's other comprehensive income or loss in each period under review has principally been driven by changes in interest rate swap transactions entered into by the Group's generation subsidiaries (which are recorded under ''Changes in fair values of derivative interests in cash flow hedges'' and the finance cost of which is recorded under ''Reclassification adjustment for losses included in the income statement''), and by movements in exchange rates, principally the exchange rate between the Canadian dollar and the UAE dirham. In the nine months ended 30 September 2012, the Group's other comprehensive income was AED 259 million, which principally reflected a negative fair value change in derivatives of AED 1,590 million, a positive reclassification adjustment for losses included in the income statement of AED 1,142 million and a positive exchange rate difference on translation of AED 875 million. In the nine months ended 30 September 2011, the

Group's other comprehensive loss was AED 4,401 million which principally reflected a negative fair value change in derivatives of AED 4,133 million, a positive reclassification adjustment for losses included in the income statement of AED 1,138 million and a negative exchange rate difference on translation of AED 1,363 million.

Total Comprehensive Income (Loss)

Reflecting the above factors and the Group's profit for each period, the Group's total comprehensive income was AED 1,514 million in the nine months ended 30 September 2012 compared to a total comprehensive loss of AED 2,567 million in the corresponding period of 2011.

YEARS ENDED 31 DECEMBER 2011, 2010 AND 2009 COMPARED

Revenue

The table below sets out the Group's revenue for each of 2011, 2010 and 2009.

	Year ended 31 December		
	2011	**2010**	**2009**
		(AED million)	
Revenue from oil and gas (net of royalties)	10,825	8,419	6,630
Revenue from electricity and water	7,309	6,330	6,128
Fuel revenue	4,768	5,343	3,383
Gas storage revenue	271	290	287
Net liquidated damages	49	451	22
Other operating revenue	965	568	405
Total revenue	**24,187**	**21,401**	**16,855**

The Group's total revenue in 2011 was AED 24,187 million, an increase of AED 2,786 million, or 13.0%, compared to total revenue of AED 21,401 million in 2010 which, in turn, was an increase of AED 4,546 million, or 27.0%, compared to total revenue of AED 16,855 million in 2009.

Power and Water business stream

2011 and 2010

The Group's Power and Water business stream generated revenue of AED 12,204 million in 2011, an increase of AED 4 million from the AED 12,200 million generated in 2010.

Revenue from the sale of electricity and water in 2011 was AED 7,309 million, an increase of AED 979 million, or 15.5%, from the AED 6,330 million recorded in 2010. This increase was principally due to an increase in available capacity from the new plants, Fujairah 2 (which commenced phased production in July 2010) and Shuweihat 2 (which commenced phased production in July 2011), which increased revenue from the sale of electricity and water by AED 1,274 million in 2011 compared to 2010. The increase was partly offset by a decrease at Umm Al Naar of AED 176 million due to reduced income from capacity availability following an amendment to its PWPA, which became effective on 7 December 2010, and by a net decrease in the Group's available capacity at international plants related to lower generation of power at Red Oak and an unplanned outage at Takoradi in Ghana as a result of a damaged generator rotor.

Fuel revenue was AED 4,768 million in 2011, a decrease of AED 575 million, or 10.8%, from AED 5,343 million in 2010. TAQA's Umm Al Naar and Taweelah 1 plants recorded an aggregate fuel revenue decrease of AED 841 million, partly offset by an aggregate increase of AED 215 million at Fujairah 2, which had received its back up fuel free in 2010, and an AED 155 million increase at Fujairah 1. At TAQA's international plants, there was an AED 501 million decrease in fuel revenue at Takoradi due to the unplanned outage, which was partly offset by an aggregate increase of AED 341 million at Jorf Lasfar and at Neyveli, principally as a result of higher fuel prices. Net liquidated damages received in 2011 were AED 49 million, compared to AED 451 million in 2010. In 2011, the liquidated damages amounted to AED 141 million and principally related to the Shuweihat 2 plant. However, AED 92 million relating to the Fujairah plant and recognised as revenue in 2010 was reversed in 2011 as the amount is no longer considered likely to be recovered.

2010 and 2009

The Group's Power and Water business stream generated revenue of AED 12,200 million in 2010, an increase of AED 2,605 million, or 27.1%, from the AED 9,595 million generated in 2009.

Revenue from the sale of electricity and water in 2010 was AED 6,330 million, an increase of AED 202 million, or 3.3%, from the AED 6,128 million recorded in 2009. This increase was principally due to an increase in both power generation and desalinated water production capacity at the Group's UAE power plants, principally as a result of the commencement of phased production at the Fujairah 2 power and water desalination facility from July 2010 and the full year impact of the Taweelah A1 expansion (which was completed in September 2009), which together increased revenue by AED 228 million in 2010.

Fuel revenue increased AED 1,960 million, or 57.9%, to AED 5,343 in 2010, principally as a result of the greater use of back up fuel due to insufficient supply of natural gas by ADWEC at UAE power and water generation plants. Net liquidated damages recognised as income were AED 451 million in 2010, compared to AED 22 million in 2009. Net liquidated damages received in 2010 related mainly to the Group's Fujairah 2 plant.

Oil and Gas business stream

2011 and 2010

The Group's Oil and Gas business stream generated revenue (net of royalties) of AED 11,983 million in 2011, an increase of AED 2,782 million, or 30.2%, from the AED 9,201 million generated in 2010.

Revenue (net of royalties) from the sale of crude oil, natural gas liquids and natural gas in 2011 was AED 10,825 million, an increase of AED 2,406 million, or 28.6%, from the AED 8,419 million recorded in 2010. This increase was driven by generally higher crude oil prices and increased production, particularly in the northern North Sea business, where average realised crude oil prices were U.S.$112.18 per boe in 2011 compared to U.S.$80.34 per boe in 2010, an increase of 39.6%, and where average daily production of crude oil increased by 21.0% in 2011 compared to 2010. As a result, oil and gas revenue at TAQA Bratani increased by AED 1,799 million in 2011, supplemented by increases of AED 420 million at TAQA North, where increases in crude oil prices were partially offset by decreases in natural gas prices, and AED 155 million at TAQA Energy, principally as a result of increased prices.

Gas storage revenue fell by AED 19 million, or 6.6%, from AED 290 million in 2010 to AED 271 million in 2011. The reduction was due to lower volumes stored by TAQA North. The Group's other oil and gas operating revenue in 2011 was AED 887 million, an increase of AED 395 million, or 80.3%, compared to AED 492 million recorded in 2010. This was principally driven by higher trade sales of purchased gas by TAQA Energy (which accounted for AED 381 million of the increase) as well as higher processing income at TAQA North in 2011 for processing of third party gas at its facilities.

2010 and 2009

The Group's Oil and Gas business stream generated revenue of AED 9,201 million in 2010, an increase of AED 1,913 million, or 26.2%, from the AED 7,288 million generated in 2009.

Revenue from the sale of crude oil, natural gas liquids and natural gas in 2010 was AED 8,419 million, an increase of AED 1,789 million, or 27.0% compared to the AED 6,630 million recorded in 2009. This increase was driven by generally higher prices, which were reflected in average realised crude oil prices of U.S.$75.66 per boe in 2010 compared to U.S.$57.91 per boe in 2009, an increase of 30.7%, higher average realised natural gas liquids prices of U.S.$54.18 per boe in 2010 compared to U.S.$42.14 per boe in 2009, an increase of 28.6% and higher average realised natural gas prices of U.S.$4.74 per mmbtu in 2010 compared to U.S.$4.33 per mmbtu in 2009, an increase of 9.5%. Principally as a result of the acquisition of the Suncor Assets in August 2010 and the full year effect of the DSM Energie acquisition in October 2009, the daily average production volume of crude oil increased by 4.9% and the daily average production volume of natural gas liquids increased by 3.6% in 2010 compared to 2009. The daily average production volume of natural gas fell by 4.7% in 2010 compared to 2009 as a result of declining production in the Brae fields, which was only partially offset by increased production in The Netherlands following the DSM Energie acquisition. See "*— Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*" for details of the Group's average realised prices and average daily production in each period under review.

Gas storage revenue remained stable, at AED 290 million in 2010 compared to AED 287 million in 2009.

A new cost sharing agreement entered into by the Group in respect of the Hudson and Tern fields in the UK North Sea resulted in an increase in processing and tariff income from these facilities, which was the principal factor driving the increase in the Group's other operating revenue in 2010.

Cost of Sales

The table below sets out TAQA's cost of sales for each of 2011, 2010 and 2009.

	Year ended 31 December		
	2011	**2010**	**2009**
		(AED million)	
Operating expenses	(9,782)	(10,176)	(8,160)
DD&A	(5,289)	(4,490)	(3,974)
(Provisions) reversals for impairment of property, plant and equipment	(616)	416	(538)
Total cost of sales	**(15,687)**	**(14,250)**	**(12,672)**

The Group's total cost of sales was AED 15,687 million in 2011, an increase of AED 1,437 million, or 10.1%, compared to the AED 14,250 million cost of sales recorded in 2010 which was, in turn, an increase of AED 1,578 million, or 12.5%, compared to the AED 12,672 million cost of sales recorded in 2009.

Power and Water business stream

The Group's Power and Water business stream's cost of sales was AED 7,723 million in 2011, a decrease of AED 180 million, or 2.3%, from the AED 7,903 million recorded in 2010 which was, in turn, an increase of AED 1,711 million, or 27.6%, from the AED 6,192 million recorded in 2009.

2011 and 2010

Excluding fuel expenses, the Group's Power and Water business stream's operating expenses in 2011 were AED 2,016 million, an increase of AED 190 million, or 10.4%, compared to the AED 1,826 million recorded in 2010, principally reflecting the two new generation facilities acquired from ADWEA in July 2010 and July 2011 which contributed AED 136 million to the increase. The other UAE plants had a net increase of AED 8 million primarily due to higher operating and maintenance fees under their operating and maintenance agreements.

Fuel expenses in the Power and Water business stream were AED 4,152 million in 2011, a decrease of AED 690 million, or 14.3%, compared to the AED 4,842 million recorded in 2010. This principally reflected a net reduction in the use of back up fuel at the Group's UAE subsidiaries, which was consistent with the Group's lower fuel revenue. The major reduction was at Umm Al Naar (a reduction of AED 789 million) with other plants contributing AED 72 million. These reductions were partly offset by an increase of AED 143 million at Fujairah 1 and an increase of AED 148 million at Fujairah 2 (reflecting the fact that it received its back up fuel free of cost in 2010). In 2011, Shuweihat 2 received back up fuel free of cost and, as a result, it had a substantially lower fuel cost relative to its fuel revenue in 2011. At the Group's international plants, there was a net decrease in fuel expense of AED 120 million, which principally reflected an AED 501 million reduction at Takoradi due to the unplanned outage in the late summer of 2011, partly offset by an AED 381 million increase at other plants, including Jorf Lasfar in particular, due to higher fuel prices.

DD&A expenses for the Power and Water business stream were AED 1,555 million in 2011, an increase of AED 320 million, or 25.9%, compared to the AED 1,235 million recorded in 2010. The two new facilities, Fujairah 2 and Shuweihat 2, contributed AED 338 million of this increase, which was partly offset by decreases at other plants.

2010 and 2009

Excluding fuel expenses, the Group's Power and Water business stream's operating expenses in 2010 were AED 1,826 million, an increase of AED 89 million, or 5.1%, compared to the AED 1,737 million recorded in 2009. This increase principally reflected higher maintenance costs at the UAE

power and water generation companies, primarily due to the full year impact of the Taweelah A1 expansion, which was completed in September 2009 and the acquisition of the Fujairah 2 plant in June 2010, as well as increased variable operating costs which are offset by revenue, since such costs are passed through to the off-takers by means of inflation rates agreed in each PWPA.

Fuel expenses for the Power and Water business stream were AED 4,842 million in 2010, an increase of AED 1,515 million, or 45.5%, compared to the AED 3,327 million recorded in 2009. This increase was driven primarily by the use of higher volumes of back up fuel used at TAQA's UAE power and water generation subsidiaries, which accounted for AED 1,409 million of the increase. In the international operations, there were increased fuel expenses in Takoradi, Red Oak and Neyveli due to increased power generation which were partially offset by a reduction in fuel expenses at Jorf Lasfar due to lower generation.

DD&A expenses for the power and water business stream were AED 1,235 million in 2010, an increase of AED 108 million, or 9.6%, compared to the AED 1,127 million recorded in 2009. This increase principally reflected the acquisition of Fujairah 2 and, to a lesser extent, scheduled major maintenance at Jorf Lasfar.

Oil and Gas business stream

2011 and 2010

The Group's Oil and Gas business stream's cost of sales was AED 7,932 million in 2011, an increase of AED 1,626 million, or 25.8%, from the AED 6,306 million recorded in 2010. The increase was driven primarily by an impairment provision in relation to certain of the Group's Canadian properties and increased DD&A.

In 2011, the Group recorded impairment provisions of AED 616 million compared to a net release of impairment provision of AED 416 million in 2010. The 2011 provision related to certain Canadian properties and principally reflected a deteriorating gas price environment and poor asset performance. The reversal of provision in 2010 is described below under "— *2010 and 2009*".

Operating expenses in the Oil and Gas business stream were AED 3,602 million in 2011, an increase of AED 100 million, or 2.9%, compared to the AED 3,502 million recorded in 2010. The increases in 2011 include an AED 353 million increase at TAQA Energy due to higher costs of gas purchase for trade sales, and an AED 156 million increase at TAQA North due to higher power, fuel and lease expiry costs. These were offset in part by an AED 450 million reduction in operating expenses at TAQA Bratani, principally as a result of stock movements.

The Oil and Gas business stream's DD&A expenses were AED 3,714 million in 2011, an increase of AED 494 million, or 15.3%, compared to AED 3,220 million in 2010. The increase in 2011 was primarily due to higher production in the northern North Sea, higher DD&A rates at TAQA North and the impact of an increase in abandonment liability at TAQA Energy. DD&A rates vary from period to period as a result of a number of factors, including changes in reserves volumes and estimates of capital expenditure.

2010 and 2009

The Group's Oil and Gas business stream's cost of sales was AED 6,306 million in 2010, a decrease of AED 191 million, or 2.9%, from the AED 6,497 million recorded in 2009. This decrease resulted principally from reversals of provisions previously made, the effects of which were partially offset by increases in operating expenses and DD&A.

In 2010, the Group made an AED 457 million reversal of impairment provisions previously made (compared to a net impairment provision of AED 120 million made in 2009) in relation to its North American oil and gas properties. The positive effect of the reversal in 2010 was partially offset by an AED 41 million provision for impairment in respect of properties offshore The Netherlands following poor well performance and disappointing drilling results experienced during the year. The Group made a provision of AED 418 million in respect of its United Kingdom offshore oil and gas properties in 2009 as a result of downward revisions in reserves estimates. The impairment provision in 2009 in relation to the Group's North American oil and gas properties resulted primarily from downward revisions in the oil and gas reserves estimates and was net of an AED 98 million partial reversal of a provision made in 2008. The reversal in 2009 reflected the revaluation of the oil and gas properties using the fair value less cost to sell method ("**FVLCS**") (as opposed to the value in use method used in 2008).

The Oil and Gas business stream's operating expenses were AED 3,502 million in 2010, an increase of AED 371 million, or 11.8%, compared to the AED 3,131 million recorded in 2009. The principal drivers of this increase in 2010 were the higher cost of expiration of oil and gas leases in North America than in 2009 and the full year impact in 2010 of the acquisition of DSM Energie in October 2009.

The Oil and Gas business stream's DD&A expenses were AED 3,220 million in 2010, an increase of AED 392 million, or 13.9%, compared to AED 2,828 million in 2009. The increase in 2010 was primarily due to higher DD&A rates due to changes in oil and gas reserves estimates and related capital costs.

Gross Profit

Reflecting the above factors, the Group's gross profit was AED 8,500 million for 2011 compared to AED 7,151 million for 2010 and AED 4,183 million for 2009. The Group's gross profit margin was 35.1% for 2011 compared to 33.4% for 2010 and 24.8% for 2009.

Other Income and Expense Items

The table below sets out the Group's other income and expense items for each of 2011, 2010 and 2009.

	Year ended 31 December		
	2011	**2010**	**2009**
		(AED million)	
Finance costs	(4,555)	(4,003)	(3,732)
Administrative and other expenses	(798)	(823)	(744)
Share of results of equity accounted investees	401	402	135
Interest income	44	148	73
Changes in fair value of derivatives and fair value hedges	281	55	356
Net foreign exchange gains (losses)	117	58	(59)
Other income and expenses (net)	128	47	272
of which:			
Bargain purchase gain	*–*	*191*	*–*
Gain (loss) on sale of oil and gas assets	*91*	*(171)*	*–*
Gain on sale of joint venture	*28*	*–*	*–*
(Loss) gain on repurchase of bonds	*(81)*	*–*	*260*
Total other income and expense items	**(4,344)**	**(4,116)**	**(3,699)**

Finance costs

2011 and 2010

The Group's finance costs were AED 4,555 million in 2011, an increase of AED 552 million, or 13.8%, compared to AED 4,003 million in 2010. The increase in 2011 principally related to the Power and Water business stream where the two new plants, Fujairah 2 and Shuweihat 2, accounted for an increase of AED 509 million whilst the other UAE subsidiaries had reductions of AED 70 million due to lower interest on the unhedged portion of their debt. At international plants, Neyveli's finance costs increased by AED 29 million due to the higher use of working capital loans in 2011 on account of delayed payments by the off taker, and Jorf Lasfar's finance costs increased by AED 22 million as a result of higher interest rates. Finance costs in the Oil and Gas business stream increased by AED 83 million in 2011, principally as a result of higher accretion expense due to a revision in asset retirement obligation models at TAQA North and new fields coming on stream at TAQA Bratani and interest on TAQA Bratani's prior year tax claims. The Group's finance costs not allocated to either business stream reduced by AED 20 million in 2011, principally as result of the unwinding of an interest rate swap.

2010 and 2009

Finance costs were AED 4,003 million in 2010, an increase of AED 271 million, or 7.3%, compared to finance costs of AED 3,732 million in 2009. The increase in finance costs in 2010 resulted from increased borrowings over the year, principally the full year impact of a bond issuance

in the fourth quarter of 2009 and additional debt incurred on the acquisition of Fujairah 2 in June 2010, from an AED 59 million increase in accretion expense relating to asset retirement obligations in UAE subsidiaries and AED 30 million from the acquisition of the Suncor Assets, see "— *Significant Accounting Policies — Provisions — Asset retirement obligations/decommissioning liability*". These increases were partially offset by lower interest expense as a result of an interest rate swap effected in April 2010 which related to U.S.$1 billion of TAQA's outstanding bonds maturing in 2013.

Administrative and other expenses

2011 and 2010

The Group's administrative and other expenses were AED 798 million in 2011, a decrease of AED 25 million, or 3.0%, compared to AED 823 million in 2010. Administrative and other expenses in the Oil and Gas business stream were AED 429 million in 2011, a reduction of AED 20 million, or 4.7%, compared to AED 449 million in 2010. This decrease was mainly due to lower administrative expenses at TAQA North of AED 34 million offset by an AED 11 million increase in administrative expenses at TAQA Energy due to higher professional fees and a personnel increase as a result of progress made on the Bergermeer project, and an AED 3 million increase in administrative expenses at TAQA Bratani related to personnel costs. Administrative and other expenses not allocated to either business stream were AED 185 million in 2011, a decrease of AED 29 million, or 13.6%, compared to the AED 214 million recorded in 2010. This decrease was primarily due to higher allocation of costs to business units in 2011. Within the Power and Water business stream, administrative and other expenses were AED 184 million in 2011, an increase of AED 24 million, or 15.0%, compared to the AED 160 million recorded in 2010. The new UAE plants contributed AED 9 million to the increase and Fujairah 1 had an increase of AED 7 million mainly due to the absence of a one time credit in 2011. These and other increases at the UAE subsidiaries were partly offset by a decrease in expenses at Jorf Lasfar following the reversal of an accrual in respect of withholding taxes as a dispute was resolved substantially in the Group's favour.

2010 and 2009

Administrative and other expenses were AED 823 million in 2010, an increase of AED 79 million, or 10.6%, compared to AED 744 million in 2009. The increase in 2010 principally reflected increases relating to sponsorship costs in Morocco, the closure of offices in Amsterdam and Ann Arbor and increases in salaries and related expenses of administrative staff which increases were partially offset by a reduction in professional fees and business development expenses.

Share of results of equity accounted investees

The Group's share of the results of its equity accounted investees was AED 401 million in 2011 compared to AED 402 million in 2010 and AED 135 million in 2009. Within the Power and Water business stream, the Group's share of the results of MaruEnergy in 2010 was AED 54 million. The Group sold MaruEnergy in January 2011 and as a result the Group did not share in its results in 2011. This decrease in 2011 was fully offset by an increase in the share of results of equity accounted investees not attributable to either of TAQA's business streams, which increased by AED 77 million, or 36.0%, from AED 214 million in 2010 to AED 291 million in 2011. This increase was principally due to Sohar Aluminium. Within the Oil and Gas business stream, the Group's share of the results of Noordgastransport was AED 19 million lower in 2011 than in 2010, mainly as a result of lower volumes of gas transported. The increase in 2010 principally reflected the effect of a full year share of the results of both Sohar, acquired from ADWEA in June 2010, which accounted for AED 164 million of the increase, and Noordgastransport, acquired in October 2009, which accounted for AED 91 million of the increase.

Interest income

The Group's interest income was AED 44 million in 2011, a decrease of AED 104 million, or 70.2%, compared to AED 148 million in 2010 which, in turn, was an increase of AED 75 million, or 102.7%, compared with AED 73 million in 2009. Interest income over the two years was principally derived from loans to joint ventures and associates and interest on short-term deposits. In 2010, interest income was higher mainly due to interest income of AED 51 million on loans related to MaruEnergy entered into as part of the exit arrangements agreed in relation to that investment. Interest income also decreased in 2011 compared to 2010 as a result of lower deposit balances.

Changes in the fair value of derivatives

In 2011, 2010 and 2009, the Group recorded gains on changes in the fair value of derivative contracts of AED 281 million, AED 55 million and AED 356 million, respectively. These gains principally related to derivative contracts entered into in relation to the Red Oak Tolling Agreement and reflected mark to market gains. In 2011, the Group also recorded gains on changes in the fair value of derivatives contracts entered into by one of the Group's UAE generation subsidiaries to hedge its exposure to foreign currency fluctuations related to scheduled maintenance cost payments to an overseas supplier. These derivative contracts generated losses on changes in fair value in each of 2010 and 2009. In 2011 and 2010, the Group recorded gains and losses, respectively, on changes in the fair value of derivatives contracts entered into by TAQA North to reduce its exposure to commodity prices.

Net foreign exchange gains (losses)

Net foreign exchange gains were AED 117 million in 2011 compared to AED 58 million in 2010 and net foreign exchange losses of AED 59 million in 2009. The gain in 2011 principally reflected the appreciation of the U.S. dollar against the Indian rupee in relation to a finance lease receivable denominated in U.S. dollars in respect of the Neyveli plant and, to a lesser extent, the effect of the appreciation of the U.S. dollar against the pound sterling on the revaluation of net monetary liabilities in the Group's northern North Sea oil and gas business. The gain in 2010 principally reflected the effect of the devaluation of the Moroccan dirham on debt denominated in that currency partially offset by the effect of the devaluation of the euro on receivables denominated in that currency. In 2009, the losses arose principally from adverse movements in the exchange rate of the Moroccan dirham, the euro and the pound sterling against the UAE dirham.

Other income and expenses

In 2011, the Group recorded a gain on the sale of oil and gas properties of AED 91 million. This sale was effected further to the Group's policy of strategic divestments, and comprised properties in Alberta, British Columbia, Saskatchewan and the northern United States. On a net basis, the Group disposed of 30,839 acres in 2011 with total average production of 1,220 boe/d. The Group also recorded a gain of AED 28 million on the sale of its interest in MaruEnergy (the sale had been agreed in 2010 and was completed in January 2011 with MaruEnergy being recorded as an asset held for sale at 31 December 2010 and the gain representing the difference between the price paid and the value of the assets held for sale) and a loss of AED 81 million on the repurchase of U.S.$589 million of its issue of U.S.$1.5 billion of 5.65% Notes due October 2012.

In 2010, the Group recorded a bargain purchase gain (reflecting the fact that the fair value of assets acquired exceeded the consideration paid for them) of AED 191 million in connection with its acquisition of the Suncor Assets and other income of AED 27 million as well as a loss on the sale of oil and gas assets of AED 171 million. This sale of oil and gas assets was effected further to the Group's policy of strategic divestments, and comprised approximately 750,000 acres in Western Canada, Ontario and North Dakota, with total average production of 8,000 boe/d as then developed.

In 2009, the Group recorded an AED 260 million gain on the repurchase of bonds (reflecting the fact that the bonds were repurchased at a discount to their par value) and other income of AED 12 million.

Income Tax (Expense) Credit

The table below shows the breakdown of the Group's total income tax expense or credit for each of 2011, 2010 and 2009.

	Year ended 31 December		
	2011	**2010**	**2009**
		(AED million)	
Current income tax (expense) credit	(2,371)	(695)	(297)
Deferred income tax (expense) credit	(163)	(457)	586
Total income tax (expense) credit	**(2,534)**	**(1,152)**	**289**

The Group's income tax expense was AED 2,534 million in 2011 comprising AED 2,371 million of current income tax expense and AED 163 million of deferred income tax expense. The Group's income tax expense was AED 1,152 million in 2010 comprising AED 695 million of current income tax expense and AED 457 million of deferred income tax expense. The Group's income tax credit in 2009 was AED 289 million comprising AED 297 million of current income tax expense and a deferred income tax credit of AED 586 million. The increased income tax expense in 2011 principally reflected higher taxable income in the Oil and Gas business stream together with the effect of the imposition of significant additional taxes on UK oil and gas producing companies which came into effect on 24 March 2011, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business Generally — The Group's operations are subject to stringent regulation in all the jurisdictions in which it operates and changes in law and regulation may adversely affect the Group*". The increased current income tax expense in 2010 reflected higher taxable income across all business streams, with a greater proportion of the higher income arising in jurisdictions with relatively higher tax rates. The deferred tax benefit in 2009 resulted from a combination of the reversal of a deferred tax liability recognised on fair value adjustments on acquisitions, effects from the merger of three Canadian entities in January 2009 and lower profits in taxing jurisdictions. The Group's effective income tax rate (being the weighted average of the statutory rates applicable to it) was 59% in 2011, 44% in 2010 and 29% in 2009.

Profit for the Year

Reflecting the above factors, the Group's profit for 2011 (before non-controlling interest) was AED 1,584 million, a decrease of AED 299 million, or 15.9% compared to its profit of AED 1,883 million in 2010 which, in turn, was AED 1,110 million, or 143.6%, higher than the AED 773 million profit in 2009.

Other Comprehensive (Loss) Income

In 2011, the Group's other comprehensive loss was AED 3,536 million, which principally reflected a negative fair value change in derivative instruments in cash flow hedges of AED 4,332 million and a negative exchange rate difference on translation of AED 767 million, partially offset by AED 1,494 million of positive reclassification adjustments for losses included in the income statement. In 2010, the Group's other comprehensive income was AED 185 million which principally reflected a positive exchange rate difference on translation of AED 1,171 million and AED 1,177 million of positive reclassification adjustments for losses included in the income statement which were substantially offset by a negative fair value change in derivative instruments in cash flow hedges of AED 2,300 million. In 2009, the Group's other comprehensive income was AED 5,433 million, which principally reflected a positive fair value change in derivative instruments in cash flow hedges of AED 1,279 million, reclassification adjustments for losses included in the income statement of AED 1,048 and a positive exchange rate difference on translation of AED 3,110 million.

Total Comprehensive (Loss) Income

Reflecting the above factors and the Group's profit for each year, the Group's total comprehensive loss was AED 1,952 million in 2011 compared to total comprehensive income of AED 2,068 million in 2010 and AED 6,206 million in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Overview

TAQA is a holding company and has no operations of its own. TAQA depends upon the earnings and cash flow of the power generation and water desalination plants and the upstream and midstream oil and gas facilities owned by its subsidiaries and the ability of those subsidiaries to pay dividends or repatriate funds to TAQA.

The ability of those subsidiaries to pay dividends or make other distributions or payments to TAQA is subject to, among other things, the availability of profits or distributable funds, restrictions on the payment of dividends set forth in covenants given in connection with financial indebtedness and restrictions in applicable laws and regulations, including as a result of TAQA's investments in regulated utilities. The terms and conditions of the Notes contain no covenants that prevent TAQA's subsidiaries or the other companies in which it invests from entering into agreements which may restrict their ability to pay dividends or make payments to TAQA and its affiliates, and the majority of TAQA's power generation and water desalination plants have been financed with limited recourse

project finance facilities, which contain certain restrictive covenants, including a prohibition on the payment of dividends in certain circumstances, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business Generally — TAQA's ability to make payments under the Notes depends upon dividends and distributions from its subsidiaries and the companies in which it invests from time to time*".

The Group's sources of funds include funds generated from operations, funds from external borrowing (including project financing) and the proceeds of asset sales.

The Group's cash requirements arise primarily from the capital intensive nature of its power generation and water desalination operations, its oil and gas exploration and production activities and the operation of its peak gas and gas storage facilities as well as the expansion of its business by acquisition or otherwise.

Cash Flow

The table below summarises the Group's cash flow for the nine month periods ended 30 September 2012 and 30 September 2011 and for each of 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	(unaudited)				
			(AED millions)		
Net cash from operating activities ..	8,645	8,471	6,911	5,573	4,617
Net cash used in investing activities	(3,265)	(3,762)	(5,146)	(7,350)	(5,515)
Net cash (used in)/from financing activities	(5,611)	(6,191)	(3,472)	3,215	1,103
Net foreign exchange differences.....	(71)	4	37	(231)	(22)
Cash and cash equivalents at start of period/year	3,819	5,489	5,489	4,282	4,099
Cash and cash equivalents at end of period/year	3,517	4,011	3,819	5,489	4,282

Net cash from operating activities was AED 8,645 million during the nine months ended 30 September 2012 compared to AED 8,471 million in the comparable period of 2011. Net cash from operations in the nine months ended 30 September 2012 principally reflected profit before tax of AED 3,196 million adjusted upwards for DD&A of AED 4,105 million and interest expense and notional interest of AED 3,399 million and adjusted downwards to reflect income tax paid during the period of AED 1,662 million. Net cash from operations in the nine months ended 30 September 2011 principally reflected profit before tax of AED 3,851 million adjusted upwards for DD&A of AED 3,937 million and interest expense and notional interest of AED 2,993 million and adjusted downwards to reflect income tax paid during the period of AED 1,209 million.

Net cash from operating activities was AED 6,911 million in 2011 compared to AED 5,573 million in 2010 and AED 4,617 million in 2009. Net cash from operations in 2011 principally reflected profit before tax of AED 4,118 million adjusted upwards for DD&A of AED 5,289 million and interest expense and notional interest of AED 4,175 million and adjusted downwards to reflect interest paid during the year of AED 4,112 million and income tax paid of AED 1,724 million.

Net cash from operations in 2010 principally reflected profit before tax of AED 3,035 million adjusted upwards for DD&A of AED 4,490 million and interest expense and notional interest of AED 3,673 million and adjusted downwards to reflect interest paid during the year of AED 3,361 million and the change in accounts receivable, prepayments and other assets over the year of AED 1,396 million.

Net cash from operations in 2009 principally reflected profit before tax of AED 484 million adjusted upwards for DD&A of AED 3,974 million and interest expense and notional interest of AED 3,461 million and adjusted downwards to reflect interest paid during the year of AED 3,419 million.

Net cash used in investing activities in the nine months ended 30 September 2012 at AED 3,265 million compared to AED 3,762 million used in the corresponding period of 2011. In the 2012 period, the Group had capital expenditure of AED 4,061 million in relation to its Oil and Gas

business stream and spent AED 1,950 million in capital work in progress relating to the Jorf Lasfar expansion.

Net cash used in investing activities was AED 5,146 million in 2011, with AED 5,697 million being spent on property, plant and equipment (principally the acquisition of oil and gas assets and capital work in progress relating to the Shuweihat 2 generating facility) and AED 1,027 million being spent in connection with the Jorf Lasfar expansion. In 2011, the Group received AED 1,151 million in proceeds from the sale of MaruEnergy.

Net cash used in investing activities was AED 7,350 million in 2010, with AED 7,503 million being spent on property, plant and equipment (principally capital work in progress relating to the Shuweihat 2 and the Fujairah 2 generation facilities and the acquisition of oil and gas assets) and AED 881 million (net of cash acquired) being spent in acquiring the Suncor Assets.

Net cash used in investing activities was AED 5,515 million in 2009, with AED 2,010 million being spent on property, plant and equipment (principally the acquisition of oil and gas assets) and AED 2,084 million being spent in acquiring DSM Energie, Noordgastransport and MaruEnergy.

Net cash used in financing activities in the nine months ended 30 September 2012 was AED 5,611 million and principally reflected the payment of interest on, and net repayment of, borrowings. Net cash used in financing activities in the nine months ended 30 September 2011 was AED 6,191 million and principally reflected the payment of interest on, and net repayments of, borrowings using both the Group's increased cash flow and funds from the release of cash deposits held by the UAE generation subsidiaries.

Net cash used in financing activities was AED 3,472 million in 2011, with AED 10,091 million being raised in new external borrowings and AED 11,952 million of external borrowings being repaid. In 2011, TAQA also paid AED 1,220 million in dividends.

Net cash from financing activities was AED 3,215 million in 2010, with AED 12,237 million being raised in new external borrowings and AED 8,638 million of external borrowings being repaid. In 2010, TAQA also paid AED 945 million in dividends.

Net cash from financing activities was AED 1,103 million in 2009, with AED 13,043 million being raised in new external borrowings, AED 9,528 million of external borrowings being repaid and AED 928 million of bonds being repurchased and cancelled. In 2009, TAQA also paid AED 1,184 million in dividends.

As at 30 September 2012, the Group's current liabilities exceeded its current assets by an amount of AED 970 million. This was due to portions of the Group's borrowings becoming classified as short term liabilities as of that date. The Group's interim financial statements have been prepared on a going concern basis since the Group has unused credit lines of AED 14.8 billion as of 30 September 2012 and management believes that the Group will generate sufficient cash flow from operations to meet its liabilities, including current liabilities, as and when they mature.

Investments

In September 2006, TAQA agreed to invest U.S.$200 million (over a period of up to five years) in Carlyle Infrastructure Partners, L.P. The fund invests in infrastructure assets (including toll roads, bridges and tunnels, mass transit systems, airports, aircraft and water treatment and distribution). As at 30 September 2012, TAQA had invested a total of U.S.$135 million, of which U.S.$110 million has been capitalised by TAQA. Although the commitment to invest in new assets has expired, TAQA remains obliged to participate in any additional investments in existing assets within the overall ceiling. The movements in fair value of this investment are included in TAQA's other comprehensive income save that TAQA recognised an AED 30 million impairment loss on this investment as at 31 December 2008 and an AED 83 million impairment as at 30 September 2012, in each case reflecting a reduction in fair value that was considered to be significant and prolonged.

Capital Commitments

Capital expenditure

The commitments under the Group's ongoing operations are expected to be financed with external borrowings and cash provided by operations. As at 30 September 2012, the total authorised capital expenditure contracted, but not provided for in relation to ongoing operations, amounted to AED 3,290 million. The authorised capital expenditure contracted, but not provided for, by each business stream as at 30 September 2012, is set out in the table below.

Subsidiary	At 30 September 2012
	(unaudited) *(AED million)*
Oil and Gas business stream	
North America	221
UK North Sea	1,926
The Netherlands	1,120
Power and Water business stream	
Domestic	22
International	1
Total	**3,290**

Each of TAQA's subsidiaries operating power generation and water desalination plants in the UAE and TAQA's subsidiaries operating the power generation plants at Jorf Lasfar (Morocco) and Neyveli (India) has entered into limited recourse project finance arrangements. Operating budget capital expenditure for these subsidiaries is non-contractual and discretionary.

TAQA has the ability to scale up or scale down the Group's capital expenditure in relation to its upstream oil and gas business to take into account prevailing oil and gas prices. For example, in the first half of 2009, capital expenditure was curtailed as oil and gas prices remained low. While capital expenditure in relation to the Group's North American gas operations remained constrained during 2009 due to low gas prices, other capital expenditure was revised upwards in the second half of 2009 as oil prices recovered. In addition, reflecting prevailing low gas prices, a 30% reduction has been made to the 2013 investment plan as part of the Group's North American gas strategy.

TAQA anticipates that its acquisition of an exploration block announced under ''— *Recent Developments*'' is likely to have an impact on its capital expenditure in future periods.

Other significant commitments

In April 2011, Jorf Lasfar Energy Company 5&6 SA, a subsidiary of Jorf Lasfar Energy Company S.C.A. (JLEC), signed agreements with the ONEE, including a 30-year PPA, in relation to the development of two additional units of 350MW each at the site of the Jorf Lasfar power generation facility (units 5 and 6). An EPC contract has been signed which commits the Group to spend approximately AED 3,805 million in the construction of the facilities, out of which AED 2,731 million had been incurred at 30 September 2012. The expansion is expected to be financed by equity and non-recourse loans.

In North America, the Group is party to pipeline usage commitments under which it was, at 30 September 2012, committed to spend AED 545 million between 1 October 2012 and 31 December 2015.

In April 2012, TAQA signed a joint venture agreement with MGIC under which TAQA will acquire up to a 50% interest in a 1,000 MW gas-fired power plant situated near Sulaymaniyah in the Kurdish region of Iraq. The transaction is subject to the fulfilment of certain conditions precedent and is expected to complete before the end of 2012. The consideration payable by TAQA is expected to be financed using internally generated funds.

The Group also has future minimum payments under non-cancellable operating leases of AED 2.9 billion as at 30 September 2012. These operating leases have remaining maturities ranging from 12 to 20 years.

Capital Resources

The Group's interest bearing loans and borrowings as at 30 September 2012 comprised:

- AED 39,230 million (including Islamic project finance term loans of AED 1,701 million) in project finance term loans outstanding. These loans are denominated in U.S. dollars and UAE dirham (in the case of the UAE power and water generation subsidiaries) and in Moroccan dirham (in the case of the loan to JLEC) and rupees (in the case of the loan to

ST-CMS Electric Company India Private Limited). Each of the loans to the UAE power and water generation subsidiaries bears interest at a floating rate determined by reference to a margin over LIBOR and each of the international loans bears interest at a fixed rate. The weighted average interest rate of these loans (after giving effect to related interest rate swap agreements) was 5.90% at 30 September 2012; and

- AED 33,638 million (including sukuk of AED 777 million) in debt securities outstanding. These securities are denominated in U.S. dollars except for one series which is denominated in euro and all series bear interest at a fixed rate. The weighted average interest rate of these debt securities was 5.64% at 30 September 2012.

As at 30 September 2012, the Group also had AED 1,148 million in loans from non-controlling interest shareholders in TAQA's subsidiaries and AED 3,248 million in advances and loans from related parties.

Project finance term loans

Project finance term loans, which are shown at amortised cost, have been incurred by the following subsidiaries. Each of these loans is described in more detail in note 32(iv) to the 2011 Financial Statements. In addition, further project finance term loans have been entered into in relation to the Group's expansion projects at Jorf Lasfar and at Takoradi, although neither of these loans had become unconditional as at 30 September 2012.

Subsidiary	Amortised cost at 30 September 2012
	(unaudited) *(AED million)*
UAE power and water generation subsidiaries	
Emirates CMS Power Company PJSC ("**ECPC**")	847
Gulf Total Tractebel Power Company PJSC	3,706
Shuweihat CMS International Power Company PJSC ("**SCIPCO**")	2,560
Arabian Power Company PJSC ("**Arabian Power**")	2,507
Taweelah Asia Power Company PJSC	6,512
Emirates Sembcorp Water and Power Company	4,070
Fujairah Asia Power Company PJSC	7,598
Ruwais Power Company PJSC	7,126
International power generation subsidiaries	
Jorf Lasfar Energy Company S.C.A	2,437
ST-CMS Electric Company India Private Limited	165
Total	**37,529**

All of TAQA's UAE power generation and water desalination subsidiaries and two of its international power generation subsidiaries are financed by limited recourse project finance conventional loan facilities. In certain cases, Islamic loan facilities have also been entered into, see "— *Islamic Loans*". The conventional loan facilities and the Islamic loan facilities rank equally and are subject to inter-creditor arrangements. The facilities to which the UAE generation subsidiaries are party all have substantially similar terms including a right and, in some circumstances, an obligation to prepay the loan in whole or in part. For example, certain insurance proceeds, compensation payments and asset disposal proceeds received by a UAE generation subsidiary are required to be used to prepay these facilities.

Each project financing restricts the ability of the UAE generation subsidiary to make distributions to its shareholders (including repayments of subordinated loans). The restrictions on making distributions include, without limitation, the achievement of a minimum debt service coverage ratio, the achievement of a minimum loan life coverage ratio and no default or potential event of default occurring under the relevant facility agreement, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business*

Generally — TAQA's ability to make payments under the Notes depends upon dividends and distributions from its subsidiaries and the companies in which it invests from time to time".

Under each project financing, the UAE generation subsidiary is obliged to open and operate certain onshore and offshore bank accounts. Amounts in the offshore operating accounts must be applied, broadly, in the following order of priority: project costs; operating and maintenance and other capital costs as they fall due; debt service; transfers to the maintenance reserve account; transfers to the debt service reserve account; and distributions to shareholders.

In addition, each project financing imposes a number of positive and negative covenants on the UAE generation subsidiary, including (in most cases) restrictions on creating liens; selling or otherwise disposing of assets; incurring additional debt; changing the general scope of business; entering into mergers or acquisitions or making investments; and amending project agreements.

The project financings are secured by security interests over substantially all the assets of the relevant UAE generation subsidiary and over its shares and other ownership interests.

The events of default under the project financings include (in most cases) a failure to make due payments; misrepresentation; non-compliance with covenants; cross default; insolvency and analogous events; change of control; illegality; termination or breach of certain finance and project documents; loss or material amendment of certain licences; expropriation; non-compliance with minimum debt service coverage ratio and loan life coverage ratio; destruction or abandonment of the project; and any other event or circumstance which has a material adverse effect. In most cases, if an event of default occurs, the facility agent may, and must if so instructed by the majority lenders, accelerate the loan. In most cases, no individual lender can take any independent action to enforce the security for the loan or initiate any other creditor's process without the consent of the majority lenders. There have been no events of default under any of these loans to date.

Debt securities issued

In October 2006, TAQA issued €750,000,000 4.375% bonds due October 2013, U.S.$1,000,000,000 5.875% bonds due October 2016 and U.S.$1,500,000,000 6.5% bonds due October 2036. During 2008 and 2009, TAQA repurchased and cancelled U.S.$264 million and U.S.$323 million, respectively, of its bonds due in October 2036 resulting in gains of AED 222 million and AED 260 million in 2008 and 2009, respectively.

As at 30 September 2012, TAQA also had outstanding seven series of fixed rate notes issued under its global medium term note programme in an aggregate face amount of U.S.$6.1 billion. The table below summarises the maturity profile of these notes:

Repayment Date	Amount Outstanding at 30 September 2012
	(unaudited) *(AED million)*
October 2012	3,345[(1)]
August 2013	3,673
September 2014	4,408
March 2017	2,755
October 2017	1,837
August 2018	1,837
September 2019	1,837
December 2021	2,755
Total	**22,447**

Note:
(1) These notes were redeemed on 25 October 2012.

In November 2011, TAQA established a MYR 3.5 billion (AED 4.0 billion) sukuk programme under which it can issue Shari'ah compliant securities. As at 30 September 2012, an MYR 650 million (AED 794 million) sukuk due March 2022 had been issued and was outstanding.

Revolving credit facilities

In May 2010, TAQA's North American subsidiary, TAQA North, entered into a C$1.0 billion three-year revolving credit facility with a syndicate of eight banks. As at 30 September 2012, no drawings were outstanding under this facility. The facility had been extended for one year in 2011 and subsequently was extended for a further year in 2012, to mature in May 2015. Borrowings under the facility are guaranteed by TAQA.

In December 2010, TAQA entered into a U.S.$3.0 billion revolving credit facility with a syndicate of 20 banks, comprising a U.S.$2.0 billion three-year revolving credit tranche and a U.S.$1.0 billion five-year revolving tranche. As at 30 September 2012, no drawings were outstanding under this facility. TAQA is currently refinancing the U.S.$2.0 billion three-year tranche. The new facility is expected to close in the first week of December 2012, subject to satisfaction of customary conditions precedent, will have two tranches, each of U.S.$1.0 billion, and is expected to mature in 2015 and 2017, respectively.

Drawings under both these facilities were made in October 2012, see "*Capitalisation*".

Islamic Loans

Islamic loans, which are shown at amortised cost, have been taken out with respect to the following subsidiaries. Each of these loans is described in more detail in note 33 to the 2011 Financial Statements.

Subsidiary	Amortised cost at 30 September 2012
	(unaudited) *(AED million)*
ECPC	324
SCIPCO	644
Arabian Power	733
Total	**1,701**

A fluctuating rental payment is paid under the Islamic financing agreements, which is broadly equivalent to the conventional lenders' return. Each of the operating subsidiaries' Islamic lenders shares security with its conventional lenders.

Repayment Profile

Amounts payable by TAQA and its subsidiaries (before deducting prepaid finance costs) under the conventional and Islamic loans identified above outstanding at 30 September 2012 are as follows:

Repayment Profile	Amortised cost at 30 September 2012
	(unaudited) *(AED million)*
Within 1 year	8,893
Between 1 and 2 years	5,473
Between 2 and 3 years	6,439
Between 3 and 4 years	2,068
Between 4 and 5 years	8,665
After 5 years	41,990
Total	**73,528**

Loans from non-controlling interest shareholders in TAQA's subsidiaries and loans from related parties

As at 30 September 2012, the Group had AED 1,148 million in outstanding loans from non-controlling interest shareholders in TAQA's subsidiaries. All these loans are fully subordinated to the senior lenders, are free of interest and unsecured and are repayable in such amounts, and at such

time, as determined by the Board of Directors of the relevant subsidiary. As a result, the loans are treated as equity.

In addition, as at 30 September 2012, the Group had:

- AED 2,655 million in loans outstanding from ADWEA. All these loans are free of interest and unsecured and are repayable in such amounts, and at such time, as determined by the Board of Directors of TAQA. As a result, the loans are treated as equity; and
- outstanding loans and advances from related parties of AED 593 million, see Note 35 to the 2011 Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this document, consolidated Group companies have not entered into any off-balance sheet arrangements.

CONTINGENT LIABILITIES

In addition to its obligations under guarantees and letters of credit entered into in the ordinary course of business, the Group is subject to contingent liabilities arising from tax assessments and disputes connected with acquisitions made and in respect of a guarantee entered into in connection with the Red Oak acquisition. In addition, TAQA is in dispute with its former CEO, see "*Description of the Group — Litigation*" and "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business Generally — Litigation could adversely affect the Group's results of operations and financial condition*" and is subject to potentially significant additional costs in respect of its UK North Sea assets, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business Generally — The Group could incur significant decommissioning costs in relation to its facilities*".

PRIMARY RISKS

The Group is exposed to a range of different risks including:

- commodity risk, principally arising from changes in prices for crude oil and natural gas;
- exploration and production risk in relation to its crude oil and natural gas exploration and production activities;
- financial risks arising from changes in foreign currency exchange rates and market price risks;
- credit risk insofar as its subsidiaries sell water and electricity to a single customer; and
- liquidity risk in connection with the Group's terms of sale.

Commodity Price Risk

A significant part of the Group's operating results and financial condition depends on prevailing prices of crude oil, natural gas and natural gas liquids. Historically, these prices have fluctuated widely for many reasons, including:

- global and regional supply and demand, and expectations regarding future supply and demand, for crude oil, natural gas and natural gas liquids;
- weather conditions and natural disasters;
- access to pipelines, railways and other means of transporting crude oil, natural gas and natural gas liquids;
- prices and availability of alternative fuels and sources of energy;
- the ability of the members of OPEC, and other crude oil producing nations, to set and maintain specified levels of production and prices;
- political, economic and military developments in oil producing regions, particularly the Middle East;
- governmental regulations and actions, including export restrictions and taxes; and
- global and regional economic conditions.

Substantially all of the Group's crude oil, natural gas and natural gas liquids are sold at prices which are either spot prices or are based on monthly average prices. Market prices for export sales of these products are subject to volatile trading patterns in the commodity futures markets. Average selling prices can differ from quoted market prices due to the effects of uneven volume distributions during the period, quality differentials, different delivery terms compared to quoted benchmarks, different conditions in local markets and other factors.

World crude oil and natural gas prices have experienced significant volatility during the period under review. See "— *Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*".

Certain of TAQA's subsidiaries have established risk management strategies in relation to their commodity price risk.

TAQA GEN X seeks to hedge its commodity price risks (incurred through its ongoing purchases of gas and sales of electricity) through forward commodity contracts. In 2011, a 10% increase in the fair value of the forward commodity contracts would have decreased the Group's profit before tax by AED 144 million whereas a 10% fall in the fair value of those contracts would have had an equal but opposite effect.

In North America, TAQA, through its subsidiary, TAQA North, seeks to hedge its exposure to crude oil and natural gas price fluctuations through zero cost collar contracts. In 2011, a 10% increase in the prices relative to current levels would have decreased the Group's profit before tax by AED 80 million and decreased its equity by AED 264 million whereas a 10% fall in the prices relative to current levels would have had an equal but opposite effect. TAQA North's hedging programme was suspended in the second quarter of 2012.

Exploration and Production Risk

Exploration for new crude oil and natural gas resources is an integral part of the Group's business and is a high risk endeavour. Exploration projects search for reserves of crude oil and natural gas below the earth's surface and, despite the advanced technology used, it remains difficult to understand petroleum geology at such depths. Whilst considerable geological uncertainty prevails, the acquisition of sufficient data and detailed geological analyses can reduce this uncertainty and exploration risk to acceptable levels. Factors which the Group takes into account when exploring for crude oil and natural gas resources are the probability of success, the potential size of the reserves and the costs to explore and develop the reserves. To minimise the risks associated with these factors, the Group seeks to develop the capability of its exploration teams through knowledge management and exploration and production databases shared within the Group which institutionalise best practice and lessons learned. In addition, the Group uses a peer review process and consensus building to recommend exploration projects for approval. In order to balance reserve growth and risk tolerance, the exploration portfolio is regularly reviewed.

Production risk tends to be associated with ageing production equipment and human error, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Business — Some of the Group's oil and gas installations are past their original designed life*". To address this risk, the Group emphasises risk management at all stages of the production process. Automatic detection and emergency shutdown processes are in place to prevent losses during equipment failures. The Group uses standardised work procedures and operation manuals, together with training programmes, to encourage the adoption of best practices and risk management procedures by its employees. In addition, stringent operational safety assessments are carried out by outside agencies to ensure high standards.

Market Price Risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Market price risks include currency risk, interest rate risk and equity price risk. Financial instruments affected by market price risk include loans and borrowings, deposits, available for sale investments and derivative financial instruments.

Foreign currency exchange risk

The Group conducts operations in 11 countries and reports its consolidated financial statements in UAE dirham. As a result, its results of operations are affected by exchange rate fluctuations

between the UAE dirham and other currencies, in particular the Canadian dollar and the euro. The Group's foreign exchange risk consists of both currency transaction risk and currency translation risk. Each of the Group's operating subsidiaries reports its assets and liabilities and profit and loss in the operating currency of the jurisdiction in which it primarily operates. These amounts, if not reported in UAE dirham, are then translated into UAE dirham for inclusion in the Group's consolidated financial statements at the period average or period-end exchange rates, as the case may be. The translation of these amounts can impact the Group's financial results from period to period and affect their comparability.

A significant portion of the Group's oil and gas revenue is denominated in U.S. dollars. However, because the UAE dirham has been pegged to the U.S. dollar, at a fixed exchange rate of AED 3.6725 = U.S.$1.00 since 22 November 1980, balances in U.S. dollars are not considered to represent significant currency risk. There is, however, no guarantee that the UAE dirham will remain pegged to the U.S. dollar or that it will remain pegged at the same fixed rate of exchange. The Group's UAE and non-UAE generation companies use forward currency contracts to hedge the risk associated with currency fluctuations. With respect to currency derivatives, the Group's policy is to measure these instruments at their fair value, using the spot rate at the year end as the basis for the fair value measurement with resulting gains or losses being reported within gains less losses arising from dealing in foreign currencies in the consolidated income statement.

As a result of the Group's investments in The Netherlands and Morocco (whose currency is pegged to a basket of currencies comprised predominantly of the euro), it is exposed to currency risk as a result of movements in euro and UAE dirham exchange rates. TAQA seeks to mitigate the effect of the Group's structural currency exposure by borrowing in euro. As a result of its investments in Canada, the Group's balance sheet can also be affected by movements in the Canadian dollar and UAE dirham exchange rates. The Group also has transactional currency exposure mainly in U.S. dollars, euro and Canadian dollars. It is the Group's policy to have all forward currency contracts in the same currency as the hedged items and not to enter into forward contracts until a firm commitment is in place. It is also the Group's policy to synchronise the terms of the hedge derivatives with the terms of the hedged item to maximise hedge effectiveness.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations and short-term deposits with floating interest rates. It is the Group's policy to manage its interest cost using a mix of fixed and variable rate debts. To manage this, Group companies enter into interest rate swaps, in which the relevant Group company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. As at 30 September 2012, after taking into account the effect of interest rate swaps, approximately 90% of the Group's borrowings are at a fixed rate of interest.

As at 31 December 2011, an increase in interest rates of 0.15% (assuming all other variables remained constant) would have reduced the Group's profit in 2011 by AED 10 million (AED 14 million in 2010) and increased its equity by AED 530 million (AED 244 million at 31 December 2010). An equivalent decrease in interest rates would have increased the Group's profit in 2011 by AED 10 million (AED 14 million in 2010) and decreased its equity by AED 658 million (AED 271 million at 31 December 2010).

Group companies borrow to support their general corporate purposes including capital expenditures, acquisition financings and working capital needs. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of outstanding variable rate borrowings. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the Group's debt obligations.

In April 2010, TAQA entered into interest rate swap agreements to convert a fixed interest rate liability under one of its outstanding bonds into a floating rate liability. The interest rate swap was unwound in March 2011 realising an AED 79 million mark to market gain on its settlement.

Equity price risk

The Group is exposed to equity price risk through its holdings of listed and unlisted available for sale investments. For example, the Group's investment in Carlyle Infrastructure Partners, L.P. was impaired by AED 83 million in the nine months ended 30 September 2012 as a result of perceived

long-term impairment in the fair value of the investment, see "— *Liquidity and Capital Resources — Investments*".

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a loss for the Group. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial instruments under which it is a lender.

TAQA's UAE power and water generation subsidiaries sell their products to one related party, which was also the Group's most significant customer in each period under review, accounting for 25.6% of the Group's total revenue in the nine months ended 30 September 2012, 33.9% in 2011, 36.6% in 2010 and 32.8% in 2009. Generally, TAQA's non-UAE power generation subsidiaries also sell their products to one party, which is typically a governmental entity. TAQA Bratani derives almost all of its revenue from the sale of crude oil to Shell International Trading & Shipping Co Ltd. The crude oil contract with this company is an annual rolling contract which currently covers the period to 31 December 2013. All of the natural gas produced by the Group in The Netherlands is sold to GasTerra B.V., an entity 50% owned by the Dutch government and 50% owned by a joint venture between Shell and Exxon Mobil, under a long-term contract. These subsidiaries seek to limit their credit risk with respect to a single customer by monitoring outstanding receivables. The Group's non-UAE subsidiaries are potentially exposed to concentrations of credit risk in respect of accounts receivable, cash and cash equivalents, VAT recoverable, loans receivable and advances. The Group's other oil and gas operations sell their output in the spot market. The Group does not generally require collateral to limit its exposure to loss; however, letters of credit and prepayments are often used. Although the condition of these receivables could be influenced by economic factors affecting these entities, TAQA believes there is no significant risk of loss beyond allowances already recorded.

The Group generally trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure relates to carrying amounts for amounts due from related parties and accounts receivable and prepayments. The Group's three largest customers accounted for approximately 84% of trade receivables as at 31 December 2011. With respect to credit risk arising from the other financial assets which comprise cash and cash equivalents, available for sale financial investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. TAQA seeks to limit its credit risk to banks by only dealing with reputable banks and financial institutions.

Liquidity Risk

Liquidity risk arises when the maturity of assets and liabilities do not match. TAQA's subsidiaries seek to limit their liquidity risk by monitoring their current financial position in conjunction with their cash flow forecasts on a regular basis to ensure funds are available to meet their commitments for liabilities as they fall due. The subsidiaries' terms of sale require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 30 days of the date of purchase. In addition to liquidity provided from operating cash flow, the Group has available liquidity through its undrawn revolving credit facilities.

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (for example accounts receivable and other assets) and projected cash flow from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and bonds. The Group's policy is that the amount of borrowings that mature in the next 12 month period should not result in the current ratio (current assets divided by current liabilities) being less than 100%. This was breached as of 30 September 2012 as a result of portions of the Group's borrowings becoming classified as short-term liabilities as of that date, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Cash Flow*."

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure through dividend adjustments and issuing new shares. TAQA monitors the Group's capital using a gearing ratio of net debt divided by total capital plus net debt. For these purposes, ''net debt'' comprises interest bearing loans and borrowings and Islamic loans less cash and cash equivalents and ''capital'' comprises total equity (including non-controlling interests) less cumulative changes in the fair value of derivatives and available for sale investments.

As at 31 December 2011, the Group's gearing ratio was 78%.

DESCRIPTION OF THE GROUP

OVERVIEW

TAQA is the holding company for a diversified international energy group headquartered in the Emirate of Abu Dhabi, United Arab Emirates. The Group's operating business comprises two principal business streams, the Power and Water business stream and the Oil and Gas business stream. In addition, in January 2012 the Group established a third business stream, Energy Solutions, which is still at an early stage of development. For the year ended 31 December 2011, the Group's revenue and profit were AED 24,187 million and AED 1,584 million, respectively, and, for the nine months ended 30 September 2012, the Group's revenue and profit for the period were AED 20,618 million and AED 1,255 million, respectively.

Power and Water

The Group owns, develops, acquires and operates power generation and water desalination facilities in the Middle East, Africa and India and has a contractual interest in a power generation facility in the United States. TAQA owns majority interests in eight power generation and water desalination facilities in the UAE. In addition, TAQA owns an interest in and operates power generation facilities in each of Morocco, India and Ghana. TAQA also owns a majority interest in a tolling agreement in relation to a power generation facility in the United States and minority interests in a company which operates an aluminium smelter and related power generation plant in Oman and a power generation company in Saudi Arabia. In April 2012, TAQA signed a joint venture agreement with Mass Global Investments Company Limited ("**MGIC**") under which it will acquire a 50% interest in a 1,000MW gas fired IPP near Sulaymaniyah in the Kurdish region of Iraq. The transaction is subject to the fulfilment of certain conditions precedent. In addition, in September 2012, TAQA and an Indian partner entered into a securities purchase agreement for the acquisition of an interest in Himachal Sorang Power Limited ("**HSPL**"), which is developing a 100 MW hydro-electric power plant in Himachal Pradesh, India. Subject to the satisfaction of certain conditions precedent, TAQA and the partner will progressively acquire 100% of the share capital of HSPL.

For the year ended 31 December 2011, the Power and Water business stream generated consolidated revenue from external customers of AED 12,204 million, or 50.5% of the Group's total consolidated revenue, and recorded a profit for the year of AED 2,253 million. For the nine months ended 30 September 2012, the Power and Water business stream generated consolidated revenue from external customers of AED 11,790 million, or 57.2% of the Group's total consolidated revenue, and recorded a profit for the period of AED 1,622 million.

As at 30 September 2012, the Group's facilities (excluding the power generation plant at Sohar Aluminium in Oman but including the Group's minority interest in the Jubail power plant in Saudi Arabia) had a gross power generation capacity of 12,494MW in the UAE and 2,918MW in operations outside the UAE and a gross desalinated water production capacity of 887MIGD. Based on TAQA's percentage ownership, its aggregate net interest in the facilities as at 30 September 2012 was 6,747MW in the UAE, 2,576MW internationally and 479MIGD, respectively. For the nine month period ended 30 September 2012, total power production from the facilities was 58,296GWh and total desalinated water production from the facilities was 179,915MIG.

Oil and Gas

The Group is engaged in upstream and midstream oil and gas businesses with its principal operations in North America (comprising Canada and the northwestern United States), the UK North Sea and The Netherlands. The Group's upstream oil and gas business includes exploration, development and production of crude oil, natural gas and natural gas liquids. The Group's midstream oil and gas business includes gas storage, oil and gas processing and transport. For the year ended 31 December 2011, the Oil and Gas business stream generated consolidated revenue from external customers of AED 11,983 million, or 49.5% of the Group's total consolidated revenue, and recorded a profit for the year of AED 1,004 million. For the nine months ended 30 September 2012, the Oil and Gas business stream generated consolidated revenue from external customers of AED 8,828 million, or 42.8% of the Group's total consolidated revenue, and recorded a profit for the period of AED 534 million. For the nine month period ended 30 September 2012 aggregate daily average crude oil, natural gas liquids and natural gas production was 58.2 mboe/d, 12.1 mboe/d and 385.0 mmcf/d, respectively.

HISTORY

In March 1998, ADWEA was established by the government of Abu Dhabi to implement a major water and electricity sector restructuring, refurbishment and expansion programme in the Emirate of Abu Dhabi. To achieve these goals, ADWEA undertook a partial privatisation programme in relation to a number of its generation assets with a view to reducing power and water costs and increasing fuel efficiency through market competition. Pursuant to this process ADWEA divested 40% of its interest in each of its generation facilities to consortia formed by international developers such as Marubeni, GDF Suez and International Power. ADWEA subsequently transferred 90% of its remaining interest in each facility to TAQA as such facility neared completion.

TAQA was established in June 2005 pursuant to the provisions of Emiri Decree (16) of 2005 as a public joint stock company. At TAQA's inception, ADWEA, then TAQA's sole shareholder, transferred approximately 24% of its shareholding to the Farm Owners' Fund.

In August 2005, TAQA's shares were listed on the Abu Dhabi Securities Exchange and a concurrent equity offering reduced ADWEA's shareholding to approximately 51%.

In 2006, TAQA commenced a process of diversification, transforming the Group through acquisitions from being solely a power generation and water desalination business in the UAE into an internationally operating energy group that is also active in the upstream (oil and gas exploration and production) and midstream (oil and gas storage and transmission) sectors of the energy industry.

Since 2007, TAQA has completed a number of acquisitions and divestments in the I-MENA region (the MENA region plus India), North America, Europe and elsewhere, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Significant Acquisitions and Asset Transfers between 1 January 2009 and 30 September 2012*" for further details of some of these transactions. In 2011, TAQA revised its strategy from primarily asset acquisition to primarily developing its asset base. In line with this shift in focus, TAQA divested certain non-core power generation assets in the Caribbean and continues to manage its oil and gas property portfolio, particularly through the disposal of non-core properties in North America.

SHAREHOLDERS

TAQA's shares are listed on the Abu Dhabi Securities Exchange under the symbol "TAQA". TAQA's current principal shareholders are:

Shareholder	Shareholding
	(%)[1]
ADWEA	51.0
Farm Owners' Fund	21.1
Other government entities	0.4
Publicly owned	27.5[2]

Notes:
(1) Rounded to the nearest tenth.
(2) Of which, as at 30 September 2012, 2.5% was owned by TAQA as treasury shares.

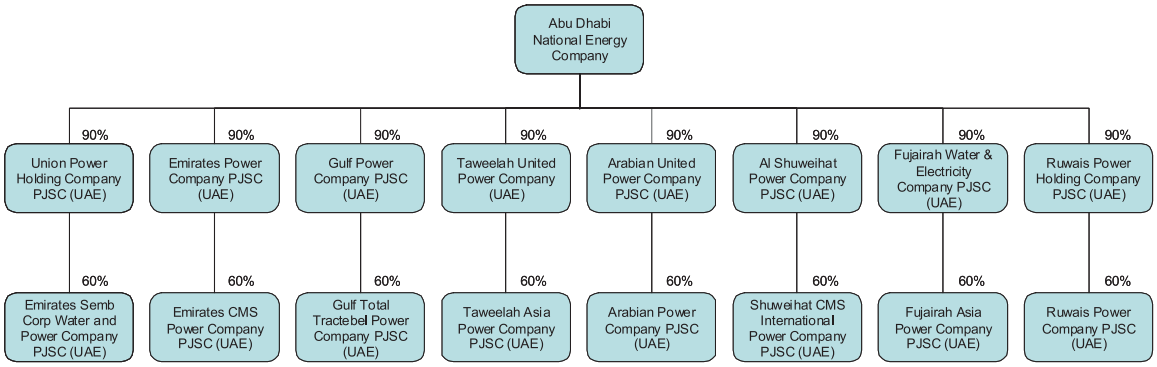
Each of ADWEA and the Farm Owners' Fund is wholly owned by the Abu Dhabi government. Accordingly, the Abu Dhabi government indirectly owns approximately 72.5% of TAQA's share capital.

CORPORATE, ORGANISATIONAL AND REPORTING STRUCTURES

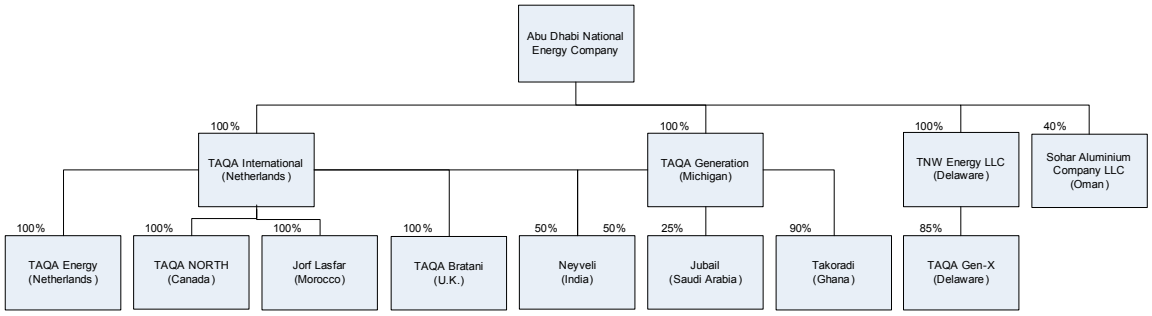
Corporate Structure

The simplified corporate structure charts below depict the inter-corporate relationships between TAQA and its principal UAE and international subsidiaries. Intermediate holding companies may be interposed between the companies shown on the corporate structure charts, and the ownership percentage figures in the charts reflect TAQA's direct or indirect effective ownership, as applicable.

UAE subsidiaries

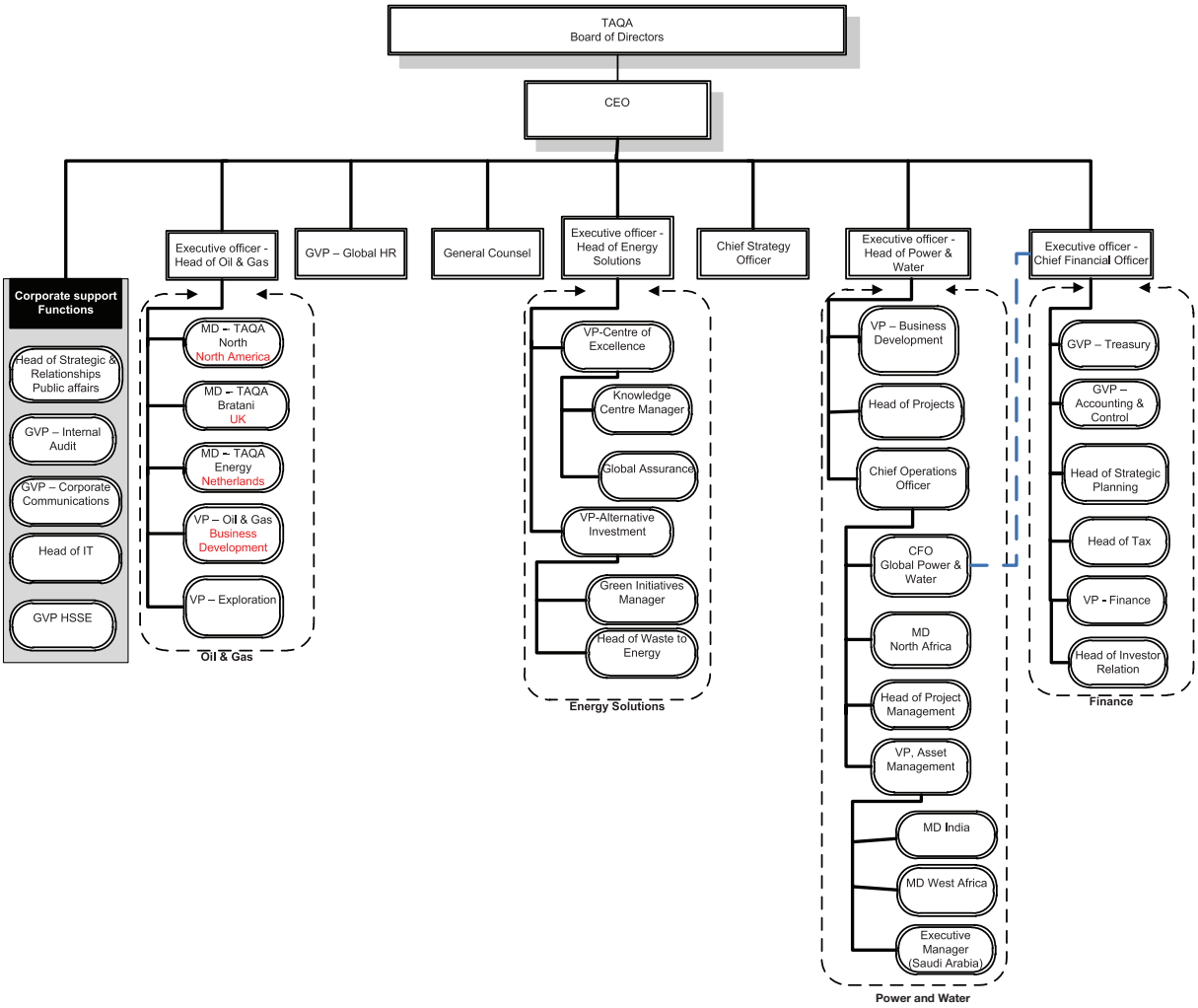


International subsidiaries



Organisational and Reporting Structure

The chart below depicts how the Group's business is organised and the general reporting lines for the business.



STRATEGY

TAQA's strategy is to continue to develop the Group into a diversified energy business with a portfolio of high quality assets covering certain key segments of the energy industry and balanced across developed and emerging markets. TAQA built the Group's diverse and broad asset base through acquisitions that transformed the Group from a holding company for a power generation and water desalination business in the UAE into an international energy group operating across a number of segments of the energy industry. This asset base provides TAQA with significant opportunities for value creation, and TAQA is focused on realising the full potential of the Group's asset base to create long-term value for its stakeholders, in particular through:

- organic growth opportunities within its existing Oil and Gas and Power and Water businesses, including further exploration of its Canadian oil and gas properties and expansion projects at certain of its international power generation plants, see "*– Competitive Strengths — Significant Unrealised Value in Assets*";
- developing the Group's new business stream, Energy Solutions, to originate, execute and operate alternative energy projects and develop alternative and technology-driven energy initiatives, see "*Description of the Group — Business Streams — Energy Solutions*";
- building on the Group's gas storage business in Europe, possibly including carbon capture and sequestration business opportunities, around the Group's depleted and nearly depleted gas reservoirs in Europe;

- managing its finances in a prudent manner with carefully planned and executed capital expenditure programmes and maintaining strong, investment grade credit ratings;
- utilising technologies such as new drilling and exploitation methods to enhance the recovery potential of the Group's crude oil and natural gas reserves;
- seeking and developing synergies between the Oil and Gas and Power and Water business streams;
- investing in the Group's management and employees to build the in-house knowledge, experience and expertise required to create a sustainable long-term business for TAQA's stakeholders; and
- focusing on operational and execution excellence, including operating its business efficiently through investments in people and technologies and a disciplined approach to project execution which does not compromise the health and safety of the Group's employees or the Group's commitment to the environment.

In terms of its geographic focus, TAQA is committed to achieving business growth in line with the Group's current geographic footprint, which includes the Middle East, North and Sub-Saharan Africa, North America, Europe and India.

In addition to organic growth, TAQA is currently considering, and intends to continue to consider, selective acquisitions that are complementary to its existing businesses and would be accretive to the Group's revenue and cash flow. Such selective opportunities include oil and gas development and production assets, as well as power generation and/or water desalination projects in the Group's current regions of operation and potentially other regions.

Within the UAE, TAQA intends to continue to provide most of the power and water needs of the Emirate of Abu Dhabi and to play a role in the supply of power and water to the rest of the UAE. TAQA expects to continue to benefit from ADWEA's strategy of brownfield and greenfield development of power generation and water desalination facilities in the UAE followed by partial privatisation through the sale of a minority interest to international operators and the transfer of a majority interest to TAQA, see "*— Business Streams — Power and Water — UAE power and water assets*".

COMPETITIVE STRENGTHS

The Group's principal competitive strengths are set out below.

Abu Dhabi Government Support

TAQA is majority owned and supported by the Abu Dhabi government through TAQA's controlling shareholder ADWEA and the Farm Owners' Fund. The Group, through its majority ownership interests in its UAE power and water production assets, provides more than 95% of the electricity and water requirements of the Emirate of Abu Dhabi. The Group's strong UAE power and water generation base and support from the Abu Dhabi government has underpinned the Group's growth into a diversified international energy business. The Abu Dhabi government is one of the highest rated sovereigns in the Middle East, see "*Overview of the UAE and Abu Dhabi — Abu Dhabi*". TAQA considers its Abu Dhabi base and the support provided by the Abu Dhabi government to be critical elements of the Group's competitive strength. For example, the Abu Dhabi government signed a joint declaration with the Republic of Turkey on 9 October 2012 in which both governments expressed their strong support for the co-operation between the Turkish entity EÜAŞ and TAQA regarding government-backed power investments in Turkey's Afşin-Elbistan region. TAQA understands that further announcements in this regard may be made in the near future. The Abu Dhabi government has indicated that it will provide front end financial support to TAQA in implementing any material project that may arise out of these co-operative efforts. See further "*Overview of the UAE and Abu Dhabi — TAQA's Relationship with the Government of Abu Dhabi*".

Large, Diversified and Robust Business

The Group operates in 11 countries spread across four continents, with businesses that span the energy value chain from upstream oil and gas exploration, development and operations to midstream oil and gas transport and storage services, as well as power generation and water desalination. This diversified platform has enabled the Group to reduce its exposure to individual business and country risks. The Group's Oil and Gas and Power and Water business streams are balanced between elements dependent on commodity prices and elements that provide long-term committed revenue and

earnings, see "*— Business Streams — Power and Water — Contractual nature of the power and water business*", as well as elements in developed and emerging markets. This balance has been tested through the significant down-cycle in commodity prices in 2009 during which the Group remained profitable, evidencing the financially robust nature of its business model.

Presence in, and Exposure to, Emerging Markets

The Group's Power and Water business has assets in a number of emerging markets, including the Middle East, North and Sub-Saharan Africa and India. Many of these economies are experiencing, and are expected to continue to experience, higher economic growth rates than more mature markets. This growth not only translates into higher demand growth for energy, particularly electricity, but also requires significant investments in critical infrastructure such as power generation facilities and related energy infrastructure. TAQA believes that the Group is well positioned to benefit not only directly through its power generation presence in such markets, but also indirectly through its Oil and Gas business due to higher demand for crude oil and natural gas that is expected to accompany the growth of these markets and other large emerging markets such as China and Brazil.

Significant Unrealised Value in Assets

The Group has significant unrealised value across its asset base. The Group's Oil and Gas business has one of the largest land holdings in the Western Canada Sedimentary Basin, with significant potential for unlocking additional oil and gas reserves through the deployment of new drilling and enhanced recovery technologies. In the UK North Sea, the Group has also identified several opportunities that are expected to significantly extend the life of its assets in the northern North Sea. The Group's oil and gas properties are described under "*— Business Streams — Oil and Gas*".

The Group's assets in The Netherlands offer potential for developing the midstream business, a process that has commenced with the development and start of construction of the Bergermeer gas storage project that, when completed, is expected to be one of the largest open access gas storage facilities in Western Europe. The Bergermeer facility is expected to provide natural gas storage capacity to the market, enabling customers to manage gas price volatilities, while providing stable revenue and earnings to TAQA, see "*— Business Streams — Oil and Gas — Midstream oil and gas storage, processing and transport — The Netherlands midstream assets*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Commitments — Capital expenditure*" but also see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business Generally — The Group's projects under construction may not commence operation as scheduled or within budget or may not meet project specifications*".

The Group's Power and Water business has made significant progress in unlocking growth opportunities within its portfolio of assets. For example, the expansion process at Jorf Lasfar (Morocco) began with the commencement of construction in the fourth quarter of 2010 and the signing of financing documents in the second quarter of 2012; a 110MW combined cycle expansion of Takoradi (Ghana) was approved by the Ghanaian parliament, with the project and financing documentation signed in July 2012 and construction commencing in the third quarter of 2012; and TAQA has commenced preliminary studies in relation to the expansion of its Neyveli power generation plant in India, see "*— Business Streams — Power and Water — International power and water assets — Neyveli (India)*".

Experienced Management Team

TAQA's management team comprises senior Emirati and international executives with extensive experience and established track records in the energy industry. Headquartered in the Emirate of Abu Dhabi, TAQA also has operational centres matching its business footprint, providing strong management and operational teams at the Group's main centres of operation.

BUSINESS STREAMS

Power and Water

The Group's Power and Water business includes the ownership, development, acquisition and/or operation of power generation and water desalination facilities in the Middle East, North and Sub-Saharan Africa and India.

In the UAE, TAQA has equity interests in eight special purpose entities in the Emirates of Abu Dhabi and Fujairah, which provide more than 95% of the water and electricity requirements of the Emirate of Abu Dhabi in addition to varying levels of power and water supply to the other Emirates. Each special purpose company is partially owned by various leading international energy companies. As of 30 September 2012, the Group's UAE power and water facilities had 12,494MW of gross power generation capacity and 887MIGD of gross water desalination capacity. Based on TAQA's percentage ownership, its aggregate net interest in the facilities as at 30 September 2012 was 6,747MW and 479MIGD, respectively.

TAQA also undertakes power generation activities through its subsidiaries in Morocco, India and Ghana and owns an 85% interest in a tolling agreement in relation to a power generation facility in the United States, a 40% interest in a company which operates an aluminium smelter and associated power generation facility in Oman, and a 25% equity interest in a power generation company in Saudi Arabia. As at 30 September 2012, these entities (excluding the facility in Oman) had, on a combined basis, approximately 2,918MW of gross power generation capacity, with TAQA's net interest being 2,576MW.

The Group intends to continue the expansion of its presence in the power generation and water desalination sectors in the I-MENA region. In particular, it continues to pursue both selective acquisitions and greenfield opportunities through consortia formed with other well known participants in the international power and water sector. For example, in April 2012, TAQA signed a joint venture agreement with MGIC under which it will acquire a 50% interest in a gas fired IPP near Sulaymaniyah in Iraq. The IPP has been operating since 2009 and has a capacity of 1,000 MW. The transaction is subject to the fulfilment of certain conditions precedent. In addition, in September 2012, TAQA and an Indian partner entered into a securities purchase agreement for the acquisition of an interest in HSPL, which is developing a 100 MW hydro-electric power plant in Himachal Pradesh, India. Subject to the satisfaction of certain conditions precedent, TAQA and the partner will progressively acquire 100% of the share capital of HSPL. Finally, the Group and two partners have submitted a bid for the approximately 1,900 MW fuel oil fired Rabigh 2 power project in the Kingdom of Saudi Arabia and the Group was the confirmed lowest bidder in October 2012.

Contractual nature of the power and water business

All of the power generation and/or water desalination facilities in which TAQA has an equity interest sell electricity and/or desalinated water to their customers, who are generally state-controlled, under long-term contracted price take-or-pay PPAs or, in the case of the UAE facilities, PWPAs, see "*Summary of Material Agreements — Summary of Certain International Generation Project Agreements*" and "*Summary of Material Agreements — Summary of Principal UAE Generation Agreements*".

The long-term, take-or-pay price nature of PPAs and PWPAs provides for stable cash flow and income over a contractually agreed long-term timeframe, allowing for limited recourse financing to be used for the development of power generation and water desalination assets. There are generally two components of the Group's PPAs and PWPAs in respect of the contract price, which is commonly referred to as the tariff: (i) a "capacity charge" based on the generation and/or desalination capacity of the facility, which is structured to allow the owner of the facility to recover all of the facility's fixed costs, such as debt repayment, normal maintenance and a minimum return on equity; and (ii) an "energy charge" which covers the project company's variable costs, such as certain maintenance costs.

Fuel supply for the Group's international facilities is generally provided for under fuel supply agreements ("**FSAs**") or in the relevant PPA and, for the Group's UAE facilities, is provided by the off-taker under the PWPA. Fuel costs under the FSAs are included as part of the energy charge portion of the tariff such that the relevant project company minimises its exposure to changes in fuel costs.

Similarly, operating, maintenance and financing costs for the entire life of the PPA or PWPA are factored into the tariff under the PPA or PWPA, under cost plus or lump sum arrangements.

In addition to this, PPAs, PWPAs and related agreements provide for protection against certain risks to which the project company might be exposed. For example, part of the tariff related to the Neyveli facility in India is indexed to the U.S. dollar to protect against adverse movements in the rupee against the U.S. dollar.

As a result, the Group's Power and Water business is generally a long-term contracted business with historically stable cash flow and earnings.

UAE power and water assets

TAQA has a 54% interest in each of its eight UAE power generation and water desalination plants, with ADWEA having a 6% interest in each such plant. The remaining 40% interest in each of these plants is held by various international partners.

The plants (or the project companies that own the plants) sell all their electricity and water production (or electricity generation and water desalination capacity) under PWPAs with ADWEC, under which their compensation is based primarily on the availability of generation and desalination capacity rather than the amount of electricity and desalinated water produced.

Each of these plants is managed, operated and maintained by international partners under long-term operations and maintenance agreements between the relevant international partner and the generation subsidiary concerned.

Each plant has been financed with limited recourse project finance facilities, which contain certain covenant packages, including a prohibition on the payment of dividends in certain circumstances, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Resources — Project finance term loans*".

The table below sets out the key aspects of the Group's UAE power and water facilities as of 30 September 2012, all of which are build, own and operate ("**BOO**") facilities.

Facility	TAQA	Holding	Partners	Gross Power Capacity	Net Interest Power Capacity	Gross Water Desalination Capacity	Net Interest Water Desalination Capacity	Scheduled PWPA Termination
	(%)			*(MW)*		*(MIGD)*		
Taweelah A2	54	Emirates CMS Power Company	ADWEA (6%) Marubeni Corporation (34%) JGC Corporation (6%)	777	420	50	27	2018
Taweelah A1	54	Gulf Total Tractebel Power Company	ADWEA (6%) GDF Suez (20%) TOTAL (20%)	1,600	864	84	46	2020
Taweelah B	54	Taweelah Asia Power Company	ADWEA (6%) BTU Power Company (10%) Marubeni Corporation (14%) Powertek Berhad (10%) JGC Corporation (6%)	2,000	1,080	163	88	2025
Shuweihat S1	54	Shuweihat CMS International Power Company	ADWEA (6%) International Power (20%) Sumitomo Corporation (20%)	1,500	810	100	54	2021
Shuweihat S2	54	Ruwais Power Company	ADWEA (6%) GDF Suez (20%) Marubeni Corporation (20%)	1,500	810	100	54	2028
Umm al Naar	54	Arabian Power Company	ADWEA (6%) International Power (20%) Mitsui & Co., Ltd. (6%) Tokyo Electric Power Co. (14%)	2,256	1,218	160	86	2023
Fujairah 1	54	Emirates SembCorp Water & Power Company	ADWEA (6%) SembCorp Utilities (40%)	861	465	100	54	2026
Fujairah 2	54	Fujairah Asia Power Company	ADWEA (6%) International Power (20%) Marubeni Corporation (20%)	2,000	1,080	130	70	2027
Total				12,494	6,747	887	479	

The table below shows the power availability (as a percentage of contracted capacity) of each of the UAE generation facilities for the nine months ended 30 September 2011 and 2012 and for the years ended 31 December 2011, 2010 and 2009.

	Nine months ended 30 September[2]		Year ended 31 December[2]		
	2012	2011	2011	2010	2009
Taweelah A2	95.13%	84.03%	87.99%	93.67%	95.19%
Taweelah A1	96.81%	94.74%	92.65%	95.63%	95.98%
Taweelah B	97.57%	94.26%	91.34%	94.90%	97.35%
Shuweihat S1	95.42%	95.44%	92.67%	93.02%	97.55%
Shuweihat S2[1]	95.67%	–	–	–	–
Umm al Naar	96.01%	94.64%	93.98%	92.04%	94.31%
Fujairah F1	95.83%	96.60%	95.71%	94.55%	93.58%
Fujairah F2[1]	92.19%	96.57%	94.07%	–	–

Notes:

(1) Data for earlier periods is not available reflecting the fact that the Fujairah F2 plant only commenced commercial operations in July 2010 and the Shuweihat S2 plant only commenced commercial operations in July 2011.

(2) All figures given are averages of monthly averages.

All of the Group's UAE power and water facilities use natural gas as their primary fuel, with natural gas supplied by ADWEC. The natural gas is not charged to the generator. Rather, the generator pays a penalty or receives a bonus, depending upon how efficiently it uses the fuel. Back-up fuel is supplied on a "pass-through" basis pursuant to which the generator purchases the fuel and then passes the cost of the fuel on to the off-taker in the tariff under the relevant PWPA. Each plant must procure its own back-up fuel, in the form of fuel oil purchased from Abu Dhabi National Oil Company ("**ADNOC**"), and in that regard is required to maintain a seven day fuel oil storage capacity (with the exception of two plants that must maintain larger storage capacities). Back-up fuel oil costs are also "pass-through" to ADWEC under the relevant PWPA for each UAE power and water facility.

ADWEC determines the fuel usage for each of the UAE facilities. During periods of low natural gas availability, a plant may be required to use back-up fuel oil for its operations. Such usage is permissible over extended periods, but extensive use over a long period may lead to higher maintenance costs and increased maintenance requirements, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks relating to the Group's Power Generation and Water Desalination Businesses — Reliance on back-up fuel over extended periods of time may have a material adverse effect on power and water plant operations*".

The Dolphin pipeline, operated by Dolphin Energy Limited, commenced operations in May 2007 and reached full capacity in early 2008. When operating at full capacity, the pipeline carries approximately 2,000 mmscf/d of natural gas from Qatar to the UAE. ADWEA is the principal UAE customer for the gas transported through the Dolphin pipeline and, as a result, problems related to gas shortages experienced by the UAE generation subsidiaries in the period before the pipeline was built were reduced significantly once the pipeline became fully operational. However, demand for natural gas in the UAE continues to increase and ADWEC, as the Group's sole gas supplier in the UAE, continues to face competing priorities and is not always able to make natural gas available to the Group in the quantities required to operate its facilities. In such instances, the UAE generation subsidiaries must rely on back-up fuel to operate their plants. The Group's UAE generation facilities have used increasing amounts of back-up fuel in recent years, with total consumption of back-up fuel of 86.9MIG in 2009, 234.1MIG in 2010 and 128.6MIG in 2011.

International power and water assets

TAQA owns controlling interests in power generation facilities in Morocco, India and Ghana. TAQA also owns an interest in a tolling agreement in relation to a power generation facility located in the State of New Jersey in the United States and minority interests in an aluminium smelter and related power generation facility in Oman and in a power generation plant in Saudi Arabia.

The table below sets out the key aspects of the Group's majority-owned interests in international power and water facilities as of 30 September 2012, that are operated by or through its subsidiaries.

Facility	Location	TAQA's Interest	Partners	Gross Power Capacity	Net Power Capacity	Fuel	Off-taker	Scheduled PPA Termination	Ownership Type
		(%)		*(MW)*					
Jorf Lasfar	Morocco	100	–	1,356	1,257	Coal	ONEE	2027	BOOT[1]
Neyveli	India	99.99	–[2]	250	250	Lignite	TANGEDCO	2023	BOOT
Takoradi	Ghana	90	VRA	220	198	Tri-fuel	VRA	2025	BOO
Red Oak	United States	85	Morgan Stanley	832	707	Natural Gas	PJM Market	N/A	Tolling agreement

Notes:

(1) Build, own, operate and transfer.

(2) A nominal number of shares are held by the original third party developer of the project.

Jorf Lasfar (Morocco)

The Jorf Lasfar power plant is a coal-fired plant comprising two 330MW generation units (units 1 and 2) and two 348MW generation units (units 3 and 4) located on the Atlantic Coast of Morocco. The Jorf Lasfar plant is a major power supplier in the Moroccan market, satisfying over half of the country's base-load electricity demand. The Jorf Lasfar facility is owned, operated and maintained by the Group. Units 1 and 2 commenced commercial operations on 1 July 1994 and 2 December 1994, respectively. Units 3 and 4 commenced commercial operations on 3 June 2000 and 4 February 2001, respectively.

Under the Jorf Lasfar PPA, all power generation capacity and power generation is sold to ONEE, Morocco's state-owned off-taker. Coal for the plant is imported from a variety of countries, including Colombia, Indonesia, Poland, Russia, South Africa and the United States. The plant has coal handling facilities that manage logistics for the landing of coal deliveries received by ship at a neighbouring, purpose-built port. The plant maintains sufficient coal reserves to operate all four units for approximately 40 days without receiving any further shipments of coal. Fuel costs are "pass-through" to ONEE as part of the tariff under the Jorf Lasfar PPA.

In April 2011, Jorf Lasfar Energy Company 5&6 SA ("**JLEC 5&6**"), an indirect wholly-owned subsidiary of TAQA, signed agreements with ONEE, including a 30-year PPA, in relation to the development of two additional 350MW units at the site of the Jorf Lasfar plant (units 5 and 6). This expansion is intended to increase the facility's gross generation capacity from 1,356MW to 2,054MW. As at 30 September 2012, the expansion project was 73% complete, and TAQA expects to have the new units in commercial operation in the first half of 2014. A consortium of Mitsui & Co., Ltd. and Daewoo Engineering & Construction Co. Ltd. was selected as the engineering, procurement and construction contractor for the Jorf Lasfar expansion, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Commitments — Capital expenditure*".

In addition, in June 2012, JLEC 5&6 entered into financing documents for the multitranche project financing of the expansion, the closing and funding of which is subject to the fulfilment of certain conditions precedent. Pending the closing and funding of this project financing, the extension of the Jorf Lasfar facility, on which construction has already commenced, is being funded through bridge loans from TAQA. These bridge loans are recorded as accounts receivable from the offtaker as the offtaker is ultimately responsible for the costs of construction. Although each tranche of financing is subject to certain conditions, all tranches are governed by a common terms agreement (the "**Common Terms Agreement**"), which upon closing will restrict the ability of JLEC 5&6 to make distributions to shareholders based on factors such as repayment history and a prescribed order of priority for payments. JLEC 5&6 has made a series of positive and negative undertakings under the Common Terms Agreement, ranging from performance of a designated hedging strategy related to both interest rate and foreign exchange rate risk to limitations on other borrowings, loans and guarantees. The Common Terms Agreement subjects the financing to certain customary events of default, such as insolvency and nationalisation, and includes a cross-default clause linked to other financing agreements.

The table below shows the power availability (as a percentage of contracted capacity) for the Jorf Lasfar generation facility for the nine months ended 30 September 2012 and 2011 and for the years ended 31 December 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
Jorf Lasfar	93.65%	93.61%	91.92%	92.12%	90.83%

Neyveli (India)

ST-CMS, a 99.99% owned indirect subsidiary of TAQA, was established in November 1993 to develop, own and operate a 250MW lignite-fired power plant near an open-cast lignite mine located in Neyveli, Tamil Nadu, India. The facility was developed and constructed by ST-CMS and commenced full commercial operations on 15 December 2002. ST-CMS sells the entire capacity of the Neyveli plant to TANGEDCO, the local state government-owned utility, under a 30-year PPA, which was entered into on 4 November 1993. ST-CMS is also responsible for the operation and maintenance of the plant and related facilities.

Fuel (lignite) is supplied by Neyveli Lignite Corporation ("**NLC**") under a 30-year fuel supply agreement, with the cost being "pass-through" to TANGEDCO as part of the tariff, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks relating to the Group's Businesses Generally — The Group is substantially dependent on a limited number of customers for a significant proportion of its revenue and is also dependent on third party suppliers of fuel to its power and water generation subsidiaries*". The power generation facility has a lignite storage capacity of 75,000 metric tonnes with an average lignite stock on hand of 30,000 metric tonnes. In addition, NLC maintains a stock of at least 50,000 metric tonnes at the mine.

The table below shows the power availability (as a percentage of contracted capacity) for the Neyveli generation facility for the nine months ended 30 September 2012 and 2011 and for the years ended 31 December 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
Neyveli	91.33%	89.30%	85.25%	87.00%	81.57%

As part of its organic growth strategy, TAQA has commenced preliminary studies with a view to possible expansion of the Neyveli plant to 500MW.

Takoradi (Ghana)

The Group operates a 220MW simple-cycle tri-fuel compatible (natural gas, fuel oil or distillate/light crude) power plant located 220km west of Accra, Ghana. TAQA has a 90% ownership interest in Takoradi, with the remaining 10% owned by the Volta River Authority (the "**VRA**"), which is a state-owned entity. All power produced from the Takoradi facility is sold under a 25-year PPA with the VRA, which was entered into on 1 March 1999. The facility commenced commercial operations in 2000. Fuel for the plant is supplied to Takoradi by the VRA at cost, with these costs being "pass-through" to the VRA as part of the tariff.

The Group received Ghanaian parliamentary approval in July 2012 to convert the facility from a simple-cycle to a combined-cycle generation facility, which will increase the net generating capacity from 220MW to approximately 330MW. Project documentation and financing arrangements were also concluded in July 2012, with closing and funding of the financing subject to the fulfilment of certain conditions precedent. Construction commenced in the third quarter of 2012.

The table below shows the power availability (as a percentage of contracted capacity) for the Takoradi generation facility for the nine months ended 30 September 2012 and 2011 and for the years ended 31 December 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
Takoradi	91.34%	64.14%(1)	70.83%(1)	93.91%	91.01%

Note:

(1) Takoradi experienced an unplanned outage in the late summer months of 2011 as a result of a damaged generator rotor.

TAQA Gen-X (United States)

TAQA owns 85% of TAQA Gen-X as a limited partner, with an affiliate of Morgan Stanley owning the remaining 15% as the sole general partner. TAQA Gen-X, through its wholly-owned subsidiary, TAQA Gen-X LLC, owns the Red Oak Tolling Agreement for the Red Oak power generation facility in Sayerville, New Jersey. Therefore, TAQA has a contractual interest only, through the Red Oak Tolling Agreement, in the Red Oak plant. The Red Oak facility is a combined cycle power generation facility of approximately 832MW owned and operated by AES Red Oak LLC. Pursuant to the Red Oak Tolling Agreement, TAQA Gen-X is entitled to the economic rights (revenue from the sale of electricity, capacity payments and any other ancillary services) of the power generation facility. TAQA Gen-X is required to supply the fuel and make certain fixed and variable payments to the operator of the Red Oak facility. Gas is currently procured through gas supply/transport agreements with Public Service Enterprise Group Incorporated ("**PSEG**"). The Red Oak Tolling Agreement expires in 2022.

Oil and Gas

The Group is engaged in upstream and midstream oil and gas businesses in Canada, the United States, the UK North Sea and The Netherlands. The Group's upstream business includes exploration, development and production of crude oil, natural gas and natural gas liquids and its midstream business comprises gas storage facilities, processing plants, pipeline interests and associated assets.

Upstream exploration and production

The Group has oil and gas exploration, development and production operations in North America and Europe. The Group's North American operations are located in the Canadian provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario and the Northwest Territories and in the states of Montana, North Dakota and Wyoming in the northwest United States. The Group's European exploration and production operations consist of assets in the UK North Sea and The Netherlands (both onshore and offshore).

The Group's exploration and production strategy is focused on optimising the return from its existing asset base. To this end, the Group is pursuing extensive development opportunities related to its exploration land portfolio in North America. The Group has also acquired a number of producing fields across its portfolio of oil and gas assets in Europe and is investing in these fields to enable it to extract oil and gas more efficiently from current reserves, locate additional reserves (within and near to the known fields) and operate the assets more effectively. For example, as a result of these investments, the Group had an average total crude oil, natural gas liquids and natural gas production from its UK North Sea assets of 42,500 boe/d for the nine months to 30 September 2012, over twice the level of production of those assets prior to their acquisition in 2008. While the Group has improved recovery and added reserves to the development, it has also invested significant capital to improve and enhance infrastructure, creating safer facilities with more facility uptime, as well as greater operational and cost efficiency.

Another important element of the Group's upstream strategy is the use of optimised drilling and completion technologies, as well as disciplined and focused exploration techniques.

TAQA continues to study selective acquisitions around its existing assets and capabilities to complement the growth of its upstream oil and gas business. In addition to producing assets, TAQA seeks to acquire undeveloped assets through competitive auctions, joint ventures, asset acquisitions or other corporate transactions.

Exploration and development activities

The Group is involved in both exploration (the search for crude oil and natural gas) and development (the bringing into production of wells). The Group's exploration operations include aerial surveys, geological and geophysical studies (such as seismic surveys), drilling of wildcat wells, core testing and well logging.

Seismic surveys involve recording and measuring the rate of transmission of shock waves through the earth with a seismograph. Upon striking rock formations, the waves are reflected back to the seismograph. The time lapse is a measure of the depth of the formation. The rate at which waves are transmitted varies with the medium through which they pass. Seismic surveys may either be three-dimensional or two-dimensional surveys, the former type generally giving a better and more detailed picture and the latter a better overall picture.

Analysis of the data produced allows the Group to formulate a picture of the underground strata to enable it to form a view as to whether there are any leads or prospects. "**Leads**" are preliminary interpretations of geological and geophysical information that may or may not lead to prospects and "**prospects**" are geological structures likely to be conducive to the production of crude oil and natural gas. The actual existence of such oil and gas must be confirmed, usually by the drilling of a wildcat well. If the wildcat well confirms the prospect (that is, is considered "**successful**"), the Group may then drill a delineation (or appraisal) well to acquire more detailed data on the reservoir formation. Once hydrocarbons are proven to be present in commercially recoverable quantities, or the delineation well is successful, development wells may be drilled to prepare for production. An area is considered to be developed when it has a well on it capable of producing oil or gas in paying quantities.

Reserves and production

The Group categorises its crude oil reserves as "**proved**" reserves when those quantities are commercially practical to produce in the future based on existing geological and engineering data, forecast prices and economic conditions. Thereafter, the Group may categorise additional reserves from such prospects as proved as and when the Group determines that additional quantities are reasonably certain to be recoverable in the future under existing economic and operating conditions. This practice is defined in TAQA's Corporate Reserves Evaluation Policy and Procedure, consistent with the Society of Petroleum Engineers Petroleum Resources Management System ("**PRMS**") guidelines with respect to such additional reserves, but may be viewed as more conservative than such guidelines with respect to the initial classification of reserves as proved from a particular prospect. Proved reserves do not include hydrocarbons that may be produced as a result of the introduction of new technology (unless such technology has been used successfully before) or changes in prices or economic conditions. The Group's proved reserves are reported on a gross basis, which includes the Group's net working interests and the related host-country interests.

In the case of reserves of natural gas and natural gas liquids, the Group does not consider reserves from particular prospects as proved until the material terms of a sales agreement for natural gas or condensate from such prospect have been agreed with a purchaser.

The Group categorises reserves as "**probable**" when there are additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves. These probable additional reserves are equally likely to have actual remaining quantities recovered which are greater or less than the sum of the estimated proved plus probable reserves ("**2P**"), that is, a 50% probability that the actual quantities recovered will equal or exceed the 2P reserves.

The Group's total proved and probable reserves of crude oil, natural gas liquids and natural gas as at 31 December 2011 were 586.1 mmboe. The Group's overall reserves replacement ratios in 2010 and 2011 were 176% and 101%, respectively. The Group's reserves replacement ratio is the ratio of organic additions (that is additions made other than by acquisition) to 2P reserves in a period divided by production in that period (other than through acquisitions). For further discussion on the Group's reserve base, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Accounting Judgments, Estimates and Assumptions — Oil and Gas Reserves*".

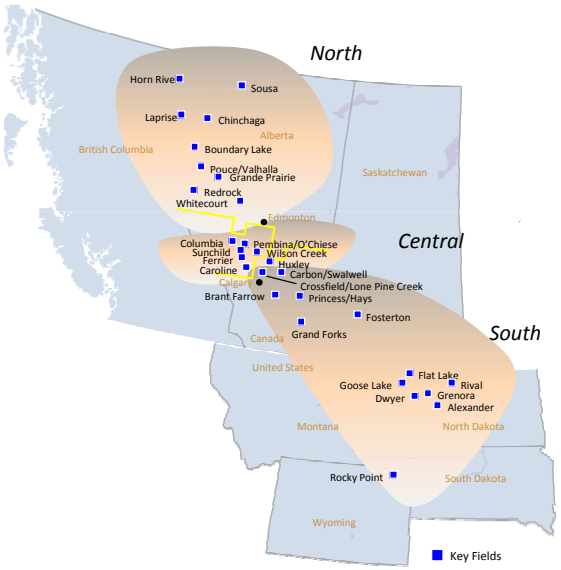
North America — properties

The Group's North American oil and gas business is focused on conventional oil and gas production in the Western Canada sedimentary basin and in the northwestern United States.

The Group has extensive land holdings in North America with exploration and production rights. As of 30 September 2012, the Group had approximately 1.22 million net producing acres with

approximately a further 1.62 million net acres of non-producing land, as well as an interest in approximately 556,000 producing acres and 344,000 non-producing acres. TAQA's strategy is to realise the full potential of this land base through exploration and development-drilling programmes. As part of that strategy, TAQA will continue to consider acquisitions of land holdings that complement its core operating areas, while disposing of land that is not core to its operations. For example, in each of the years ended 31 December 2010 and 2011 and in the nine months ended 30 September 2012, the Group has disposed of non-core assets in North America, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Years ended 31 December 2011, 2010 and 2009 Compared — Other Income and Expense Items — Other income and expenses*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Nine Months ended 30 September 2012 Compared to Nine Months ended 30 September 2011 — Other Income and Expense Items — Other income and expenses*". The Group has also engaged in targeted acquisitions of assets that are complementary to the Group's existing activities, including the purchase in October 2012 from NuVista Energy of producing and prospective properties in the Sunchild Upper Mannville area.

The following map sets out the approximate location of oil and gas producing properties in North America that are owned and/or operated by the Group:



Crude oil and natural gas leases held by the Group in Canada have been acquired by public auction from the Crown (the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario and the Northwest Territories) or acquired from private freehold owners by direct negotiation. Crown leases, which comprise the majority of the leases held by the Group in Canada, typically have terms of five years and then revert back to the Crown. If a lease is proven productive at the end of its five-year term (for example, by drilling, mapping or producing), the lease continues beyond its five-year term until the holder can no longer prove that the lease is capable of producing oil and gas or is lost through rental or royalty payment default or by voluntary surrender. In the United States, almost all of the Group's leases are freehold with a three-year primary term after which, unless the lease has been proved productive, it reverts to the original owner. The Group manages its leases to ensure that all properties are reviewed for development potential and either drilled or sold or are attempted to be farmed out in advance of the expiry dates of the leases. Terms for freehold leases with private owners vary in terms of bonus payments, annual rental fees, royalties and duration. Economic conditions required to develop the leases are based on meeting internal rates of return.

The Group's North American oil and gas activities are divided into three main areas: North, Central and South. The North area encompasses all assets generally north of Township 50 from the Alberta-Saskatchewan border west through Alberta and into Northeast British Columbia. In total, the Group's assets in this area span over 1.8 million gross (1.1 million net) acres, of which slightly less than 0.7 million net acres are non-producing, and an additional interest in approximately 237,000

producing acres. Mineral rights ownership is varied across the lands and includes both operated and non-operated producing properties. The Group's oil and natural gas production facilities in the North consist mainly of well site separation and dehydration, low pressure gas gathering systems, oil batteries and compressor stations. The Group also owns and operates gas plants in Sousa, Chinchaga, Valhalla and Whitecourt. Where the Group does not own the gas plants or processing facilities, its gas gathering systems are connected to processing plants operated by other operators.

The Central area falls within West Central Alberta and consists of a large, geographically focused group of assets located south and west of Edmonton, Alberta generally within Townships 27 to 54, Ranges 1 to 27 west of the 5th Meridian. In total, the Group's properties in this area span approximately 1.2 million gross (0.7 million net) acres, of which slightly more than 0.3 million net acres are non-producing, and an additional interest in approximately 87,000 producing acres. Mineral rights ownership is varied across the lands and includes both operated and non-operated producing properties. The Group's crude oil and natural gas production facilities in the Central area consist of well site separation and dehydration, extensive gas gathering systems, and field and booster compressor stations. The Group operates several gas plants in the areas including Bearberry, Caroline, Columbia, Carrot Creek, Sundre and Brewster, and has a working interest in several non-operated gas plants. It also operates two central multi-well oil batteries including water disposal facilities.

The South area stretches across Southern Alberta (generally south of Township 53, west of the 4th Meridan and south of Township 30, west of the 5th Meridian) and Southwest Saskatchewan (generally south of Township 26) and into the States of Montana, North Dakota and Wyoming in the North Western United States. In total, the Group's properties in this area span approximately 1.4 million gross (1.0 million net) acres, of which slightly more than 0.6 million net acres are non-producing, and an additional interest in approximately 233,000 producing acres. The Group's natural gas production facilities in the South area consist of the East Crossfield gas plant which it operates. The Group's low pressure gas gathering systems and field compression stations are connected to processing infrastructure operated by both itself and other operators. There are central, multi-well oil batteries at Brant Farrow, Grand Forks, Viking Kinsella and Mikwan. The oil production in the United States is generally connected by pipeline to major oil transmission systems from single or multi-well batteries.

North America — reserves and production

As of 31 December 2011, the Group had proven plus probable reserves in North America of 464.7 mmboe consisting of 1,736.7 bcf of natural gas and 175.2 mmbbls of oil and natural gas liquids.

The table below gives details of the Group's reserves in North America as at 31 December 2011.

	Crude oil	Natural gas liquids	Natural gas	Barrels of oil equivalent
	(mmbbls)	*(mmbbls)*	*(bcf)*[1]	*(mmboe)*
Proved reserves	80.5	29.2	973.1	271.9
Probable reserves	45.4	20.1	763.6	192.8
Total reserves	**125.9**	**49.3**	**1,736.7**	**464.7**

(1) Figures can be converted into barrels of oil equivalent by dividing by six.

The Group's North American reserves replacement ratios in 2010 and 2011 were 235% and 114%, respectively.

In 2011, the North American properties produced 88,114 boe/d on average of crude oil, natural gas liquids and natural gas. In the nine months ended 30 September 2012, TAQA's North American properties produced 84,501 boe/d on average, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*".

The Group has entered into a range of sale and purchase agreements in relation to its North American crude oil and natural gas production. The pricing mechanism for these agreements is generally based on the spot price for the relevant commodity at the time of delivery to the purchaser,

although the Group does have one natural gas sale and purchase agreement where the price is fixed subject to a yearly escalator. This contract expires in December 2014 and relates to a volume of 8.7 mmcf/d. TAQA North has also entered into derivative contracts to hedge a portion of its crude oil and natural gas production, although its commodity derivative programme was suspended during the second quarter of 2012, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue — Average realised prices*".

Almost all of the Group's North American crude oil production is sold on the basis of 30-day evergreen contracts based on the price of crude oil set by the oil industry's exchange traded monthly weighted average indices.

In addition to its North American oil and gas reserves, the Group's largest gas production facilities in North America are:

Facility	Location	Capacity	Throughput
East Crossfield Sour Gas Facility	Alberta, Canada	70 mmcf/d	48 mmcf/d
Sundre Gas Facility with Liquids Recovery	Alberta, Canada	44 mmcf/d	30 mmcf/d
Chinchaga Gas Facility	British Columbia, Canada	50 mmcf/d	20 mmcf/d
Blue Rapids Gas Facility	Alberta, Canada	30 mmcf/d	21 mmcf/d
Whitecourt Gas Facility	Alberta, Canada	58 mmcf/d	20 mmcf/d
Bearberry Gas Facility	Alberta, Canada	40 mmcf/d	16 mmcf/d

Europe — properties

In Europe, the Group's areas of exploration and production are the UK North Sea (offshore) as well as The Netherlands (onshore and offshore). The Group's licences in relation to its UK North Sea assets have varying terms depending on the type of interest held. Typically, where a Group company is the operator of a field, the Group is responsible for a portion (based on its equity share) of the abandonment and/or decommissioning costs in relation to platforms, pipelines, sites and wells, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business Generally — The Group could incur significant decommissioning costs in relation to its facilities*".

Within the UK, TAQA is aiming to increase the number of assets where the Group is the operator. As operator, the Group has the benefit of control over the operation and risk management of such assets, but also assumes the related liabilities of such assets as primary duty holder. Group companies are currently the duty holder of installations in the Tern, Eider, North Cormorant and Cormorant Alpha fields in the North Sea, having assumed this role nine months after the Group's acquisition of these assets.

The table below shows the working interest in TAQA's European crude oil and natural gas assets and identifies the operator of each asset.

Asset	Oil/Gas	TAQA Working Interest	Operator
UK North Sea			
North Cormorant	Oil	100%	TAQA Bratani
Cormorant Alpha	Oil	100%	TAQA Bratani
Eider	Oil	100%	TAQA Bratani
Tern	Oil	100%	TAQA Bratani
Pelican	Oil	100%	TAQA Bratani
Kestrel	Oil	100%	TAQA Bratani
Hudson	Oil	26.7%	Dana
Otter	Oil	80.996%	TAQA Bratani
Falcon	Oil	100%	TAQA Bratani
Timon	Oil	18%	MPX
Contender	Oil	60%	TAQA Bratani
Brent System Pipeline	Oil	16%	TAQA Bratani
Sullom Voe Terminal	Oil	24%	BP
Exploration (P.1752 / P.1845)	Oil	100%	TAQA Bratani
Exploration (P.1774)	Oil	75%	TAQA Bratani

Asset	Oil/Gas	TAQA Working Interest	Operator
Exploration (P.296)	Oil	100%	TAQA Bratani
Exploration (P.205)	Oil	40%	TAQA Bratani
Exploration (P.1845)	Oil	100%	TAQA Bratani
Exploration (P. 184/P.474) Darwin	Oil	50%	Fairfield
Cladhan	Oil	40.1%	TAQA Bratani
Brae — Block 16/17a	Oil/Gas	18%	Marathon Oil UK Limited
East Brae	Oil/Gas	16.7%	Marathon Oil UK Limited
Braemar	Oil/Gas	13%	Marathon Oil UK Limited
SAGE Pipeline	Gas	9%	Exxon Mobil (transfer pending to Apache)
SAGE Terminal	Gas	9%	Exxon Mobil (transfer pending to Apache)
The Netherlands			
Middelie Onshore	Gas	80%	TAQA Energy
P/15 and P/18 offshore	Gas	Various	TAQA Energy
Bergen onshore	Gas	36%	TAQA Energy
Rijn Field	Oil	38.34%	TAQA Energy
L-8D	Gas	17.9%	Cirrus
F3FB producing	Gas	23.4%	Gaz de France Suez
Q1/P9 producing and developing	Oil/Gas	Various	Chevron
G14 producing	Gas	7%	Gaz de France Suez
A/B producing and developing	Gas	3.9%	Chevron

Europe — reserves and production

The UK North Sea properties had proven plus probable reserves of 106.8 mmboe as at 31 December 2011, consisting of 105.3 mmbbls of crude oil and natural gas liquids, and 9.1 bcf of natural gas. The Netherlands' proven plus probable reserves were 15.1 mmboe as at 31 December 2011, consisting of 67.4 bcf of natural gas and 3.9 mmbbls of crude oil and natural gas liquids.

The tables below gives details of the Group's reserves in the UK North Sea and The Netherlands as at 31 December 2011.

	Crude oil	Natural gas liquids	Natural gas	Barrels of oil equivalent
	(mmbbls)	*(mmbbls)*	*(bcf)*[1]	*(mmboe)*
UK North Sea				
Proved reserves	51.5	0.2	4.4	52.4
Probable reserves	53.4	0.2	4.7	54.4
Total UK North Sea reserves	**104.9**	**0.4**	**9.1**	**106.8**

(1) Figures **can** be converted into barrels of oil equivalent by dividing by six.

	Crude oil	Natural gas liquids	Natural gas	Barrels of oil equivalent
	(mmbbls)	*(mmbbls)*	*(bcf)*[1]	*(mmboe)*
The Netherlands				
Proved reserves	1.8	0.6	48.7	10.5
Probable reserves	1.3	0.2	18.7	4.6
Total Netherlands reserves	**3.1**	**0.8**	**67.4**	**15.1**

(1) Figures can be converted into barrels of oil equivalent by dividing by six.

The Group's UK reserves replacement ratios in 2010 and 2011 were 71% and 80%, respectively. The Group's reserves replacement ratios in The Netherlands in 2010 and 2011 were 34% and 97%, respectively.

In 2011, the average daily production of crude oil, natural gas liquids and natural gas from the Group's UK North Sea properties was 42,800 boe/d. In the nine months ended 30 September 2012, the Group's UK North Sea properties produced 42,500 boe/d on average. The average daily production from the Group's Netherlands properties in 2011 was 8,100 boe/d. In the nine months ended 30 September 2012, the Group's Netherlands oil and gas properties produced 7,400 boe/d on average, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*".

Approximately 90% of the Group's UK North Sea production is crude oil, with the balance being natural gas. In The Netherlands, approximately 86% of the Group's production is natural gas, with the remainder being crude oil.

The Group has three annual sale and purchase agreements in place in relation to its UK North Sea production, two relating to crude oil production with a pricing mechanism related to the average monthly Platt's price for Brent crude and Forties crude, respectively, and the third relating to its natural gas production which is predominantly sold on the spot market. The Group's Netherland's crude oil production is sold under a sale and purchase agreement where the price is based on Brent spot whilst the Group's Netherlands natural gas production is sold to Gas Terra at a price based on the normalised index price ("**NIP**"), which is calculated from a rolling average of a range of indicators.

Midstream oil and gas storage, processing and transport

The Group's midstream business consists of gas storage and oil and gas processing and transport (pipeline interests) assets in Europe and North America, with Europe being the focus for the Group's midstream business growth.

TAQA recognises the potential of gas storage as an important part of the Group's midstream oil and gas business and intends to focus on two key growth projects: expanding the peak gas installation in Alkmaar ("**PGI Alkmaar**") and completing the development of the Bergermeer gas storage facility. Both facilities are located onshore in The Netherlands, with PGI Alkmaar operational since 1996 and Bergermeer in the construction phase. If and when completed, the Bergermeer gas storage project is expected to significantly enhance the Group's presence in the gas storage market in northwestern Europe.

The commercial rationale behind the development of gas storage facilities is to facilitate third parties taking advantage of the seasonal natural gas price differential in Western Europe, which results principally from the use of natural gas for heating leading to higher natural gas demand in the winter. Natural gas storage and/or trading companies seek to leverage the excess supply of lower priced natural gas in summer by storing such natural gas with a view to reselling it in winter at higher prices. The Group's Bergermeer gas storage project is intended to provide significant additional capacity to inject, store and provide natural gas to the market.

The Netherlands midstream assets

PGI Alkmaar

PGI Alkmaar is a peak shaving natural gas storage facility operated by the Group. The Group, through TAQA Energy B.V., has a 36% interest in the facility, with the other stakeholders being Energie Beheer Nederland B.V. ("**EBN**"), an entity controlled by the Dutch government which has a 40% interest in the facility, and Dyas B.V. and Dana Petroleum Netherlands B.V., which each have a 12% interest in the facility. PGI Alkmaar was the first peak shaver in The Netherlands designed and built specifically to provide security of supply using stored natural gas. PGI Alkmaar is designed to meet peak demand in the west of The Netherlands during winter and to meet emergency natural gas supply requirements in the event of network interruptions. TAQA is currently evaluating a further expansion of the PGI Alkmaar storage facility.

All the working gas capacity in the PGI Alkmaar facility is owned by GasTerra, an international company which trades in natural gas. GasTerra operates on the European energy market and has a significant share of the Dutch gas market. The Dutch government has a 50% stake in GasTerra directly and through EBN. The Group has a long-term peak shaving contract with GasTerra that is due to expire in 2017.

Bergermeer

The Bergermeer gas storage project, in which TAQA holds a 60% stake, is the conversion by the Group and its partner, EBN, of the nearly depleted Bergermeer gas field into what is expected to be one of northwest Europe's largest underground gas storage facilities, with a working volume of 4.1 bcm. Bergermeer is strategically located at a crossroads of gas export routes from Russia (such as Nordstream, which is controlled by Gazprom) and Norway to northwest Europe. The execution of this project is facilitated by using and expanding on the Group's existing expertise gained from successfully constructing and operating PGI Alkmaar, as well as the Group's drilling and reservoir management capabilities. Significant capital investment is required to build the facility (which includes a processing and compression plant), drill an additional 14 wells and construct pipelines which will connect the wells to the compression and processing facility and on to the gas distribution network.

A significant step in the development of the Bergermeer gas storage project was reached in August 2009 with the signing of an agreement between TAQA, EBN and Gazprom Export LLC (a subsidiary of Gazprom). Under this agreement, Gazprom Export agreed to deliver a defined amount of cushion gas for injection into the Bergermeer reservoir. In exchange, Gazprom Export LLC will become a strategic participating customer of the Bergermeer facility and Gazprom Marketing & Trading Limited ("**GM&T**"), a subsidiary of Gazprom, will receive a participating interest in the technical operation of the facility under a joint operating agreement between, among others, TAQA and GM&T. Cushion gas is critical to ensure that the reservoir has the optimal pressure in order to start commercial storage operations in the future.

Once completed, the Group will be the operator of the Bergermeer facility, which is expected to remain in service for 40 to 50 years. The Bergermeer gas storage facility is an open access natural gas storage facility, which means that the majority of the storage capacity will be made available to the market through negotiated third party access rights.

The Bergermeer gas storage project is at an advanced stage of its development, with the technical design complete, injection of cushion gas having commenced and construction underway. The final approvals and permits to construct and operate the Bergermeer gas storage facility were received from the Dutch Minister of Economic Affairs, Agriculture & Innovation, the Dutch Minister of Infrastructure & Environment and other authorities on 19 May 2011. Several appeals to the issuance of these approvals and permits were filed, as well as requests for a suspension of certain site activities, and a hearing on the requests for a suspension was held before the President of the Legal Department of the Council of State on 26 July 2011. On 8 August 2011, The Netherlands Council of State announced the suspension of the approvals and permits for the Bergermeer gas storage facility until all appeals regarding the permits and approvals for the facility had been resolved. The effect of this suspension was to delay the site preparation activities. The final non-appealable appeal decision of The Netherlands Council of State was delivered on 2 May 2012 and the permits and approvals originally granted were upheld. As a result of the delay in starting site preparation activities, TAQA currently expects that the Bergermeer gas storage facility will start operations with partial capacity in April 2014 and full commercial operations in April 2015, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under the Notes — Risks Relating to the Group's Business Generally — The Group's projects under construction may not commence operation as scheduled or within budget or may not meet project specifications*".

DSM Energie

In 2009, TAQA acquired DSM Energie from Royal DSM N.V. In addition to interests in certain producing fields, the assets held by DSM Energie which were acquired by TAQA include non-Group operated interests in the pipeline company Noordgastransport and three other pipelines.

UK North Sea terminals and the Brent system

TAQA has an interest in two non-operated terminal facilities in the UK comprising: (i) a 24% interest in the Sullom Voe oil terminal (operated by BP Exploration Operating Company Limited); and (ii) a 9% interest in the SAGE oil terminal (operated by Mobil North Sea Limited).

The Sullom Voe oil terminal is a 1,000 acre site that contains 16 storage tanks with 9 mmbbls of total capacity. It also connects to three oil pipelines flowing from the northern North Sea — the Brent system, Ninian and Clair — and to two gas pipelines. The site has a throughput design capacity of 1.4 mmbbls/d.

The SAGE oil terminal is currently capable of handling 20% of the UK's oil demand and has a throughput capacity of 1,890 mscf/d.

The Group became the sole operator of the Brent system, a partnership between the companies that own an interest in the Brent distribution system, on 1 August 2009. The Brent system, in which the Group has a 16% interest, is responsible for transporting around 100,000 bbls/d of oil from 20 North Sea fields, accounting for almost 37% of the Sullom Voe terminal input and around 8% of UK offshore oil production.

North America — East Cantuar gas storage facility and Alliance pipeline

The Group's 50% interest in the East Cantuar gas storage facility in Canada and its position on the Alliance pipeline system are legacy interests following acquisitions made in 2007.

The East Cantuar facility is operated by Husky Oil, which holds the remaining 50% interest in the facility. The storage reservoir is an approximately 7 bcf gas cap on top of two mature oil producing units. Gas is concurrently purchased for injection and sold for delivery at a future date such that the difference between the purchase and sale price is captured at the time of injection with income recognised when gas is delivered to sale. The difference between the purchase price at the time of injection and the sale price recognised when gas is delivered to sale is captured as revenue.

The Group has a transportation obligation to ship 75 mmcf/d of gas on the Alliance pipeline system until 2015. The Group's North American assets produce approximately 60 mmcf/d of proprietary gas that is connected to the Alliance pipeline system and the Group fulfils the remainder of its transportation obligation by purchasing it on the daily spot market. The Group sells the gas it transports under its transportation obligation in the Chicago market, which is the end delivery point for the Alliance pipeline.

Energy Solutions

In addition to the Power and Water and Oil and Gas business streams, TAQA formed a new business stream in January 2012 called Energy Solutions and named Dr. Saif Al Sayari as its Executive Officer. The purpose of Energy Solutions is to develop alternative and technology-driven energy initiatives. The goals include: (i) introducing and developing transformational solutions for energy production and generation; (ii) originating, executing, and operating alternative energy projects; (iii) establishing the Group as a technology and innovation driven organisation; and (iv) accessing untapped development opportunities in the alternative energy market.

Energy Solutions has not yet made any investments and does not currently own or operate any material assets. It has, however, identified several potentially significant projects that it is actively pursuing. For example, Morocco has been identified as one of the key markets in which TAQA would like to grow the Group's energy business, and renewable energy is an area in which Morocco is currently relatively active. As such, the Group and a partner submitted a bid to ONEE for the 150 MW Taza wind energy project, with the successful bidding group not yet having been announced. The Group and two partners have also pre-qualified to submit a bid to ONEE to build, own and operate up to 850 MW of wind energy projects.

In the UAE, TAQA has entered into a memorandum of understanding with the Abu Dhabi Centre of Waste Management to develop a 100 MW waste to energy project in the Emirate of Abu Dhabi and is looking at other similar opportunities if the initial project is successful. The Group is also actively exploring the feasibility of a gas to liquids facility that would be located in North America and support the existing oil and gas business there and is in advanced negotiations in relation to the possible acquisition of wind farms in North America.

Other Investments

Sohar Aluminium — Oman

TAQA owns 40% of Sohar Aluminium, a company organised in Oman. Sohar Aluminium owns and operates an aluminium smelter in Oman that currently produces approximately 360,000 tonnes of aluminium per year. Sohar Aluminium also owns and operates a 1,000MW power generation facility with 75% of the output from the facility dedicated to the smelter and the remaining capacity held in reserve and subject to despatch by the operator of the Omani electrical distribution grid. Sohar Aluminium is currently reviewing the possible expansion of the smelter facility.

Noordgastransport

TAQA holds a 40% non-Group operated interest in Noordgastransport, the operator of the North Gas Transport ("**NGT**") pipeline, which it acquired as part of the DSM Energie acquisition in 2009. NGT is a major natural gas transmission pipeline system in the Dutch North Sea. The pipeline

transports gas produced offshore through a system of pipelines from gas fields in the North Sea to a processing plant in Uithuizen in the north of The Netherlands.

Al Wathba

TAQA holds a 49% ownership interest in Al Wathba Company for Central Services PJSC. The remaining 51% ownership interest and management responsibility in respect of Al Wathba are with Abu Dhabi Investment Company. Al Wathba is engaged in providing support services such as vehicle leasing and maintenance, heating and air conditioning, and equipment leasing to electricity generation and water desalination plants and other businesses in the UAE.

Jubail — Saudi Arabia

TAQA holds a 25% interest in the Jubail power plant in Saudi Arabia. National Power Company, a joint venture established by Al-Zamil & Brothers Co. and Elseif Co., holds the remaining 75% interest in the plant. The Jubail plant is a co-generation facility which has a generation capacity of 260MW and steam production capacity of 510 tonnes per hour.

WesternZagros

On 5 December 2012, the Group sold its approximately 18% interest in WesternZagros, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments*".

Takaful Wataniya

TAQA holds a 6.74% equity interest in National Takaful Company (Wataniya), a UAE company that was recently formed for the purpose of providing Shari'ah compliant insurance products. The shares of this company are traded on the Abu Dhabi Stock Exchange.

HEALTH, SAFETY, SECURITY AMD ENVIRONMENTAL REGULATIONS AND COMPLIANCE

Ensuring the health, safety and security of its employees and environmental compliance are operational priorities for the Group. The Group has dedicated health safety security environment ("**HSSE**") personnel, both at its headquarters in Abu Dhabi and throughout its operating businesses. Specific elements of the Group's commitment to HSSE include:

- ensuring compliance with all applicable HSSE related laws and regulations through specific HSSE policies, procedures and guidelines, including those tailored for specific business units;
- where appropriate, adoption of, and compliance with, international and industry standards and best practices;
- building and enhancing an HSSE compliance culture where all Group personnel from managers to workers are committed to, and accountable for, compliance with the Group's HSSE policies and procedures;
- empowering employees to identify, investigate and resolve underlying causes of HSSE incidents and near misses;
- providing sufficient resources, training, equipment and controls to ensure a safe and secure working environment;
- seeking opportunities to mitigate the Group's impact on the environments in which it operates, including energy and resources conservation in its operations;
- ensuring the security of the Group's assets, business activities, employees and other stakeholders;
- ongoing review and assessment of HSSE performance (compliance) through regular evaluation, assessment and reporting;
- supporting the development and acquisition activities of the Group through participation in due diligence activities regarding HSSE matters; and
- communicating openly with all stakeholders regarding the Group's HSSE performance.

INSURANCE

TAQA maintains insurance coverage in respect of each of its subsidiaries. In the case of the Group's UAE generation assets, each subsidiary has arranged for insurance coverage in accordance

with the terms of the finance documents for the relevant project. The PWPA and financing agreements for each UAE generation subsidiary and the PPA, prudent operations and financing agreements for each non-UAE generation subsidiary require insurance such as third-party liability, physical damage and business interruption insurance.

TAQA's policy is to arrange insurance in respect of its other operations as required and in accordance with international energy industry practice and standards.

TAQA makes claims under its insurance policies from time to time. Certain insurance claims are currently outstanding, but TAQA does not believe that any of the claims, if rejected or not paid in full, would be likely to have a significant adverse effect on the financial position or profitability of the Group.

LITIGATION

In August 2010, the former CEO of TAQA filed a lawsuit against TAQA and its subsidiary TAQA New World, Inc. alleging various causes of action, including breach of contract, retaliatory termination and physical and emotional distress. In general, the complaint seeks over U.S.$80 million in actual damages and in excess of U.S.$50 million in exemplary damages. On 28 September 2011, a U.S. Federal court judge granted TAQA's motion to dismiss the former CEO's claims against TAQA and TAQA New World, Inc. A notice of appeal of the dismissal was filed by the former CEO on 24 October 2011 and briefs have been filed by both parties, although a hearing date scheduled for 25 July 2012 was postponed and no new date has yet been set.

In September 2010, a faulty valve aboard the Group-operated North Cormorant platform in the UK North Sea resulted in a minor oil spill. After investigation, the UK Department of Energy and Climate Change recommended to the Procurator Fiscal that it prosecute the Group in connection with the incident. The Procurator Fiscal filed criminal charges against the Group in September 2012, alleging that alarms that would have alerted control room personnel to the spill were not functioning properly and that the platform's oil recovery pump was underperforming, in violation of certain UK environmental regulations. If convicted, the Group faces a fine of approximately £50,000. The Group denies the allegations and pled not guilty in September 2012. The case is set for hearing by summary procedure in April 2013.

EMIRATISATION

While TAQA meets current requirements with respect to the employment of UAE nationals in its headquarters office, TAQA is committed to continuing to increase the number of UAE nationals working in TAQA's headquarters as well as its global assets. As such, training and recruitment of UAE nationals is one of TAQA's major objectives, and it supports a number of efforts to develop and train its UAE staff, including being the first non-accounting entity in the UAE to offer an Associate Chartered Accounting training programme.

In respect of the UAE generation subsidiaries, each PWPA includes provisions for the training of UAE nationals by the relevant subsidiary to ensure that certain minimum percentages of UAE nationals employed by each subsidiary are met throughout the term of such PWPA. Each UAE generation subsidiary must increase the percentage of UAE nationals comprising its workforce by at least 15% every five years to reach a targeted level of at least 60%. The Group's UAE generation subsidiaries are broadly in compliance with this requirement. However, UAE nationals with the requisite skills and experience are in short supply and high demand, and TAQA and the UAE generation subsidiaries' success in attracting UAE nationals to work at its more remote sites has been limited to date.

EMPLOYEES AND PENSIONS

As of 30 September 2012, TAQA, together with its subsidiaries, had 3,311 full-time employees and in excess of 400 contract workers worldwide. All of the employees of the Power and Water business in the UAE are employed by the energy companies that operate the facilities, rather than by the Group.

The chart below presents a breakdown of TAQA's employees as at 30 September 2012:

	Employees
TAQA	156
Umm al Naar[(1)]	331
Shuweihat S1[(1)]	147
Shuweihat S2[(1)]	114
Taweelah A1[(1)]	202
Taweelah A2[(1)]	87
Taweelah B[(1)]	306
Fujairah 1[(1)]	135
Fujairah 2[(1)]	117
Jorf Lasfar	343
Neyveli	142
Takoradi	63
TAQA Energy	120
TAQA Bratani	375
TAQA North	673
Total	**3,311**

Note:

(1) Principally comprises employees from the respective operation and maintenance companies which TAQA counts as TAQA employees even though the operating and maintenance companies are also owned by other partners.

TAQA undertakes initiatives to motivate employees to contribute to its success through bonus programmes. Group employees are eligible to receive an annual bonus, which is calculated as a percentage of their base salary, based on the achievement of their annual performance targets and the Group's performance.

In accordance with the laws of the UAE, TAQA provides end of service benefits to non-UAE national employees. Under UAE law, the entitlement to these benefits is based upon the employee's length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The Group believes that its relationship with its employees is satisfactory.

DIRECTORS

TAQA's Board of Directors (the "**Board**") comprises seven directors with a broad range of backgrounds, expertise and commercial experience. Each director is appointed for a term of three years and, at the end of that period, the Board may be reconstituted.

The Board is formed taking into consideration an appropriate balance between executive, non-executive and independent directors. At all times, at least one-third of the directors are required to be independent, and a majority of the directors are required to be non-executives who have technical skills and experience that benefit TAQA. The Board meets in person on a periodic basis pursuant to a formal schedule.

As of the date of this document, the members of the Board are as set out below. All the members were elected in April 2011.

Name	Position
Hamad Al-Hurr Al-Suwaidi	Chairman
Abdulla Saif Ali Slayem Al Nuaimi	Vice-Chairman
Carl Robert Sheldon	Director
Saeed Mubarak Rashed Saeed Al Hajeri	Director
Salem Sultan Obaid Sultan Al Dhaheri	Director
Abdulaziz Abdulrahman Mubarak Al Hemaidi	Director
Ahmed Mohamed Matar M. Al Mheiri	Director

Hamad Al-Hurr Al-Suwaidi serves as Chairman of the Board and was originally appointed in 2005. He has also been a member of the Executive Council of the Emirate of Abu Dhabi since 2004 and is Chairman of the Department of Finance. His Excellency's strategic vision and foresight have been instrumental in involving the private sector within the Emirate's economic growth and activating the public-private partnership. This was achieved through his involvement in the board of several high-profile companies including, but not limited to, The Supreme Petroleum Council, Abu Dhabi Investment Authority ("**ADIA**"), Mubadala, Etisalat, and the International Petroleum Investments Company. His Excellency is also the Chairman of the Financial Support Fund for Farm Owners in the Emirate of Abu Dhabi.

Abdulla Saif Ali Slayem Al Nuaimi serves as Vice-Chairman of the Board and was originally appointed to the Board in 2005. He is also Director General and Director of the Privatisation Directorate of ADWEA and serves on the boards of a number of its subsidiaries, including, but not limited to, as Chairman of the Board of Abu Dhabi Distribution Company and Al Ain Distribution Company. He also serves on the board of First Energy Bank. Previously, Mr Al Nuaimi held the positions of Chairman of Al Wathba Central Services Company, Deputy Chairman of Al Ain Distribution Company, Deputy Managing Director of ADWEC, Director of Abu Dhabi Sewerage Services Company, Director of Oman Insurance Company and Senior Analyst at ADIA. He holds a BSc in Management from UAE University.

Carl Robert Sheldon was appointed to the Board in 2011. Mr Sheldon has been TAQA's CEO from 26 October 2011. Previously, Mr Sheldon held positions with TAQA as General Counsel, Deputy General Manager and General Manager. Prior to joining TAQA, he was a partner with Allen & Overy LLP where his main focus was the energy sector. During more than 20 years of practice he has been involved in many major international oil, gas and power projects. At Allen & Overy LLP, he was also instrumental in building the firm's German and U.S. operations. Mr Sheldon is a qualified lawyer admitted to practice in New York and in England. He is a U.S. national and holds a master's degree from Cambridge University.

Saeed Mubarak Rashed Saeed Al Hajeri was appointed to the Board in 2011. He holds a BBA from Lewis and Clark College, USA, and a Chartered Financial Analyst designation, as well as attending the Executive Education Programme of Harvard Business School, USA. He has over 15 years experience in international finance. He was distinguished and elected by the World Economic Forum in 2007 as one of the top 250 Young Global Leaders for his contribution to the Public and Financial Sectors in the UAE. He is currently the Executive Director, Information Technology Department in ADIA. In addition, Mr Al-Hajeri is a governor of the Board of CFA Institute and a member of the Executive Advisory Boards of MSCI Barra and Zayed University. Mr Al Hajeri also

serves on the boards of various other Abu Dhabi/UAE government entities, including Abu Dhabi Media Company and Abu Dhabi Tourism Development and Investment Company.

Salem Sultan Obaid Sultan Al Dhaheri was appointed to the Board in 2011. He is currently Deputy Director at ADIA, having held various positions since joining in 1993. A Certified Public Accountant, Mr Al Dhaheri graduated with a Bachelor of Science in Accounting from Metropolitan State College in Denver, USA. In addition to Mr Al Dhaheri's position at ADIA, he is a member of several government related entity Audit Committees and several public and private companies' Audit Committees. Mr Al Dhaheri is also currently a member of the Illinois CPA Society, the American Institute of Certified Public Accountants, the Institute of Leadership and Management and the UAE Institute of Internal Auditors.

Abdulaziz Abdulrahman Mubarak Al Hemaidi was appointed to the Board in 2011. He is a Civil Engineering graduate from UAE University, who joined ADWEA in 1997. Since then he has held a number of key positions and is currently the Managing Director of ADWEC. Immediately prior to that, he was the Managing Director of Abu Dhabi Distribution Company, another subsidiary of ADWEA. Before joining ADWEA, Mr Al Hemaidi held positions at Abu Dhabi Health Services Company, Al Ain International Airport and the Privatisation Committee for Water and Electricity Sector of the Emirate of Abu Dhabi.

Ahmed Mohamed Matar M. Al Mheiri was appointed to the Board in 2011. He is currently the Legal Division Manager at ADWEA. Prior to this, Mr Al Mheiri was a Legal Expert (Privatisation Directorate) at ADWEA between 2004 and 2009 and Legal Advisor to the Department of Under Secretary Office at the Ministry of Interior. Mr Al Mheiri has an LLB from Abu Dhabi Police Academy and an LLM (Master in U.S. legal studies) from Case Western Reserve University in Ohio, USA.

The business address of the Directors is P.O. Box 55224, Abu Dhabi, United Arab Emirates.

The members of the Board are appointed by the general meeting of the shareholders of the company. TAQA is not aware of any conflicts of interest between the duties to TAQA of each member of the Board and his private interests or other duties.

The total remuneration paid to the Directors for the services rendered for the year ended 31 December 2011 amounted to AED 6,000,000, which amount was recommended and approved at, and paid following, the annual general meeting in April 2012.

EXECUTIVE MANAGEMENT

The Board has delegated the day-to-day management of the Group to executive officers appointed by the Board. As of the date of this document, the members of TAQA's executive management are as follows:

Name	Position	Date of Appointment
Carl Sheldon	Chief Executive Officer	26 October 2011
Stephen Kersley	Chief Financial Officer	22 May 2011
Steven Phillips	General Counsel and Company Secretary	1 January 2011
David Cook	Executive Officer, Head of Oil and Gas	25 October 2010
Frank Perez	Executive Officer, Head of Power and Water	1 April 2010
Saif Al Sayari	Executive Officer, Head of Energy Solutions	19 January 2012
Frederic Lesage	Chief Strategy Officer	1 October 2012
Ken Boyle	Group Vice President, Human Resources	6 March 2011

Stephen Kersley joined TAQA as Chief Financial Officer in May 2011. Mr Kersley joined TAQA following 23 years' experience in corporate finance, strategic planning and management with Royal Dutch Shell based in the United Kingdom, The Netherlands, China, Syria and Indonesia. During this time, he held a variety of positions in corporate finance, strategic planning and financial management. Most recently, he worked as Vice President of Finance for Shell's Global Lubricants business based in the United Kingdom. Before his time at Shell, Mr Kersley worked for KPMG, where he qualified as a chartered accountant. Mr Kersley holds an LLB from Birmingham University and is a Chartered Accountant. Mr Kersley is a UK national.

Steven Phillips is TAQA's General Counsel and Company Secretary. Before taking this position, he was the Group Vice-President and General Counsel, Power for TAQA New World, Inc. Mr Phillips previously worked for CMS Enterprises Company in Asia and North America from May

1996 until the acquisition by TAQA of a significant portion of CMS Enterprises' international power generation assets in 2007. His principal role at CMS Enterprises Company was the acquisition, development, financing and disposition of energy infrastructure companies and assets across North America, Asia, Australia, Africa and the Middle East. Mr Phillips also worked for Morrison and Foerster LLP, from 1981 to 1996 and has served on the boards of U.S. and Canadian public companies. Mr Phillips is a U.S. national and earned his J.D. from the University of California, Hastings College of Law.

David Cook is Executive Officer of Oil and Gas having joined TAQA in October 2010 following more than 20 years' experience in the upstream and midstream businesses at Amoco, BP, and TNK-BP. Prior to joining TAQA, Mr Cook was Vice-President for BP Russia, responsible for BP's non-TNK-BP exploration and development activities in Russia. He has held a variety of global technical, commercial and managerial positions based in the U.S., UK and Russia, as well as board of directors roles. He holds a BSc in Geophysics and a PhD in Geological Sciences from Michigan State University. Mr Cook is a U.S. national.

Frank Perez is Executive Officer of Power and Water. Mr Perez joined TAQA in July 2009. He has over 25 years' experience in the power and utility sector. Prior to joining TAQA, he was General Manager of PS EG Americas' Latin America Electric and Gas Utilities portfolio, Chief Political and Regulatory Officer for PS EG, Chief Executive Officer and President of a subsidiary of DPL Inc. (the parent company of Dayton Power & Light) and Corporate Officer of DPL Inc. Mr Perez has also worked for ABB's power business. He is a founding partner of a global energy investment advisory firm and was previously a board member of several international electric and gas utility and power companies. He holds a BSc in Civil Engineering from Tulane University. Mr Perez is a U.S. national.

Saif Al Sayari is Executive Officer of Energy Solutions. Dr Al Sayari joined TAQA in 2010 as Vice President Operations Technology and Innovations for TAQA's Oil and Gas business stream and was named Executive Officer, Head of Energy Solutions in January 2012. He has more than 12 years' experience in the energy business, having previously worked at Abu Dhabi National Oil Company (ADNOC) where he held a variety of technical and managerial positions. Dr Al Sayari holds a PhD in Petroleum Engineering from Imperial College London and is a UAE national.

Frederic Lesage joined TAQA in January 2007 as a Group Vice President, Integration & Optimization. In this capacity, he played a leadership role in the integration of seven of TAQA's first acquisitions. Between August 2008 and September 2012, Frederic was Managing Director of TAQA's oil and gas exploration and production business in North America. Under Frederic's leadership, TAQA created one of the 15 largest oil and gas businesses in Canada through the integration of three corporate acquisitions, focusing on unconventional resource plays. Prior to joining TAQA, Frederic worked as consultant for McKinsey & Company. Frederic holds a Bachelor of Law from Université de Montréal and an MBA from the Richard Ivey School of Business at Western University.

Ken Boyle joined TAQA in March 2011 from BP plc, where he worked as Vice President of Human Resources for Middle East and Pakistan and as Vice President of Human Resources for the North Sea and Norway. Prior to that, he held a number of Human Resources Director roles with Rolls Royce, Gas Turbines in Manufacturing, the Aftermarket and the Industrial Power Group. Mr. Boyle is a UK national and holds a degree in Psychology as well as an MA in Human Resource Management from the University of Newcastle-Upon-Tyne.

CORPORATE GOVERNANCE

With the help of an international consulting firm, TAQA has established a corporate governance framework, supported by a system of internal controls, which it believes is based on international best practices.

TAQA's Code of Business Ethics Manual describes and reinforces conduct that is based on its guiding core values, consistent with TAQA's policies and practices and essential for its legal and regulatory compliance obligations.

Committees

TAQA currently has two Board committees, the Audit Committee and the Nomination and Remuneration Committee. Each committee consists of at least three non-executive directors, of whom at least two members are required to be independent directors, and each committee is chaired by an independent director. The Chairman of the Board may not be a member of either committees.

Audit Committee

As of the date of this document, the audit committee comprises the following members:

Name	Position	Date of Appointment
Salem Sultan Obaid Sultan Al Dhaheri	Chairman	19 April 2011
Ahmed Mohamed Matar M. Al Mheiri	Member	19 April 2011
Abdulaziz Abdulrahman Mubarak Al Hemaidi	Member	19 April 2011

All members are appointed for a period of three years.

The Board establishes the duties, responsibilities, procedures and meeting schedule for the audit committee. The responsibilities of the audit committee include:

- establishing guidelines and procedures to co-ordinate the programme of auditing the Group's operating and financial activities in order to safeguard its assets and to protect its shareholders' interests;
- monitoring the effectiveness of the Group's risk based internal control system, making such recommendations as the audit committee considers desirable and reviewing the statements to be included in the annual reports concerning risk management and internal control;
- ensuring that the Group's activities conform to applicable laws and regulations, decisions of the Board, duties, responsibilities and authorities vested in management and employees, if any, and its constitutional documents; and
- reviewing and assessing the internal audit function's remit, the appropriateness of internal audit strategies and the annual internal audit plan.

The audit committee's responsibilities include policies and processes covering organisational initiatives (including financial, procurement and administrative policies), financial reporting processes and outputs, internal control and risk management and internal audit processes and outputs.

Nomination and Remuneration Committee

As of the date of this document, the remuneration committee comprises the following members:

Name	Position	Date of Appointment
Saeed Mubarak Rashed Saeed Al Hajeri	Chairman	19 April 2011
Ahmed Mohamed Matar M. Al Mheiri	Member	19 April 2011
Abdulaziz Abdulrahman Mubarak Al Hemaidi	Member	19 April 2011

The nomination and remuneration committee has responsibility for making recommendations to the Board regarding the Group's policy on the remuneration of certain senior executives and key managerial personnel, including performance bonuses and other benefits. In addition to making recommendations on remuneration and benefits packages, the committee is also responsible for establishing the qualifications of Board members.

Internal Audit Group

TAQA maintains an Internal Audit Group that audits and assesses TAQA's risk management means and measures, the sound application of governance rules, and verification of compliance by TAQA and its employees with applicable laws, regulations and resolutions that govern its operations, as well as internal procedures and policies. The Internal Audit Group reports directly to the Audit Committee and provides independent and objective assessments of management in the execution of its duties.

UAE GENERATION SUBSIDIARIES

The Environment

The Emirate of Abu Dhabi's Environmental Agency is the governmental body charged with introducing and monitoring environmental standards with respect to, among other things, water and air quality, water treatment and disposal. TAQA's UAE subsidiaries are further governed through a set of environmental standards applied to international project financing through their respective financing arrangements, including, in some cases, the Equator Principles which have been adopted by certain leading international financing institutions.

As part of the land leases between ADWEA and each UAE generation subsidiary, the UAE generation subsidiaries have a legal obligation to remove the power generation and water desalination plants at the end of the plants' useful lives, or before if the UAE generation subsidiary becomes unable to continue its operations to that date, and to restore the land. The UAE generation subsidiary must at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavations and return the surface to the grade of the designated area.

Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi

Law No. (2) of 1998, concerning the Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi, as amended ("**Law No. 2**"), set up the Regulation and Supervision Bureau (the "**Bureau**") to undertake the licensing, regulation and supervision of all companies that carry on any production, transmission, storage, desalination, provision, distribution or supply of water and electricity in the Emirate of Abu Dhabi. In addition, the Bureau also regulates the wastewater sector which is responsible for ensuring the safe collection, treatment and disposal of wastewater products. Law No. 2 sets out the rules that apply to the water and power industries in the Emirate of Abu Dhabi and also provides for the introduction of a licensing framework and the restructuring and future privatisation of the water and power industries.

Law No. 2 authorises the Bureau to review plans pertaining to the provision of water and power in the Emirate of Abu Dhabi, to issue licences relating to the operations that are the subject of the plans, and to supervise such plans and control their implementation in accordance with the provisions of Law No. 2. The duties of the Bureau include consumer protection as to the tariff and water and electricity supply terms and conditions.

Each of TAQA's UAE generation subsidiaries has applied for, and been granted, licences by the Bureau.

INTERNATIONAL GENERATION SUBSIDIARIES

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Environment

The Moroccan Ministry of the Environment is responsible for introducing and monitoring environmental standards in respect of, among other matters, air quality, wastewater treatment and ash disposal.

The plant is required to maintain a number of permits and consents throughout the life of the PPA, including certain construction permits, aerial beaconing permits and other operation permits. These permits and consents are issued and governed by a number of governmental bodies including the Ministry of Transportation and the Ministry of Public Works.

In addition, the operating units at the facility have been designed and upgraded to ensure compliance with certain World Bank guidelines for particulate emissions, sulphur dioxide emissions and air quality limits. To ensure ongoing compliance, the operator, TAQA North Africa, has developed an environmental management system to ensure that the units operate in accordance with applicable environmental standards.

Regulation of the electricity sector in Morocco

ONEE is the body with primary responsibility for regulating the electricity and water sectors in Morocco. It is a public industrial and commercial body, established by decree-law No. 1-11-160 of 29 September 2011, implementing Law 40-09 by merging the former Office National de l'Electricité (ONE) and the former Office National de l'Eau Potable (ONEP). ONEE's responsibilities include:

- regulating electricity generation, transmission and distribution;

- providing electricity distribution services in the event that the state-run companies or concessions fail to provide such services directly; and
- exclusively authorising the installation of power generation plants with capacity in excess of 10MW.

ONEE's rights and obligations in relation to electricity generation, transmission and distribution are set out in specifications approved by decree-law No. 2-73-533 of 29 November 1973, which sets out the technical, administrative and financial conditions for the operation of electricity generation, transmission and distribution companies.

Pursuant to decree-law No. 2-94-503 of 23 September 1994, ONEE has the authority to put out to commercial tender opportunities for the development of power plants with capacity in excess of 10MW, and to enter into commercial agreements with private companies for the construction thereof, provided that the power generated from such plants is sold exclusively to ONEE.

One of ONEE's primary objectives is to meet the country's demand for electricity on the best terms and conditions in respect of cost and quality of service and to develop any industrial or service activities that are designed to further that objective.

OIL AND GAS

North America

Canadian federal regulation

The Group's ownership of its subsidiary, TAQA North, is subject to certain investment conditions imposed by the Investment Review Division of Industry Canada, pursuant to the Investment Canada Act. These conditions, in the form of undertakings given by the Group, generally relate to such matters as the maintenance of existing levels of employment, ensuring Canadian participation and representation in senior management and at the board level, and a commitment to capital and research and development expenditures. These undertakings were satisfied in 2010, so no further formal reporting or pre-approvals are required. However, Industry Canada reserved the right to request such ad hoc updates as it deems appropriate from time to time.

The Group operates upstream assets in Alberta, Saskatchewan and British Columbia. Each jurisdiction has its own regulatory authority which is responsible for regulating and enforcing environmental, health and safety standards in the oil and gas industry, including such matters as benzene practices (Alberta), emergency response planning, well suspension/abandonment/reclamation requirements, flaring/venting requirements and product and waste storage/disposal. Further information regarding the regulatory authorities for the provinces and territory referred to above is set out below. In addition to provincial and territorial regulatory requirements, the Group is also subject to federal environmental regulatory requirements that restrict and control the use of substances considered ''toxic'' pursuant to the Canadian Environmental Protection Act, 1999.

On 26 April 2007 the federal government issued a plan called ''Turning the Corner: An Action Plan to Reduce Greenhouse Gases and Air Pollution'', which includes a proposed regulatory regime to require companies with Canadian facilities in certain industries, including the upstream oil and gas industry, to reduce the level of emissions of certain greenhouse gases and other common air contaminants into the environment. In March 2008, the federal government refined its plan and proposed regulatory framework with respect to greenhouse gas emissions in a follow-up document: ''Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions''. If implemented as described, the proposed regulations would have required the Group to reduce the emissions intensity of greenhouse gases from its existing Canadian facilities (but only those facilities that emit more than 3 kilotons of greenhouse gases per day) by 18% from 2006 levels for the year 2010 and by 2% annually thereafter until at least 2020. However, as of September 2012, the regulations with respect to industrial greenhouse gas emissions are not in force and the government of Canada advises that it is undergoing a process of realigning its policies and regulations in order to maintain economic prosperity while protecting the environment and aligning with the United States. It is expected that proposals for further federal greenhouse gas regulations with respect to the oil and gas industry will be released in 2013.

If the government of Canada eventually establishes regulations for greenhouse gas emissions, the issue of primacy arises between federal and provincial law. In the event of a conflict, the Group will be obliged to comply with the more stringent of the regulations.

Canadian provincial regulation

Alberta

The Energy Resources Conservation Board is the primary regulator for the oil and gas industry in Alberta and is responsible for the administration and enforcement of various statutes and regulations that apply to the different stages of the Group's upstream assets. The Group's operations are also subject to various Alberta environmental statutes and regulations, which are administered and enforced by Alberta Environment, including with respect to the Group's upstream assets' air emissions and access to ground and surface water.

The Alberta Climate Change and Emissions Management Act ("**CCEMA**") provides a statutory framework for managing climate change and greenhouse gas emissions in Alberta. Pursuant to the Specified Gas Emitters Regulation of the CCEMA, companies (including TAQA North) that own facilities which emit more than 100,000 tonnes of greenhouse gases per year are required to report such emissions and to work to reduce emissions by 12%. Companies with high emission rates have three compliance options under the CCEMA:

(a) make facility improvements to reduce emissions below the required threshold;

(b) purchase Alberta-based carbon offset credits; or

(c) pay C$15.00 for every tonne over target into the Climate Change and Emissions Management Fund (the "**Fund**"), established under the Act. Monies flowing into the Fund are segregated and targeted specifically to addressing climate change.

British Columbia

The British Columbia Oil and Gas Commission is the primary regulator in the province with respect to the upstream oil and gas industry and is responsible for the administration and enforcement of various statutes and regulations that apply to the different stages of the Group's upstream assets. The British Columbia Ministry of Environment is responsible for the administration and enforcement of the province's environmental statutes and regulations, including with respect to the Group's upstream assets' air emissions and access to ground and surface water.

In 2008, British Columbia passed the Carbon Tax Act, which imposes a carbon tax on consumption in British Columbia of virtually all fossil fuels, including gasoline, diesel, natural gas, coal and propane. The tax is being phased in from July 2008 through July 2012, with each type of fossil fuel taxed at a differing rate. The carbon tax on natural gas, for example, has been fully phased in at C$5.70 per cubic metre ("**m^3**"). Fuels exported from the province are not taxed, nor are fuels used in-province for certain exempt purposes, including pipeline pigging, in down hole operations at a well site, to remove natural gas liquids or impurities in the processing of marketable natural gas, and as a refrigerant in a closed system in the processing of marketable natural gas.

In 2008, British Columbia also passed The Greenhouse Gas Reduction (Cap and Trade) Act ("**GGRA**") which set in motion the creation of a market-based cap and trade framework to reduce greenhouse gas emissions from large emitters operating in the province. Pursuant to the Reporting Regulation under the GGRA, if all facilities within British Columbia managed or controlled by the Group emit 10,000 metric tonnes or more of carbon dioxide equivalents per year, an emissions report must be provided to the Ministry of Environment. If the Group's facilities report emissions greater than 25,000 metric tonnes of carbon dioxide equivalents per year, it will be required to have its emissions report verified by a third party. Two regulations relating to proposed emissions offsets and trading are currently under development. Further regulations are expected to set emission restrictions together with a framework for the purchase of emissions offsets associated with a cap-and-trade system.

Saskatchewan

The Saskatchewan Ministry of Energy and Resources is the primary regulator in the province with respect to the upstream oil and gas industry and is responsible for the administration and enforcement of various statutes and regulations that apply to the different stages of the Group's upstream assets. The Saskatchewan Ministry of Environment is responsible for the administration and enforcement of the province's environmental statutes and regulations, including with respect to the Group's upstream assets' air emissions and access to ground and surface water.

The Saskatchewan government introduced a proposal for climate change legislation in December 2009, which outlined a framework for reducing greenhouse gas emissions by 20% from 2006 levels by 2020. The Saskatchewan Ministry of Environment is in the process of developing regulations under

such framework. However, there are currently no greenhouse gas emissions or climate change regulations in force in Saskatchewan.

United States

The Group operates upstream oil and gas assets in Montana, North Dakota and Wyoming. No single governmental body or statutory or regulatory framework governs onshore oil and gas development in the United States. The legal framework for oil and gas development involves a complex and overlapping system of federal, state, local and tribal statutory, regulatory and common law schemes. Often, an analysis of applicable law will begin with whether the oil and gas to be developed is owned by the United States, an individual state, an Indian Tribe or individual Indian or private owner.

U.S. federal regulation

The Bureau of Land Management ("**BLM**"), a department within the U.S. Department of the Interior, administers the federal regulations and regulates oil and gas exploration and production activities on federal lands. The BLM governs the award of leases for lands and minerals that are subject to federal jurisdiction, pursuant to procedures set forth in the U.S. Code of Federal Regulation. Unless specifically carved out of the leasing programme, all BLM-managed lands and national forests are open to leasing. Oil and gas leasing is generally not permitted in the national park system, in national wildlife refuges, in the Wild and Scenic River Systems and in wilderness areas. Leasing in national forests requires approval from the Forest Service, under the U.S. Department of Agriculture.

Environmental regulation

Oil and gas development in the United States is subject to both federal, state, tribal and, to a much lesser extent, local environmental regulation. Federal environmental laws applicable to oil and gas development are generally not industry-specific, but rather they regulate any discharge or contamination that threatens the natural environment in general. The Resource Conservation and Recovery Act ("**RCRA**") regulates management of solid and hazardous waste; the Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**") regulates clean up of contaminated sites; the Clean Air Act ("**CAA**") regulates air emissions; and the Clean Water Act ("**CWA**"), the Oil Pollution Act ("**OPA**") regulates oil spills, and the Safe Drinking Water Act ("**SDWA**") regulate water discharges. The principal federal enforcement agency is the Environmental Protection Agency (the "**EPA**"), but state agencies enforce similar state laws and can also be delegated authority by the EPA to implement and enforce certain federal statutes.

Under the CWA, the EPA can implement water quality standards relating to both upstream and downstream oil and gas operations, as well as rules governing the discharge of oil and gas and production fluids into U.S. waterways. The SDWA protects groundwater reservoirs, and can affect injection and underground disposal operations. Under the CAA, both federal and state environmental laws regulate new and existing sources of air pollution, including oil and gas operations. Under the OPA, the EPA can recover damages to natural resources caused by oil spills. Under CERCLA, the EPA may require clean up of contaminated sites, and in general, without regard to cause or fault for the contamination.

In addition, new exploration or development operations on federal land will usually undergo a comprehensive environmental impact review under the federal National Environmental Policy Act ("**NEPA**"). The process includes public involvement, can be contentious, and can delay a project for years while the process is being completed. Failure to complete the process or comply with permits can lead to significant delays, penalties and injunctions. Finally, the Endangered Species Act ("**ESA**") can prohibit oil and gas development activities that threaten the habitats of threatened and endangered species, or require particular mitigation measures to minimise adverse impacts to an animal species.

Operational regulation-spacing/drilling

After leases have been issued, development and operation of an oil and gas project is generally subject to site level regulation by either a state or federal regulatory body. For federal lands and minerals, the BLM regulates unit formation, controls issuance of drilling permits, and generally ensures federal regulatory compliance. Spacing (that is, the number of wells in any particular area of land) is regulated by a combination of federal and state regulation.

Transportation

The Federal Energy Regulatory Commission ("**FERC**") is charged with overseeing the implementation and operation of the natural gas transportation infrastructure. FERC has jurisdiction over, and is the primary federal regulatory agency governing, interstate oil and natural gas pipelines and transmission. FERC regulates rates and other terms for oil and gas transportation through interstate pipelines. FERC is generally charged with ensuring that interstate carriers provide non-discriminatory service to all shippers, and FERC policy is generally to approve all pipelines that comply with the statutory standards, but to let the market decide which pipelines will be built.

The location, construction and operation of interstate pipelines, facilities and storage fields involved in moving oil and gas across state boundaries must be approved by FERC, but the Department of Transportation ("**DOT**") regulates the safety and integrity of interstate oil and gas pipelines through the Pipeline Safety Improvement Act of 2002.

Oil and gas pipelines and transportation are primarily governed by federal regulation because of their interstate nature, but states may regulate intrastate oil and gas pipelines and may regulate gathering lines and other intrastate transportation activities. Typically, this is done through a state's public utilities commission (a "**PUC**").

U.S. state regulation

Each of the major oil and gas producing states has an agency tasked with administration and enforcement of statutes and regulation for oil and gas production activities for state and private lands. In Montana, these agencies are the Montana Department of Natural Resources and Conservation and the Montana Board of Oil and Gas. In Wyoming, the agency is the Wyoming Oil and Gas Conservation Commission. In North Dakota, the agency is the Oil and Gas Division of the North Dakota Industrial Commission. The primary function of state oil and gas commissions is implementing site-level operational regulations such as spacing regulation, issuance of drilling permits, and ensuring regulatory compliance with state and federal laws. Additionally, state oil and gas commissions, along with other state environmental quality agencies, do enforce state level environmental statutes; however, because environmental regulation in the United States is largely controlled by federal law, the role of state agencies is generally administration and enforcement of federal statutes or equivalent state statutes.

UK North Sea

Oil and gas exploration and production activities in the United Kingdom's territorial waters and on the United Kingdom Continental Shelf are governed primarily by the Petroleum Act 1998 ("**UK Petroleum Act**"). The UK Petroleum Act vests ownership of the resources in the Crown and gives the Secretary of State for Trade and Industry the authority to grant the licensee the exclusive right to search for, drill and extract petroleum in the areas governed by the licence. The licensing regime is overseen by the Energy Development Unit of the Department of Energy and Climate Change.

The terms of UK production licences are predominantly contained in "model clauses" applicable at the time of the issue of the licence which are incorporated into every production licence, though additional restrictions may also be contained in the particular licence. The model clauses govern matters such as: the grant of the rights themselves; the terms and conditions applicable to a licence; the regulation of development programmes; measurement, records and access; working method; pollution; and training.

The licences prevent licence holders from installing facilities or producing hydrocarbons without the authorisation of the Secretary of State. When considering whether to authorise a proposal, the Secretary of State will take into account whether the proposed project accords with the government's policy objectives and whether the methods proposed to be used comply with good oilfield practice.

Where a UK licence is awarded to a joint venture, the companies engaged in the joint venture are jointly and severally liable for discharging the obligations contained in the licence. The Group is a party to joint operating agreements (the "**JOAs**") with co-venturers for each of its licences except in relation to certain acreage in the Northern North Sea which is wholly owned by the Group. The JOAs set forth the rights and obligations between the Group and its partners with respect to operatorship, expenditures and other related matters. A JOA will also establish the operator's rights, powers and duties, as well as the means by which an operator can be replaced. The process of agreeing and following work programmes and budgets is also set out, and each partner's ability to transfer its interest in the joint venture will be described.

Offshore oil and gas exploration and production activities in the UK territorial waters and United Kingdom Continental Shelf are also regulated by the Health and Safety Executive and in particular its Offshore Safety Division ("**HSE**") under the Health and Safety at Work etc. Act 1974 and a range of subordinate legislation. Key activities of the HSE with regard to the offshore hydrocarbon exploration and production industry include: inspection of work sites, incident investigation, assessment of safety documentation, enforcement of legislation and generally to advise, guide and inform. Action that may be taken by the HSE following a perceived breach of health and safety legislation will vary depending upon the nature of the breach but may include the provision of informal advice, the issue of an improvement or prohibition notice or prosecution in a criminal court.

The Netherlands

Regulatory environment

The Group's activities in The Netherlands are subject to various legislative and regulatory provisions, and governance by several regulatory bodies. The Ministry of Economic Affairs, Agriculture and Innovation ("**MEA**") is responsible for the energy sector in The Netherlands but has a limited direct role in the operation of the industry. It is responsible for the introduction of energy related legislation, delegation of authority for licensing, ministerial guidelines and the setting of policy for the utilisation of small gas fields in The Netherlands.

The gas and electricity industries are subject to regulation by the Dutch Competition Authority, the Nederlandse Mededingingsautoriteit ("**NMa**"), which will be renamed "Autoriteit Consument en Markt" in 2013. The NMa is responsible for, among other matters:

- determining tariff structures and conditions and maximum tariffs in respect of gas transmission pipelines;
- determining maximum tariffs for gas transport;
- issuing supply licences for supply of gas to households;
- supervision of compliance with the Gas Act; and
- issuing binding regulations or imposing penalties.

There are a number of specific regulations that govern the Group's activities in respect of exploration and production and gas transportation, distribution and storage.

Exploration and production

Exploration and production activities are governed by mining legislation. The Mining Act governs the state's participation in licences of 40% or 50% depending on the law in force at the date of issuance of the licence (some oil fields carry 0% State participation). The Mining Act (in conjunction with the Corporate Income Tax Act) also governs the Production Revenue Tax (*staatswinstaandeel*) and the level of royalties that can be claimed from upstream revenue.

Transport, distribution and storage

The Gas Act established the legal separation of the distribution systems of the former regional distribution and supply companies into separate legal entities, with the intention of fostering conditions for non-discriminatory third party access.

The Gas Act also governs gas storage, supervising the market through a system of negotiated third party access in accordance with EU laws. Pursuant to the terms of the act, gas storage companies are required to publish their main commercial conditions on an annual basis and, subject to certain conditions, enter into negotiations with potential customers at their request. The Gas Act stipulates that storage services must be provided on an objective, transparent and non-discriminatory basis.

Health, safety and environment

The MEA is also responsible for regulating and enforcing offshore legislation in relation to health and safety issues and environmental matters, including air and water quality. Onshore, other governmental bodies also have authority for specific health, safety, environmental and zoning matters. The key legislation is the Mining Act and the Environmental Management Act which, through permitting conditions, govern matters relating to health and safety, air, water and soil quality and emissions and noise.

In terms of workplace health and safety issues, the Mining Act, in conjunction with the Dutch Occupational Health and Safety Act (and associated regulations), which implements (among others) EU directive 1992/91 on safety and health protection of workers in the mineral extracting industry through drilling, requires comprehensive risk inventory and evaluation studies (recorded in a "**Safety and Health Document**") for all activities as well as the development and implementation of a safety management system. The safety management plan must be approved by the works council. The Safety and Health Document, safety management system and any associated health and safety documentation are required to be updated at various stages in the lifecycle of any mining installation.

RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

Members of the Group have contracts with entities owned in whole or in part by TAQA's majority shareholder, ADWEA. These include the PWPAs with ADWEC, land leases relating to the UAE generation plants and shared facilities at project sites and shareholders' agreements. See "*Summary of Material Agreements*".

Certain of TAQA's related party transactions are disclosed in notes 3, 16, 18, 19, 20, 23, 24, 29, 30, 31, 35, 37, 38 and 40 to the 2011 Financial Statements and note 16 to the Interim Financial Statements. These transactions include transactions with associated companies, major shareholders, directors and key management personnel of TAQA, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by TAQA's management. Because the Group is a government-related entity (as defined is IAS 24), the Group is exempt from disclosing certain information relating to transactions and balances with entities related to the Abu Dhabi government.

As discussed in note 40 to the 2011 Financial Statements, individually significant related party transactions in 2010 include the transfer by ADWEA to TAQA of a 90% holding in FWEC and RPHC and a 40% shareholding in Sohar. The consideration for these transfers, amounting to AED 2,559 million, was financed by treating the consideration due as an interest free loan from ADWEA to TAQA with no fixed repayment date. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Significant Acquisitions and Asset Transfers between 1 January 2009 and 30 September 2012 — Asset transfers from ADWEA*".

In November 2010, ADWEA transferred 100% of its holding in Al Wahda Capital Investment LLC (**AWCI**) to TAQA. AWCI holds a 7.02% shareholding in Tesla Motors, a U.S.-based company. The sale price was AED 242 million, which was treated as an interest free loan from ADWEA to TAQA with a repayment date in January 2014 (the "**AWCI acquisition loan**"). The fair value of the investment on the date of the transfer amounted to AED 542 million. The difference between the fair value and the sale price, amounting to AED 300 million, has been treated as equity contributed capital by ADWEA. In addition, TAQA's management assessed the fair value of the loan at AED 226 million when it was granted. The difference of AED 16 million between the loan amount of AED 242 million and its fair value has also been treated as an equity contribution from ADWEA. On 8 April 2012, the Group sold its holding of available for sale shares in Tesla Motors for a total consideration AED 956 million, realising a gain of AED 415 million, and TAQA repaid the AWCI acquisition loan to ADWEA in September 2012.

Save for the repayment of the AWCI acquisition loan to ADWEA, there were no individually significant related party transactions in 2011 or in the nine month period to 30 September 2012.

SUMMARY OF MATERIAL AGREEMENTS

The following are summaries of selected provisions of certain material agreements governing each of the UAE and international generation projects and certain material oil and gas contracts. These summaries should not be considered to be a full statement of the terms and provisions of such agreements.

SUMMARY OF PRINCIPAL UAE GENERATION AGREEMENTS

Power and Water Purchase Agreement

Each generation subsidiary has entered into a PWPA with ADWEC as the power and water procurer, with all such PWPAs having generally the same terms and conditions (although the tariff for each one is unique). The PWPA governs:

(a) the design, construction and operation and maintenance of the relevant generation and desalination facilities (and their expansion, where relevant);

(b) the design, construction and transfer of the shared and/or special facilities and associated inter-connection facilities developed and built by the UAE generation subsidiary and (where relevant) transferred to the transmission, distribution or shared facilities company; and

(c) the sale and purchase of power and water capacity and power and water output to ADWEC for the term of the PWPA.

The PWPA requires the generation subsidiary to make available to ADWEC the net dependable power capacity and net dependable water capacity of the relevant facilities and to deliver to ADWEC dispatched net electrical energy and net water output. ADWEC is obliged to purchase from the UAE generation subsidiary the net dependable power capacity and net dependable water capacity and take delivery of dispatched net electrical energy and net water output.

The initial term of each PWPA, absent any extension by ADWEA, is 20 years from the PCOD. The PWPA for Shuweihat S1 has been extended by one additional year, and the PWPA for Taweelah A1 has been extended by an additional six years.

Fuel supply

ADWEC is required to supply, and deliver on a substantially continuous basis, all natural gas necessary for the facilities to generate net electrical energy and to produce net water output in accordance with a fuel utilisation schedule provided by the generation subsidiary.

The generation subsidiary is required to procure sufficient fuel oil at its own cost to enable the facilities to be operated for seven consecutive days (and, in the case of Umm al Naar, in relation to the existing facilities, the maximum possible number of days agreed with ADWEC) in the event gas is not made available by ADWEC. The tariff mechanism in the PWPA adjusts to pass through the costs of procuring back-up fuel to ADWEC.

Capacity

Capacity from the relevant facilities is dedicated to ADWEC. Payments for capacity under the PWPA are based on the facilities' net dependable capacity for each of power and water, which are determined by testing and measured prior to the PCOD and periodically thereafter.

Payments and fees

The PWPA provides for a four-part tariff structure for each of power and water, and each component of the tariff structure is designed to provide for recovery of certain types of cost. These costs include debt service; return on shareholders' equity contributions; taxes, levies and duties; fixed and variable operating and management expenses; and fuel costs.

Supplemental payments

In addition to capacity payments and output payments, the PWPA requires ADWEC to make certain supplemental payments. These vary among the PWPAs but generally include payments for the use of back-up fuel and, where relevant, for certain shared facilities and insurance costs.

Terms of payment

ADWEC is required under the PWPA to make power and water capacity and output payments on a monthly basis following receipt by ADWEC of an invoice from the UAE generation subsidiary.

All payments are made in AED, and invoices are due and payable 30 days after the day on which the invoice is received by ADWEC.

Procurer credit support

Under procurer credit support agreements, the Abu Dhabi government has agreed to guarantee certain of ADWEC's payment obligations (the "**Procurer Credit Support**"). This credit support terminates if ADWEC achieves and maintains for a continuous period of 730 days a long-term unsecured debt rating of at least BBB from Standard & Poor's or Baa2 from Moody's, or their equivalent.

Force majeure and government action or inaction

Each party is excused from performance and will not be in default of its obligations under the PWPA for so long as failure to perform such obligation is due to an event of *force majeure* or government action or inaction, although each party is generally obliged to make reasonable efforts to minimise and mitigate the effects of such event of *force majeure* or government action or inaction and restore its ability to perform. Certain delays are not excused by an event of *force majeure* or government action or inaction.

Where the generation subsidiary's performance is affected by events of *force majeure*, ADWEC is not obliged to make any payment in respect of power or water capacity not made available. Where the UAE generation subsidiary's performance is affected by events of government action or inaction, ADWEC continues to be required to make capacity payments.

Events of government action or inaction are circumstances where the action or inaction of any instrumentality of the UAE or Abu Dhabi is the controlling or contributing force that causes the occurrence of such an event. Such events are limited to circumstances caused or arising out of acts of war, rebellion, acts of terrorism or riot occurring in the UAE or Abu Dhabi, change in law, *force majeure* in connection with gas, electricity or water supply caused by action or inaction or controlled or contributed to by any instrumentality of the UAE or Abu Dhabi, certain countries' boycott or sanction or any other acts or failures to act without justifiable cause by any instrumentality of the UAE or Abu Dhabi, including, without limitation, the denial of or material delay in the granting of any permit, licence or consent.

Termination

Each party may terminate the PWPA following the occurrence of an event of default subject to a 30-day notice of termination. During the 30-day notice period, which may be extended pursuant to suspension period provisions, the parties must consult with a view to mitigating the consequences of and curing such event of default. If the default is not cured within the consultation period, the party having given notice of termination may terminate the PWPA.

Events of default

ADWEC is subject to a number of events of default, including in relation to non-payment, breach of contract, insolvency, failure of credit support and expropriation or compulsory acquisition.

Each generation subsidiary is subject to a number of events of default. These include a failure to achieve PCOD by a long-stop date, wilful default, abandonment, non-payment, insolvency, average availability of less than 75% of net dependable power or water capacity for any rolling period of two years or more, and material breach of obligations.

Termination upon prolonged force majeure or event of government action or inaction

In addition to termination following an event of default, the PWPA may be terminated by the generation subsidiary if an event of government action or inaction prevents ADWEC from performing any of its obligations under the PWPA for an extended period of time, provided that, if ADWEC elects to continue paying capacity payments for power and water, then the UAE generation subsidiary will not have the right to terminate the PWPA. There is no express right to terminate for an event of *force majeure* affecting the operating subsidiary, other than in the case of Taweelah A2.

ADWEC may terminate the PWPA if (a) an event of *force majeure* or government action or inaction prevents ADWEC from performing any of its obligations under the PWPA for an extended period of time; or (b) an event of government action or inaction (and, in the case of Taweelah A2, an event of *force majeure*) prevents the generation subsidiary from generating or delivering net power or water output for such continuous period.

Consequences of termination

In the event of termination of a PWPA, the rights of the generation subsidiaries differ according to the nature of the events or circumstances which have caused the termination. Early termination of the PWPA obligates the payment by ADWEC of termination amounts specified with regard to the subject termination event. Where early termination is due to default by a generation subsidiary, such subsidiary may be required to sell its plant and facilities as specified in the PWPA in order to fund the repayment of its lenders. Payment of termination amounts resulting from the generation subsidiary's right to terminate the PWPA in certain cases is guaranteed by the Abu Dhabi government pursuant to the Procurer Credit Support.

Other remedies

In the event of a breach by a party of its obligations under the PWPA, the other party may seek to protect and enforce its rights, to recover any damages to which it may be entitled, or to seek specific performance in accordance with the dispute resolution provisions of the PWPA. Apart from its termination right, ADWEC's sole remedy, and the sole liability of the UAE generation subsidiary, is a reduction in capacity payments.

Insurance

The generation subsidiary is required under the PWPA to obtain and maintain insurance policies from financially sound and reputable insurers that generally contain provisions which are reasonably standard in the insurance market with respect to power generating and desalination facilities of similar size, technology and location. The insurance coverage must insure, to the maximum foreseeable loss amount of the facilities, against physical damage to the facilities. Each generation subsidiary is also required to carry terrorism insurance in accordance with the financing agreements relating to the relevant facilities and the PWPA.

Liability and indemnity

The PWPAs include customary indemnification provisions between the parties for claims due to loss of or damage to property, death or injury to persons (except for workers' compensation claims) resulting from negligent act or omission by the liable party. In addition, the generation subsidiary is required to indemnify ADWEC against claims under environmental laws or regulations applicable to the plant and claims arising out of the design or construction of the facilities.

Assignment and transfer

ADWEC may, at any time, assign or transfer its rights or obligations under the PWPA to ADWEA, Abu Dhabi Power Corporation or Transco without the prior written consent of the relevant generation subsidiary, subject to certain conditions. The generation subsidiary may assign its rights under the PWPA pursuant to the financing documents to which it is a party. Otherwise, neither the UAE generation subsidiary nor ADWEC is permitted under the PWPA to assign or transfer its rights or obligations under the PWPA without the prior consent of the other.

Management, Operation and Maintenance Agreement

Each generation subsidiary is a party to an operation and maintenance (or similar) agreement (the "**O&M Agreement**") with an operations and maintenance company formed by the 40% international investor shareholder in respect of the facility in question (the "**Operator**"). The term of the agreement is generally structured either initially or with agreed extensions to match the terms of the corresponding PWPA.

Scope of services

Under the terms of the O&M Agreement, the Operator agrees to provide the operation and maintenance services necessary for the production and delivery of electricity and water, including, among other obligations: (a) the operation and maintenance of the facilities; (b) preparation of annual operating budgets and maintenance plans for the generation subsidiary's approval; (c) planning, managing and conducting routine inspection and maintenance programmes; (d) executing scheduled and unscheduled maintenance and repair and major overhauls; and (e) (where relevant) monitoring the operation and maintenance of the shared facilities.

Parent guarantee

The payment obligations of the Operator under the O&M Agreement are guaranteed by its parent(s), subject to a maximum agreed aggregate cap.

Compensation

The Operator is compensated, broadly, either by way of a fixed price payment structure or through a structure whereby costs are, essentially, passed through subject to a premium.

Termination

The O&M Agreement may be terminated by a party if, among other things, the other party (or its parent, in the case of the Operator) becomes bankrupt, insolvent or is dissolved, or the other party commits a material breach of the O&M Agreement, including non-payment of sums properly due. In addition, the O&M Agreement may be terminated by the generation subsidiary if: (a) the Operator wilfully fails to operate the plant in accordance with the provisions of the O&M Agreement; (b) as a result of poor performance by the Operator, the availability of power or water capacity of the plant is less than pre-agreed levels required under the PWPA; (c) the maximum aggregate amount of liquidated damages is incurred in each of any three consecutive domestic generation years; (d) any change in ownership takes place in the Operator; or (e) the PWPA is terminated.

Force majeure or government action or inaction

The *force majeure* or government action or inaction provisions in the O&M Agreements are generally similar to such provisions in the PWPA. A party cannot rely on an event of *force majeure* or government action or inaction to excuse certain circumstances.

Insurance

The UAE generation subsidiary and the Operator each assume responsibility for obtaining insurance coverage from financially responsible insurers in a manner that will avoid duplication of insurance coverage and premium costs. The UAE generation subsidiary is required to effect and maintain insurance in respect of all loss or physical damage to the plant and other property on the land that is subject to the land lease.

Liability and indemnity

The Operator's liability with respect to the O&M Agreement is limited to certain fixed amounts or percentage of management fees depending on the operational period. This limitation does not apply to gross negligence or wilful misconduct of the Operator or its affiliates.

In respect of the brownfield sites, each party indemnifies the other for claims and losses arising from the existing facilities under environmental laws or violation of water and electricity laws for the period during which the existing facilities were under such party's control. In the case of Taweelah A1, this indemnity is given by the Operator only, in favour of the generation subsidiary, ADWEC, ADWEA and the financing parties.

Assignment

The O&M Agreement cannot be assigned without the prior written consent of the other party, provided that the generation subsidiary may assign the O&M Agreement to the lenders (and, in the case of Umm al Naar and Taweelah A1, to ADWEC).

Project and (where relevant) Shared Facilities Lease Agreements

The land required for each project (and its shared facilities, where relevant), including necessary access, utility and other easements, is leased to the UAE generation subsidiary from ADWEA for a period that exceeds the term of the PWPA, usually by five years, with renewal options consistent with the renewal options in the corresponding PWPA. The land lease continues on a year-to-year basis following expiry of the initial term, unless the UAE generation subsidiary gives ADWEA at least 180 days' notice prior to expiry of the initial term or any renewal of its intention not to continue.

The basic rent for the initial term of the land lease is a nominal sum.

The land leases may be terminated (a) by mutual agreement between ADWEA and the UAE generation subsidiary, (b) by the non-defaulting party on the occurrence of an event of default, (c) if the facilities are completely destroyed or so damaged that the UAE generation subsidiary elects not to rebuild, restore or repair them, or (d) when the useful life of the facilities has ended and demolition

and removal has occurred in accordance with the land lease. The events of default include (i) failure to pay amounts due under the land lease within 60 days after the date such amount is due and (ii) failure to perform or meet in any material respect any material condition, covenant or obligation under the land lease which remains uncured for 90 days or, if the defaulting party is diligently pursuing a cure, 180 days. In the event of a UAE generation subsidiary default, ADWEA may, but has no obligation to, cure the UAE generation subsidiary default.

Shareholders' Agreement

Each UAE generation subsidiary has entered into a shareholders' agreement that governs the management of the UAE generation subsidiary and the relationship between its shareholders.

Shareholder loans

Shareholders are required to advance interest-free loans to a pre-agreed maximum, at such time or times as required by the generation subsidiary, on terms to be established at the time the loan is made. The shareholder loans are subordinated to other generation subsidiary indebtedness under the financing documents.

Restrictions on transfer

All transfers of generation subsidiary shares are subject to a provision of UAE law limiting the foreign ownership of each generation subsidiary's share capital to not more than 49%. Except for transfers by shareholders to the relevant ADWEA subsidiary, and transfers by the relevant ADWEA subsidiary to its affiliates, transfers required by operation of law or transfers resulting from the creation or enforcement of a lien on shares to secure indebtedness of the generation subsidiary, shareholders cannot sell, transfer, assign, pledge or hypothecate their shares.

Management

The business and affairs of the generation subsidiary are managed by, and under the direction of, its board of directors. The directors are appointed by the shareholders with the relevant subsidiary of ADWEA holding shares in the relevant UAE generation subsidiary nominating a majority of directors. The executive managing director of the UAE generation subsidiary is nominated by the minority shareholder owned by the respective joint venture partners in each project and is responsible for day-to-day management, including compliance by the UAE generation subsidiary with its obligations under the PWPA.

Matters requiring unanimous shareholder approval

Certain matters require the unanimous written approval of the shareholders including, for example, (a) a change in the general nature and business of the generation subsidiary, (b) the winding-up of the generation subsidiary or the sale, transfer, assignment, pledge or hypothecation of generation subsidiary shares, (c) the acquisition, formation or disposition of subsidiaries, (d) the merger, consolidation or reorganisation of the generation subsidiary with another company, (e) the sale, transfer, disposition, lease or other disposal of all or substantially all of the generation subsidiary's business, undertaking or assets, and (f) incurring indebtedness in an aggregate amount in excess of an agreed minimum level in a fiscal year.

Dividend policy

Subject to the relevant finance documents, to the greatest extent permitted by the UAE commercial companies law, but subject to forecasted working capital requirements in accordance with the agreed annual budget, profits are distributed to the shareholders and available cash in the UAE generation subsidiary is to be used to repay subordinated loans.

Term and termination

The initial term of a shareholders' agreement is 40 years from the generation subsidiary's registration date and it is renewed automatically for five-year periods, unless either party gives at least 12 months' prior written notice to terminate at the end of a relevant period. A shareholders' agreement can be terminated by agreement between the shareholders. In addition, the agreement terminates automatically if either of the shareholders no longer holds shares in the generation subsidiary, if the joint venture partners together own less than 25% of the shares in the generation subsidiary or if the relevant land lease is terminated as a result of demolition and removal of the relevant facilities.

Default

Events of default consist of (a) a material breach of the shareholders' agreement, (b) the voluntary or involuntary winding-up of a shareholder, or (c) a breach by the UAE generation subsidiary of its obligations under the PWPA resulting in the termination by ADWEC of the PWPA. Following the occurrence of an event of default caused by the joint venture partners, the relevant subsidiary of ADWEA may purchase all of its shares and shareholder loans in the generation subsidiary. If the relevant subsidiary of ADWEA is the defaulting party, the joint venture partners may require such subsidiary to purchase all of their shares and shareholder loans in the generation subsidiary at prices set out in the agreement. The purchase price for the shareholder loans is equal to their outstanding principal amount. The purchase price for the defaulting party's shares is to be agreed between the parties, failing which the purchase price will be determined by a third-party valuer.

SUMMARY OF CERTAIN INTERNATIONAL GENERATION PROJECT AGREEMENTS

Jorf Lasfar

Power purchase agreements

JLEC and its subsidiary, JLEC 5&6, have each executed a PPA with ONEE. The first PPA, signed with JLEC, relates to the existing four units and the second PPA, signed with JLEC 5&6, covers the two new units currently being built. Both PPAs are for periods of 30 years.

JLEC and JLEC 5&6 sell available power generation capacity and net electricity production from the Jorf Lasfar facility to ONEE. Each PPA is a take-or-pay contract, subject to the availability of the units, which provides for capacity and energy payments at contracted tariffs denominated in U.S. dollars and euro (except for a limited portion denominated in Moroccan dirham).

Under the PPAs, ONEE bears substantially all foreign exchange and coal price risk, subject in the case of the latter to the Jorf Lasfar facility meeting certain guaranteed levels of plant efficiency. In addition, the PPAs contain change in law provisions that allow certain costs which JLEC or JLEC 5&6 may incur as a result of regulatory changes that affect the Jorf Lasfar project to be passed through to ONEE.

The PPAs set out the obligations of both JLEC and JLEC 5&6 on the one hand and ONEE on the other hand and include default provisions for failure to meet those obligations which, subject to cure rights and materiality, could ultimately provide a party with termination rights. Early termination of a PPA by either JLEC, JLEC 5&6 or ONEE obligates the payment by ONEE of a termination amount specified with regard to the subject termination event.

The payment obligations of ONEE under each PPA are reinforced by a payment assurance package. In addition, the Government of Morocco has guaranteed payments of the termination amounts under the PPAs and JLEC and JLEC 5&6's rights of quiet enjoyment of the Jorf Lasfar power station.

Each PPA is governed under the laws of Morocco. Disputes that cannot otherwise be resolved by the parties are ultimately subject to arbitration in accordance with the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

Transfer of possession agreement ("TPA") and coal terminal agreement ("CTA")

In conjunction with the implementation of the initial Jorf Lasfar project for the first four units, JLEC entered into the TPA with ONEE and the CTA with l'Agence Nationale des Ports ("**ANP**") (formerly the Office National d'Exploitation des Ports), the national port authority of Morocco. The term of the TPA runs for a period of 30 years from September 1997, and the term of the CTA runs for an initial period of 20 years from September 1997 with a right to extend to be coterminous with the term of the TPA. These agreements establish JLEC's rights of possession and quiet and peaceful enjoyment, as well as responsibilities for use, operation and maintenance, of the Jorf Lasfar facility and the coal terminal and coal handling facilities, respectively. ONEE and ANP retained legal title to the underlying assets to comply with legislation in effect at the time the agreements were put in place. Moroccan law has since changed and JLEC 5&6 will own the fifth and sixth units with ONEE granting JLEC a right to use the land through a right of surface agreement for the duration of the PPA for those new units. Ownership of the fifth and sixth units is to be transferred to ONEE at the end of the PPA for those new units. JLEC, JLEC 5&6, ONEE and ANP are in the process of discussing the conclusion of a new CTA in relation to the expansion of the coal terminal facilities required by the addition of the two new units.

The TPA provides for certain events of default on the part of JLEC and ONEE. If the occurrence of any event of default relating to either party results in the termination of the TPA, the PPAs automatically terminate.

The TPA is governed under the laws of Morocco. Any disputes in respect of the TPA are subject to the dispute resolution procedure provided for in the PPAs.

Operation and maintenance agreements

JLEC, JLEC 5&6 and TAQA North Africa ("**TNA**") have entered into two operation and maintenance agreements to govern the operation of the first four and the last two units, respectively. Each agreement has an initial term of 30 years.

Under the terms of the agreements, TNA is required to operate, maintain and repair the power station and the port installations in accordance with the governing agreements and to provide certain management personnel to supervise JLEC and JLEC 5&6's employees.

JLEC and JLEC 5&6 are required to pay TNA a management fee and, if relevant, incentive payments (relating to performance targets for available capacity, heat rate and budget performance). TNA is liable to pay liquidated damages to JLEC or JLEC 5&6 for failing to meet the targets referred to above as well as for certain environmental liabilities arising out of TNA's performance.

The operation and maintenance agreements are governed by the laws of Morocco. Disputes arising under or in relation to the agreement are subject to the Rules of Conciliation and Arbitration of the International Chamber of Commerce ("**ICC**").

Coal handling and storage agreement ("CHSA")

The CHSA, entered into between JLEC and ONEE, governs the rights and obligations of both parties in respect of JLEC's unloading, handling and storage of coal destined for use by ONEE at its thermal plant in Mohammedia and received at the port at Jorf Lasfar. The agreement terminates upon the termination of the PPAs.

The agreement sets a limit on the cumulative amount of ONEE coal to be unloaded, handled and stored by JLEC as well as a number of specific circumstances in which the limit may be exceeded. The CHSA sets out the specific coal storage obligations of both parties and provides for JLEC to be relieved of its obligations in certain circumstances.

JLEC, JLEC 5&6 and ONEE are currently negotiating an amendment to the agreement pursuant to which JLEC 5&6 would accede to the CHSA and both JLEC and JLEC 5&6 would be responsible for the unloading and handling of the coal to be used by ONEE at the thermal plants it operates. If the CHSA is not amended on or before financial close of the JLEC 5&6 project finance facilities, the CHSA shall automatically terminate and JLEC shall be released from its obligations under the CHSA.

Should the CHSA be amended as described above, the CHSA will remain in full force and effect until the expiry and/or termination of the PPA entered into between ONEE and JLEC 5&6, provided that, following the expiry and/or termination of the PPA entered into between ONEE and JLEC, JLEC's rights and obligations under the CHSA shall be novated to ONEE (in its capacity as operator of Units 1 to 4) or the entity designated by ONEE for the operation and maintenance of Units 1 to 4.

The CHSA is governed under the laws of Morocco. Any disputes in respect of the CHSA are subject to the dispute resolution procedures set out in the PPA. Once the PPA is amended as described above, any dispute in respect of the CHSA between ONEE and either JLEC or JLEC 5&6 would be subject to the dispute resolution procedures set out in the relevant PPA and any dispute between JLEC and JLEC 5&6 would be settled by an ICC arbitration in Paris.

Neyveli (India)

Power purchase agreement

SCECPL is party to a PPA with TANGEDCO, as successor in interest with respect to the PPA to the Tamil Nadu Electricity Board, that runs for a 30-year term (from 15 December 2002), which may be extended for a further 15 years (in five year increments) at TANGEDCO's option, subject to agreement on certain terms of extension between SCECPL and TANGEDCO.

Under the terms of the PPA, TANGEDCO is the sole purchaser of power generated at the plant and delivered in accordance with the agreed dispatch instructions, save in the event a

TANGEDCO event of default occurs, in which case power may be sold to any purchaser within Tamil Nadu.

The tariff levied under the PPA is based on the availability of the plant. It includes a fixed capacity component covering, *inter alia*, interest on loans, taxes and depreciation, a variable fuel component covering the cost of primary and secondary fuel, and an incentive charge.

TANGEDCO's payment obligations under the PPA are reinforced by a payment assurance package. The security provided includes a letter of credit (covering one month's payments of tariff at 80% plant load factor) and a Government of Tamil Nadu guarantee which covers all monies owed to SCECPL by TANGEDCO. Each party is relieved from liability if the performance of its respective obligations under the PPA is materially and adversely affected by *force majeure*.

The agreement contains a change in law provision which provides for the agreement to be amended to put the parties back in their respective economic positions in the event that a given change in law results in an increase/decrease in costs or decrease/increase in net after tax return to SCECPL in excess of U.S.$125,000 in any year.

The PPA provides for certain events of default on the part of both SCECPL and TANGEDCO and specifies cure periods during which the party which is in default can remedy the default. If a default is not remedied within the requisite cure period, the other party can terminate the PPA.

Under the terms of the PPA, in the event of default by TANGEDCO, SCECPL has an option to require TANGEDCO to purchase the project at a purchase price to be determined in accordance with the terms of the PPA. Similarly, in the event of default by SCECPL, TANGEDCO may exercise an option to purchase the project at a price determined in accordance with the terms of the PPA.

The PPA is governed by Indian law and disputes are dealt with according to a phased procedure culminating ultimately in arbitration, conducted in London in accordance with the Rules of Conciliation and Arbitration of the ICC.

Fuel supply agreement

Lignite is supplied to the plant by NLC under an FSA entered into in April 1998.

NLC is required to supply scheduled monthly quantities of lignite, which quantities may be revised by SCECPL, provided that the average annual quantities do not exceed 1.90 million metric tonnes or fall below 1.15 million metric tonnes. Under the FSA, SCECPL may not purchase or receive fuel from any other source except to the extent NLC does not deliver 90% of the required quantity of lignite for a period of three consecutive months.

The base price paid for lignite under the agreement is the annual weighted average price of lignite produced from NLC's various mines. In addition, SCECPL is required to make an incentive payment for supplies made in excess of 97% of the annual average quantity and a guarantee charge commencing in the 13th year of commercial operation which is equal to 1% of the base price of lignite delivered in each year after the 12th year of commercial operation, up to a maximum of 1.77 million metric tonnes. The delivery price comprises the sum of the base price, applicable taxes and royalties, charges for sampling and analysis of the lignite supplied, the guarantee charge and the incentive charge.

The agreement provides for a number of events of default on the part of either party which will trigger the payment of certain agreed liquidated damages.

The FSA is governed by Indian law. Disputes arising under the FSA are to be resolved by negotiations between representatives of both parties and in the event of non-resolution are subject to arbitration, which is to be conducted in Chennai in accordance with the Indian Arbitration and Conciliation Act of 1996.

Red Oak (USA)

Red Oak Tolling Agreement

The Red Oak Tolling Agreement was acquired by TAQA Gen-X. Under the Red Oak Tolling Agreement, TAQA Gen-X makes fixed monthly payments in exchange for all economic rights to the Red Oak plant's output (power sales, capacity payments, ancillary services) and assumes the obligation of obtaining fuel for the plant, in each case, for the duration of the contract (to August 2022), providing a similar investment and risk exposure to physical ownership of the Red Oak plant on a merchant basis. Profit is generated when the revenue from the power sales, capacity payments

and ancillary services of the plant is higher than the fixed monthly payments and the fuel costs paid by TAQA Gen-X.

Energy management agreement

The management of the Red Oak Tolling Agreement is outsourced to Morgan Stanley, the sole general partner of TAQA Gen-X, through an Energy Management Agreement (''**EMA**''). The management of the contract includes decisions on plant dispatch when economically viable and hedging and trading power and gas forward to optimise risk-adjusted returns. Morgan Stanley is paid a management fee and an incentive fee after a guaranteed return on investment.

SUMMARY OF PRINCIPAL OIL AND GAS AGREEMENTS

Oil and Gas Sales Contracts (North America)

The Group sells its North American production to a variety of purchasers in the physical spot market utilising master sales agreements.

The Group's natural gas sales portfolio consists of gas sales priced at AECO monthly index, AECO daily spot, Chicago daily spot and a small portion to aggregators. The Group's oil and natural gas liquids portfolio consists of sales that are priced based on standard industry monthly market posters or on industry standard monthly indices.

Oil and Gas Sales Contracts and Decommissioning Deeds (UK North Sea)

The Group has entered into crude oil sales agreements with Shell International Trading and Shipping Company Limited (''**STASCO**'') in relation to the Group's crude oil production from the Brae Assets. The agreements are for a 12-month period commencing 1 January 2012 and terminating on 31 December 2012. The purchase price per barrel is based on the ''Forties'' quotation published in Platt's Crude Oil Marketwire plus a fixed differential and adjusted in relation to the sulphur content. The Group has initiated a tendering exercise in respect of the above crude oil sales agreements in order to have replacement contracts in place for the period from 1 January 2013.

The Group has a further contract with STATSCO for the sale of its crude oil produced from its other North Sea Assets. The agreement is for a rolling 12-month period commencing on 1 January in each year, subject to termination by either party by providing notice prior to 31st October in any calendar year in which event the contract would terminate on 31 December of that year. The purchase price per barrel is based on the published Brent Ninian Blend as published in Platt's Crude Oil Marketwire with a variable differential based on quantity.

The Group has entered into decommissioning cost provision deeds (the ''**Decommissioning Deeds**'') for each of its fields constituting the North Sea Assets for the benefit of the sellers of those fields. Under the Decommissioning Deeds, the Group is required to either (a) place monies in trust or procure the issuance of letters of credit in an amount equal to 150% of the Group's share of the estimated net decommissioning costs of the fields or (b) procure the issuance of a guarantee by an affiliate with a credit rating of not less than AA- (Standard & Poor's) or Aa3 (Moody's) or an equivalent rating by another rating agency approved by all the parties to the Decommissioning Deeds. The estimated net decommissioning costs of the fields are revised each year by the parties to the Decommissioning Deeds. A guarantee has been issued by TAQA as a qualifying surety in relation to each of the Decommissioning Deeds, see ''*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Business Generally — The Group could incur significant decommissioning costs in relation to its facilities*''.

Gas Sales and Gas Storage Agreements (The Netherlands)

P/15 and P/18 offshore

Most gas from the P/15 and P/18 fields in The Netherlands is contracted for sale to GasTerra under standard Dutch small field gas sales agreements. The gas sales agreements remain in force until the earlier of:

(a) the production licences being no longer in force;

(b) upon two years' prior notice that the reservoirs are deemed by the sellers to be no longer capable of producing natural gas in commercial quantities;

(c) the sellers' interests in the reserves committed to the purchaser are delivered to the purchaser; or

(d) 30 years from the effective date, which was 1 January 2007. Annually, amendments to the gas sales agreements result in a new contract price based on the normative buying price ("**NIP**"), being the net back price of GasTerra and the introduction of a "Technical Minimum" without the obligation to pay a service fee.

In addition, there is a long-term agreement with Petrochem Carless Limited for the sale and offtake of oil and condensate produced from the P15/P18 licences at a price based upon a basket of published market prices, less a discount for contamination.

There is an agreement with GasTerra for the provision of gas storage services at Alkmaar PGI for a fixed (indexed) price with an initial term expiring in April 2017.

An agreement with Gazprom Export for provision of gas storage services in exchange for the delivery of cushion gas for the Bergermeer gas storage project was signed in August 2009. Pursuant to the agreement, Gazprom Export will deliver for the project a defined amount of cushion gas for injection into the Bergermeer storage facility. In exchange, Gazprom Export will receive working capacity and GM&T will receive a participating interest in the technical operator of the facility.

Bergen onshore

All gas from currently producing gas fields in the Bergen licence area is contracted for sale to GasTerra under a gas sales agreement. Pursuant to this agreement, the sellers (including TAQA Onshore) have committed their participation interests in the remaining and new gas reserves up to 15 billion m^3. Following an amendment that became effective in January 2009, the purchase price for the gas is calculated on the basis of the NIP. Almost all fields contractually deliver the gas on a so called "As Produced" arrangement. The gas sales agreement remains in force until the earlier of:

(a) the production licences being no longer in force;

(b) upon two years' prior notice that the reservoirs are deemed by the sellers to be no longer capable of producing natural gas in commercial quantities;

(c) the sellers' interests in the reserves committed to the purchaser are delivered to the purchaser; or

(d) 30 years from the effective date, which was 1 January 2007.

Joint Venture Agreements (The Netherlands)

The Dutch assets are held jointly in various partner groups under upstream joint operating agreements, always including a Dutch State owned subsidiary as partner for at least 40%, with the exception of the 40% interest in the NGT pipeline system, which is governed by a shareholders agreement with GDF and others excluding the Dutch State.

Bergermeer Capacity Agreements

Capacity at Bergermeer is offered under Standard Storage Agreements. 11 TWh of capacity has already been sold to storage customers under long-term contracts, subject to termination rights if the start of operations at the Bergermeer Facility is delayed. An additional 3 TWh of capacity is subject to auction in December 2012.

OVERVIEW OF THE UAE AND ABU DHABI

THE UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

Based on IMF data for 2011 (extracted from the World Economic Database (October 2012)), the UAE is the third largest economy in the MENA region after Saudi Arabia and Iran based on nominal GDP and the second largest after Qatar based on nominal GDP per capita. It has a more diversified economy than most of the other countries in the GCC. According to OPEC data, at 31 December 2011, the UAE had approximately 6.6% of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world). Based on IMF data (extracted from the World Economic Database (October 2012)) real GDP growth in the UAE increased by 5.2% in 2011. Based on the same source, real GDP in the UAE grew by 1.3% in 2010, fell by 4.8% in 2009 and grew by 5.3% in 2008 and 6.5% in 2007.

The UAE enjoys good relations with the other states in the GCC. However, the UAE does have a longstanding territorial dispute with Iran over three islands in the Gulf and, as such, is not immune to the political risks that have overshadowed the region.

On 8 August 2012, Moody's reaffirmed the UAE's long-term credit rating of Aa2 with a stable outlook. The principal reason cited for this high investment grade rating is the assumption that the obligations of the federal government will be fully supported by Abu Dhabi. The UAE is not rated by any other rating agency.

ABU DHABI

Abu Dhabi is the richest and largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE federation.

Abu Dhabi, with proven crude oil reserves estimated to be in excess of 90 billion barrels, has approximately 95% of the UAE's total oil reserves and approximately 6.3% of the world's proven oil reserves (which were 1,482 billion barrels according to OPEC at 31 December 2011). In recent years, Abu Dhabi has produced between 2.2 and 2.5 million barrels of oil per day, which is just over 95% of total UAE production. At this rate of production, Abu Dhabi's oil reserves would last over 100 years. In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. Abu Dhabi has approximately 93% of the UAE's natural gas resources. The UAE's natural gas resources were 6,091 billion standard cubic metres and represented approximately 3.1% of the world's natural gas reserves of 196,163 billion standard cubic metres, in each case at 31 December 2011 and according to OPEC.

The table below shows Abu Dhabi's crude oil production (excluding condensates), exports and average selling prices for each of the years indicated.

	2009	2010	2011
Crude oil production (million b/d)	2.2	2.3	2.5
Crude oil exports (million b/d)	2.0	2.0	2.3[1]
Oil, gas and oil product exports (U.S.$ billions)	53.5[2]	75.7[1][2]	107.1[1][2]
Average crude oil price (U.S.$ per barrel)	62.7	78.5	109.5

Notes:

(1) Figures are preliminary estimates.

(2) Production excludes condensates.

Source: Abu Dhabi National Oil Company, except oil, gas and oil product exports for which the source is Statistics Centre.

The population of the UAE, based on a census carried out in 2005, was approximately 4.1 million, of whom approximately 1.4 million resided in Abu Dhabi. The UAE National Bureau of Statistics estimated the population of the UAE to be approximately 8.2 million at the end of 2009 and approximately 8.3 million in mid-2010.

The populations of both the UAE and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed.

The table below illustrates this growth using mid-year population figures from official census data since 1975.

	1975	1980	1985	1995	2001	2005
Abu Dhabi population	211,812	451,848	566,036	942,463	1,170,254	1,399,484
Total UAE population	557,887	1,042,099	1,379,303	2,411,041	3,488,000	4,106,427

Source: Official census data published by the UAE National Bureau of Statistics, except 2001 UAE population which is a Ministry of Economy estimate.

In 2011 and based on the preliminary results of the 2010 census, the Abu Dhabi Statistics Centre (the "**Statistics Centre**") estimated the Emirate's population to be 1,120,700 in mid-2011.

In mid-2011 and based on Statistics Centre estimates, Abu Dhabi had a predominantly young population with 0.9% being 65 and over and 17.4% being under the age of 15. The population mix in mid-2011 is estimated by the Statistics Centre to have comprised 20.7% UAE nationals and 79.3% non-nationals, principally expatriate workers from Asian and other Middle Eastern countries.

The table below sets out annual inflation rates in Abu Dhabi for each of the periods indicated:

	2009	2010	2011
		(per cent.)	
Abu Dhabi annual inflation rate	0.8	3.1	1.9

In the nine months to September 2012, inflation in Abu Dhabi was 1.3% compared to the corresponding period of 2011.

According to the Statistics Centre, Abu Dhabi's nominal GDP per capita was estimated to be approximately U.S.$103,500 in 2011 which makes it one of the highest in the Gulf region. Mining and quarrying (principally crude oil and natural gas) dominates Abu Dhabi's economy and contributed approximately U.S.$128.5 billion, or 58.5%, of nominal GDP in 2011. Increases in oil and gas production rates combined with increases in oil prices contributed significantly to the real growth in Abu Dhabi's GDP in 2010 and 2011. Oil prices declined significantly in the second half of 2008 and this fact was the principal reason for the decline in real terms in Abu Dhabi's GDP in 2009.

The tables below show Abu Dhabi's nominal and real GDP, its percentage growth rate in real terms, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated.

	2007	2008	2009	2010[(1)]	2011[(1)]
			(AED billions, except for percentage)		
Abu Dhabi nominal GDP (current price)	545.4	705.2	535.3	620.3	806.0
Abu Dhabi real GDP (constant 2007 prices)	545.4	580.1	551.5	567.8	606.6
Percentage change in Abu Dhabi real GDP	5.4	6.4	(4.9)	3.0	6.8
UAE nominal GDP (current prices)	947.2	1,154.8	953.9	1,042.7	1,243.8
Abu Dhabi as a percentage of UAE	57.6	61.1	56.1	59.5	64.8

Note:
(1) Preliminary
Sources: Statistics Centre (for Abu Dhabi nominal GDP) and UAE National Bureau of Statistics (for UAE nominal GDP only).

Abu Dhabi's GDP is dominated by the mining and quarrying sector (principally crude oil and natural gas) sector, which contributed 56.4% of nominal GDP in 2007, 58.5% in 2008, 44.6% in 2009,

49.7% in 2010 and 58.5% in 2011. Outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2007, 2008, 2009, 2010 and 2011 have been: construction; manufacturing; financial institutions and insurance; wholesale and retail trade and repairing services; and real estate which, together, accounted for 27.8% of nominal GDP in 2007, 26.6% in 2008, 35.7% in 2009, 32.9% in 2010 and 27.3% in 2011. Excluding oil and gas, which are treated as being under public ownership, public administration and defence accounted for 3.1% of GDP in 2011.

Of these principal sectors:

- Mining and quarrying grew in real terms by 2.9% and 7.5% in 2007 and 2008, respectively, declined in real terms by 13.9% in 2009 and grew in real terms by 2.0% and 9.4% in 2010 and 2011, respectively;
- Construction grew at real rates of 9.0%, 22.0% 32.3%, 7.2% and 0.8% in each of 2007, 2008, 2009, 2010 and 2011, respectively;
- Manufacturing grew at a real rate of 0.4% in 2007, declined at real rates of 7.0% and 8.0% in 2008 and 2009, respectively, and grew at real rates of 0.7% and 9.8% in 2010 and 2011, respectively;
- Financial institutions and insurance grew at a real rate of 18.7% in 2007, declined at a real rate of 7.5% in 2008 and grew at real rates of 7.6%, 12.8% and 10.5% in each of 2009, 2010 and 2011, respectively;
- Wholesale and retail trade and repairing services grew at real rates of 6.5% and 2.7% in 2007 and 2008, respectively, declined in real terms by 9.8% in 2009 and grew in real terms by 4.3% and 3.5% in 2010 and 2011, respectively; and
- Real estate grew at real rates of 8.3%, 15.1%, 7.3%, 0.2% and 10.9% in each of 2007, 2008, 2009, 2010 and 2011, respectively.

The tables below show Abu Dhabi's nominal GDP by economic activity and by percentage contribution of each sector for each of the years indicated.

	2007		**2008**	
	(AED millions)	*Contribution (%)*	*(AED millions)*	*Contribution (%)*
Mining and quarrying (including crude oil and natural gas)	307,445	56.4	412,774	58.5
Construction	47,036	8.6	65,655	9.3
Manufacturing	35,244	6.5	39,118	5.5
Financial institutions and insurance	27,294	5.0	29,575	4.2
Wholesale, retail trade and repairing services	25,618	4.7	32,282	4.6
Real estate	16,211	3.0	21,350	3.0
Public administration and defence; compulsory social security	11,571	2.1	18,653	2.6
Information and communications	21,931	4.0	23,261	3.3
Transport and storage	12,187	2.2	16,737	2.4
Professional, scientific and technical	15,372	2.8	18,113	2.6
Electricity, gas and water supply; waste management	12,662	2.3	14,064	2.0
Administrative and support services	8,869	1.6	8,249	1.2
Education	6,121	1.1	7,229	1.0
Accommodation and food services	4,864	0.9	6,762	1.0
Agriculture, forestry and fishing	4,386	0.8	4,539	0.6
Human health and social work	1,757	0.3	3,717	0.5
Arts, recreation and other services	2,020	0.4	1,589	0.2
Activities of households as employers	1,011	0.2	1,309	0.2
(less imputed bank services)	(16,233)	(3.0)	(19,815)	(2.8)
Total GDP	545,367	100.0	705,159	100.0

Source: Statistics Centre.

	2009		2010		2011	
	(AED millions)	*Contribution (%)*	*(AED millions)*	*Contribution (%)*	*(AED millions)*	*Contribution (%)*
Mining and quarrying (including crude oil and natural gas)	239,006	44.6	308,022	49.7	471,775	58.5
Construction	79,310	14.8	80,925	13.0	81,067	10.1
Manufacturing	29,990	5.6	33,323	5.4	40,499	5.0
Financial institutions and insurance	30,154	5.6	34,498	5.6	39,202	4.9
Wholesale, retail trade and repairing services	28,084	5.2	29,650	4.8	30,893	3.8
Real estate	23,830	4.5	25,388	4.1	28,188	3.5
Public administration and defence; compulsory social security	20,559	3.8	23,231	3.7	25,385	3.1
Information and communications	24,022	4.5	22,881	3.7	22,929	2.8
Transport and storage	15,401	2.9	16,838	2.7	20,618	2.6
Professional, scientific and technical	17,385	3.2	18,417	3.0	18,794	2.3
Electricity, gas and water supply; waste management	14,678	2.7	14,601	2.4	16,139	2.0
Administrative and support services	9,695	1.8	10,371	1.7	10,901	1.4
Education	7,499	1.4	8,924	1.4	9,857	1.2
Accommodation and food services	6,283	1.2	6,572	1.1	6,799	0.8
Agriculture, forestry and fishing	4,698	0.9	4,795	0.8	4,837	0.6
Human health and social work	3,722	0.7	4,017	0.6	4,403	0.5
Arts, recreation and other services	2,068	0.4	2,206	0.4	2,316	0.3
Activities of households as employers	1,503	0.3	1,648	0.3	1,861	0.2
(less imputed bank services)	(22,575)	(4.2)	(25,990)	(4.2)	(30,431)	(3.8)
Total GDP	535,311	100.0	620,316	100.0	806,031	100.0

Source: Statistics Centre.

The table below shows Abu Dhabi's real GDP by economic activity and the year on year real growth rate in each sector for each of the years indicated.

	2007		2008	
	(AED millions)	*Real growth rate (%)*	*(AED millions)*	*Real growth rate (%)*
Mining and quarrying (including crude oil and natural gas)	307,445	2.9	330,515	7.5
Construction	47,036	9.0	57,393	22.0
Manufacturing	35,244	0.4	32,790	(7.0)
Financial institutions and insurance	27,294	18.7	25,249	(7.5)
Wholesale, retail trade and repairing services	25,618	6.5	26,320	2.7
Real estate	16,211	8.3	18,663	15.1
Public administration and defence; compulsory social security	11,571	5.5	12,043	4.1
Information and communications	21,931	15.0	23,161	5.6
Transport and storage	12,187	9.0	13,610	11.7
Professional, scientific and technical	15,372	9.7	15,766	2.6
Electricity, gas and water supply; waste management	12,662	12.0	13,393	5.8
Administrative and support services	8,869	16.5	7,181	(19.0)
Education	6,121	2.6	6,137	0.3
Accommodation and food services	4,864	17.7	4,963	2.0
Agriculture, forestry and fishing	4,386	(0.5)	4,860	10.8
Human health and social work	1,757	8.8	2,471	40.6
Arts, recreation and other services	2,020	7.3	1,393	(31.0)
Activities of households as employers	1,011	(0.9)	1,139	12.7
(less imputed bank services)	(16,233)	9.2	(16,917)	4.2
Total GDP	545,367	5.4	580,130	6.4

Source: Statistics Centre.

	2009		2010		2011	
	(AED millions)	*Real growth rate (%)*	*(AED millions)*	*Real growth rate (%)*	*(AED millions)*	*Real growth rate (%)*
Sector						
Mining and quarrying (including crude oil and natural gas)	284,570	(13.9)	290,368	2.0	317,781	9.4
Construction	75,903	32.3	81,397	7.2	82,080	0.8
Manufacturing	30,170	(8.0)	30,373	0.7	33,361	9.8
Financial institutions and insurance	27,167	7.6	30,652	12.8	33,876	10.5
Wholesale, retail trade and repairing services	23,744	(9.8)	24,767	4.3	25,645	3.5
Real estate	20,034	7.3	20,070	0.2	22,250	10.9
Public administration and defence; compulsory social security	13,197	9.6	14,583	10.5	15,711	7.7
Information and communications	23,768	2.6	23,354	(1.7)	22,586	(3.3)
Transport and storage	13,727	0.9	13,851	0.9	15,578	12.5
Professional, scientific and technical	15,015	(4.8)	15,437	2.8	15,460	0.1
Electricity, gas and water supply; waste management	14,740	10.1	14,646	(0.6)	15,522	6.0
Administrative and support services	8,373	16.6	8,693	3.8	8,967	3.1
Education	6,628	8.0	6,926	4.5	7,287	5.2
Accommodation and food services	4,674	(5.8)	5,177	10.8	5,769	11.4
Agriculture, forestry and fishing	4,570	(6.0)	4,723	3.3	4,714	(0.2)
Human health and social work	2,442	(1.2)	2,622	7.3	2,818	7.5
Arts, recreation and other services	1,845	32.5	1,924	4.3	1,989	3.4
Activities of households as employers	1,298	13.9	1,381	6.4	1,530	10.8
(less imputed bank services)	(20,339)	20.2	(23,093)	13.5	(26,297)	13.9
Total GDP	551,125	(4.9)	567,850	3.0	606,626	6.8

Source: Statistics Centre.

The Abu Dhabi government's long-term foreign and local currency issuer ratings were affirmed at Aa2 and its short-term foreign and local currency issuer ratings at Prime-1 by Moody's on 8 August 2012. The factors cited as supporting this high investment grade rating were a strong government balance sheet, abundant hydrocarbon resources, one of the highest GDP per capita ratios in the world despite cyclical swings in oil prices and production, domestic political stability and strong international relations. The factors cited as constraining the ratings were a regional geopolitical environment that is more troubled than that of other highly rated countries while its political, administrative and legal institutions are still developing. In addition, Abu Dhabi's economic performance is volatile, the debt of government-related enterprises is high by international

comparisons, the government has provided support to Dubai and its own commercial banks and the scope and disclosure of Abu Dhabi's official economic data remains relatively limited for a highly rated country.

The Abu Dhabi government's long-term sovereign credit ratings were affirmed at AA (long-term) and A-1+ (short-term) by S&P on 29 November 2011. S&P commented that the ratings were anchored by the government's strong fiscal and external positions but constrained by weak political institutions, a lack of transparency and public accountability, limited availability of timely financial and economic data, contingent liabilities from state-owned and government-related enterprises and limited monetary policy flexibility.

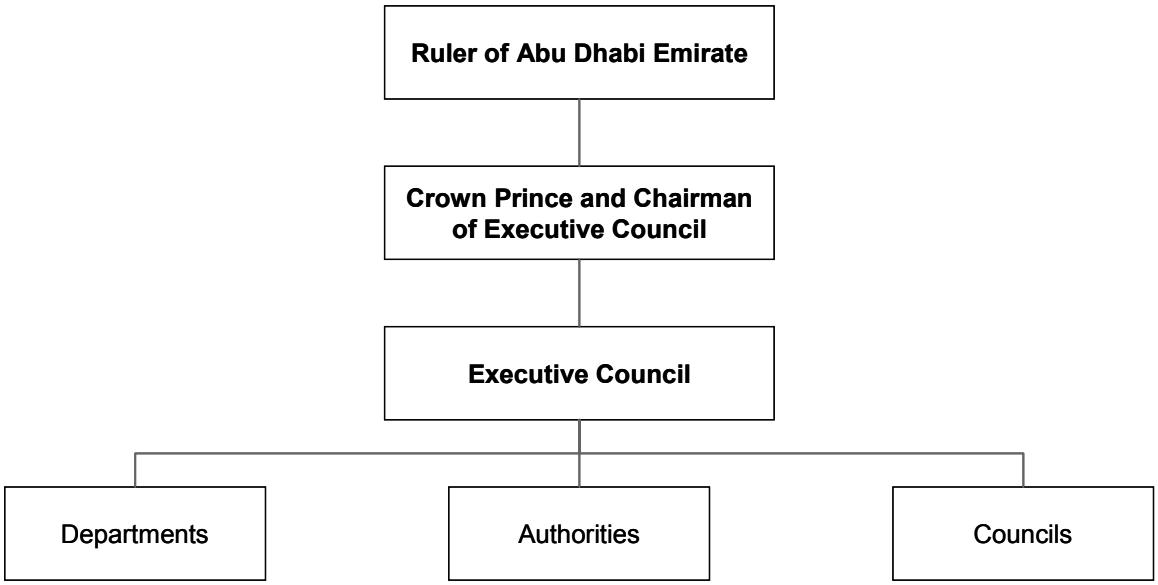
The Abu Dhabi government's long-term foreign and local currency issuer default ratings were affirmed at AA and its short-term foreign currency issuer default ratings were affirmed at F1+ by Fitch on 25 September 2012. Fitch cited the following rating factors as strengths: Abu Dhabi's sovereign balance sheet is the second strongest of any rated sovereign; ADIA's liquid investments afford Abu Dhabi considerable financing flexibility; Abu Dhabi has the world's second largest per capita reserves of hydrocarbons; oil exports have driven substantial fiscal (except in 2009) and current account surpluses; and per capita income in 2011 was second among Fitch-rated sovereigns. Fitch also cited the following rating factors as weaknesses: the government relies on oil for over 90% of budget revenue and exports; pro-cyclical fiscal policy and lack of monetary policy independence have made it difficult to curb oil price-driven fluctuations in activity, credit and inflation; Abu Dhabi faces contingent liabilities from its state-owned enterprises, banks and other emirates; there is a lack of transparency about Abu Dhabi's sovereign wealth fund assets; and geopolitical risk, centring on neighbouring Iran, weighs on all sovereigns in the Gulf.

ABU DHABI GOVERNMENT

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan, and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Executive Council, which is the principal executive authority below the Ruler and the Crown Prince. The Executive Council currently comprises 14 members appointed by Emiri Decree issued on 31 December 2010.

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Executive Council. Departments manage administration within the Emirate and manage specific portfolios including, for example, the Department of Finance, the Department of Transport, the Department of Municipal Affairs, the Department of Economy and Planning and the Judicial Department. Authorities manage the Emirate's resources and strategies and include the Executive Affairs Authority, the Accountability Authority, the Abu Dhabi Water and Electricity Authority, the Health Authority and the Abu Dhabi Tourism Authority. Councils act as controlling bodies for certain Abu Dhabi government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards, and include the Council for Economic Development, the Education Council, the Urban Planning Council, the Civil Service Council and the Supreme Petroleum Council.

The chart below summarises the structure of the Abu Dhabi government.



The Abu Dhabi government owns or has significant shareholdings in a number of other companies. The other most important companies owned by the Abu Dhabi government are ADNOC, which manages all aspects of the Emirate's oil and gas industry, Mubadala Development Company PJSC, an investment and development company, International Petroleum Investment Company, which principally invests in international oil and gas interests, Tourism and Development Investment Company, which is a developer of tourism and real estate assets in Abu Dhabi and is charged with fulfilling the Emirate's ambition to become a global tourist destination, and ADIA and Abu Dhabi Investment Council, which are the vehicles through which the Abu Dhabi government has historically invested its surplus hydrocarbon revenue and, in the case of ADIA, through which the government has funded budget deficits when they have arisen in the past. Each of these companies is wholly owned by the Abu Dhabi government and one or more members of the Executive Council sit on the boards of each company.

ABU DHABI'S ECONOMIC STRATEGY

The Abu Dhabi government's development strategy is articulated in the Abu Dhabi Policy Agenda 2007-2008 (the "**Policy Agenda**") and the Abu Dhabi Economic Vision 2030, issued by the government in January 2009 (the "**2030 Economic Vision**"). Drawing on the Policy Agenda, the 2030 Economic Vision sets forth a roadmap for developing the Abu Dhabi government's strategy for economic development over the period to 2030.

The Policy Agenda establishes broad, long term policy goals to drive economic, social and geopolitical/governance change in the Emirate of Abu Dhabi. Under the Policy Agenda, diversifying the energy sector and the economy is a key step in achieving economic development, including through the strengthening of downstream hydrocarbon capabilities (refining, transportation and distribution), the application of better processes, products and technologies and the expansion of the proportion of value added exports, such as refined and semi-refined products in the petrochemicals sector, from the Emirate of Abu Dhabi. The Policy Agenda also calls for the pursuit of the geographic diversification of the Emirate's assets through strategic investments in upstream, midstream and downstream hydrocarbon assets outside the UAE (in which the Group is playing a part) and the leveraging of Abu Dhabi's strengths in the hydrocarbon sector to diversify into other industrial sectors, such as the development of Abu Dhabi as a world leader in the petrochemicals industry.

In addition, the Policy Agenda identifies the need to develop a sufficient and resilient infrastructure (including power and water infrastructure) capable of supporting anticipated economic growth and the Group is playing a significant enabling role in the implementation of this policy through its majority-ownership interest in all of Abu Dhabi's operating non-renewable power generation facilities.

TAQA'S RELATIONSHIP WITH THE GOVERNMENT OF ABU DHABI

TAQA was established in June 2005 by Emiri Decree to participate in the privatisation of Abu Dhabi's power and water generation infrastructure. Since that time, ADWEA has contributed to the Group 54% ownership interests in eight power generation and water desalination assets in the UAE. As a result, the Group, through its majority ownership interests in these assets, provides more than 95% of the electricity and water requirements of the Emirate of Abu Dhabi. In addition, ADWEA has contributed other significant assets to TAQA, including a 40% ownership interest in Sohar Aluminium.

The Abu Dhabi government is the majority shareholder of TAQA and, through The Regulation and Supervision Bureau (the "**Bureau**"), is regulator for the power and water sector in Abu Dhabi, see "— *Overview of the Power and Water Sector in Abu Dhabi*". The Abu Dhabi government is also represented on TAQA's Board of Directors, with the Chairman of the Board being a member of the Abu Dhabi Executive Council and the Chairman of Abu Dhabi's Department of Finance. In addition, three of TAQA's directors also have positions at ADWEA and two of TAQA's directors also have positions at ADIA. In July 2008, TAQA issued AED 4.15 billion of convertible bonds, AED 2.7 billion of which were subscribed by its Abu Dhabi government shareholders. The convertible bonds were mandatorily converted in September 2008 into shares of TAQA at a ratio of 500 shares per AED 1,000 nominal amount of bonds. Following the conversion, the government's total indirect shareholding was diluted from its previous level of 75.1%

As discussed above, TAQA is mandated to implement a significant part of the development strategy, particularly the government's initiative to diversify geographically Abu Dhabi's oil and gas assets and to develop a sufficient and resilient power and water infrastructure. In January 2011, the Abu Dhabi Department of Finance confirmed that the Abu Dhabi government's policy is to provide broad and ongoing support to a limited number of government-owned entities, including TAQA.

OVERVIEW OF THE POWER AND WATER SECTOR IN ABU DHABI

Power in Abu Dhabi is generated in predominantly gas-fired power stations located throughout the Emirate of Abu Dhabi, almost all of which are part-owned by the Group.

Transmission of electricity and water from production/generation companies to the two distribution companies in the Emirate of Abu Dhabi is undertaken by TRANSCO. Transmission lines at voltages of 400, 220 and 132 kilovolts connect the major centres of generation and demand. The peak demand in 2011 was 7,849MW, excluding an export of 1,900MW to other emirates.

Power is distributed to customers at 33, 22 and 11 kilovolts and 400/230 volts through two licensed distributors based in Abu Dhabi city (Abu Dhabi Distribution Company ("**ADDC**")) and Al Ain (Al Ain Distribution Company ("**AADC**"), respectively. ADDC has around 28,000km of network and AADC has around 19,000km of network. The peak demand of the two companies in 2009 was approximately 3,900MW and 1,800MW, respectively.

Potable water is produced mainly from desalination plants. Desalination takes place predominantly alongside the generation of electricity in cogeneration stations. Water is transmitted through trunk mains pipelines of 500mm to 1,600mm and pumping stations with a collective pumping capacity of approximately 2,100MIGD. TRANSCO supplies approximately 215,000MIG of water per annum and the maximum peak-day supply was 675MIGD in 2011.

Distribution to customers is carried out by ADDC and AADC principally through main pipelines with a diameter of between 80mm and 1,000mm The distribution network in the Emirate of Abu Dhabi consists of over 11,300km of pipelines. The average quantities distributed are approximately 579MIGD.

The Group is not involved in the transmission or distribution of power or water in the UAE.

In December 2009, the Abu Dhabi government established Emirates Nuclear Energy Corporation ("**ENEC**") as the entity responsible for developing nuclear power plants in the UAE. In April 2010, ENEC applied for licences to commence preliminary work at its preferred site at Braka in Abu Dhabi, approximately 53km southwest of the city of Ruwais. Final approval of the proposed site location for the four planned plants rests with the UAE Federal Authority for Nuclear Regulation. ENEC has appointed a consortium led by Korea Electric Power Company as its prime contractor in relation to the proposed development of the nuclear plants. ENEC's currently announced intention is to produce nuclear energy for the UAE national grid by 2017.

The Abu Dhabi government has also pledged that 7% of Abu Dhabi's energy will come from renewable sources by 2020. The Abu Dhabi government's principal vehicle for achieving this pledge is the Masdar Project being undertaken by Abu Dhabi Future Energy Company ("**Masdar**"), which is indirectly wholly owned by the Abu Dhabi government. Masdar is currently participating in, or conducting feasibility studies in respect of, a number of renewable energy projects, including the Shams 1 power project, a 100MW concentrated solar power project located at Madinat Zayed between the coast and the oasis of Liwa. The Shams 1 power plant is expected to be one of the largest thermal solar power plants in the world. Construction began in July 2010 and the plant is currently expected to commence operations in late 2012.

TAXATION

The following summary of certain United States, European Union and United Arab Emirates tax consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986 (THE "CODE"); (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes at their issue price (the first price at which a substantial amount of the Notes is sold for money to the public) that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, non-U.S. or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation or other entity treated as a corporation for U.S. tax purposes created or organised in or under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD

CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

Payments of interest on the Notes generally will be taxable to a U.S. Holder as foreign source ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's usual method of accounting for U.S. federal income tax purposes.

Fungible Issue

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Sale and Retirement of Notes

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. A U.S. Holder's tax basis in a Note generally will equal the amount paid for the Note. Gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

Backup withholding and information reporting

In general, payments of interest on, and the proceeds of a sale, redemption or other disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the U.S. Internal Revenue Service ("**IRS**") and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Certain U.S. Holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Notes. Investors who fail to report required information could be subject to substantial penalties. U.S. Holders should consult their tax advisers regarding the application of this legislation.

EU SAVINGS DIRECTIVE

The European Union has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of

payments of interest and other similar income paid by a person to (or for the benefit of) an individual or to certain other persons in another Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

UNITED ARAB EMIRATES

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of oil, gas and petrochemical companies and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of principal or interest on the Notes. The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

CLEARING AND SETTLEMENT

Custodial and depositary links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading, see "— *Book-Entry Ownership*" and "— *Settlement and Transfer of Notes*" below.

Investors may hold their interests in a Global Note Certificate directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

EUROCLEAR AND CLEARSTREAM, LUXEMBOURG

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Their customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in a Rule 144A Global Note Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Note Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Summary of Provisions Relating to the Notes while in Global Form — Exchange for Individual Certificates*", DTC will cause its custodian to surrender the Rule 144A Global Note Certificate for exchange for Rule 144A Individual Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Payments through DTC

Payments in U.S. dollars of principal and interest in respect of a Global Note Certificate registered in the name of, or in the name of a nominee for, DTC will be made to the order of such nominee as the registered holder of such Note.

BOOK-ENTRY OWNERSHIP

Euroclear and Clearstream, Luxembourg

Each Regulation S Global Note Certificate evidencing Regulation S Notes will have an International Securities Identification Number ("**ISIN**") and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

Each Rule 144A Global Note Certificate evidencing the Rule 144A Notes will have an ISIN, Common Code and a Committee on Uniform Securities Identification Procedures ("**CUSIP**") number and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under such Global Note Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Paying and Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

SETTLEMENT AND TRANSFER OF NOTES

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Individual Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in a Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note Certificate of the same Series (subject to the certification procedures provided in the Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of a Rule 144A Global Note Certificate will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by such Rule 144A Global Note Certificate of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate of the same Series. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in a Rule 144A Global Note Certificate of the same Series (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will transmit appropriate instructions to the custodian of such Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes of the same Series free of payment to the relevant account of the DTC Participant and instruct the Registrar to: (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant Regulation S Global Note Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note Certificate of the same Series.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Note Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Paying and Transfer Agent will have the responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Settlement of Pre-issue Trades

It is expected that delivery of the Notes of each Series will be made against payment therefor on the Issue Date, which is expected to be four business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes between the date of pricing and the Issue Date should consult their own adviser.

SUBSCRIPTION AND SALE

Summary of Subscription Agreement

Each of BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank (together, the "**Joint Lead Managers**") and Merrill Lynch International, Mitsubishi UFJ Securities International plc, The Royal Bank of Scotland plc and Société Générale (together, the co-lead managers and, together with the Joint Lead Managers, the "**Managers**" and each a "**Manager**") has, pursuant to a subscription agreement (the "**Subscription Agreement**") dated 6 December 2012, severally agreed with the Issuer to subscribe or procure subscribers for the respective principal amount of Notes of each Series set out opposite its name below, subject to the provisions of the Subscription Agreement:

Name of Manager	Amount of Series A Notes	Amount of Series B Notes
BNP Paribas	U.S.$125,000,000	U.S.$208,333,000
Citigroup Global Markets Limited	U.S.$125,000,000	U.S.$208,334,000
HSBC Bank plc	U.S.$125,000,000	U.S.$208,334,000
National Bank of Abu Dhabi P.J.S.C.	U.S.$125,000,000	U.S.$208,333,000
Standard Chartered Bank	U.S.$125,000,000	U.S.$208,334,000
Merrill Lynch International	U.S.$31,250,000	U.S.$52,083,000
Mitsubishi UFJ Securities International plc	U.S.$31,250,000	U.S.$52,083,000
The Royal Bank of Scotland plc	U.S.$31,250,000	U.S.$52,083,000
Société Générale	U.S.$31,250,000	U.S.$52,083,000

The Notes of each Series will be so subscribed at the issue price of 99.483% (in the case of the Series A Notes) or 99.404% (in the case of the Series B Notes) of the principal amount of the Notes of the relevant Series, less a combined commission of 0.3% of the principal amount of the Notes of the relevant Series. The Issuer will reimburse the Managers in respect of certain of their expenses, and have agreed to indemnify the Managers against certain liabilities incurred in connection with the issue of the Notes, including liabilities arising under the Securities Act. The Subscription Agreement entitles the Managers to terminate the Subscription Agreement in certain circumstances prior to payment being made by the Issuer.

To the extent that any Managers that are not U.S. registered broker dealers intend to effect any sales of the Notes in the United States, they will only do so through one or more U.S. registered broker dealers as permitted by Financial Industry Regulatory Authority guidelines.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Subscription Agreement provides that the Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer that is participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Managers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

United Kingdom

Each Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is (a) an ''Exempt Offer'' in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the ''**DFSA**''); and (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

State of Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the ''**Financial Instruments and Exchange Act**''). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Kingdom of Saudi Arabia

No action has been taken or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a ''**Saudi Investor**'') who acquires the Notes pursuant to the offering should note that the offer of the Notes is being made as a private placement by way of an ''offer restricted to sophisticated investors'' under Article 10 of the ''Offer of Securities Regulations'' as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the ''**KSA Regulations**''), through a person authorised by the Capital Market Authority (the ''**CMA**'') to carry

on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to ''sophisticated investors'' under Article 10 of the KSA Regulations. Each Manager represents and agrees that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations places restrictions on secondary market activity with respect to the Notes, including as follows:

(i) a Saudi Investor (referred to as a ''**transferor**'') who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a ''**transferee**'') unless the offer or sale is made through an authorised person where one of the following requirements is met:

  (a) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

  (b) the Notes are offered or sold to a sophisticated investor; or

  (c) the Notes are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(ii) if the requirement of paragraph (i)(a) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(iii) if the requirement in paragraph (ii) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and

(iv) the provisions of paragraphs (i), (ii) and (iii) above shall apply to all subsequent transferees of the Notes.

Kingdom of Bahrain

Each Manager has represented and agreed that it will not make the Notes available to the public in the Kingdom of Bahrain.

State of Qatar

Each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, the Notes in the State of Qatar, except (a) in compliance with all applicable laws and regulations of the State of Qatar and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

State of Kuwait

The Notes have not been licensed for offering in the State of Kuwait by the Ministry of Commerce and Industry or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering of the Notes in the State of Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990, as amended, and Ministerial Order No. 113 of 1992, as amended. No private or public offering of the Notes is being made in the State of Kuwait, and no agreement relating to the sale of the Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in the State of Kuwait.

Republic of Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly each Manager has represented and agreed that it has not offered or sold the Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the Securities

and Futures Act, Chapter 289 of Singapore (the "**SFA**"); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

Hong Kong

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, the Notes other than to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

General

Neither the Issuer nor any Manager has made any representation that any action has been taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Manager has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession or distributes this Prospectus or any other offering material and neither the Issuer nor any other Manager shall have responsibility therefor.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(i) It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of a QIB, (c) not formed for the purpose of investing in the Issuer and (d) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(ii) The Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(iii) The Rule 144A Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend substantially to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES."

(iv) It understands that the Issuer, the Registrar, the relevant Manager(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

(v) It understands that the Rule 144A Notes will be evidenced by a Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate of the relevant Series, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes pursuant to resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(i) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case, in accordance with any applicable securities laws of any State of the United States.

(iii) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend substantially to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."

(iv) It understands that the Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(v) It understands that the Notes offered in reliance on Regulation S will be represented by a Regulation S Global Note Certificate. Prior to the expiration of the distribution compliance period, before any interest in a Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate of the relevant Series, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

GENERAL INFORMATION

1. The listing of each Series of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that the Notes will be listed as and when issued, subject only to the issue of the Global Note Certificates. The listing of the Notes is expected to be granted on or around 13 December 2012. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction. The total expenses related to the admission to trading are £4,950.

2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes. The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 13 November 2012 (pursuant to powers delegated by a resolution of the Annual General Meeting of the Shareholders of the Issuer passed on 19 April 2011).

3. Save as disclosed on pages 48 (''*Capitalisation*'' in the last paragraph) and 65 (''*Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments*'' in the second paragraph), there has been no significant change in the financial or trading position of the Issuer or of the Group since 30 September 2012 and there has been no material adverse change in the prospects of the Issuer or of the Group since 31 December 2011.

4. Save as disclosed on page 118 (''*Description of the Group — Litigation*''), neither the Issuer nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

5. The Notes have been accepted for clearance through the Euroclear, Clearstream, Luxembourg and DTC systems (which are the entities in charge of keeping the records). The relevant securities codes for the Notes are as follows:

Regulation S Notes	**Series A Notes**	**Series B Notes**
ISIN:	XS0863523972	XS0863524277
Common Code:	086352397	086352427
Rule 144A Notes		
ISIN:	US00386SAK87	US00386SAL60
Common Code:	086311348	086311143
CUSIP:	00386S AK8	00386S AL6

   The Notes will be settled using the standard settlement procedures for Notes issued under programmes.

   The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States.

6. The issue price and the amount of the Notes of each Series has been determined based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to the Notes. The yield of the Series A Notes is 2.609% per annum (on an annual basis). The yield of the Series B Notes is 3.696% per annum (on an annual basis). The yield is calculated at the Issue Date on the basis of the applicable issue price; it is not an indication of future yield.

7. The following documents will be available, during usual business hours on any weekday (Fridays, Saturdays and public holidays excepted), for inspection at the office of the Issuer during the life of the Notes:

   (i) the Trust Deed (which includes the form of the Certificates);

   (ii) the Agency Agreement;

(iii) the constitutional documents of the Issuer;

(iv) the unaudited interim consolidated financial statements of the Issuer at and for the nine months ended 30 September 2012; and

(v) the audited annual consolidated financial statements of the Issuer at and for the years ended 31 December 2011 and 2010.

8. The consolidated financial statements of the Issuer as of and for the years ended 31 December 2011 and 2010 and auditors' reports thereon have been incorporated by reference herein. These consolidated financial statements have been audited by Ernst & Young, Middle East (which is authorised and regulated by the Ministry of Economy and Planning of the United Arab Emirates). The unaudited interim condensed consolidated financial statements of the Issuer as of and for the nine months ended 30 September 2012 have been reviewed in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by Ernst & Young Middle East as stated in their report incorporated by reference herein.

9. Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In particular, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer and its affiliates routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

10. TAQA's registered number is 1003072. TAQA's telephone number is +971 (0)2 691 4900.

bbls/d	Barrels per day
bcf	Billion cubic feet
bcm	Billion normal cubic metres
boe/d	Barrels of oil equivalent per day
Brae Assets	The non-operated interests in the United Kingdom Continental Shelf, the related interest in the SAGE pipeline and the Brae-Miller Linkline located in the North Sea
brownfield	The development, extension and upgrade of existing plants at the relevant sites. Umm al Naar, Taweelah Al, Taweelah B and Fujairah are examples of brownfield developments
greenfield	The construction of new plants. Taweelah A2 and Shuweihat S1 are examples of greenfield developments
GWh	Gigawatt hours
Islamic loan facility	In the context of the transactions described in this Prospectus, a loan facility which has been structured to provide an economic return which is substantially equivalent to that provided by a parallel term loan or equity bridge loan facility while being compliant with Shari'ah law
mbbls/d	Thousand barrels per day
mboe/d	Thousand barrels of oil equivalent per day
MIG	Million Imperial Gallons
MIGD	Million Imperial Gallons per Day
mmbbls	Million barrels
mmbbls/d	Million barrels per day
mmboe	Million barrels of oil equivalent
mmboe/d	Million barrels of oil equivalent per day
mmbtu	Million British thermal units
mmcf/d	Million cubic feet per day
mmscf/d	Million standard cubic feet per day
MW	Megawatt
North Sea Assets	The operated interests in the Tern, Eider, Pelican, North Cormorant, Cormorant Alpha and Kestrel producing fields in the North Sea, the non-operated interest in the producing Hudson field, the operated interest in the Brent pipeline system and the nonoperated interest in the Sullom Voe terminal
2P	Proved and probable reserves

PRINCIPAL OFFICE OF THE ISSUER

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