



Partners *for growth*



ABU DHABI NATIONAL ENERGY COMPANY (TAQA)
2019 ANNUAL REPORT

We strive to be the partner of choice in the markets where we choose to compete.

We are a publicly listed international energy and water company headquartered in Abu Dhabi, United Arab Emirates. Our operations include several strategic power generation and water desalination assets in the UAE and internationally, where we also operate upstream and midstream oil and gas businesses. We are present across four continents in 11 countries, which include Canada, Ghana, India, Iraq, Morocco, the Netherlands, Oman, Saudi Arabia, the United Arab Emirates, the United Kingdom and the United States.

We have a powerful sense of purpose, a clear vision for the future and a shared set of values. These are the pillars of our business that drive our strategy and the way we interact among ourselves and with all our stakeholders, whether they be governments, investors, employees, consumers, suppliers, industry partners or the communities touched by our activities.

Our Business	IFC-5	Control Environment	36-47
About Us	IFC	Board of Directors	36
Highlights	1	Executive Management	38
At a Glance	2	Corporate Governance	40
Business Model	4	Risk Management	44
		Shareholder and Bondholder Information	46
		Glossary of Terms	47
Strategic Review	6-13	Financial Statements	48-103
Chairman's Review of the Year	6	Board Report	48
Message from the CEO	8	Independent Auditor's Report	50
Strategic Focus	10	Consolidated Income Statement	54
Strategy Pillars	12	Consolidated Statement of Comprehensive Income	55
		Consolidated Statement of Financial Position	56
Operational Review	14-31	Consolidated Statement of Changes in Equity	57
Power and Water	16	Consolidated Statement of Cash Flows	58
Oil and Gas	20	Notes to the Consolidated Financial Statements	59
Health and Safety, Security and Environment (HSSE)	24		
People	27		
Corporate Social Responsibility	29		
Financial Review	32-35		
Market Environment	32		
Financial and Operational Highlights	33		
Message from the CFO	34		

Our Purpose

We believe that energy has the power to transform lives and bring about economic prosperity. From Abu Dhabi to new horizons, we embrace the challenge of delivering affordable and reliable energy and water. That is why each day our people deliver solutions that make a difference.

Our Vision

To be the leading international energy and water operator from Abu Dhabi.

Our Values

- Safe & Sustainable
- Pursuing Excellence
- Stronger Together
- Courageous & Creative
- Trusting & Trusted



Partner of efficiency and reliability

As a global energy and water operator from Abu Dhabi, our employees are at the core of running an efficient and reliable business. We are committed to multi-decade offtake agreements and enjoy the credit strength to shoulder decommissioning responsibilities for late life oil and gas assets with utmost consideration given to safety and the environment.



Partnership for sustainable growth

TAQA supplies oil, gas, power and water – the building blocks of modern life – to enable economic growth across all the geographies in which we operate. From the UAE and Morocco to the oil and gas fields of the North Sea, Western Canada and Iraq, we are a reliable and long-term partner for growth.

Provision of the Emirate of Abu Dhabi's electricity and water needs

85%+

Average offtake contract remaining life

12 years

Moody's / Fitch ratings and outlook

A3 stable / A stable

(Abu Dhabi sovereign Aa2 stable / AA stable)

Provision of Morocco's electricity needs

40%+

Global power technical availability

93.4%

Partnership with local communities

We want to have a positive influence on our internal and external stakeholders. This includes our employees, financial and environmental regulators, government agencies, trade unions and the wider communities in which we operate.

Revenues (AED)

17.6bn

(-1% versus FY 2018)

Gross water desalination (MIG)

246,894

(909 MIGD installed capacity)

Global power generation (GWh)

91,307

(17,103 MW installed capacity)

Average oil and gas production (boepd)

124,418

(+1% versus FY 2018)



Fatalities across TAQA operated assets

zero

Neyveli township families supported through TAQA Neyveli employment

134

Recorded injury rate across TAQA operated assets

0.38

incidents / 200k hours

Families supported through employment at TAQA Atrush

150

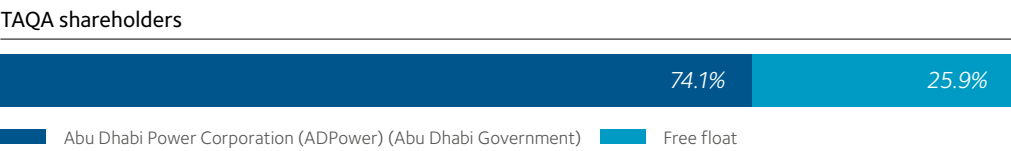
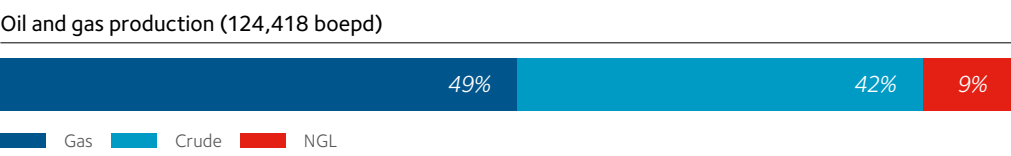
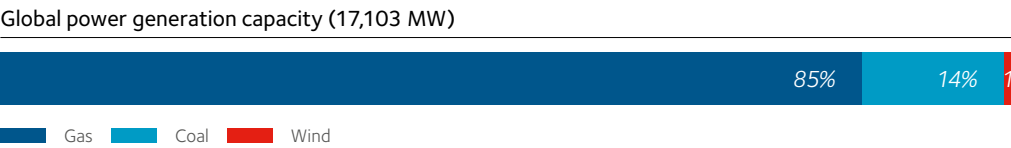
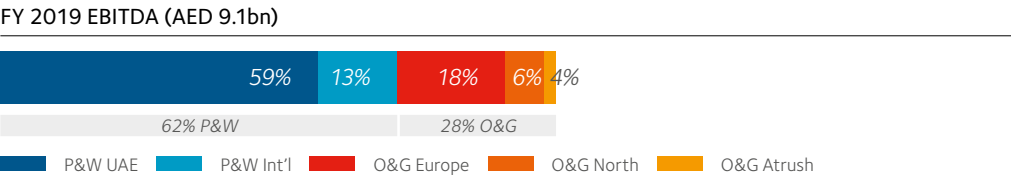
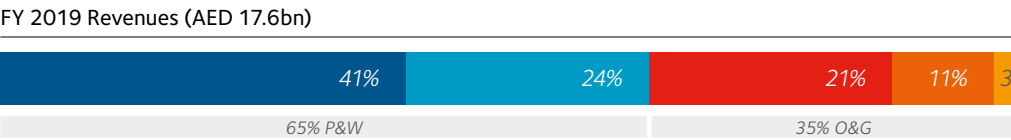
At a Glance

Partner of choice around the world

TAQA has a diversified global portfolio of investments across the energy and water industry, segmented into two main divisions:

Power and Water is our larger business stream and includes development, acquisition, ownership and operation of power generation assets in the Middle East, North Africa, India and North America. It also includes water desalination facilities in the UAE.

Oil and Gas is our second business stream with operations in North America, Europe and the Kurdistan Region of Iraq. It comprises upstream exploration, development and production of crude oil, natural gas and associated liquids. It also includes midstream gas storage, oil and gas processing and transportation.



Notes:
Not shown is a 49% associate investment in Massar Solutions, which is mainly involved in the leasing and management of vehicles and equipment.
^ Installed gross power and water capacity at Commercial Operations Date ("COD")
* Percentage of global TAQA capacity/production/2P reserves
** International partners across the eight plants include Marubeni, Total, Engie, JGC, Powertek, BTU, Sumitomo, Osaka Gas, Tepco and Sembcorp
*** Not included in TAQA global power capacity of 17,103 MW given TAQA stake in whole aluminum smelting plant (powered by a captive power plant)

- Power**
- Power and Water**
- Country**
Plant name
Operatorship; TAQA ownership
Power / water (installed capacity ^)
Desalination technologies (as applicable)
P(W)PA residual life (as at 31/12/2019)
- Oil and Gas**
- Country**
Asset description
Operatorship
2019 production
Hydrocarbon production mix (% crude / gas / NGL)
2P reserves as of 31/12/2019

Canada/United States
Oil and gas assets (2.4mn+ acres of landholdings)
TAQA-operated and non-operated
78,260 boepd (63%)*
18% crude / 68% gas / 14% NGL
2P reserves: 285mn boe (75%)*

UK/the Netherlands
Oil and gas assets (off and onshore)
TAQA-operated and non-operated
39,021 boepd (31%)*
80% crude / 19% gas / 1% NGL
2P reserves: 64mn boe (17%)*

Two gas storage facilities
Gas Storage Bergermeer (60% TAQA);
PGI Gas Storage (36% TAQA)
Gas storage capacity: **4.6 bcm (50 TWh)**

Morocco
Jorf Lasfar coal-fired power plant
TAQA-operated;
86% (Units 1-4), 91% (Units 5-6)
2,056 MW (12%)*
24 years

United States
Red Oak gas-fired power plant (New Jersey)
Non-operated merchant asset;
85% TAQA
832 MW (5%)*
3 years (tolling agreement)

Lakefield wind farm (Minnesota)
Non-operated; 50% TAQA
205.5 MW (1%)*
12 years

Ghana
Takoradi gas-fired power plant
TAQA-operated; 90% TAQA
330 MW (2%)*
21 years

Iraq
Atrush block in Kurdistan Region of Iraq
TAQA-operated
7,137 boepd (6%)*
100% crude
2P reserves: 30mn boe (8%)*

United Arab Emirates
Eight gas-fired power and water plants (see inset)
Non-operated;
54% TAQA / 6% ADPower / 40% Int'l Partners**
13,179 MW (77%)* / 909 MIGD (100%)*
10 years average

India
Neyveli lignite-fired power plant
TAQA-operated; 100% TAQA
250 MW (1%)*
13 years

Oman
Sohar Aluminium Smelter
Non-operated; 40% TAQA
1,000 MW* / 375k tons of aluminum per year**
Captive

Saudi Arabia
Jubail Energy gas-fired power and steam plant
Non-operated; 25% TAQA
250 MW (1%)* / 510 tons per hour steam
6 years

Shuweihat S1
1,615 MW / 101 MIGD
MSF; 5 years

Shuweihat S2
1,627 MW / 101 MIGD
MSF; 17 years

Umm al Naar
2,290 MW / 145 MIGD
MSF; 8 years

Fujeirah F1
882 MW / 131 MIGD
MSF, RO; 16 years

Fujeirah F2
2,114 MW / 132 MIGD
MED, RO; 11 years

Taweelah A1
1,671 MW / 84 MIGD
MSF, MED; 9 years

Taweelah A2
760 MW / 53 MIGD
MSF; 2 years


Taweelah B
2,220 MW / 162 MIGD
MSF; 9 years

Business Model


How we create value and contribute to sustainable development goals

What we leverage

Production assets owned and operated directly or through international partners.


 Find out more **on page 2**

Natural resources including oil fields and gas reserves, water and land required to support our operations.


 Find out more **on page 20**

Purposeful workforce of nearly 2,000 employees across global operations, bringing expertise, skills and innovative ideas.


Financial resources from internal cash generation, substantial undrawn credit facilities and access to capital markets through investment grade ratings.

 Find out more **on page 33**

Strong brand built on a track record of successful portfolio management and efficient and reliable operatorship experience.

 Find out more **on page 12**


Enduring relationships with governments, business partners and sponsors, regulators and communities.

 Find out more **on page 12**

How we create value


Value creation over time is guided by:

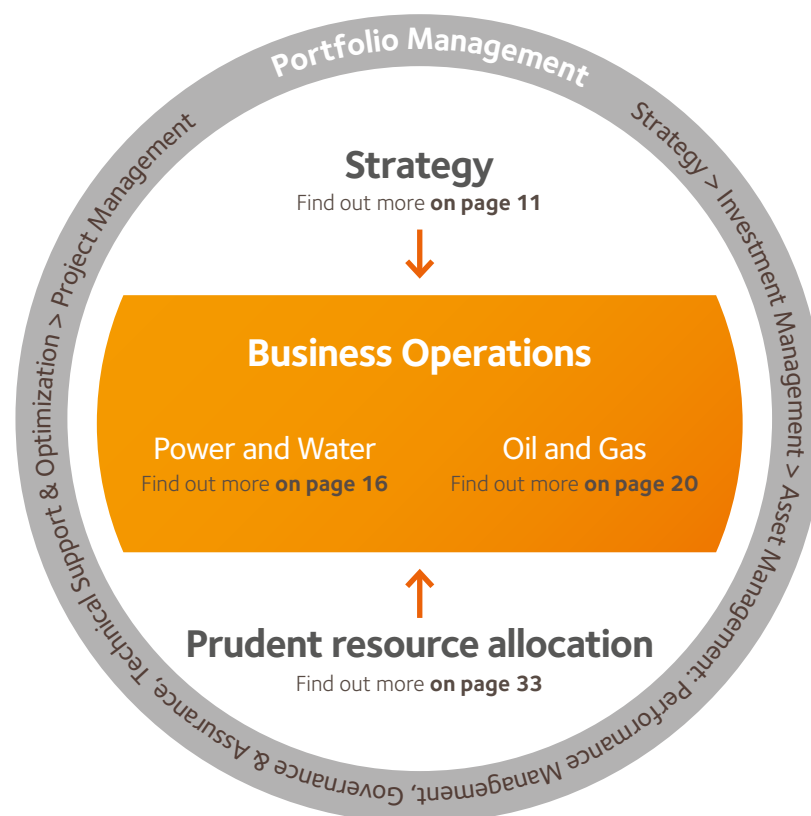
 **Our Purpose**  **Our Vision**  **Our Values**

 Find out more **on page IFC**


Control environment established through:

 **Corporate Governance**  **Risk Management**

 Find out more **on page 40**



Our employees deliver value by operating a strategic controller business model with oversight from TAQA Headquarters, while maintaining operatorship flexibility to pursue operational excellence and full regulatory compliance for each jurisdiction.


 Find out more **on page 41**

What we deliver


Building blocks of modern life whether it be power, water or oil and gas, supplied reliably, at affordable prices and to high quality standards.

Economic growth to the communities and economies in which we operate, providing employment and contract work, paying royalties, taxes, license fees and duties.

Workplace of choice that retains talent, promotes a strong work culture, prioritizes employee well-being and safety, develops skills and thrives on diversity and inclusion.


 Find out more **on page 27**

Social responsibility through our support and actions for local environments and communities as well as open engagement.

 Find out more **on page 29**

Reduced environmental impact as we proactively work towards the energy transition and continuously comply with ever more stringent environmental regulation.

Profitability for a third consecutive year.

 Find out more **on page 34**

Supporting UN SDGs*



* The UN's 17 Sustainable Development Goals (SDGs) are central to the UN's 2030 Agenda for Sustainable Development and are an urgent call for action by all countries.

Chairman's Review of the Year

New dynamics present more opportunities

2019 was yet another year of solid performance across our business. We generated a positive bottom line and guaranteed sustainable returns to our shareholders. Despite a slight reduction in margins, we registered further growth in production from most of our assets and rising revenues from core businesses. We remain confident of our role within the wider energy transition as well as the transformation underway in the UAE's power and water sector.



Find out more about our divisions in our **Operational Review on page 14**

Find out more about our financial performance in our **Financial Review on page 32**

I am proud of what we have accomplished in 2019 and look forward to another successful year. TAQA has the financial strength and resources to continue to create value and generate growth."

The energy and utilities sectors remain among the most important sectors globally, but there is a shift from the model that we once knew. The current evolutionary landscape presents unique challenges for companies, including TAQA, to consider and plan for these new dynamics.

Yet to follow this path, we must continue to build on our foundation: exploring ways of working with our partners to ensure affordability and reliability of supply, employment and skills transfer, community inclusion and engagement and driving sustainable economic growth.

And this is what has led to TAQA's success.

We have been able to unlock growth opportunities in our core markets and achieved major milestones in 2019. For instance, our Atrush oil field saw its total monthly volume exceed 1 million barrels in July last year for the first time since commencing operations in 2017. The field's daily production hit more than 50,000 barrels of oil per day in December.

The past year also saw the introduction of our new health, safety and environment strategy that uses indicators to monitor and set forth controls for incident prevention.

While we delivered another year of healthy performance – bolstered by our commitment to continually improve our business and expansion of our strategic partnerships – we also faced challenges.

Global uncertainties including political instability in the wider Middle East combined with softer global demand for oil and gas led to an overall decline in our full-year earnings. There was also a reduction in contribution from our European assets as we commenced the decommissioning of several facilities.

Despite this, our revenues remained stable during the year and were upheld by our Power and Water business. We continue to provide value to our stakeholders by delivering tangible growth and ensuring a sustainable long-term business through asset diversification and a focus on growth markets.

In addition, we are working toward ensuring the right mix between deleveraging of the balance sheet to reduce debt and disciplined investments in geographies that are important to delivering our growth objectives.

We were also presented with an offer in February 2020. Abu Dhabi Power Corporation proposed to transfer the majority of its power generation and water desalination assets, as well as its transmission and distribution assets, to TAQA in exchange for an increased stake. At the time of writing, the Board has resolved to recommend this offer to Shareholders for their approval at TAQA's Annual General Assembly. If approved by the Shareholders and the regulatory authorities, the transaction has the potential to transform the power sector in the region, making TAQA one of the largest utility companies in Europe, the Middle East and Africa.

In closing, I am proud of what we have accomplished in 2019 and look forward to another successful year. TAQA has the financial strength and resources to continue to create value and generate growth.

On behalf of the entire Board, I wish to express my sincere gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the UAE and Ruler of Abu Dhabi and His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, Deputy Supreme Commander of the Armed Forces and Chairman of the Executive Council of the Emirate of Abu Dhabi, for their visionary leadership that continues to forge a sustainable future for Abu Dhabi and the UAE. I would also like to express my gratitude to His Highness Sheikh Hazza bin Zayed Al Nahyan, Vice Chairman of the Abu Dhabi Executive Council, His Highness Sheikh Tahnoun bin Zayed Al Nahyan, National Security Advisor, Member of the Executive Council and Chairman of Abu Dhabi Developmental Holding Company and His Highness Sheikh Khalid bin Mohamed bin Zayed Al Nahyan, Member of the Executive Council, Chairman of Abu Dhabi Executive Office and Chairman of the Executive Committee; for their support.

Last but not the least, I thank the leadership team and colleagues for delivering another set of healthy results in 2019 and assure them of the Board's full support in 2020.


Saeed Mubarak Al Hajeri
Chairman of the Board


Message from the CEO

Driving a sustainable future for our business, partners and communities

2019 was a defining year as we continued to execute the strategic objectives of cost control, financial discipline and operational efficiency, resulting in positive operational and financial performance. We continued to pursue better understanding of market needs and trends to ensure that the energy and associated products we produce not only add value, but also generate shared prosperity.



 Find out more about our divisions in our **Operational Review on page 14**

 Find out more about our financial performance in our **Financial Review on page 32**

Revenues (AED)

17.6bn
(2018: 17.7bn)

Net profit (TAQA-share, AED)

234mn
(2018: 398mn)

The energy and water sectors continue to evolve, and at TAQA we are constantly exploring opportunities across our core markets to not only add value, but to also generate shared prosperity. We seek to create a more sustainable future for our business, partners and the communities in which we operate.

We undertook an effort to align our business with environmental, social and governance (ESG) metrics to ensure we more closely monitor the impact of our global sustainability initiatives. As part of these new guidelines by the Abu Dhabi Securities Exchange, our first sustainability report that will launch in 2020 showcases our commitment to meeting international standards.

From a business and operational sustainability standpoint, 2019 saw continued efforts to deliver on our strategic objectives of cost control, financial discipline and operational efficiency.

Our gross revenue remained flat at AED 17.6 billion, while net profit (TAQA-share) slid to AED 234 million from AED 398 million the previous year. The lower profits are mainly attributed to a decline in commodity prices, downtime within some of the Group's international power assets, unfavorable mark-to-market revaluations on derivatives and a reduction in our share of results from associates.

Reliable partner in power and water

Our Power and Water business delivered steady performance over the past year with AED 11.5 billion in gross revenue, underpinned by higher technical availability and lower forced outage rates, which strengthen our position as a reliable partner for growth.

While we continue to make strategic investment in our assets, our employees remain a main priority. Our investment in

the health and safety of our entire workforce is central to our business sustainability efforts. Year-on-year, we have improved on key performance metrics and we are focused on enhancing behavioral and process safety while also elevating safety leadership to strengthen overall health and safety culture.

In line with creating a work environment where our people feel empowered to adapt and drive efficiency, we continued to attract and retain the best talent to support our growth. Across the business, employee performance is now linked to the Company's business plan through the Performance with Impact and Exposure tool to create alignment and engagement around key performance indicators.

Optimizing existing oil and gas assets

To further strengthen the sustainability of our business, our strategy remained focused on optimizing returns from existing fields, investing in enhancing infrastructure, creating safer facilities and increasing cost efficiency.

The Atrush block in the Kurdistan Region of Iraq (KRI) once again surpassed expectations, which is a demonstration of our commitment to driving value creation. TAQA Iraq set a daily production record of 50,305 barrels of oil per day on 14 December, hitting a new production milestone. These successes are supported by our close partnerships with KRI government entities and are a demonstration of our ability to remain resilient in a changing environment.

In addition, we established an oil and gas asset management team to maximize the value of existing assets through innovative lifecycle management processes. We are dedicated to improving the value of our assets while ensuring cost-optimization. The creation of this team is just one of our steps to continue our journey of operational excellence built by an agile business model.

Yet macroeconomic challenges remain.

The Oil and Gas business stream's profitability declined by 4% on the back of weaker global demand for oil. Our overall production levels were largely maintained with our output increasing at Atrush, offsetting naturally declining volumes at our late-life European fleet. We look to build upon the expertise gained in managing and extending late-life assets with other Group assets in the future.

Going forward

We aim to create sustainable long-term value for the business and meet the demand for energy and water in an efficient and responsible manner while supporting the transition to a lower carbon future.

The scale of our MENA operations will continue to be a strategic priority while considering organic growth opportunities on a global scale. Our strategy also seeks to enable the diversification of income and the creation of a sustainable knowledge-based economy for the UAE, as well as the provision of a reliable supply of quality power and water.

We remain committed to delivering consistent financial results by maintaining industry-leading safety, and environmental performance and improving on operational efficiency. We will also continue to invest in our employees to help them realize their full potential, as well as furthering our valuable engagements with communities.

In closing, I believe there are significant growth opportunities across our core business, and I am confident that with the continued support and input of the Board, the senior leadership team and TAQA employees, we will be able to create further shareholder value into the foreseeable future.

Saeed Hamad Al Dhaheri
Chief Executive Officer

Strategic Review continued

Strategic focus on growth and asset value maximization



Find out more about
our business model
on page 4



Find out more about
our Power and Water
business on page 16

Overview

Our long-term strategy is to develop energy and water businesses of scale, focus on value creation and diversification of risk. To achieve this, we aim to strengthen our position as a leading power and water business focused on the MENA region as well as maintain a significant oil and gas business. A key objective for both business streams is to bring substantial technology and capabilities to Abu Dhabi and the UAE, which has been achieved through international expansion beyond TAQA's core UAE market into geographies that are of particular interest to Abu Dhabi and the UAE.

In terms of geographic focus, we aim to grow our business within the UAE and the MENA region, while also considering organic growth opportunities that fit within our strategy.

Power and Water: Acquisition and brownfield growth in seven countries has enabled this business stream to grow and has provided stable cash flows which underpins the financial stability of the Group. Our strategy is to:

- Deliver more value and opportunities for shareholders and maintain the Company's leading position as a top-quartile global operator by focusing on our core Middle East and Africa Power and Water business.
- Deliver maximum value from existing assets by optimizing the operations and unlocking synergies in LTSA and O&M contracts across the fleet.
- Maintain and grow the Power and Water asset portfolio by investing in new regional projects with long-term offtake agreements.
- Transform to a more proactive lead asset manager that effectively drives optimization initiatives across UAE assets.
- Improve the ability to deliver security of supply and economies of scale while remaining committed to generate strong, stable and predictable cash flows.

Oil and Gas: This business has acquired and developed significant operational capabilities internationally in Europe, North America and the Middle East, where our strategy has enabled us to:

TAQA Europe:

- Protect value by becoming the operator of the Greater Brae Area (GBA) in the central North Sea (CNS) and ensure sustained operational excellence across the different assets.
- Sustain business and growth by progressing with the planning, development and execution of major long-term projects including Quad 9 Gas, as well as increasing the capacity of Gas Storage Bergermeer.
- Minimize late-life asset risk through a rigorous program of asset integrity management and the successful execution of the decommissioning optimization strategy, including on-going well plug and abandonment programs.

TAQA North:

- Drive operational efficiency across all assets by leveraging insights identified in a thorough bottom up operational diagnostic analysis conducted in 2019 and by developing TAQA-owned infrastructure for gas processing.
- Optimize the existing portfolio by reinvesting cash generated from operations into the highest-performing assets.
- Continue with gas sales diversification strategy in order to optimize realized gas prices.

TAQA Atrush:

- Develop the asset to its full production potential through the execution of major development projects as defined in the asset's Field Development Plan.
- Continue driving efficiency through lessons learned and deploying "best in class" operational levers.
- Continue the identification and assessment of other prospects within the block.



Find out more about our Oil and Gas
business on page 20



We aim to grow our business within the UAE and the MENA region, while also considering organic growth opportunities that fit within our strategy."

Strategic Review continued

Strategy pillars built on competitive strengths



Find out more about our assets and global presence **on page 2**



Find out more about our business model **on page 4**



Our strategy is founded on three distinctive competitive strengths:

Abu Dhabi Government support

Through an indirect majority ownership of 74.1% of TAQA's share capital, previous statements of broad and ongoing support to TAQA and TAQA's status as a leading diversified energy operator of scale among Abu Dhabi's state-owned enterprises, we believe we are uniquely positioned to play an important role in the future energy transition of the Emirate of Abu Dhabi and support public and foreign policy. This advantage is sustainable and has previously taken the form of asset contributions from the Abu Dhabi Government, including our current interests in Sohar Aluminium and Massar Solutions as well as the granting in 2016 of rights to lease certain plots of land in the UAE valued at AED 18.7 billion.



Large and diversified portfolio with a presence in emerging markets

We operate in 11 countries across four continents, with businesses that span the energy value chain from power generation and water desalination up to midstream oil and gas transportation and storage services as well as upstream oil and gas exploration and production. This provides diversification across businesses, countries and currency risks. We are present in several emerging markets in the Middle East, Africa as well as India whose economies are growing faster than more mature markets and for which we expect higher demand growth for energy, particularly power. We are well positioned to benefit from these trends, particularly through our presence and expansion in such markets.



Proven capabilities

TAQA has proven capabilities in a number of areas, including project development and operations. We own a significant fleet of modern power assets, and are the operator of our power plants in Morocco, India and Ghana. We have also successfully implemented a number of large capital projects, including the US\$ 1.6 billion expansion of the Jorf Lasfar power plant in Morocco in 2014, the US\$ 1 billion development of Gas Storage Bergermeer in the Netherlands in 2015 and the 110 MW combined cycle expansion of the Takoradi power plant in Ghana in 2015. TAQA's Oil and Gas business stream operates onshore and offshore oil and gas exploration and production activities across North America, Europe and Iraq as well as midstream infrastructure in Europe.



Our strategy is based on five pillars:

Strong Abu Dhabi Government relationships

Strong Abu Dhabi Government relationships allow us to contribute toward the Abu Dhabi Economic Vision 2030 and the UAE Energy Strategy 2050, particularly as they pertain to diversifying energy and water sources and ensuring future energy and water security. We manage investments in strategic assets critical to Abu Dhabi and the UAE. These local relationships enable us to more effectively manage geopolitical, regulatory and market risks in our international operations, particularly in the MENA region, and to position ourselves as a global energy champion.



High levels of operational excellence

We consider health and safety and the protection of the environment to be our top priorities. TAQA is committed to having "zero accidents" to ensure a safer environment for our entire workforce and we continuously strive for operational excellence, seeking to apply leading technologies in order to deliver strong financial and operational performance. Our oil and gas assets perform with high uptime, even those in late-life, while our operating costs are competitive with industry peers. We maintain robust technical availability levels across our fleet of power and water assets with stable production levels. We will continue to focus on improving and enhancing infrastructure, creating safer facilities with more uptime as well as greater operational and cost efficiency.



Long-term value creation and portfolio realignment

Through a diversified mix of assets, we are able to generate a combination of stable cash flows while continuing to carry exposure to commodity prices. The Power and Water business stream provides stability in times of lower commodity prices and we continue to closely monitor operating costs and capital expenditures to manage production levels in the Oil and Gas business stream. Further operational efficiencies are being sought through a change in operating model whereby TAQA's head office sets the Group's strategic direction and the business units are responsible for delivering operational and financial performance safely.



Prudent financial management

Prudent financial management is a key priority and we aim to maximize value from our existing asset base with the appropriate portfolio optimization and a focus on growth in the MENA region. Our financial decision-making process balances deleveraging with carefully planned and executed capital expenditure programs, while remaining focused on leveraging synergies and reducing operating expenses. We look to maintain strong cash and liquidity positions and aim to strengthen our credit metrics over the mid- to long-term.



Cohesive culture and inspired people

TAQA's employees enjoy strong working relationships within a distinctive and cohesive culture based on a meaningful purpose, clear core values, a stimulating work environment and support for professional development. We believe our culture is unique, thus creating a competitive advantage in global markets. Above all, we are committed to being responsible corporate citizens in the communities in which we operate.

Operational Review

An efficient and effective organization with a resilient and empowered team

Achieving success in the increasingly dynamic and complex energy sector requires a resilient and empowered team of people. The combination of our operating model as a strategic controller along with the people we recruit, train and reward in order to fulfill our strategy makes TAQA a more efficient and effective organization.



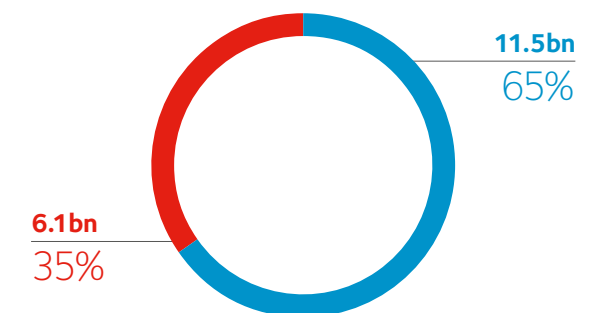
Find out more about our corporate structure on page 41

Group overview

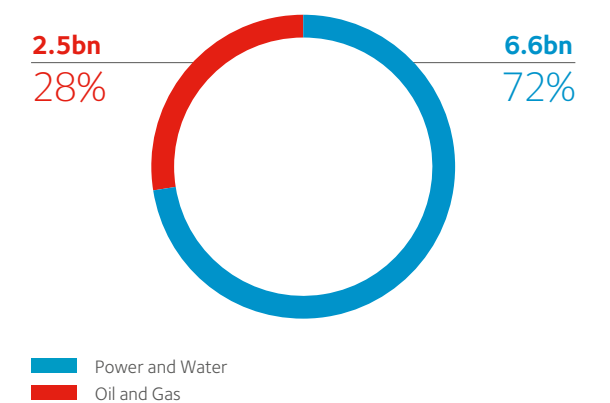
TAQA is the Emirate of Abu Dhabi's national energy champion, 74.1% indirectly owned by the Government. We are one of the largest companies listed on the Abu Dhabi Securities Exchange (ADX) and provide more than 85% of the electricity and water needs of the Emirate of Abu Dhabi. The Group operates in 11 countries spread across four continents, with businesses that span the energy value chain, from power generation and water desalination to midstream oil and gas transportation and storage services, as well as upstream oil and gas exploration, development and operations. Our gross installed power generation capacity reaches 17.1 GW and 909 MIGD for desalinated water. We have a substantial international portfolio of Oil and Gas assets with 379 million boe of proven and probable (2P) reserves.

This diversified platform has enabled us to reduce our exposure to individual business, country and currency risks. Our Power and Water assets provide long term committed revenue, cash flows and earnings while the Oil and Gas business is more volatile and based on commodity prices.

2019 revenue breakdown (AED)



2019 EBITDA breakdown (AED)



Operational Review continued

Strong, stable cash flows

Power and Water

Our Power and Water assets cover:

- Eight majority-owned, non-operated, gas-fired IWPPs in the UAE with total capacity of 13,179 MW* and 909 MIGD* , with an average PWPA residual life of 10 years
- Morocco's largest IPP, TAQA Morocco group, which is TAQA-operated, has a total capacity of 2,056 MW* across six coal-fired units and a PPA residual life of 24 years
- Two US-based assets consisting of a tolling agreement for an 832 MW* gas-fired merchant asset (Red Oak in New Jersey) and a JV for a 205.5 MW* wind-farm (Lakefield in Minnesota)
- Ghana's second Takoradi power plant, gas fired with a capacity of 330 MW* and a PPA residual life of 21 years
- A lignite-fired power station in India (in Neyveli, Tamil Naidu) with a capacity of 250 MW* and a PPA residual life of 13 years
- A Saudi-based associate investment in Jubail within the SADAF petrochemical complex, with a capacity of 250 MW*
- No desalination assets outside the UAE
- Average P(W)PA residual life of 12 years for all power assets

* Gross installed capacity as at COD



Power and Water locations

- United States
- Saudi Arabia
- Oman
- Morocco
- UAE
- India
- Ghana

Overview

The Power and Water business remains the top performing revenue stream, characterized by stable and predictable cash flows. All our assets operate under long-term contractual frameworks with government-owned utilities or other similar offtakers, with the exception of Red Oak (a merchant power generation asset selling electricity into the PJM market pursuant to a tolling agreement with TAQA Gen X, in which TAQA holds an 85% limited partnership interest).

In the UAE, our core market, OEMs (through LTSAs) and experienced operators (through O&M agreements) ensure the reliability of technical operations while the offtaker (EWEC) absorbs fuel costs (pass-through) and guarantees the procurement of output and available capacity at agreed terms and conditions.

Our international power generation assets employ similar structures but are TAQA-operated (except the US-based assets, Jubail Power Company in Saudi Arabia and Sohar Aluminum in Oman) under various contractual frameworks (typically BOT and BOOT versus BOO for UAE assets). We have established an enviable strong track record of efficient and reliable operatorship for projects of scale.

In 2019, this business stream generated a consolidated revenue of AED 11.5 billion, which accounts for 65% of the total consolidated revenue, and recorded a profit (before adjustments, eliminations and unallocated costs) of AED 2.5 billion. These results were driven by an improvement in global technical availability averaging 93.4% compared to 93.1% in 2018 and a 1.4% increase in global power generation to 91,307 GWh in 2019 from 89,922 GWh in 2018, while EFOR was maintained within a world-class performance range and remained stable compared to 2018 levels of 2.5%. Total water desalination for the year was up 0.1% to 246,894 MIG (2018: 246,556 MIG) with EFOR down to 1.7% (2018: 2.1%).

Gross power generation (GWh)

91,307

2019	91,307
2018	89,922
2017	89,846

Gross water desalination (MIG)

246,894

2019	246,894
2018	246,556
2017	249,469

Middle East

Our UAE fleet of eight IWPPs remained the dominant producer in Abu Dhabi, meeting around 85% of the power and 90% of the water demand in the Emirate of Abu Dhabi. The standard agreements that govern the majority of our global power and water assets have the offtaker bear input costs and guarantee output prices for technically available capacity. This fleet is further covered by long O&M contracts and is therefore hedged from the majority of external and internal risks.

The UAE Power and Water business was the largest contributor to Group revenues, generating AED 7.2 billion (41%) of total consolidated revenues. UAE posted a strong performance as technical availability rose to 94.2% from 93.6% in the previous year. Water technical availability stood at 95.3% compared to 95.5% in 2018. This in turn spurred growth in power generation and water desalination to 64,557 GWh (2018: 63,637 GWh) and 246,894 MIG (2018: 246,556), respectively.

The legal and financial framework around our UAE fleet allows for major upgrades and innovative projects as and when mandated by the regulator and compensated for by the offtaker. We are free, however, to pursue investments that improve efficiency in a cost-effective manner and such projects are routinely studied and undertaken by TAQA. In 2019, we saw significant achievements that further solidified our leadership position in the UAE. We enhanced the governance frameworks of IWPPs, enabling engagements with the assets to take on a performance driven approach in Q2.

Building a long lasting partnership as the first private electricity producer in Morocco

TAQA Morocco is the first private producer of electricity in Morocco and is listed on the Casablanca Stock Exchange. Our thermal power station at Jorf Lasfar is considered the leading supplier to Morocco's National Office of Electricity and Drinking Water (ONEE). We are a major player in the Moroccan energy sector, providing more than 40% of the national demand in electricity and 18% of installed capacity.

In 2014, TAQA undertook a US\$ 1.6 billion expansion of the Jorf Lasfar power plant in Morocco, adding two new production units (JLEC 5&6) and a capacity of 700 MW to bring total capacity to 2,056 MW. In early 2020, we signed a 17-year PPA extension (from 2027 to 2044) with ONEE for Jorf Lasfar Units 1-4. Counting 480 employees across six production units, TAQA Morocco is the largest coal-fired IPP in the MENA region.

Percentage of electricity provided by TAQA in Morocco

40%+



A key value at TAQA, we start by trusting each other and follow through to make every effort in becoming the trusted partner of choice."



Operational Review continued

Also, during the year, certain assets initiated Distributed Control System (DCS) upgrade projects to enhance control system functionality. This centralizes plant operations and provides flexibility and simplicity by allowing central control, monitoring and reporting of the individual plant. In addition, one of the facilities rolled out a heat reclaimer project to improve on overall efficiency and reduce the amount of heat released to the atmosphere by recovering the waste heat energy from fuel gas discharge and utilizing it for energy production.

We continued to implement performance monitoring as well as maintenance scheduling and planning programs across the fleet that ensure maximum available capacity during critical supply periods (the nature of UAE weather results in peak electricity consumption during the summer period). During the year and outside of these periods, certain facilities had a total plant shutdown to address common system defects. Major planned outage programs for maintenance of gas and steam turbines as well as desalination units were also completed on three of the IWPPs in the same period.

Africa

TAQA Morocco and its subsidiary (Jorf Lasfar Energy Company 5&6) operate our largest international power generation asset with a gross installed capacity of 2.1 GW, providing over 40% of Moroccan electricity demand. TAQA Morocco is listed on the Casablanca Stock Exchange and it contributed AED 3.1 billion (27%) to total consolidated revenues in 2019 – a 1.4% improvement year-on-year on the back of a higher technical availability of 93.7% and an increased power generation of 16,259 GWh (2018: 15,654 GWh). TAQA Morocco's 2019 technical availability (Units 1-4) reached 96.4%, which is its historical record over 23 years of operations (excluding supplemental capacity).

As part of TAQA Morocco's strategic plan, we identified several key areas for continuous and sustained improvement to strengthen efficiency and further reduce operating costs. These areas were organized under a strategic plan that will move the plant from preventive to predictive maintenance over the next five years. The plan encompasses heat rate efficiency, sourcing and inventories optimization, obsolescence management and digitalization.

In addition, on 24 January 2020 TAQA Morocco signed with Morocco's National Office for Electricity and Drinking Water (ONEE) to extend the PPA of Jorf Lasfar Units 1-4 for 17 additional years from 2027 to 2044. A major achievement that consolidates TAQA Morocco's business model to put into effect the operational synergies and securing cash flow to allow for assets portfolio diversification and energy transition.

In Ghana, power generation and technical availability dropped to 1,607 GWh and 68% respectively due to a prolonged maintenance period at the plant, which impacted production. The plant subsequently contributed AED 352 million to total consolidated revenues (2018: AED 376 million).

A foothold in merchant markets and renewable energy

Our 85% ownership interest in a tolling agreement with the Red Oak merchant power plant in New Jersey, United States and a 50% interest in a joint venture that leases the Lakefield windfarm in Minnesota, United States provides us with invaluable portfolio management experience of merchant and renewable power generation assets in an advanced and sophisticated market.

Both assets are owned, operated and maintained by other companies in which TAQA has no ownership interest. Under the Red Oak tolling agreement, TAQA is entitled to the economic rights (revenue from sale of electricity, capacity payments and any other ancillary services) from the plant, but is obligated to supply the fuel and also make certain fixed and variable payments to Red Oak. TAQA sells dispatched electricity production and generation capacity into the PJM market, which has over 180 GW of power generation capacity. Lakefield is a windfarm of 137 GE turbines governed by a long-term offtake agreement with Indianapolis Power & Light Company, a power utility subsidiary of AES Corporation.

Installed capacity of US-based power generation assets

1,038 MW



Find out more about our portfolio management model **on page 4**



Find out more about our health and safety framework **on page 24**

Our Takoradi plant experienced major forced outages over the past five years. In 2019, the plant faced repetitive trips, extended outages and forced outages affecting mainly its technical availability and impairing expected operational performance. To correct this, we undertook an O&M performance diagnostic and a lifetime assessment of the gas turbine units, culminating in the preparation of a roadmap that sets general guidelines to restore a good and sustainable level of performance and to align with best practices.

United States

During 2019, the Red Oak facility was negatively impacted by unfavorable market conditions generated by energy price reductions and the reimplementation of the regional greenhouse gas initiative (RGGI) in New Jersey, a regional multi-state carbon dioxide (CO₂) emissions cap/trading program operating in the northeastern and mid-Atlantic United States. States participating in the scheme require power generators to purchase RGGI allowances for plant CO₂ emissions. The RGGI program decreases CO₂ emissions by increasing production costs of less efficient thermal plants. The state of New Jersey's reimplementation of the program will result in significant regulatory compliance costs for purchasing CO₂ emissions allowances for the Red Oak power plant, which is expected to negatively impact generation and TAQA Gen X energy margins from dispatched Red Oak production over the remaining period of the tolling agreement.

At our Lakefield windfarm asset and continuing a multi-year trend, the wind resource was significantly below long-term averages throughout the year, resulting in lower production revenue in most months during the year. This reduced production revenue was offset by lower repair/replacement costs of gearboxes and other major components, which experienced lower than budgeted failure rates during 2019.

India

The Neyveli facility registered impressive performance with its technical availability closing the year at 89.3% (2018: 88.5%) and a 4.5% growth in gross power production to 1,364 GWh (2018: 1,305 GWh). The asset, located in the state of Tamil Nadu, contributed a total of AED 313 million to total consolidated revenues (2018: AED 209 million).

Future outlook

The UAE power and water sector is expected to undergo major developments over the course of the next decade. The power sector will witness the commissioning of the GCC's first nuclear power plant with 5.6 GW in capacity across its four reactors along with up to 8 GW in new solar photovoltaic (PV) power capacity.

Within our current asset portfolio and in line with these developments, part of our strategy is to grow sustainably through new investments in the MENA region and to diversify our portfolio with clean energy. Further, we are part of a consortium bidding for a cogeneration and desalination partnership project in Saudi Arabia.

We are in discussions with the regulator and key stakeholders for the modernization of our UAE fleet with the overarching objective of reducing the cost of utilities in the Emirate of Abu Dhabi and reducing subsidies extended to the sector. This will make us better partners in supporting economic and social growth by providing cheaper energy and water to the community and industries vital to a thriving economy.

A major opportunity we seek to explore is the improvement of water desalination assets from thermal technologies (MSF and MED) to reverse osmosis (RO), leading to further opportunities in decoupling Power and Water assets and upgrading power assets to significantly improve their efficiency.

In Ghana, we will focus on restoring and enhancing our industrial excellence and improving the operational efficiency. We will focus on strengthening other key areas such as safety and environment, plant performance, preventative maintenance, organizational efficiency and employee motivation.

In India, we are planning to embark on US\$ 50-55 million flue gas desulfurization (FGD) project at our Neyveli lignite plant in India, which will remove sulfur dioxide from exhaust flue gas (a particular characteristic of lignite fuels).

Maximizing potential and value

Oil and Gas

Our Oil and Gas assets cover:

- In Europe, TAQA-operated and non-operated upstream and midstream assets both offshore and onshore. 2019 production of 39,021 boepd, mainly crude oil, with 2P reserves of 64 million boe.
- European midstream TAQA-operated gas storage facilities GSB and PGI with 4.6 bcm capacity (equivalent to 50 TWh).
- North American TAQA-operated and non-operated assets across more than 2.4 million acres of landholdings. 2019 production of 78,260 boepd, mainly gas and NGLs, with 2P reserves of 285 million boe.
- TAQA-operated Atrush block in Kurdistan Region of Iraq with 2019 crude oil entitlement production of 7,137 boepd and 2P reserves of 30 million boe.

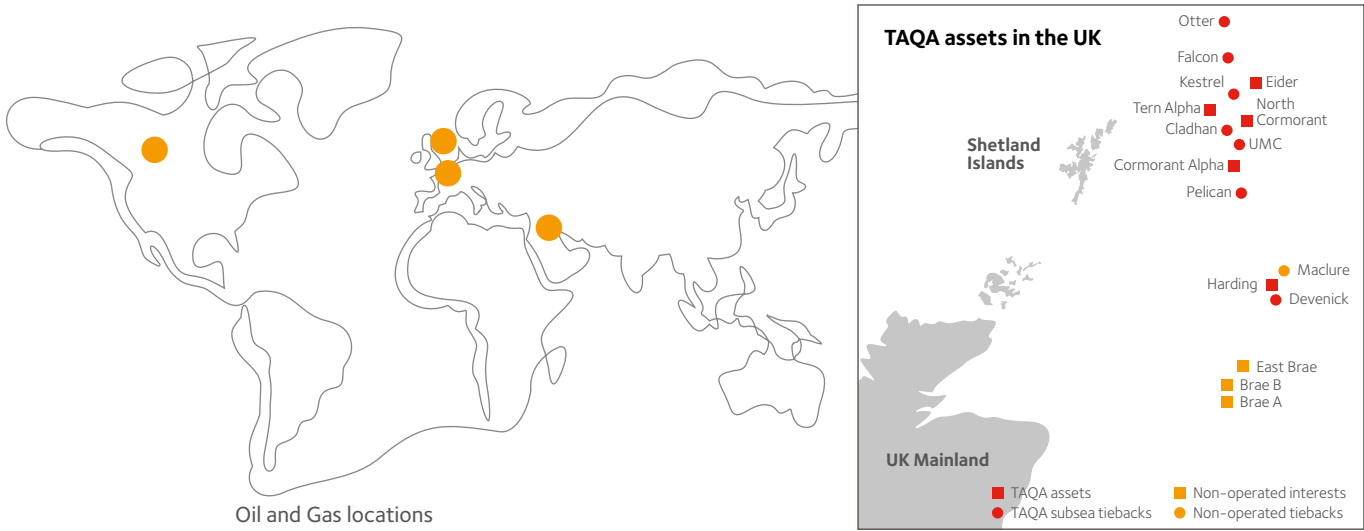


Overview

This year witnessed robust performance for the Oil and Gas business with average production of 124,418 boepd, a slight increase compared to 123,100 boepd in 2018.

The business stream, however, generated 4% lower revenues year-on-year of AED 6.1 billion mainly due to subdued global energy prices. This resulted in EBITDA dropping 7% to AED 2.5 billion from AED 2.7 billion in 2018. The past year also saw the acquisition of an additional 7.5% working interest in the Atrush block from Marathon Oil Corporation, increasing our working interest in the Atrush block to 47.4% from 39.9%.

The exploration and production strategy remained focused on optimizing the return from our existing asset base. We invested in improving infrastructure, creating safer facilities with higher uptime and driving greater operational and cost efficiencies. As part of the upstream strategy, we maintained advantage with our advanced drilling and completion technologies. This was combined with disciplined and focused exploration techniques to enable the development and production of crude oil and natural gas in a more efficient manner.



Find out more about the market environment **on page 32**



Find out more about our portfolio management model **on page 4**

Europe

In the UK, TAQA operates five offshore platforms (Cormorant Alpha, Eider, North Cormorant, Tern Alpha and Harding) which produce from 12 fields spread across the northern and central North Sea. We also own equity in fields that are operated by others in the central North Sea.

In the Netherlands, TAQA owns operated and non-operated assets in the Dutch North Sea and operated assets onshore in the Alkmaar region, including two underground gas storages.

Given the late-stage nature of the production assets in Europe, we are focused on several development projects (North Cormorant, West Brae (currently non-operated) and Quad 9) that maximize economic recovery of oil and gas reserves.

TAQA Europe is effectively maximizing its assets until the end of economic production while undertaking decommissioning activity on subsea wells, accessing plug and abandonment (P&A) services at a favorable pricing differential to the market trend (by engaging early with the supply chain) and developing specific knowledge in this area, which can be transferred to other Group assets. In the Netherlands, TAQA is also involved in the re-use and re-purposing of existing oil and gas assets and infrastructure through the Porthos project, which aims to develop CO₂ capture in the Rotterdam port area and store at the TAQA-operated offshore P18 field.

In the context of the above, Europe last year delivered on key projects such as the Pelican well intervention campaign, implementation of a reliability improvement program at Gas Storage Bergermeer and, following completion of a P&A program in January 2019, transition of the Eider platform into Utility Mode to support production from the Otter field.

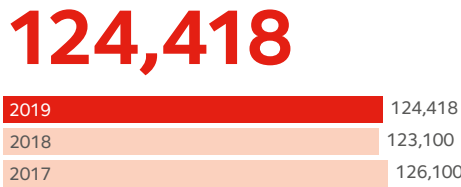
Oil production in the UK was buoyed by a well development campaign which started in 2019 at the North Cormorant facility and will continue into 2020. There was also a break in the Pelican P&A program with an intervention campaign that added an initial 2,000 boepd to production. Five subsea wells were successfully abandoned at the UMC (Underwater Manifold Center) and it is planned to target an additional one in 2020. The Pelican P&A program was successfully completed within expected timelines and costs, while three subsea wells were decommissioned near P15 infrastructure in the Dutch North Sea.

A maintenance excellence program and a maximum production potential program was developed in the Netherlands for rollout in 2020, while an independent benchmarking report by a well-respected industry consultancy that positioned TAQA at the forefront of good practice in offshore integrity management in the UK.

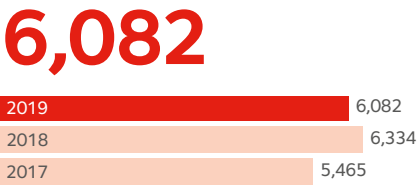
Decommissioning projects that are ongoing and progressing according to plan include preparation of drilling rigs for P&A activity on Tern Alpha, Cormorant Alpha and East Brae platforms, as well as ongoing study and planning work to ensure efficient decommissioning of assets at the end of their economic life.

Overall, there was a 5% drop in production from our European assets posting an average of 39,021 boepd for the year mainly affected by a natural decline in the assets. Adding this to lower oil and gas prices, Europe's business saw a 13% decrease in revenues to AED 3.7 billion.

Average Group Oil and Gas production (boepd)



Total Oil and Gas revenue (AED million)



Operational Review continued

North America

Production levels at TAQA North were upheld at 78,260 boepd (flat versus 2018) and revenues were steady at AED 1.9 billion (growth of 4% versus 2018). The business has continued to focus on safe and reliable operations and ensuring that lessons are learned from any incidents that do occur.

In terms of infrastructure development, in Q3 2019 TAQA North commenced construction on the expansion of our largest compressor station in the active Upper Mannville play in Central West Alberta to a gas plant, including direct export capability to the TC Energy system. The plant is scheduled to come on stream during Q2 2020 and will provide TAQA with control over key strategic infrastructure in this important play for the Company, together with reduced operating costs going forward.

In the Grand Prairie area, an expansion of the Valhalla gas plant was completed under a joint venture with Kanata in late-2018. TAQA's focus in 2019 has been to continue to develop our own oil play at Pouce Coupe, the associated gas volumes from which are processed at this plant, together with working with Kanata to successfully attract additional third party volumes to the plant. This is expected to be fully utilized for the majority of 2020.

Our approach for TAQA North in 2019 was to invest sufficient capital to maintain similar production levels year-on-year. As a result, we drove strong results from our drilling and completion program in the first half of the year. Strong individual well results and timely project completions have meant that production results from new wells in 2019 were overall above expectations.

Iraq

The Atrush oil field in the Kurdistan Region of Iraq had a great year in 2019. Since commencing production in 2017, it hit a new record exceeding one million barrels of oil in total monthly volume in July 2019. Since inception, the facility has produced 23.3 million barrels of oil.

The field almost doubled its gross production to 50,000 bpd. The 47% increase in production year-on-year was largely the result of new wells coming onstream and cost-efficient facility de-bottlenecking works. Our operations continued to meet safety and production targets at minimal spend, underpinned by the implementation of integrated planning and optimization.

TAQA Iraq also undertook several projects to increase production, enhance operational efficiency and reduce costs, resulting in a 93% improvement in EBITDA. These included: installation of an early production facility (EPF) that added 10,000 bpd to processing capacity; de-bottlenecking the central processing facility (CPF) which increased capacity by 11,500 bpd; fully automating the CPF; and the delivery of four new wells 20% below budgeted cost and with zero lost time injuries (LTI).

Future outlook

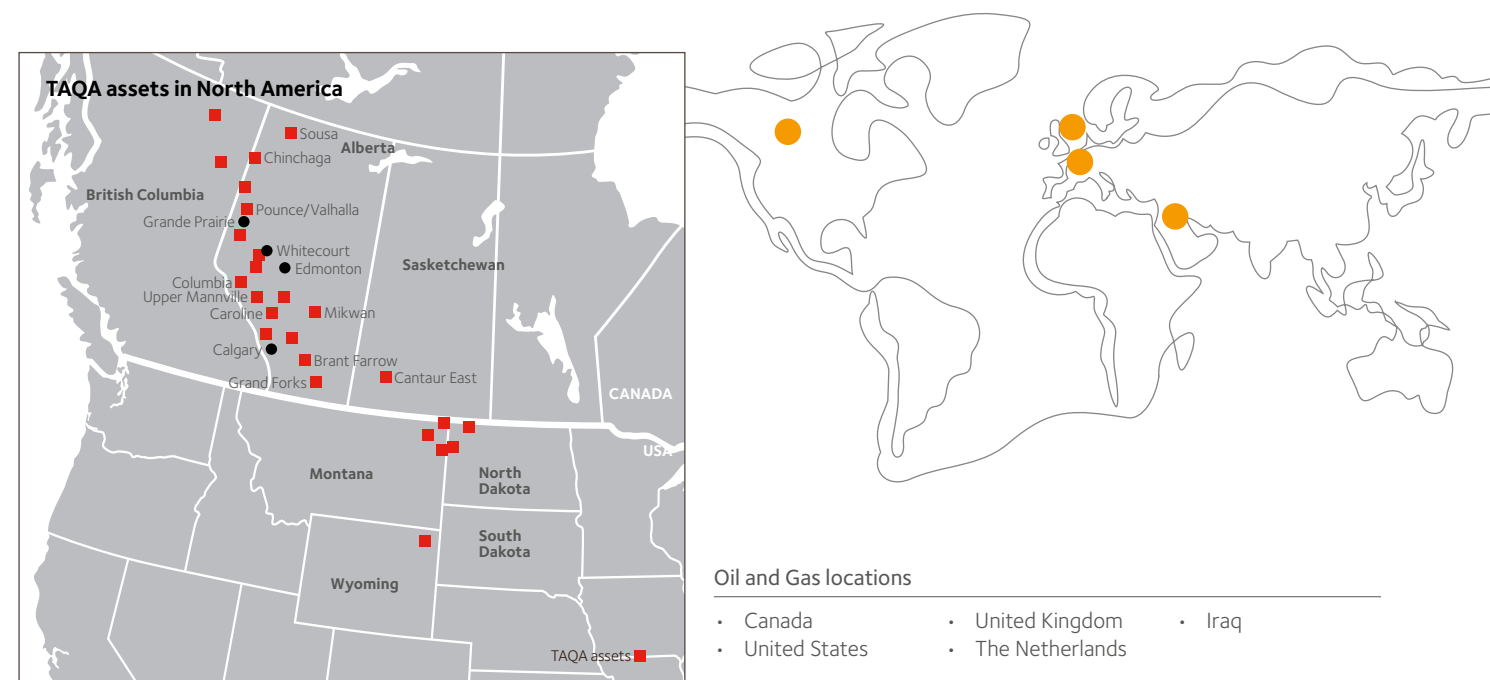
In Europe, we will maintain focus on reliability while continuing development drilling and P&A activities. This includes development wells at North Cormorant, Tern Alpha rig return-to-service for well P&A work, Cormorant Alpha western-leg gas-riser integrity inspection and modular rig P&A work.



Find out more about our health and safety framework on page 24



Find out more about our community involvement on page 29



In January 2020, TAQA started a transition process which will lead to us becoming the operator of the Greater Brae Area (GBA) in the central North Sea (CNS), where we are already the largest equity holder. At the end of this transition process, we will become the operator of the three offshore assets Brae Alpha, Brae Bravo and East Brae. We are discussing arrangements with our partners and the existing operator with the intention to have this completed during 2020.

At TAQA North, where we hold a significant land base and future drilling inventory in the Western Canadian Sedimentary Basin, our focus remains on cash flow and value optimization through drilling and completion of design refinements, technology application and selective expansion of TAQA owned/operated gas processing facilities to drive down unit operating costs. Safe, reliable operations and base management optimization of existing assets will also remain a critical focus.

In early 2020, TAQA North exited all its oil and gas activities in the United States (a non-core region with mature assets and production of less than 1,000 boepd) and will continue to focus development primarily in the Western Canadian core regions of Central Alberta, Grand Prairie and Saskatchewan (non-operated).

In Iraq, we will focus on key expansion projects such as the upgrade of the EPF facility to 18,000 bpd and increasing total production capacity to 58,000 bpd in 2020. We will also commence a gas-handling project, which will process associated gas for use as fuel instead of continuing import of diesel, thereby reducing operating costs and improving environmental stewardship. An engineering study is also underway to permanently expand Atrush facilities with a second processing train of 40,000 bpd capacity, eliminating the need for an EPF. We will also continue to analyze other prospects on the Atrush Block.

Capital expenditure within Oil and Gas (AED)

1.4bn
(+6% versus FY 2018)

Total proved plus probable (2P) reserves (boe)

379mn
(-2% versus YE 2018)

Strategic midstream gas storage assets

We are the operator and majority owner of Gas Storage Bergermeer (GSB), Europe's largest, open-access gas storage. Together with the smaller Peak Gas Installation (PGI) facility, which we also operate, we provide the northwest European gas market with 4.6 bcm meters, equivalent to 50 TWh, of seasonal storage capacity. PGI was the first peak shaver in the Netherlands designed and built specifically to provide security of supply, meet peak demand during winter and to meet emergency requirements in the event of network interruptions. With its larger storage capacity, GSB is a key facility in the Netherlands' ambition to become the gas hub for Northwest Europe.

GSB was formed from the conversion by TAQA and our partners EBN (a Dutch government entity) of the nearly depleted Bergermeer gas field into one of northwest Europe's largest underground gas storage facilities. Full commercial operations at GSB commenced in April 2015. The pricing of capacity sold in GSB is principally subject to the spread between the summer period and winter period TTF gas prices. The facility has a potential service life of 40 to 50 years.

Total midstream gas storage capacity

4.6 bcm
(equivalent to 50 TWh of energy)



A major milestone in 2019, the Atrush field's daily production hit more than 50,000 barrels of oil per day in December."

Operational Review continued

Health and Safety, Security and Environment (HSSE)

Safety of operations a fundamental pillar

HSSE awareness and implementation has increased across our value chain, propelled by strong partnerships between leadership and employees, headquarters and regional businesses and the Company and stakeholders. There is a clear improvement in the quality of incident reporting, the frequency of safety observations and the percentage of closed-out actions in 2019.



Overview

We have an Integrated HSSE policy that is implemented through Commitment to Operational Excellence (COE) and has been adopted internationally by all business units. Each are also aligned to IOGP and the Energy Institute's HSE Management System frameworks allowing them to incorporate the continuous improvement process associated with all ISO Standards.

Our five-point HSSE Strategy is implemented globally and covers:

- Safety Leadership
- Learning Process Improvement
- Major Operational Risk Management
- Global Standards & Assurance
- Security

All our business units have in place a robust Environmental Management System. Our power businesses have undergone ISO 14001 accreditation and associated external audits. Additionally, all the businesses have in place a risk-based approach to managing the facilities helping them consider environmental impacts in all work-controlled processes. This is built around key aspects of people, environment, asset and reputation (PEAR).



Find out more about our Power and Water business **on page 16**



Find out more about our Oil and Gas business **on page 20**

HSSE performance highlights

In 2019, there were no major health, safety, security or environmental incidents.

TAQA's recordable injury rate was 0.38, which is higher than the 0.33 result for year-end 2018. This is primarily due to a strategic drive to improve incident reporting regionally through enhanced reporting systems and awareness. During the year, we have increased our focus on safety culture, leadership and behaviors, and started the implementation of a road-map for safety cultural improvement. This approach frequently results in increased levels of reporting in the early stages of implementation.

The environmental spills metric has seen a 6% improvement dropping to 45 spills from 48 in 2018.

2019 in review

Globally, the power business has already implemented an Integrated Management System, which is aligned with COE and externally accredited against OHSAS 18001. In 2019, we kicked off the process of transferring this accreditation to the new ISO standard ISO 45001 – Occupational Health & Safety Management Systems and the project is significantly underway.

We also completed major operational risk reviews in Morocco and TAQA North, and are set to complete more in Iraq, Ghana and India in 2020.

Each business participates in three layers of auditing:

- Internal self assessment
- Internal audits
- External audits

Internal audits are conducted by the business unit whereas external audits are undertaken either by local independent auditors or our Internal Controls and Assurance department and takes place over a three-year time cycle. In 2019, operations at TAQA North, the United Kingdom and the Netherlands underwent external audits with TAQA HQ taking the lead.

In addition to the above processes, each business undergoes audits by the local environmental and health and safety regulators. Any corrective and improvement actions from these regulatory audits are also tracked to completion. We had no significant environmental non-compliances globally over the period.

We believe in developing home-grown solutions to HSSE that are customized to the unique challenges we face. This year, we adopted and applied a major operational risk management system that was initially implemented by our European team across all our businesses. This system allows each business to develop appropriate barriers that prevent the occurrence of major accidents and improve on overall process safety.

Global HSSE performance KPIs

Fatalities

2019	0
2018	1
2017	1

Recorded injury rate (incidents/200k hrs)

2019	0.38
2018	0.33
2017	0.35

Lost time injuries

2019	12
2018	10
2017	8

Reportable spills

2019	45
2018	48
2017	36



...from previous assessments of other North Sea operators, TAQA UK is the highest performing when the scores across all seven key functional areas are averaged."

The Plant Integrity Management Benchmarking Report, 2019.

Operational Review continued

We are conducting Bow-Tie process safety workshops in all our entities to assess our operational major accident hazards, expected to be complete by the end of 2020. This ensures a clear and structured understanding of potential accident scenarios. More importantly it determines everyone's contribution toward maintaining the barriers that prevent the materialization of a major accident.

As a result of our diverse international business, there is the challenge of cultural variances in regard to HSSE. Previously, we conducted a cultural survey relating to safety at a regional level and the results revealed differences in the safety culture development among regions. However, one key takeaway was the strong awareness and commitment to preventing accidents. Each business was then tasked to develop improvement plans to evolve the safety culture in its operations. In 2019, we specifically conducted a cultural survey in our power businesses in Morocco, Ghana and India. Each of these businesses now has a dedicated roadmap for safety cultural improvement.

Future outlook

In 2020, we will continue with our five point HSSE Strategy implementation with specific aspects slated for improvement including:

- Implementation of a Process Safety Dashboard across all the hubs to enable the roll-out of process safety KPIs. This will create visibility and awareness around process safety management at all levels in the company, including our leadership at country and HQ level.
- Progress on initiatives at TAQA North via implementation of a new e-solution for all incident reporting, investigation and implement learnings across our hubs globally.
- Implementation of safety leadership workshops and coaching/mentoring of leaders in TAQA HQ. This will reinforce our commitment to safety.

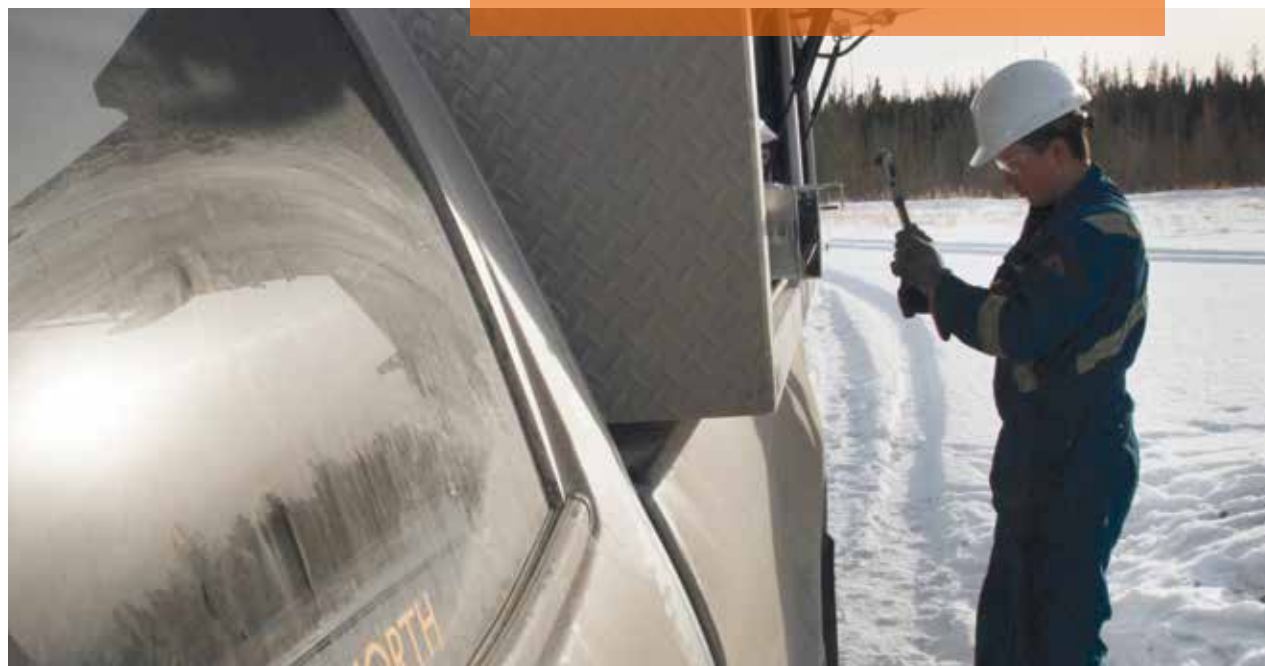
Leading the way in integrity management

An independent report by Plant Integrity Management, a highly respected industry consultancy, positioned TAQA at the forefront of good practice in offshore integrity management in the UK.

The Plant Integrity Management Benchmarking Report, based on an extensive review process, found that we exceed good practice in all seven key functional areas associated with integrity system performance. In four of the categories – strategic management, tactical planning, implementation, and performance measurement & management review – it considered TAQA to be an industry-leading North Sea operator. In the remaining three categories – risk assessment, anomaly management, and analysis, review & improvement – it placed us among the top operators.

The review involved both onshore and offshore assessments of the application of our Integrity Management System (IMS). According to the report, some of the key contributory areas include:

- a good core team of people, with high levels of asset knowledge and effective communication skills
- a drive for continuous improvement, with a proven ability to recognize problems and proactively deliver solutions
- high quality procedures, systems and documentation
- a strong company culture and focus on process safety.



People

Succeeding together

At TAQA, our people are the key drivers behind our success. As the single-most important asset driving future growth, we take care of our people and strive to harness their individual talents in a work environment that fosters innovation, participation, growth and excellence. In 2019, we undertook numerous initiatives to enhance this work environment focused on diversity and inclusion as well as training and development.

Diversity and inclusion snapshot

At the close of 2019, TAQA had 1,988 full-time employees worldwide, across eight locations and 32 nationalities.

Business unit	Country	Number of employees*	Turnover rate	Female participation	% of female FTEs in senior positions
TAQA HQ	UAE	87	8%	37%	9%
Jorf Lasfar	Morocco**	487	1%	5%	13%
TAQA Neyveli	India	134	2%	6%	11%
Takoradi	Ghana	80	9%	9%	14%
TAQA Atrush	Iraq	141	4%	12%	13%
TAQA Bratani	UK	565	5%	22%	2%
TAQA Energy	The Netherlands	151	7%	11%	13%
TAQA North	Canada	343	5%	38%	45%
Total		1,988	4%	18%	6%

* Excluding employees at non-operated assets in UAE and overseas

** 2 female Board Members at TAQA Morocco



Find out more about our corporate structure on page 41

A story of diversity and inclusion

At the close of 2019, TAQA had 1,988 full-time employees worldwide, across eight locations and 32 nationalities.

At TAQA's headquarters, from which the Group's investments are managed, we are proud of the female participation levels achieved, reaching almost 40% across all levels. Female employees make up 16% at management, and 9% at senior management level. In four out of the eight TAQA HQ grades, average salaries for females was higher than males.

TAQA's UK business gave particular focus to diversity and inclusion throughout 2019. A review of all policies, procedures and standards was undertaken to ensure adherence to the nine protected characteristics of the Equality Act 2010. This included an ongoing mental health awareness campaign with trained mental health awareness first aiders now in the business; specific programs relating to the protected characteristic of age, including future planning workshops and an Age Inclusiveness pilot project (the output from which identified further actions); linking with other organizations to share best practice and knowledge; and a Carers Network to be launched in 2020. Finally, an overarching strategy is being created to include all diversity and inclusion actions that already exist and those that are to be developed.

TAQA's Netherlands business increased their focus on raising female participation rates in the workforce – hiring last year included 13 women (both staff and contractors) at more senior and technical positions.

At TAQA Neyveli in India, we are proud of one of the highest retention rates within the Group, with employees' average years of service reaching 12.6 years and over 100 employees having surpassed 10 years.

Training and development

Throughout our global business, training and development is an integral part of ensuring the right competencies exist at the various entities to drive future success.

At TAQA's headquarters, a range of in-house external and internal training programs were delivered. These covered topics such as project finance, managing safety, procurement and cybersecurity. Workshops were also delivered by internal departments to highlight process changes, elaborate on significant projects being undertaken and explain the various roles and functions within the Group to establish a clear holistic understanding of TAQA's business among all employees.

TAQA in the UK received external recognition for excellence in HR, training and recruitment by the annual cHeRries Awards, particularly for work done to ensure the resourcing and skills mix in a safe and effective manner in the change of use case of the offshore Eider platform. In addition, mandatory training levels were maintained at an average completion rate of 97% across our installations.

Operational Review continued

Internal competency programs have also been developed in conjunction with our third-party suppliers to cover production, Brent systems, platform chemist, maintenance, wells, and subsurface areas of expertise and to ensure highly competent personnel work on our assets.

TAQA focused on improving mandatory training numbers in the Netherlands. We added a dedicated training coordinator to the team mid-way through the year, with tangible improvements made including online training available to all employees.

TAQA North ran leadership training programs with DDI, a global leadership consulting firm, for three distinct groups including emerging leaders, managers, and directors and executives in alignment with our Leadership Commitment model launched in the fall of 2018.

TAQA Atrush completed the significant expansion of internal and vendor supplied training in 2019. In addition to specialist equipment and vendor supplied training, an internal training portal was launched giving all employees (including key contractors) access to the ATLAS/MINTRA catalogue of oil and gas online courses (with an excellent uptake of courses).

Emiratization

Building a competitive knowledge economy is a strategic priority, and part of our commitment to achieving the Emiratization objectives outlined in the UAE Vision 2021.

Our national employees are a great asset to TAQA and our Emiratization rate at the end of 2019 was 65% of positions subject to Emiratization (full-time employees of TAQA's headquarters in Abu Dhabi). UAE nationals made up 74% of senior management and 100% of our executive team.

TAQA last year provided hands on and technical training opportunities for 16 Emirati college students in both summer training and work placement programs. The trainees are fully embedded in TAQA's core business. Nonetheless, on-boarding UAE nationals to work in more remote sites remains a challenge, largely because UAE nationals with the requisite skills and experience remain in short supply and high demand.

Strides in Emiratization

Certain TAQA-owned IWPPs in the UAE are party to PWPAs that require project companies to employ and train a certain minimum-percentage of Emiratis throughout the term of the agreement.

To enable this, we rolled out a program to equip UAE nationals with the necessary skills to be exclusively responsible for overseeing shifts at our power plants. In November 2019, TAQA completed three 36-hour shifts at Taweelah A2 (ECPC) as part of an initiative to have the plant run 24/7 only by Emiratis.

Furthermore, three TAQA-owned plants in the UAE (at Taweelah A1, Taweelah B and Fujairah F2) were recognized last year by the UAE Ministry of Human Resources and Emiratization (MoHRE) for being top supporters of Emiratization among semi-government entities. The annual award aims to put a spotlight on the role of the private sector in building local talent and promoting a culture of excellence.

Second highest Emiratization rate among UAE-listed companies

65%

of full-time employees of TAQA's headquarters in Abu Dhabi (up from 27% in 2012)

Corporate Social Responsibility

Playing an active part in our communities

We aim to have a positive and lasting impact on the communities in which we operate, not least by fulfilling our purpose of delivering affordable energy and water that enables economic growth.

TAQA's focus ranges from carefully thought out strategies aimed at enhancing localization and nationalization of the supply chain to improving local living standards through social investments. We strive to ensure that each of our regional businesses has a community investment strategy with a meaningful socioeconomic impact.

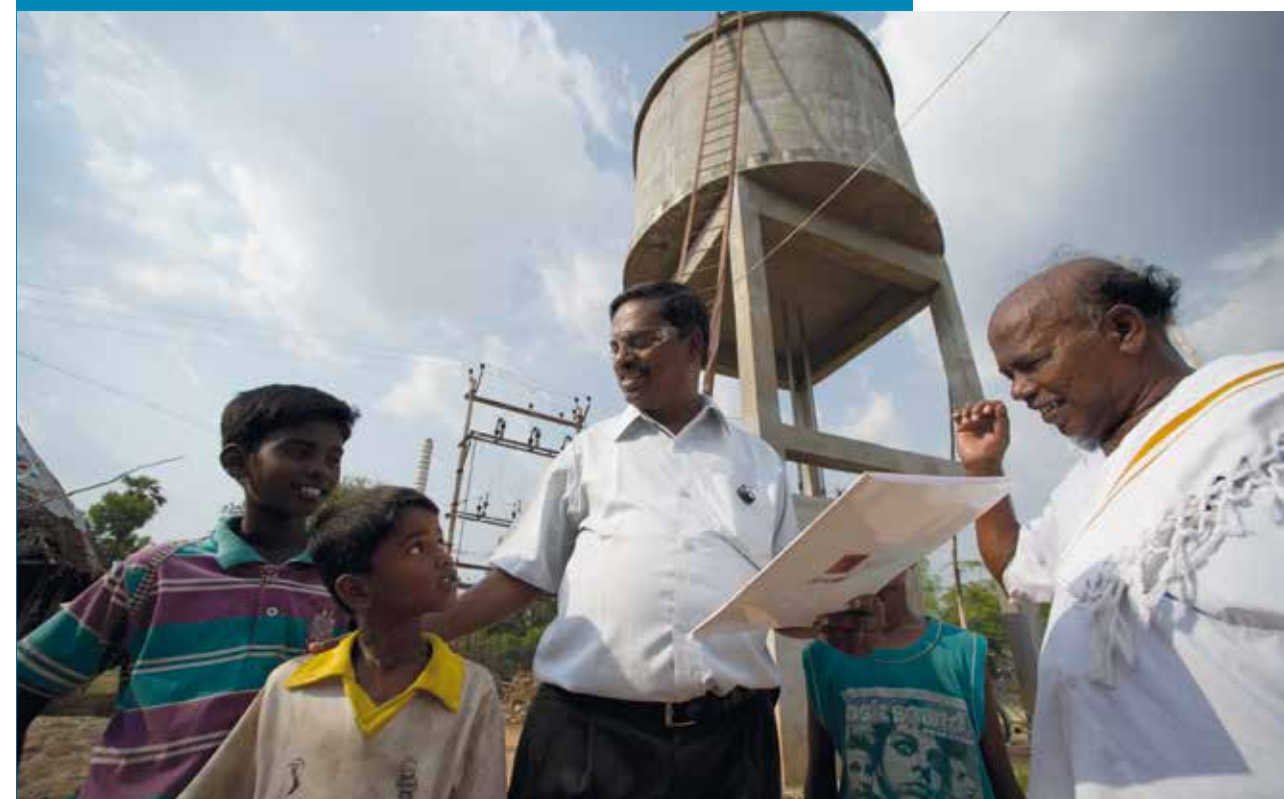
Our activities in Iraq

During 2019, TAQA Atrush implemented 13 projects under the fourth phase of its five-year CSR plan. The plan, developed based on a 2015 socioeconomic survey and in coordination with the Kurdistan Regional Government's Ministry of Natural Resources, comprises three priority areas: agriculture, educational programs and women and youth. Our support for these sectors, with total contributions reaching US\$ 325,000 last year, has supported economic growth of communities in the Atrush block.

Initiatives under the educational and women and youth programs included delivering formal education to women across three training centers opened by TAQA. 40 women were certified in 2019 and the centers were converted to a formal school by the KRG's Ministry of Education. English-language courses were also provided to more than 200 youths throughout the Atrush block as well as infrastructure development for local schools. The Company also invested in the Mercida green project to manage waste on the sides of the main road.

In agriculture, we invested in four main projects:

- Two projects on horticulture and wheat improvement with five local villages and over 280 farmers participating.
- One beekeeping project with 15 villages and nearly 70 beekeepers benefiting.
- One project on water irrigation systems in Berkiyat village helping farmers increase crop yields in a cost-effective manner.



Operational Review continued

Europe

In 2019, TAQA Europe focused strongly on student development and green initiatives. We sponsored engagement initiatives to inspire schoolchildren, teachers and families. This included the “NASA in Aberdeen” program to garner interest in the science, technology, engineering and math (STEM) subjects.

The Arnhall Moss Local Nature Reserve Discovery Trail was officially opened in September 2019 in partnership with TAQA Europe, where we financially supported the formation of the discovery trail, used by the local community for walking, learning and informal recreational activities.

TAQA Europe also sponsored the newly created Advanced Academy, a 12-week early intervention program that focuses on the personal and future development of youth. It was delivered to two groups of pupils from Lochside and Keith Academies in Northeast Scotland and continues into 2020.

In the Netherlands, TAQA Europe extended its long-standing relationship with the Museum Kranenburgh in Bergen by supporting its “green” future. The partnership comes under TAQA’s new Energizing Communities Fund in the Netherlands – which complements our flagship Culture Fund – and has been set up to support energy-related sustainability initiatives in the Alkmaar region. Through the partnership, a specialist external consultancy has undertaken a detailed analysis over a three-month period of the “green” building performance of the museum, enabling officials to maximize efficiency while also giving them a base from which to map out and pursue longer-term sustainability ambitions.

TAQA Europe has taken decisive steps forward to create a meadow bird nature reserve of approximately 30 hectares in the Netherlands. This commitment comes as part of GSB’s planning approval process in 2011 and helps compensate for disturbance to the local landscape during the facility’s construction. TAQA Europe has now taken ownership of a 24-hectare area of open land just outside the township of Bergen with financial compensation for the remaining 6 hectares, earmarked to support another local nature reserve project.

“TAQA Europe focused strongly on student development and green initiatives. We sponsored engagement initiatives to inspire schoolchildren, teachers and families!”

Canada

TAQA North prioritized three areas for CSR investment in 2019: children-based initiatives, field and remote worker safety and vulnerable communities in Calgary.

In 2019, we shifted sponsorship to help fund the Alberta Children’s Hospital Centre for Child and Adolescent Mental Health. Through the annual TAQA Cares charity campaign, employees volunteered their time at the hospital as well as at local homeless shelters (Calgary Drop-In and Rehab Center) and food banks (Calgary Interfaith Foodbank) to help prepare and serve lunch to clients of the center as well as partake in food preparation, clothing and donation sorting activities. TAQA North also partnered with Meals on Wheels to deliver meals to individuals, who are not able to leave their place of residence.

In line with TAQA North’s core values of running safe and sustainable operations, we continue to support the STARS Air Ambulance program that focuses on providing care for patients during emergency situations both within the city as well as in our rural communities.

TAQA North employees also participated in a variety of charitable activities throughout the year including CIBC’s Run for the Cure in support of breast cancer research (raising CAD 15,852 and placing second in terms of donations for corporate teams) and TAQA North’s Hockey Tournament (raising CAD 15,000 for the Canadian Mental Health Association – Calgary Region).



Morocco

TAQA Morocco was recognized for its inclusive social development role towards its local ecosystem as it received a three-year renewal of the CSR label from CGEM (employers association) following an evaluation of TAQA Morocco’s environment, social and governance (ESG) criteria. The Company is committed to strengthen this initiative through the materiality matrix and SDG planned in 2020.

TAQA Morocco also established a partnership with emergency medical assistance (SAMU) in the province of El Jadida, which includes a service dedicated to almost 635,000 people with a permanent 24/7 hotline. The SAMU allows thousands of emergency treatments to be provided free each year, through five medical centers set up in El Jadida, Sidi Smail, Ouled Frej, Bir Jdid and Ouled Ghanem.

TAQA Morocco also supports the Sheikh Zayed Foundation to provide free, quality care to communities in remote areas. This is carried out by a multidisciplinary mobile medical unit with the support of medical and paramedical teams from the Sheikh Zayed Hospital.

India

TAQA Neyveli contributed to various social welfare measures in the surrounding villages of the power plant in 2019. Activities focused on improving health, education, women empowerment, environment and infrastructure for the benefit of local communities. This included such works as desilting bodies of water, building an overhead drinking water tank and providing a water purifier to the local post office. TAQA Neyveli also renovated a local school’s computer lab, rehabilitated a health center and set up health camps. We have also engaged with local communities including an awareness campaign aimed at eliminating single-use plastics in daily life.

United Arab Emirates

At our headquarters in the UAE, TAQA implemented various CSR initiatives including employees volunteering for the Terry Fox run (raising AED 21,000 for cancer research). During the holy month of Ramadan, we partnered with Ramadan Aman to distribute food boxes to drivers and passengers in Abu Dhabi at the time observers break their fast, as part of promoting road safety across the city. We also partnered with Emirates Red Crescent to collect donations from our Abu Dhabi offices.

In June, the Company provided financial support to students in education, in partnership with Emirates Red Crescent.

We continue to partner with local and international institutions in various initiatives to have a positive impact on the UAE community. In October, TAQA supported the annual Pink Run to help spread awareness of breast cancer. More than 1,500 people from Abu Dhabi took part in the event with proceeds going to Al Jalila Foundation in support of breast cancer treatment and research. More than 30 TAQA employees and their families participated in the run.

NASA in Aberdeen

TAQA UK were among the sponsors of a 2019 engagement initiative that used ‘out of this world’ experiences to inspire schoolchildren, teachers and families!

The NASA in Aberdeen* program saw a NASA engineer and a former astronaut visit the area to fuel interest in the science, technology, engineering and maths (STEM) subjects. The theme for last year’s program, which took place in March, was: “From Inner Space (Subsea) to Outer Space” and showcased how technology and expertise developed for the oil and gas industry transforms human and robotic space exploration – past, present and future!

The project has reached over 7,000 pupils, teachers and families over the years and aims to inspire the next generation of engineers and industry professionals at an early stage and maintain that enthusiasm throughout their education. The 2019 program of presentations and interactive sessions included activities for both primary and secondary school pupils, as well as public events.

*NASA in Aberdeen is a joint initiative organized by the Society of Petroleum Engineers Aberdeen Section, Energy Institute Aberdeen, Highlands and Islands branch, the Society for Underwater Technology and Aberdeen Science Centre, TechFest and SSSF.

Number of pupils, teachers and families participating in the project over the years

7,000+

Ghana

TAQA in Ghana invested in initiatives ranging from health and education to environmental projects.

We financially supported the fourth edition of the Independence Day inter-district quiz competition among school students as well as contributing over GHS 115,000 to the Larry Kramar Scholarship Scheme from which 200 students benefited in 2019.

TAQA Ghana also supported Radio Shama with a health walk aimed at raising HIV/AIDS awareness in the community as well as supporting the people of Aboadze in a beach cleaning exercise to keep the community clean and free from sanitary-related diseases.

Financial Review

Market Environment

Our Power and Water business is largely “de-risked” given long-term offtake frameworks governing the majority of our power generation and water desalination assets. Capacity payments make up the bulk of revenues with no exposure to power or water supply or demand. Off takers are generally government-linked entities with strong implied credit ratings or benefiting from government support, significantly lowering counterparty risk. Our revenues from the UAE Power and Water sub-segment, for example, make up 62% of total segment revenues with ultimate counterparty exposure to the Abu Dhabi sovereign (rated Aa2 stable / AA stable by Moody’s / Fitch).

The remaining market risk largely arises from our Oil and Gas business, where our production split is approximately 40% crude oil and 60% natural gas and natural gas liquids. As a policy, we do not currently hedge our output prices, though this remains at our discretion. 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 or supply and a variety of additional factors beyond the control of the Group. While our production in terms of thermal units is concentrated within Northern America, the significant oil-to-gas price differential means that our revenues are more exposed to Brent, as a general crude oil price benchmark.

Oil prices

The majority of TAQA’s oil production is linked to Brent which averaged US\$ 64 per barrel, down 10% versus 2018 but almost 30% above the 2015-2017 average. The market weakness was due to slower growth in global consumption (up only 0.9 million barrels per day to 100.1 million bpd) on weaker global macroeconomic growth and trade-war fears while supply remained flat (at 100.5 million bpd on increased non-OPEC supply).

Gas prices

Around 90% of the Group’s natural gas is produced in Western Canada. Most of this gas is sold into the local market based on AECO prices which have been volatile and averaged around US\$ 1.34 per million Btu for 2019. Nonetheless, average AECO prices were up around 13% versus 2018, helped by price rises in the last quarter on a colder winter yet remaining at previous decade lows. The remainder is sold in Europe with NBP and TTF linked pricing, which was significantly weaker last year. Overall, TAQA’s realized gas price was lower this year.

Brent
(2019 average; US\$/barrel)

64.0

(–10% versus 2018)

TAQA realized crude price
(2019 average; US\$/barrel)

57.6

(–8% versus 2018)

AECO
(2019 average; US\$/mmbtu)

1.3

(+13% versus 2018)

TAQA realized gas price
(2019 average; US\$/mmbtu)

2.1

(–10% versus 2018)

Financial and Operational Highlights

Group

Revenues (AED million)

2019	17,588
2018	17,740

EBITDA (AED million)

2019	9,131
2018	9,652

Net income* (AED million)

2019	234
2018	398

Free cash flow** (AED million)

2019	6,798
2018	7,107

* Net income attributable to TAQA common shareholders

** Free cash flow represent Operating less Investing cash flows

Power and Water

Revenue & EBITDA (AED million)

2019	11,491	58%
	6,629	
2018	11,396	60%
	6,788	

Power generation (GWh)

2019	64,557	26,750	93.4%
2018	63,637	26,285	93.1%

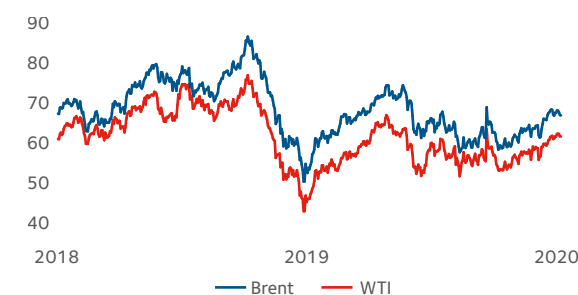
Water desalination (MIG)

2019	246,894
2018	246,556

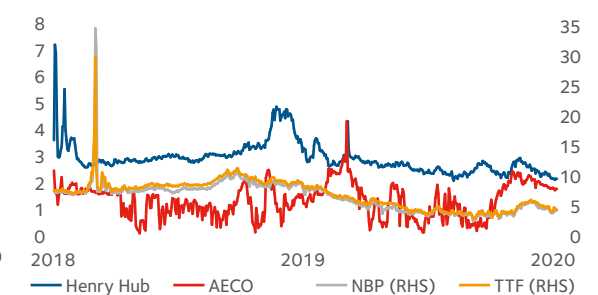
■ Revenue ■ EBITDA | EBITDA Margin ■ UAE ■ International | Technical availability

Oil and Gas

Oil prices (US\$/bbl)



Gas prices (US\$/mmbtu)



Revenue & EBITDA (AED million)

2019	6,082	42%
	2,532	
2018	6,334	43%
	2,713	

Average production (thousand boepd)

2019	78.3	39.0	7.1	124.4
2018	78.0	41.2	3.9	123.1

■ Revenue ■ EBITDA | EBITDA Margin

■ North America ■ Europe ■ Iraq | Total



Find out more about our divisions in our
Operational Review on page 14

Message from the CFO

TAQA achieved strong operating performance across all of the Group's businesses during 2019, enabling us to offset the negative effects of commodity price declines.



Find out more about our assets and global presence **on page 2**



Find out more about the market environment **on page 32**



Our diversified portfolio has, and will continue, to help mitigate risks amid unpredictable market dynamics."

With operations across the world, we prioritize maintaining a disciplined financial framework that supports our growth strategy and investment decisions while continuing to strengthen our balance sheet.

Despite a challenging commodity environment in 2019, the Group's revenues remained stable at AED 17.6 billion (down 1% versus 2018). This was the outcome of our strong operational performance across our businesses – power, water, oil and gas – which helped offset the weaker external environment and ensured continued financial profitability for a third consecutive year.

In Power and Water, global technical availability reached 93.4% (up from 93.1% in 2018). We generated 91,307 GWh of power (up from 89,922 GWh in 2018) and 246,894 MIG of desalinated water (up from 246,556 MIG). This increased revenues in our Power and Water business stream by 1% to AED 11.5 billion, contributing 65% of total Group revenues.

Oil and gas production hit 124,418 boepd (up from 123,100 boepd in 2018). This was largely due to higher entitlement production at the Atrush field in the Kurdistan Region of Iraq and helped make up for lower volumes in Europe, which were affected by natural decline and the delay of some capital projects. Higher overall production only partially offset lower commodity prices and revenues for the Oil and Gas business stream declined 4% to AED 6.1 billion.

Total Group EBITDA stood at AED 9.1 billion (down 5% versus 2018) partly reflecting lower commodity prices but mainly due to higher

repair and maintenance costs within the Group's international power assets (particularly in Ghana) and lower income from associates (Sohar Aluminium, due to one-off insurance proceeds recognized in 2018).

Net profit attributable to TAQA shareholders declined to AED 234 million benefiting from reduced finance costs (7% lower versus 2018) as we continued to reduce gross debt and booked lower accretion charges in Europe due to a revision in the asset retirement obligations in the year. We recorded unfavorable mark-to-market movements mainly related to Red Oak, our US-based power asset, on lower energy prices and the reimplementation of a regional greenhouse gas initiative (RGGI) in the State of New Jersey. This was offset by a lower tax expense from lower profitability within the Oil and Gas business as well as foreign exchange gains resulting from a weaker Euro.

TAQA continues to deleverage its balance sheet with a reduction in gross debt of AED 2.9 billion over the course of 2019 to reach AED 63.3 billion at the end of the period. TAQA's liquidity as at year-end remained strong at AED 14.3 billion, including AED 2.9 billion in cash and cash equivalents and AED 11.5 billion of undrawn credit facilities. This reflects a refinancing and upsizing (from US\$ 3.1 billion to US\$ 3.5 billion) of TAQA's revolving credit facilities in late December as well as a highly successful refinancing of US\$ 500 million in bonds that matured in September (TAQA printed US\$ 500 million in 30-year bonds at a reoffer yield of 4.000%, with order books over eight times oversubscribed).

The Group remains strongly cash generative, with free cash-flow generation at AED 6.8 billion. Capex for the year was marginally higher at AED 1.8 billion (up 6% from 1.7 billion in 2018) with the majority (AED 1.4 billion) within the Oil and Gas business and the remainder on maintenance capex within Power and Water. The capex program remains completely self-funded by cash generated from TAQA's operations and is focused on sustaining and developing existing assets in the Company businesses.

The global environment remains highly uncertain leading into 2020, but we will continue to identify opportunities that can further increase the resilience of our business model. We will focus on cost discipline, revisit capital expenditure plans in light of recent commodity price volatility and continue to pursue increased efficiencies.

Our diversified portfolio has, and will continue to help mitigate risks amid unpredictable market dynamics. Overall, our business model is on firm ground and we remain confident in our ability to improve the operational and financial performance while unlocking new opportunities for growth in the markets where we are present.

Mohammed Al Ahbabi
Chief Financial Officer

Board of Directors

Entrusted by shareholders and stakeholders alike with setting the course and complying with the highest levels of integrity and corporate governance practices.



H.E. Saeed Mubarak Al Hajeri
Chairman of the Board

Elected to the Board in 2011 and elected Chairman in 2014.

Career and experience:

H.E. Saeed Mubarak Al Hajeri has more than 20 years of experience in international finance. In addition, he is a Member of the Executive Advisory Board of MSCI Barra, Chairman of Gulf Navigation and vice-Chairman of Islamic Arab Insurance Company ("Salama"). H.E. Al Hajeri is an Executive Director at Abu Dhabi Investment Authority (ADIA). He previously held the position of Governor of the Board of the CFA Institute.

Qualifications and recognition:

H.E. Al Hajeri has a bachelor's degree in business administration from Lewis & Clark College in the United States and is a Chartered Financial Analyst (CFA). He also attended the Executive Education Program at Harvard Business School. He was 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.

H.E. Khaleefa Ali Al Qamzi
Vice Chairman

Elected to the Board in 2017.

Career and experience:

H.E. Khaleefa Ali Qamzi is currently the Director of Evaluation and Follow-up at Abu Dhabi Investment Authority (ADIA). Since joining ADIA in 1997, he has held several executive positions. H.E. Al Qamzi is the Chairman of the Investment Committee of Zayed Charitable & Humanitarian Foundation, and a Board Member of Abu Dhabi Securities Exchange (ADX), Arabtec Holding and the Insurance Authority. He has previously served as a Board Member of the Abu Dhabi Chamber of Commerce and Industries, Abu Dhabi and Al Ain Distribution Companies, as well as Abu Dhabi Water and Electricity Authority (ADWEA).

Qualifications and recognition:

H.E. Al Qamzi has an executive MBA in business administration from Zayed University, UAE.

Other TAQA positions:

Member of the Strategy and Investment Committee

H.E. Salem Sultan Al Dhaheri
TAQA Board Member

Elected to the Board in 2011.

Career and experience:

H.E. Salem Sultan Al Dhaheri is currently Deputy Director at Abu Dhabi Investment Authority (ADIA), having held various positions since joining the authority in 1993. He is also a Member of the Board of Directors of Agthia, SENAAT, Al Etihad Credit Bureau, Emirates Steel and Member of the Audit Committees of Abu Dhabi Retirement Pensions & Benefits Fund, ADNOC, Emirates Investment Authority (EIA), Etisalat and General Pension and Social Security Authority (GPSSA).

Qualifications and recognition:

H.E. Al Dhaheri is a Certified Public Accountant. He has a bachelor's degree in accounting from Metropolitan State College in Denver, United States.

Other TAQA roles:

Chairman of the Nominations and Remunerations Committee, Member of the Audit Committee

H.E. Khaled Abdulla Al Mass
TAQA Board Member

Elected to the Board in 2014.

Career and experience:

H.E. Khaled Abdullah Al Mass is the Chairman of iMass Investment and a Board Member of the National Health Insurance Company (Daman). He has previously served as a Board Member in companies specializing in a variety of fields, including real estate, finance and direct investments.

Qualifications and recognition:

H.E. Al Mass has a bachelor's degree in management from Marylhurst University, United States.

Other TAQA positions:

Member of the Audit Committee, Member of the Strategy and Investment Committee

H.E. Mohamed Hassan Al Suwaidi
TAQA Board Member

Elected to the Board in 2019.

Career and experience:

H.E. Mohamed Hassan Al Suwaidi is the Chief Executive Officer of Abu Dhabi Developmental Holding Company (ADQ), the parent company holding interests in state-owned entities across various development-related sectors. He also serves as Chairman of Emirates Water and Electricity Company (EWEC), Deputy Chairman of Abu Dhabi Power Corporation (ADPower) and a Board Member of Emirates Nuclear Energy Corporation (ENEC), Aramex, Emirates Global Aluminum (EGA) and Abu Dhabi Retirement Pensions & Benefits Fund. He previously held several positions at Mubadala Investment Company, including Director of Manufacturing and other management posts from more than 10 years. Prior to joining Mubadala, H.E. Al Suwaidi worked at Union National Bank (UNB), Abu Dhabi Ship Building (ADSB), and the General Secretariat of Abu Dhabi Executive Council.

Qualifications and recognition:

H.E. Al Suwaidi has a bachelor's degree in accounting from UAE University.

Other TAQA positions:

Chairman of the Audit Committee

Dr. Jaap Barend Kalkman
TAQA Board Member

Elected to the Board in 2019.

Career and experience:

Dr. Jaap Barend Kalkman is the Chief Investment Officer for Abu Dhabi Developmental Holding Company (ADQ). With more than 25 years of global consulting and private equity experience focusing on the energy industry, he has worked with firms such as Arthur D. Little, Roland Berger, Arcapita and McKinsey & Company.

Qualifications and recognition:

Dr. Kalkman received his master's and doctorate in physics and mathematics from Utrecht University in the Netherlands. He worked as a postdoctoral researcher at the Massachusetts Institute of Technology (MIT) in Massachusetts, United States.

Other TAQA positions:

Member of the Nominations and Remunerations Committee

Jasim Husain Thabet
TAQA Board Member

Elected to the Board in 2019.

Career and experience:

Jasim Husain Thabet is an energy executive with over 18 years of UAE and regional experience in the power and energy sectors. In his current role as Chief Executive Officer and Managing Director of Abu Dhabi Power Corporation (ADPower) he leads the power and water sector transformation across a portfolio of assets throughout the value-chain (from generation to distribution). Jasim also sits on the board of Emirates Water and Electricity Company (EWEC), a wholly-owned subsidiary of ADPower and the procurer of power and water for the Emirate of Abu Dhabi and beyond. Prior to his time at ADPower, Jasim served as Chief Executive Officer of National Central Cooling Company "Tabreed" from 2012 to 2019, at Mubadala Investment Company from 2009 to 2012, as well as other roles in the energy sector prior to that.

Qualifications and recognition:

Jasim holds a bachelor's degree in mechanical engineering from Saint Martin's University, Washington State, USA and is a member of the UAE Society of Engineers.

Other TAQA positions:

Chairman of the Strategy and Investment Committee, Member of the Nominations and Remunerations Committee

Executive Management

Backed by the Board of Directors as well as TAQA's unique position in the sectors in which we operate and the extensive experience of Executive Management, we are well placed to meet the challenges ahead.



Saeed Hamad Al Dhaheri
Chief Executive Officer



Mohammed Al Ahbabi
Chief Financial Officer



Awad Al Ketbi
Executive Vice President
Business Support



Saeed Rashed Al Darei
Executive Vice-President,
Government Affairs and Corporate
Communications and Board Secretary



Abdelmajid Iraqui
Acting Executive Officer
Global Power and Water



Vivek Gambhir
General Counsel

Saeed Hamad Al Dhaheri joined us in 2014 and was appointed Chief Operating Officer in 2016. In 2018, he became the Chief Executive Officer of the Group. Mr. Al Dhaheri is a Board Member at Massar Solutions, Sohar Aluminium and TAQA Morocco.

Career and experience:

Prior to joining us, Mr. Al Dhaheri held leadership positions at Abu Dhabi Media Company, Etihad Rail and Abu Dhabi Health Services Company (SEHA) and he previously served on the United Printing & Publishing Board of Directors.

Qualifications and recognition:

Mr. Al Dhaheri has a master's degree in management from Abu Dhabi University and a bachelor's degree in international business from Eckerd College, United States.

Mohammed Al Ahbabi joined us in January 2016 as deputy CFO and was appointed CFO in September 2016. He is responsible for our corporate finance function.

Career and experience:

Mr. Al Ahbabi started his career at Abu Dhabi Company for Onshore Oil Operations (ADCO). He joined Abu Dhabi Health Services Company (SEHA) in 2009 where he held the position of CFO before joining us.

Qualifications and recognition:

Mr. Al Ahbabi has a bachelor's degree in finance and banking from United Arab Emirates University and an MBA from New York Institute of Technology.

Awad Al Ketbi joined us in 2014 and was appointed Executive Vice-President Business Support in 2016. He is responsible for our HR, HSSE, IT, procurement, business continuity and general services functions. Mr. Al Ketbi was previously our Chief Technology Officer.

Career and experience:

Prior to joining us, Mr. Al Ketbi held IT leadership positions at Tawazun Economic Council and Tawam Johns Hopkins Hospital in the Emirate of Abu Dhabi.

Qualifications and recognition:

Mr. Al Ketbi has a bachelor's degree in management information systems from the American University in Dubai.

Saeed Rashed Al Darei joined us in 2013 and is responsible for our public affairs, corporate communications and investor relations functions.

Career and experience:

Before joining us in 2013, Mr. Al Darei held leadership positions at several Abu Dhabi Government entities including the Department of Social Services and Commercial Buildings (DSSCB), the Department of Municipalities and Agriculture (DMA), the Department of Transport (DoT), and the Department of Civil Service (DCS).

Qualifications and recognition:

Mr. Al Darei has a bachelor's degree in management, sociology and leadership from Gonzaga University, United States.

Abdelmajid Iraqui is responsible for managing our global Power and Water businesses. He is also the Managing Director for the African business which includes TAQA Morocco and Takoradi International Company in Ghana.

Career and experience:

Before joining us in 2006, Mr. Iraqui was CFO and regional Director at CMS Energy.

Qualifications and recognition:

Mr. Iraqui has a bachelor's degree in finance from Eastern Michigan University and a master's degree in business administration from the University of Michigan.

Vivek Gambhir joined us in 2011 as deputy general counsel and was appointed acting general counsel in October 2015. He was appointed general counsel in May 2017.

Career and experience:

Prior to joining us, Mr. Gambhir worked in London for 12 years as a partner in an international law firm, where he headed up the international power practice. Mr. Gambhir has worked in several jurisdictions on various international assignments, including London, Hong Kong and India.

Qualifications and recognition:

Mr. Gambhir holds a Master of Law and is qualified to practice law in England and Wales.

Corporate Governance

Entrusted by our shareholders and stakeholders alike



TAQA's Board of Directors is committed to implementing the highest standards of corporate governance structures and practices."

TAQA's corporate governance policy is based on the principles of transparency, fair disclosure, financial supervision and accountability. We believe these principles to be essential elements for establishing a successful governance framework and laying down the foundations and methodologies for our business activities to achieve our goals in line with the interests of our clients, shareholders and employees.

Saeed Mubarak Al Hajeri
Chairman of the Board



Find out more about each Member of our
Board of Directors on page 36

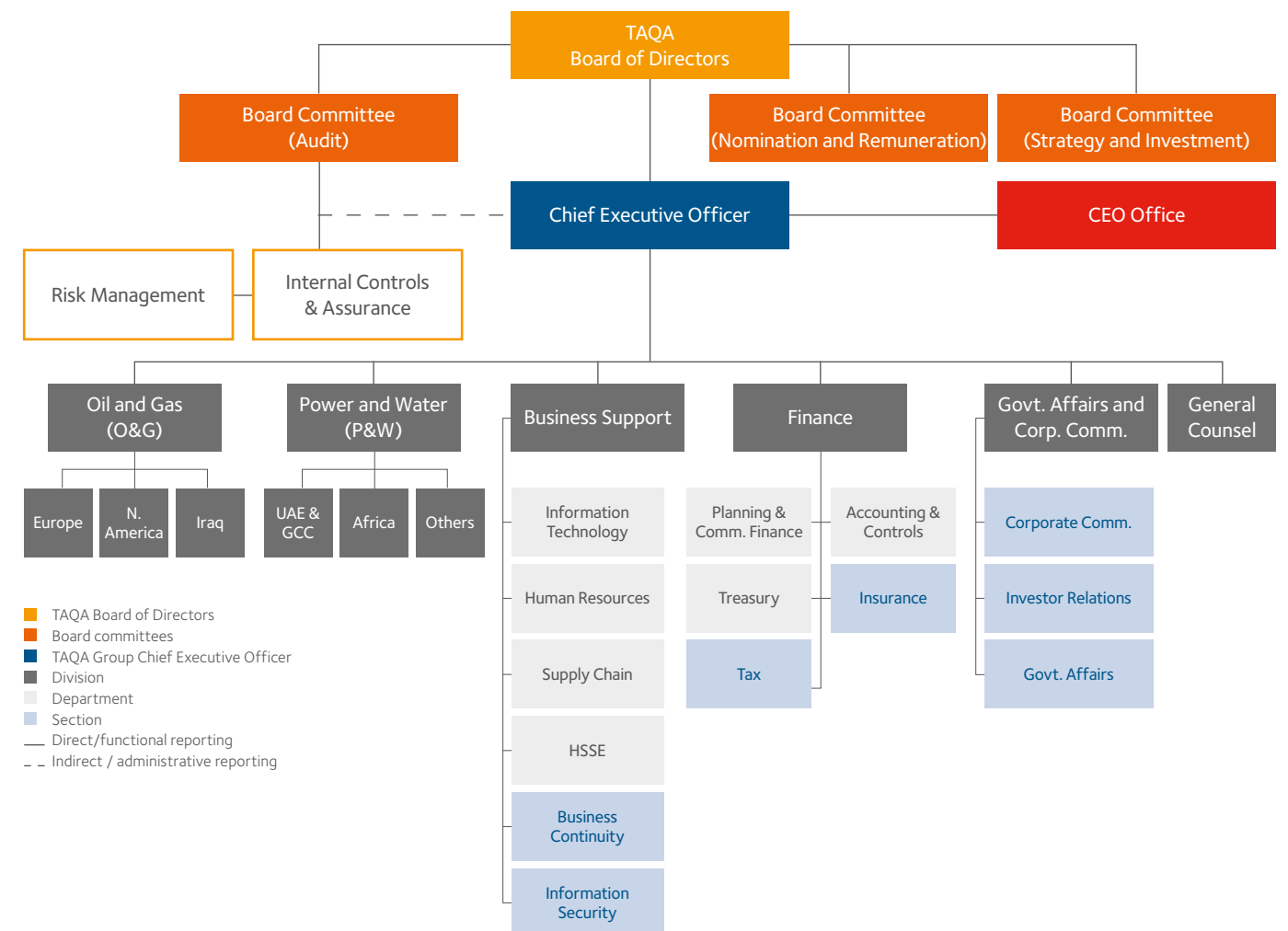
TAQA's Board of Directors (hereinafter referred to as the Board) is committed to implementing the highest standards of corporate governance structures and practices. TAQA complies with the requirements and regulations of the Securities and Commodities Authority (hereinafter referred to as the "Authority" or "SCA") as per the Chairman of the Authority's Board of Directors Resolution No. 7 of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies' (Resolution 7). This section gives an overview of the Group's corporate governance systems and procedures as of 31 December 2019 and a more comprehensive report has been filed with the SCA and posted on both the Abu Dhabi Securities Exchange (ADX) and TAQA websites.

Board objectives

TAQA's Board is tasked with the following duties:

- Setting TAQA's strategy and business principles.
- Supervising TAQA's executive management.
- Overseeing administrative resources to implement TAQA's strategy.
- Overseeing the efficiency and effectiveness of internal controls and corporate governance.
- Approving investments, work plans, budgets and financial statements.
- Ensuring shareholders receive accurate, timely and appropriate information.

Group corporate structure



Corporate Governance continued

Implementation of corporate governance principles

The Board has established and approved several Group policies and guidelines for achieving robust corporate governance standards.

Relevant policies in this regard include Group policies on:

- Corporate Governance, laying out the responsibilities of the Board and Chairman of the Board along with board committees and their charters.
- Code of Business Ethics, guiding employee conduct and maintaining their independence and objectivity as well as addressing such matters as anti-bribery and corruption, gifts and entertainment, conflicts of interest and whistleblowing, each through a dedicated and separate Group policy.
- Delegation of Authority (DoA), ensuring efficient and effective decision making that balances empowerment against controls.
- Communications, ensuring external communications comply with applicable law and that material information is publicly and widely disseminated in a factual and timely manner.
- Insider trading, ensuring directors, employees and contractors of TAQA around the world do not make improper use of material and price sensitive information, obtained by virtue of their work within the Group.
- HSSE management system, ensuring businesses commit to operational excellence (COE), the systematic management of process safety, personal safety, health, environment, reliability and efficiency to achieve world-class performance.
- Enterprise risk management (ERM), to promote adequate and consistent risk management practices as well as a structured process for identifying, assessing, prioritizing, managing and reporting material risks across the Group.
- Business continuity management (BCM), preserving the safety of the Group’s employees and contractors and ensuring the continuity of key processes in the event of crisis.
- Information Security, underscoring TAQA's commitment and support towards the management of information security.
- Whistleblowing, providing employees a mechanism to confidentially or anonymously report any violations of the Code of Business Ethics, internal policies and procedures, or applicable laws and regulations.

Dealing in Company shares

None of the Board Members or their direct family members have traded in TAQA’s shares during 2019. Only two Board Members hold TAQA shares to their name: H.E. Khaleefa Ali Al Qamzi (19,492 shares) and H.E. Salem Sultan Al Dhaheri (4,476 shares).

Directors’ fees and remuneration

The remuneration of the Group’s Directors is determined in accordance with the provisions of Article 29 of TAQA’s Articles of Association and shall be a lump sum amount upon recommendation of the Board of Directors and approval at the Annual General Assembly (AGA). It shall also be permissible for the Company to pay additional fees or monthly salaries, as shall be determined by the Board, to any Director if such Director carries out additional work, or is involved in committees, beyond his or her duties as a Director. Recommendations related to the remuneration of the Members of the Board will be submitted for shareholder approval during the AGA to be held on April 29 April 2020 for the fiscal year ending December 31 December 2019.

Board Committee Member	Board Committee Membership	Committee Members' fees (AED)	Number of Committee meetings attended
H.E. Khaleefa Ali Al Qamzi	Strategy and Investment Committee	167,400	12
H.E. Salem Sultan Al Dhaheri	Audit Committee / Nominations and Remunerations Committee	75,600	6
H.E. Khaled Abdulla Al Mass	Strategy and Investment Committee / Audit Committee	138,600	11
H.E. Mohamed Hassan Al Suwaidi*	Audit Committee	12,600	1
Dr. Jaap Barend Kalkman*	Nominations and Remunerations Committee	25,200	2
Jasim Husain Thabet*	Strategy and Investment Committee / Nominations and Remunerations Committee	151,200	12
H.E. Abdulaziz Abdulrahman Al Hemaidi**	Audit Committee / Nominations and Remunerations Committee	63,300	5
H.E. Mohammed Sahoo Al Suwaidi**	Audit Committee	25,200	2

* Member of the Board since 27 August 2019
** Member of the Board until 26 August 2019

Board composition and meetings

The Company’s Articles of Association stipulate that the Company shall be managed by a Board consisting of seven members. The first Board of Directors was appointed by virtue of ADWEA's Resolution No. 179 of 2005. The current Board of Directors was elected at the AGM held on 19 April 2017. During such meeting, four members were re-elected, and three new members were elected. H.E. Saeed Mubarak Al Hajeri was elected as Chairman and H.E. Khaleefa Ali Al Qamzi as Vice Chairman. On 10 May 2016, Mr. Saeed Rashed Al Darei, Executive Vice President, Government Affairs and Corporate Communications, was appointed as Secretary of the Board of Directors in addition to his duties. On 27 August 2019, an extraordinary General Assembly meeting was called, during which three Board Members were removed (H.E. Abdulaziz Abdulrahman Al Hemaidi, H.E. Dr. Saif Saleh Al Sayari and H.E. Mohammed Sahoo Al Suwaidi) and three new Board Members were elected (H.E. Mohamed Hassan Al Suwaidi, Jasim Husain Thabet and Dr. Jaap Barend Kalkman). Please refer to the Board of Director’s section for full profiles of the current TAQA Board.

The Board meets at least once every two months and held a total of 10 meetings during 2019.

Board Member	6 Feb	20 Mar	8 May	30 Jul	7 Aug	27 Aug	24 Sep	6 Nov	11 Dec	29 Dec	Total
H.E. Saeed Mubarak Al Hajeri	P	P	P	P	P	P	P	P	P	P	10/10
H.E. Kahleefa Ali Al Qamzi	NP	P	P	P	P	NP	P	P	P	P	8/10
H.E. Salem Sultan Al Dhaheri	P	P	P	P	P	P	NP	P	P	P	9/10
H.E. Khaled Abdulla Al Mass	P	P	P	P	P	P	P	P	P	P	10/10
H.E. Mohamed Hassan Al Suwaidi*						P	P	P	NP	P	4/10
Dr. Jaap Barend Kalkman*						P	P	P	P	P	5/10
Jasim Husain Thabet*						P	P	P	P	P	5/10
H.E. Abdulaziz Abdulrahman Al Hemaidi**	P	P	P	NP	NP						3/10
H.E. Dr. Saif Saleh Al Sayari**	P	NP	P	NP	NP						2/10
H.E. Mohammed Sahoo Al Suwaidi**	P	P	NP	NP	NP						2/10

P: present; NP: not present
* Member of the Board since 27 August 2019
** Member of the Board until 26 August 2019

Board and management committees

With the Board setting TAQA's overarching strategy and Executive Management implementing the strategy and managing day-to-day operations, TAQA undertakes additional procedures for internal controls and the efficacy of corporate governance through the following committees and departments:

- Audit Committee (Board level)
- Nominations and Remunerations Committee (Board level)
- Strategy and Investment Committee (Board level)
- Executive Committee (Executive Management level)
- Enterprise Risk Management Committee (Executive Management level)
- Health, Safety, Security and Environment Committee (Executive Management level)
- Monthly Performance Review Committee (Executive Management level)
- Major Projects Committee (Executive Management level)
- Insiders’ Trading Supervision Committee (Executive Management level)
- Internal Controls and Assurance Department
- Compliance Department
- Risk Management Department

Executive Management and remuneration

Name	Position	Joining date	Appointment date	Remuneration and Allowances paid in 2019 (AED)
Saeed Hamad Al Dhaheri	Chief Executive Officer	4 August 2014	1 May 2016	3,108,233
Mohammed Abdulla Al Ahbabi	Chief Financial Officer	3 January 2016	10 May 2016	2,454,679
Awad Saeed Al Ketbi	Executive VP Business Support	9 November 2014	10 May 2016	2,308,300
Saeed Rashed Al Darei	Executive VP Government Affairs and Corporate Communications; Secretary of the Board of Directors	28 October 2013	10 May 2016	2,352,531
Vivek Gambhir	General Counsel	4 May 2011	1 October 2015	1,696,025
Wael Nabulsi	VP Internal Controls & Assurance	1 September 2015	1 September 2015	1,434,850
Abdelmajid Iraqi	Acting Executive Officer Global Power and Water	2 February 2009	10 May 2016	344,586

External auditors

The external auditor is appointed, and its numeration is determined subject to Article 36 of Resolution 7. The Board nominates an external auditor based on the recommendation of the Audit Committee. Based on the recommendation of the Board, the shareholders appointed, at the AGM held on 17 April 2019, Ernst & Young Middle East as external auditors for fiscal year 2019.

Name of Audit Office	Ernst & Young Middle East
Audit Partner	Anthony O’Sullivan
Number of years served as an external auditor of the Company	14 Years
Total fees for auditing the financial statements of 2019	AED 1,135,500
Fees and costs of the special services other than the auditing of the financial statements in 2019	AED 1,014,489
Details and nature of other services provided	Financing bond issuance services Consulting and training services
A statement of the other services performed by an external auditor other than the Company’s auditor in 2019	N/A

Risk Management

Our risk management system framework outlines the approach across all functional areas of our business. A central risk register details the risks, reviews the controls, assigns ownership of risks and tracks treatment plans. Risk assurance is provided through a prioritized program of audits and internal reviews.

We are exposed to a range of different risks, including the following key risks:

- Commodity risks arising from price fluctuations for crude oil and natural gas.
- Exploration and production risks in relation to our crude oil and natural gas exploration and production activities.
- Financial risks arising from changes in foreign currency exchange rates and market price risks.
- Credit risks insofar as our subsidiaries sell water and electricity to a single customer in certain jurisdictions.
- Liquidity risks in connection with contractual terms of sale.

Commodity price risk

A significant part of our operating results and financial condition depends on the prevailing prices of crude oil, natural gas and gas associated liquids. World crude oil and natural gas prices have experienced significant volatility during 2019. For the only power asset that sells in a merchant market, TAQA Gen-X (Red Oak asset) seeks to hedge its commodity price risks through forward commodity contracts.

Exploration risk

Exploration for new crude oil and natural gas is an integral part of our business and is a high-risk endeavor. To minimize the associated risks, we continuously develop the capability of exploration teams through knowledge management and exploration and production databases shared internally, which institutionalize best practice and lessons learned. In addition, we use 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

Production risk is associated with ageing production equipment and human error. To address this risk, we focus on risk management at all stages of the production process. Automatic detection and emergency shutdown processes are in place to prevent losses during equipment failures. We use standardized work procedures and operation manuals, together with training programs, to encourage the adoption of best practices and risk management procedures by our employees. In addition, stringent operational safety assessments are carried out by external 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

We own assets in 11 countries and report our consolidated financial statements in UAE dirham. Therefore, the results from our operations are affected by exchange rate fluctuations between the UAE dirham and other currencies, particularly the Canadian dollar, the euro, the Indian rupee, the Moroccan dirham and the pound sterling. Our foreign exchange risk consists of both currency transaction risk and currency translation risk.

Our UAE and non-UAE generation companies use forward currency contracts to hedge the risk associated with currency fluctuations.

Interest rate risk

We borrow to support general corporate purposes including capital expenditure, acquisition financings and working capital needs. We have an exposure to the risk of changes in market interest rates, primarily for our long-term debt obligations and short-term deposits with floating interest rates.

In managing our interest costs, we use a mix of fixed and variable rate debts entering into interest rate swaps. As of 31 December 2019, after taking into account the effect of interest rate swaps, approximately 87% of the Group's borrowings are at a fixed rate of interest (2018: 86%).

Credit risk

We are exposed to credit risk from operations, primarily for trade receivables and from financing activities, including deposits with banks and other financial instruments under which we are a lender.

We generally trade only with recognized and creditworthy third parties. It is our 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 to ensure our exposure to bad debts is not significant. Our two largest customers accounted for approximately 80% of outstanding trade receivables and amounts due from related parties as of 31 December 2019 (2018: 79%).

Liquidity risk

Our 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. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and bonds. During 2020, 5% of the Group's debt will mature in less than one year (2019: 8%).

Capital management

The primary objective of capital management is to ensure that we maintain a strong credit rating and healthy capital ratios in order to support our business and to maximize shareholder value. We manage our capital structure through debt capital market transactions, dividend adjustments and issuing new shares. We continuously monitor our capital position using gearing ratios. As of 31 December 2019, our gearing ratio was 84%.

Shareholder and Bondholder Information

Long-term credit ratings
(as at 31 December 2019)
Moody's Investor Services
A3 (stable outlook)

Fitch Ratings
A (stable outlook)

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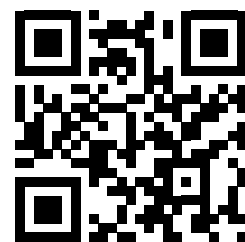
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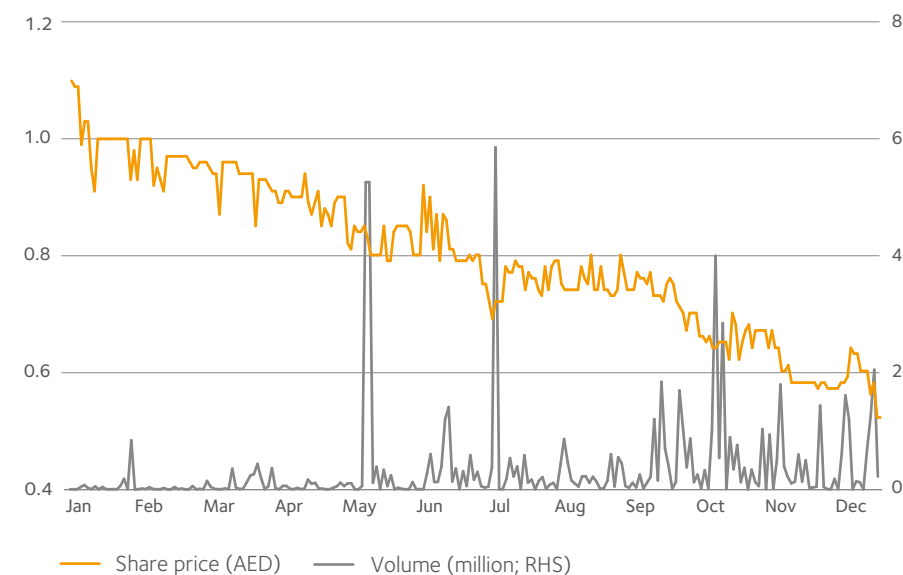
For information on investor relations
email: **ir@taqaglobal.com**

TAQA's IR App
Our IR App will keep you up-to-date
with the latest developments.
Download it from the App Store
and Google Play store.

<https://myirapp.com/taqa>



Shareholder information TAQA share price performance 2019



Bond maturity schedule*

Currency	Amount outstanding (million)	Coupon (%)	Maturity	Issue date	ISIN
USD	750	3.625%	22 Jun 21	22 Jun 16	XS1435072548 (RegS)/US00388WAD39 (144A)
USD	750	5.875%	13 Dec 21	13 Dec 11	XS0717839871 (RegS)/US00386SAJ15 (144A)
MYR	650	4.650%	03 Mar 22	05 Mar 12	MYBVN1200689
USD	1,250	3.625%	12 Jan 23	12 Dec 12	XS0863524277 (RegS)/US00386SAL60 (144A)
EUR	180	2.750%	02 May 24	02 May 14	XS1063422619
USD	750	3.875%	06 May 24	06 May 14	XS1017435352 (RegS)/US00386SAM44 (144A)
USD	750	4.375%	23 Apr 25	23 Apr 18	XS1808737594 (RegS)/US00388WAF86 (144A)
USD	1,000	4.375%	22 Jun 26	22 Jun 16	XS1435072464 (RegS)/US00388WAC55 (144A)
USD	1,000	4.875%	23 Apr 30	23 Apr 18	XS1808738212 (RegS)/US00388WAG69 (144A)
USD	912	6.500%	27 Oct 36	27 Oct 06	XS0272949016 (RegS)/US00386SAB88 (144A)
USD	500	4.000%	03 Oct 49	03 Oct 19	XS2060897506 (RegS)/US00388WAH43 (144A)

* excludes non-recourse debt at project-company level

Glossary of Terms

2P	Proved Plus Probable	IMS	Integrity Management System
AECO	Alberta Energy Company	IOGP	International Association of Oil and Gas Producers
ADPower	Abu Dhabi Power Corporation (aka ADPC)	ISO	International Organization for Standardization
ADX	Abu Dhabi Securities Exchange	I(W)PP	Independent (Water and) Power Plant
Bcm	Billion Cubic Meters	JV	Joint Venture
BCM	Business Continuity Management	KRG	Kurdistan Regional Government
Bbl	Barrel	KRI	Kurdistan Region of Iraq
Boe	Barrels of Oil Equivalent	LTI	Lost Time Injury
Boepd	Barrels of Oil Equivalent Per Day	LTSA	Long Term Service Agreement
BOO	Build, Own and Operate	MED	Multiple-Effect Distillation
BOT	Build, Operate and Transfer	MENA	Middle East and North Africa
BOOT	Build, Own, Operate and Transfer	MIG	Million Imperial Gallons
Bpd	Barrels Per Day	MIGD	Million Imperial Gallons per Day
Btu	British Thermal Unit (mmbtu : million BTU)	MoHRE	Ministry of Human Resources and Emiratization
CCGT	Combined Cycle Gas Turbine	MSF	Multi-Stage Flash
CGEM	Confédération Générale des Entreprises Du Maroc (The General Confederation of Enterprises in Morocco)	MW	Megawatt
CNS	Central North Sea	MWh	Megawatt Hours
COD	Commercial Operation Date	NGL	Natural Gas Liquids
COE	Commitment to Operational Excellence	O&G	Oil and Gas
CPF	Central Processing Facility	O&M	Operation and Maintenance
CSR	Corporate Social Responsibility	OEM	Original Equipment Manufacturer
DCS	Distributed Control System	OHSAS	Occupational Health and Safety Assessment Series
DDI	Development Dimensions International	ONEE	Office National de l'Ectricité et de l'Eau Potable (National Office of Electricity and Drinking Water)
DOA	Delegation of Authority	P&A	Plug and Abandonment
EFOR	Equivalent Forced Outage Rate	P&W	Power and Water
EPF	Early Production Facility	PEAR	People, Environment, Asset and Reputation
ESG	Environmental, Social and Governance	PGI	Peak Gas Installation
ERM	Enterprise Risk Management	PJM	Pennsylvania, Jersey, Maryland Interconnection
EWEC	Emirates Water and Electricity Company	P(W)PA	Power (and Water) Purchase Agreement
FGD	Flue-gas Desulfurization	PV	Photovoltaic
FTE	Full-time Employee	RGGI	Regional Greenhouse Gas Initiative
GBA	Greater Brae Area	RO	Reverse Osmosis
GCC	Gulf Cooperation Council	SAMU	Service d'Aide Medicale Urgente
GSB	Gas Storage Bergermeer	SCA	Securities and Commodities Authority in the UAE
GTG	Gas Turbine Generator	SDGs	Sustainable Development Goals
GW	Gigawatt	TC Energy	TransCanada Energy
GWh	Gigawatt Hours	TTF	Title Transfer Facility
HSE	Health, Safety and Environment	TWh	Terawatt Hours
HSSE	Health, Safety, Security and Environmental	UAE	United Arab Emirates

Abu Dhabi National Energy Company PJSC (TAQA) Board Report

18 March 2020
Abu Dhabi, United Arab Emirates

On behalf of the Board of Directors of Abu Dhabi National Energy Company PJSC (“TAQA” or “the Company”), I am pleased to present the financial statements of TAQA for the year ended 31 December 2019.

In 2019, TAQA delivered continued profitability with a focus on operational efficiency and financial discipline. The results reflect strong operational performance, which is a testament to our inward focus on delivering maximum value from existing assets, and has allowed us to offset the impact of more challenging market conditions primarily in the oil and gas industry.

TAQA achieved higher production levels within both of its business streams. In the main Power and Water (P&W) stream, global technical availability reached 93.4%, increasing capacity payments and revenues to TAQA. In Oil and Gas (O&G), production also increased to reach 124,418 barrels of oil equivalent per day (boepd), partially offsetting lower commodity prices during the year.

Profit attributable to TAQA shareholders was AED 234 million, a AED 164 million decrease year-on-year due to slightly weaker revenues on lower commodity prices but more so on increased repair and maintenance spend within the Group’s international power assets and lower income from associates. These effects were only partially offset by reduced finance costs due to the continued reduction in gross debt and a lower tax expense driven by lower taxable profits mainly within the O&G business.

Free cash-flow generation remained strong at AED 6.8 billion despite higher capital expenditures, which increased from AED 1.7 billion in 2018 to AED 1.8 billion in 2019. TAQA’s capex was completely self-funded by cash generated from the Company’s operations and was focused on sustaining and developing its P&W and O&G assets, positioning the company to leverage future growth opportunities.

The Company continues to make progress on reducing debt levels, with a reduction of AED 2.9 billion in 2019. The reduction has contributed to the reduction of cash interest paid in 2019 by AED 122 million compared to the same period in 2018. Despite the reduction in debt, leverage ratios were largely unchanged due to the weaker EBITDA levels. The Net Debt-to-EBITDA multiple stood at 6.6 times, slightly up from 6.5 times the year before.

In February 2020, the Group received an offer from its parent company, Abu Dhabi Power Corporation (ADPC), to transfer certain assets into the Group in exchange for the issuance of additional shares in TAQA to ADPC in addition to the termination of the land lease agreement between ADPC and TAQA. According to the offer received from ADPC, the transfer of assets would include most of ADPC’s water and electricity generation, transmission and distribution assets. The assets combined reported net income of AED 4.8 billion and total assets of approximately AED 120 billion for the year ending 31 December 2018. The offer is subject to various approvals, including by the Abu Dhabi Department of Energy (DoE), the Securities and Commodities Authority (SCA) and TAQA shareholders. The Board of TAQA will consider the transaction proposed by ADPC before making any recommendation to the shareholders.

Full year 2019 financial highlights:

- **2019 profit for the year (TAQA-Share)** was AED 234 million versus AED 398 million for 2018.
- **2019 Group revenues** topped AED 17.6 billion, which remained consistent with 2018 revenues of AED 17.7 billion.
- **2019 EBITDA** was AED 9.1 billion, a 5% decrease versus 2018 (AED 9.7 billion) mainly due to reduced revenues and increased repair and maintenance costs in the international power businesses due to prolonged shutdown in Ghana.
- **Total liquidity** at the year-end remains strong remained strong at AED 14.3 billion including AED 2.9 billion in cash and cash equivalents, and AED 11.5 billion of undrawn credit facilities.
- **Total debt** was reduced by AED 2.9 billion, while total interest paid was reduced by AED 122 million when compared to the same period in 2018.
- **Free cash-flow generation** remained strong at AED 6.8 billion despite higher capital expenditures, which increased from AED 1.7 billion in 2018 to AED 1.8 billion in 2019.

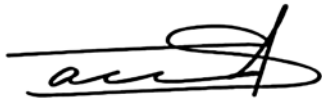
Operational highlights: Power and Water

- **Global power generation** for the year was 91,307 GWh, an increase from 89,922 GWh in 2018.
- **Global technical availability** was 93.4% for 2019, an improvement compared to 93.1% in 2018.
- **The UAE portfolio of assets** technical availability improved by 0.6% to 94.2% in 2019.
- **The UAE power generation** remained stable with 64,557 GWh produced in 2019, an increase compared to 63,637 GWh generated in 2018.
- **UAE Water desalination** was 246,894 million imperial gallons (MIG) for the year, versus 246,556 MIG in 2018.
- **TAQA Morocco** signed a PPA extension for the Jorf Lasfar Units 1–4 for 17 years from 2027 to 2044.

Operational highlights: Oil and Gas

- **Average production** for the year was 124,418 boepd, a slight increase compared to 123,100 boepd in 2018, mainly driven by the increase in production in Atrush.
- **Atrush block in Kurdistan** entitlement production was 7,137 boepd in 2019, an 85% increase in production compared to 3,855 boepd in 2018. This increase is largely due to new wells coming on stream and the impact of debottlenecking work, which increased the capacity of volumes that can be processed by the production facility.
- **Production in North America** remained broadly consistent at 78,260 boepd compared to 2018 production of 78,024 boepd.
- **European hydrocarbon production** for 2019 was 39,021 boepd, a 5% reduction (41,221 boepd) due to natural decline in the assets and delayed capital projects.

Board declaration: To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the company as of, and for, the periods presented in the periodic report.



Saeed Mubarak Al Hajeri
Chairman of the Board
Abu Dhabi National Energy Company PJSC (TAQA)



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Independent Auditor’s Report to the Shareholders of
Abu Dhabi National Energy Company PJSC (“TAQA”)

Report on the Audit of the Consolidated Financial Statements
Opinion

We have audited the consolidated financial statements of Abu Dhabi National Energy Company PJSC (“TAQA”) and its subsidiaries (the “Group”), which comprise of the consolidated statement of financial position as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Key audit matter

How our audit addressed the key audit matter

Impairment assessment of oil and gas assets at TAQA North, TAQA Bratani, TAQA Energy and TAQA Atrush

The Group has significant interests in oil and gas assets in Canada, United Kingdom, United States, Netherlands and Iraq. Management performed an impairment assessment with respect to the oil and gas assets with a carrying value of AED 13,961 million as at 31 December 2019, at locations where indicators of impairment existed at the balance sheet date.

We have assessed the risk associated with the carrying value of the oil and gas assets, many of which are supported by an assessment of future cash flows, by performing audit procedures on impairment assessments undertaken by management.

We worked with our oil and gas and valuation experts, who utilised external data in assessing and corroborating the assumptions used in impairment testing, the most significant being future market oil and gas prices, reserves and resources volumes, foreign exchange rates and discount rates. We also performed audit procedures on the mathematical integrity of the impairment models and undertook sensitivity analysis and procedures to evaluate the completeness of the impairment charge.

We also assessed whether the consolidated financial statement disclosures appropriately reflect the requirements of IFRS relating to oil and gas asset impairments.

This area was important to our audit as the assessment process was complex and judgmental, was based on assumptions that are affected by expected future market or economic conditions. The impairment assessment requires management to make assumptions to be used in the underlying cash flow forecasts. The assumptions include a forecast of oil and gas prices, discount rates, estimation of oil and gas reserves, valuation of contingent resources and overall market and economic conditions, which have been disclosed in note 11 of the consolidated financial statements. Further, the carrying amount of oil and gas assets affected by the above assumptions represents 14% of the total assets of the Group and was therefore material to the consolidated financial statements.

Impairment assessment of property, plant and equipment for local independent water and power producers (“IWPPs”)

Certain components of the Group have entered into a number of Power and Water Purchase Agreements (“PWPA”) locally in the United Arab Emirates, with an offtaker, for periods, which are shorter than the economic life of the plants, which was an impairment trigger. Management performed an impairment assessment with respect to these assets (classified as property, plant and equipment) with a carrying value of AED 36,017 million as at 31 December 2019. Management’s impairment analysis was significant to our audit because the assessment of the recoverable value of the plants incorporates significant assumptions, mainly relating to cash flows beyond the term of the contracts, including an assumption of the expected extension of the PWPAs and operating costs, availability of new technology, requirements of the country and economic estimates such as discount rates and inflation rates used to project the future cash flows. Further, the carrying amount of property, plant and equipment affected by the above assumptions represents 37% of the total assets of the Group and was therefore material to the consolidated financial statements.

We have performed audit procedures in respect of the risk-adjusted models for the plant which included an assessment of the prices used during the expected extension period of the PWPA, operating costs, inflation rates and the discount rates used. We reviewed the assessment of the probability weightings applied to differing scenarios and the validation of the mathematical integrity of the valuation models developed by management as part of the impairment assessment. We analysed the extent to which these assumptions would need to change before the impact was material and assessed the likelihood of those scenarios occurring. We also assessed the adequacy of disclosures in note 11 relating to the significant assumptions and analysis performed by management.

Other information included in the Annual Report

Other information consists of the information included in Annual Report, other than the consolidated financial statements and our auditor’s report thereon. We obtained the Board of Directors’ Report, prior to the date of our auditor’s report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor’s report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditor's Report to the Shareholders of Abu Dhabi National Energy Company PJSC ("TAQA") continued

Report on the Audit of the Consolidated Financial Statements continued

Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, and the Articles of Association of the Company;
- the Company has maintained proper books of account;
- the financial information included in the Board of Directors' report is consistent with the books of account and records of the Company;
- based on the information that has been made available to us, the Company has not purchased or invested in any shares or stocks during the year ended 31 December 2019;
- note 32 reflects the disclosures relating to related party transactions and the terms under which they were conducted;
- note 7 reflects the disclosure relating to social contributions made during the year; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2019, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which have a material impact on its activities or its financial position as at 31 December 2019.

Further, as required by the Decree of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2019:

- Law No. (1) of 2017 concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities;
- Federal Law No. (2) of 2015 on Commercial Companies in the United Arab Emirates (subject to the exemptions granted to TAQA in the AoA);
- The Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies; and
- Federal Decree-Law No. (8) of 2017 on Value Added Tax.

Signed by

Anthony O'Sullivan

Partner
Ernst & Young
Registration No. 687

18 March 2020
Abu Dhabi

Consolidated Income Statement

For the year ended 31 December 2019

	Notes	2019 AED million	2018 AED million
Revenues			
Revenue from oil and gas	4.1	5,522	5,555
Revenue from electricity and water	4.2	9,305	9,403
Fuel revenue	4.3	2,027	2,015
Gas storage revenue		273	147
Other operating revenue	4.4	461	620
		17,588	17,740
Cost of sales			
Operating expenses	5	(7,965)	(7,777)
Depreciation, depletion and amortisation	6	(3,819)	(3,716)
Dry hole expenses	13	(64)	(169)
		(11,848)	(11,662)
Gross profit		5,740	6,078
General and administrative expenses	7	(600)	(597)
Finance costs	8	(3,929)	(4,237)
(Loss) gain in fair value of derivatives and financial instruments		(89)	59
Net foreign exchange gains (losses)		60	(98)
Share of results of associates and joint ventures	14	108	286
Gain on sale of land and oil and gas assets		39	73
Finance income		76	76
Profit before tax		1,405	1,640
Income tax expense	9	(201)	(288)
Profit for the year		1,204	1,352
Attributable to:			
Equity holders of the parent		234	398
Non-controlling interests		970	954
Profit for the year		1,204	1,352
Basic and diluted earnings per share attributable to equity holders of the parent (AED per share)	10	0.04	0.07

The attached notes 1 to 36 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 AED million	2018 AED million
Profit for the year	1,204	1,352
Other comprehensive (loss) income		
Other comprehensive (loss) income to be reclassified to income statement in subsequent periods:		
(Loss) gain in fair values of derivative instruments in cash flow hedges – net	(514)	827
Exchange differences arising on translation of overseas operations	(92)	181
Net other comprehensive (loss) income to be reclassified to income statement in subsequent periods	(606)	1,008
Other comprehensive loss not to be reclassified to income statement in subsequent periods:		
Remeasurement losses on defined benefit plans	(10)	–
Net other comprehensive loss not to be reclassified to income statement in subsequent periods	(10)	–
Other comprehensive (loss) income for the year	(616)	1,008
Total comprehensive income for the year	588	2,360
Attributable to:		
Equity holders of the parent	(149)	1,047
Non-controlling interests	737	1,313
	588	2,360

The attached notes 1 to 36 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 AED million	2018 AED million
Assets			
Non-current assets			
Property, plant and equipment	11	68,710	69,456
Operating financial assets	12	7,944	7,999
Intangible assets	13	1,797	2,207
Investment in associates and joint ventures	14	1,503	1,422
Advance and loans to associates	15	698	698
Deferred tax assets	9	5,491	5,516
Other assets	16	304	400
		86,447	87,698
Current assets			
Inventories	17	2,844	2,872
Operating financial assets	12	1,038	1,150
Accounts receivable and prepayments	18	4,277	4,160
Cash and short-term deposits	19	2,953	3,457
		11,112	11,639
Total assets		97,559	99,337
Equity and liabilities			
Equity attributable to equity holders of the parent			
Issued capital	20	6,066	6,066
Contributed capital	20	25	25
Other reserves	21.1	2,991	3,781
Accumulated losses		(1,637)	(2,651)
Foreign currency translation reserve		(1,839)	(1,747)
Cumulative changes in fair value of derivatives in cash flow hedges		(1,430)	(1,149)
		4,176	4,325
Non-controlling interests	22	6,116	6,046
Loans from non-controlling interest shareholders in subsidiaries	23	136	188
		6,252	6,234
Total equity		10,428	10,559
Non-current liabilities			
Interest bearing loans and borrowings	24	59,483	59,943
Islamic loans	25	928	1,112
Deferred tax liabilities	9	953	937
Asset retirement obligations	26	14,904	13,638
Advances and loans from related parties	27	256	261
Other liabilities	28	2,607	2,037
		79,131	77,928
Current liabilities			
Accounts payable, accruals and other liabilities	29	4,905	5,486
Interest bearing loans and borrowings	24	2,734	5,013
Islamic loans	25	192	203
Amounts due to related parties	30	95	83
Bank overdrafts	19	74	65
		8,000	10,850
Total liabilities		87,131	88,778
Total equity and liabilities		97,559	99,337

Chairman of the Board
of Directors

Chairman of the
Audit Committee

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 36 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity holders of the parent								Loans from non-controlling interest shareholders in subsidiaries	Total equity
	Issued capital AED million	Contributed capital AED million	Other reserves AED million	Accumulated losses AED million	Foreign currency translation reserve AED million	Cumulative changes in fair value of derivatives in cash flow hedges AED million	Total AED million	Non-controlling interests AED million	AED million	AED million
Balance at 1 January 2018	6,066	25	3,689	(2,707)	(1,928)	(1,617)	3,528	5,366	242	9,136
Impact of adopting IFRS 9 at 1 January 2018	–	–	–	(250)	–	–	(250)	(21)	–	(271)
Balance at 1 January 2018 (restated)	6,066	25	3,689	(2,957)	(1,928)	(1,617)	3,278	5,345	242	8,865
Profit for the year	–	–	–	398	–	–	398	954	–	1,352
Other comprehensive income for the year	–	–	–	–	181	468	649	359	–	1,008
Total comprehensive income for the year	–	–	–	398	181	468	1,047	1,313	–	2,360
Transfer to other reserve (note 21)	–	–	92	(92)	–	–	–	–	–	–
Dividends declared to subsidiaries' non-controlling interests	–	–	–	–	–	–	–	(612)	–	(612)
Repayment of loans	–	–	–	–	–	–	–	–	(54)	(54)
Balance at 31 December 2018	6,066	25	3,781	(2,651)	(1,747)	(1,149)	4,325	6,046	188	10,559
Profit for the year	–	–	–	234	–	–	234	970	–	1,204
Other comprehensive income for the year	–	–	–	(10)	(92)	(281)	(383)	(233)	–	(616)
Total comprehensive income for the year	–	–	–	224	(92)	(281)	(149)	737	–	588
Transfer from other reserve (note 21)	–	–	(790)	790	–	–	–	–	–	–
Dividends declared to subsidiaries' non-controlling interests	–	–	–	–	–	–	–	(667)	–	(667)
Repayment of loans	–	–	–	–	–	–	–	–	(52)	(52)
Balance at 31 December 2019	6,066	25	2,991	(1,637)	(1,839)	(1,430)	4,176	6,116	136	10,428

The attached notes 1 to 36 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 AED million	2018 AED million
Operating activities			
Profit before tax		1,405	1,640
Adjustments for:			
Depreciation, depletion and amortisation	6	3,819	3,716
FX loss (gain) – loans, borrowings and operating financial assets		26	(238)
Gain on sale of land oil and gas assets		(39)	(73)
Finance costs	8	3,929	4,237
Share of results of associates and joint ventures	14	(108)	(286)
Unrealised loss (gain) on fair valuation of derivatives and financial instruments		109	(53)
Finance income		(76)	(76)
Revenue from operating financial assets	12	(1,445)	(1,389)
Other items		173	213
Working capital changes:			
Inventories		27	(87)
Account receivables and prepayments and other assets		(143)	153
Amount due to related parties		12	(5)
Accounts payables, accruals and other liabilities		56	(117)
Income tax paid		(320)	(295)
Asset retirement obligations payments	26	(587)	(575)
Cash received from service concession arrangements	12	1,559	1,791
Net cash generated from operating activities		8,397	8,556
Investing activities			
Purchase of property, plant and equipment		(1,707)	(1,640)
Dividend received from associates and joint ventures		27	32
Purchase of intangible assets	13	(58)	(54)
Interest received		76	76
Proceeds from investments and assets		63	137
Net cash used in investing activities		(1,599)	(1,449)
Financing activities			
Interest bearing loans and borrowings received		9,150	6,461
Repayment of Islamic loans		(207)	(183)
Repayment of interest bearing loans and borrowings		(11,882)	(10,129)
Interest paid		(3,374)	(3,496)
Dividend paid to non-controlling interest shareholders		(626)	(667)
Payment of lease liabilities		(241)	–
Repayment of loans from non-controlling interest shareholders		(72)	(105)
Repayment of loans from related party		(5)	(5)
Net cash used in financing activities		(7,257)	(8,124)
Net decrease in cash and cash equivalents		(459)	(1,017)
Net foreign exchange difference		(54)	202
Cash and cash equivalents at 1 January	19	3,392	4,207
Cash and cash equivalents at 31 December	19	2,879	3,392

The attached notes 1 to 36 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

31 December 2019

1 Corporate information

Abu Dhabi National Energy Company PJSC (“TAQA” or the “Company”) was established on 21 June 2005 pursuant to the provisions of Emiri Decree number 16/2005 as a public joint stock company with Abu Dhabi Water and Electricity Authority (“ADWEA”) as its founding shareholder and 100% owner. 24.9% of TAQA’s shareholding is held by public and the remaining was retained by ADWEA and, accordingly, the Company was a subsidiary of ADWEA.

In February 2018, Law No. 11 of 2018 on the establishment of the Department of Energy (DOE) was published. Pursuant to the law, all of ADWEA’s assets, rights and obligations were transferred to the Department of Energy and the Department of Energy became their legal successor holding 75.1% shares in TAQA. The Department of Energy is responsible for the control, supervision and regulation of the energy sector in the Emirate of Abu Dhabi, including the Emirate’s energy strategy.

In January 2019, by virtue of Law No. 3 of 2019, the shareholding held by the DOE has been transferred to Abu Dhabi Power Corporation (ADPC). As such, TAQA’s immediate parent company is now ADPC. The ultimate parent company of TAQA is Abu Dhabi Development Holding Company (ADDHC), which owns 100% of ADPC.

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

The consolidated financial statements of TAQA and its subsidiaries (the “Group”) for the year ended 31 December 2019 include the financial statements of TAQA and all its subsidiaries. Details of the major operating subsidiaries are provided in note 33 to the consolidated financial statements. Information on other related party relationships of the Group are provided in note 32.

The consolidated financial statements of the Group were authorised for issuance by the Board of Directors on 18 March 2020.

2.1 Basis of preparation

The consolidated financial statements of TAQA have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the applicable requirements of the UAE Federal Law No. (2) of 2015. The consolidated financial statements are presented in United Arab Emirates Dirhams (AED) which is also the functional and presentational currency of the parent company. All values are rounded to the nearest million (AED million), except when otherwise indicated.

The consolidated financial statements are prepared on a historical cost basis, except for financial assets and derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

2.2 Basis of consolidation

The group financial statements consolidate the financial statements of TAQA and its subsidiaries drawn up to 31 December each year. Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to TAQA shareholders.

2.3 Changes in accounting policies and disclosures

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years, except for IFRS 16 (refer to note 2.3.1), but may affect the accounting for future transactions or arrangements.

- IFRS 16 Leases;
- IFRIC Interpretation 23 Uncertainty over Income Tax treatments; and
- IAS 12 Income Taxes – Income tax consequences of dividend.

Notes to the Consolidated Financial Statements continued

31 December 2019

2.3 Changes in accounting policies and disclosures continued

2.3.1 Transition to IFRS 16

IFRS 16 'Leases'

In January 2016, the IASB issued IFRS 16 Leases which replaces the existing leasing standard (IAS 17 Leases) and requires the recognition of most leases on the statement of financial position. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low-value items. The accounting treatment for lessors remains essentially unchanged, with the requirement to classify leases as either finance or operating. The Group has adopted IFRS 16 on the effective date of 1 January 2019 through the simplified modified approach.

The new accounting policies of the Group upon adoption of IFRS 16 are included in note 2.5.

The impact on the consolidated statement of financial position as at 1 January 2019 was as follows:

	At 1 January 2019 AED million
Non-current assets	
Property, plant and equipment (right of use asset)	473
Current assets	
Accounts receivable and prepayments	16
Non-current liabilities	
Other liabilities (lease liabilities)	156
Current liabilities	
Accounts payable, accruals, and other liabilities (lease liabilities)	333

The impact on the consolidated income statement was as follows:

	2019 AED million
Other operating revenue	(3)
Operating expenses	75
Depreciation, depletion and amortisation	(83)
Gross loss	(11)
Administrative and other expenses	17
Finance costs	(7)
Loss for the period	(1)

A reconciliation from operating lease commitments as at 31 December 2018 to lease liabilities as at 1 January 2019 is as follows:

	AED million
Operating lease obligations at 31 December 2018	1,320
Adjustments as a result of different treatment of extension and termination options	34
Non-lease components previously included as part of commitments	(809)
Discounting	(34)
Other	(22)
Lease liabilities at 1 January 2019	489

The Group's incremental borrowing rate ranged from 6% to 13%.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, at the end of the reporting period. These estimates and judgements are subject to change based on experience and new information. The financial statement areas that require significant estimates, judgements and assumptions are as follows:

Service concession arrangements

Some of the Group's foreign subsidiaries have entered into power purchase agreements ("PPA") with offtakers in countries where they are operating. Management has determined these arrangements to be service concession arrangements under IFRIC 12 Service Concession Arrangements by applying the requirements of the interpretation to the facts and circumstances in each location. The Group's domestic (United Arab Emirates) subsidiaries have entered into long term Power and Water Purchase Agreements ("PWPA") with Emirates Water and Electricity Company (EWEC) (previously Abu Dhabi Water and Energy Corporation (ADWEA)). Management does not consider the PWPAs to fall within the scope of IFRIC Interpretation 12 *Service Concession Arrangements*.

Operating lease commitments – Subsidiaries as lessor

As mentioned above, the Group's domestic subsidiaries have entered into PWPAs. Under the PWPAs, the subsidiaries receive payment for the provision of power and water capacity, whether or not the offtaker EWEC requests power or water output ("capacity payments"), and for the variable costs of production ("energy and water payments"). The Group has determined the PWPAs are lease arrangements and that, based on the contractual arrangements in place, management considers that the Group retains the principal risks and rewards of ownership of the plants and so accounts for the PWPAs as operating leases. When there are amendments to the PWPAs, management reconsiders whether the Group continues to retain the principal risks and rewards of ownership of the plants.

Power and Water Purchase Agreements

As mentioned above, management does not consider the domestic subsidiaries' PWPAs to fall within the scope of IFRIC 12 Service Concession Arrangement. Based on management's estimate of the useful life and residual value of the assets, the offtaker is not determined to control any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise. The classification of the PWPA as an operating lease is based on the judgement applied by management which considers that the Group retains the principal risks and rewards of ownership of the plants, based on management's estimate of the useful life and residual value of the assets. An estimate of the useful life of the asset and residual value is made and reviewed annually. The effects of changes in useful life are recognised prospectively, over the remaining life of the asset.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived based on quoted prices from active markets, their fair value is determined using valuation techniques including discounted cash flows models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment testing of non-financial assets

Management determines at each reporting date whether there are any indicators of impairment relating to the Group's property, plant and equipment including freehold land or intangible assets including exploration and evaluations assets. A broad range of internal and external factors are considered as part of the indicator review process.

The Group's impairment testing for non-financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. Fair value less cost to sell for relevant cash generating units is generally derived from discounted cash flow models using market based inputs and assumptions. Recoverable amount is most sensitive to price assumptions, foreign exchange rate assumptions and discount rates used in the cash flow models. The key assumptions used to determine the recoverable amount are further explained in note 11 to the consolidated financial statements.

Estimation of oil and gas reserves

Oil and gas reserves and resources used for accounting purposes are estimated using internationally accepted methods and standards. The Group's annual oil and gas reserves and resources review process includes an external audit process conducted by appropriately qualified parties. All reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including 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. Changes in oil and gas reserves are an important indication of impairment or reversal of impairment and may result in subsequent impairment charges or reversals as well as affecting the unit-of-production depreciation charge in the consolidated income statement.

Notes to the Consolidated Financial Statements continued
31 December 2019

2.4 Significant accounting judgements, estimates and assumptions continued

Provision for decommissioning

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group’s facilities and properties. 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 expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation, and/or due to changes in commodity prices.

Income taxes

The Group recognises the net future tax benefit to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

2.5 Summary of significant accounting policies

Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The group categorises assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly and indirectly, other than quoted prices included within Level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modification to observable related market data or TAQA’s assumption about pricing by market participants.

Revenue recognition

Revenue from contracts with customers is recognised when or as the group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control usually coincides with title passing to the customer and the customer taking physical possession.

When, or as, a performance obligation is satisfied, the group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the group expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

Oil and gas

Revenue from the sale of oil and gas is recognised at the point in time when control of the product is transferred to the customer, which is generally when the product is physically transferred into a vessel, pipe or other delivery mechanism and the customer accepts the product.

The Group’s sales of oil and gas are priced based on market prices and where necessary adjusted for a quality differential based on the American Petroleum Institute (API) gravity of the oil and gas sold.

Lifting or offtake arrangements for oil and gas produced by certain of the Group’s jointly owned assets are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative production entitlement and cumulative sales attributable to each participant at a reporting date represents ‘underlift’ or ‘overlift’. Underlift and overlift are valued at market value and included within current assets and current liabilities respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Gas storage

The income from gas storage is recognised at the point in time when the service is provided and accepted by customers.

Power and water and fuel revenue

The revenue recognition of the Group’s power and water business is as follows:

- i) Where the Group determines that the PWPA/PPA meets the financial asset model requirements for service concession arrangements, consideration receivable is allocated by reference to the relative fair values of the services delivered. Operating revenue is recognised as the service is provided and finance revenue is recognised using the effective interest rate method on the financial asset.
- ii) Where the Group determines that the PWPA/PPA contains an operating lease, capacity payments are recognised as operating lease rental revenue on a systematic basis to the extent that capacity has been made available to the offtaker during the year. Those payments, which are not included as capacity payments (e.g. fuel revenue), are recognised as revenue in accordance with the contractual terms of the PWPA/PPA.
- iii) Energy and water payments are recognised as revenue at the point in time when the contracted power and water capacity is provided to the offtaker.
- iv) Fuel revenue represents reimbursements from the offtakers in the power and water subsidiaries at market prices for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements. Fuel revenue is recognised as and when fuel is consumed in the production of power and water.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates as at the balance sheet date that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognised in the consolidated income statement or in other comprehensive income in the period they occur.

The Group recognises the financial statement impact of a tax filing position when it is probable, based on the technical merits, that the position will be sustained upon audit. The company assesses possible outcomes and their associated probabilities. If the company determines payment is probable, it measures the tax provision at the best estimate of the amount of tax payable.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

In individual subsidiaries, joint ventures and associates, transactions in foreign currencies are initially recorded in the functional currency of those entities at the spot exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot exchange rate at the reporting date. Any resulting exchange differences are included in the consolidated income statement, unless hedge accounting is applied. Non-monetary assets and liabilities, other than those measured at fair value are not retranslated subsequent to initial recognition.

In the consolidated financial statements, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rates on a monthly basis. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements continued

31 December 2019

2.5 Summary of significant accounting policies continued

Investments in associates and joint venture

The results, assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment is carried on the consolidated statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the entity, less distributions received and less any impairment in value of the investment. Loans advanced to equity-accounted entities that have the characteristics of equity financing are also included in the investment on the group's consolidated statement of financial position. The Group consolidated income statement reflects the Group's share of the results after tax of the equity-accounted entity, adjusted to account for depreciation, amortisation and any impairment of the equity-accounted entity's assets based on their fair values at the date of acquisition. The Group's consolidated statement of comprehensive income includes the Group's share of the equity-accounted entity's other comprehensive income. The Group's share of amounts recognised directly in equity by an equity-accounted entity is recognised directly in the Group's consolidated statement of changes in equity.

Unrealised gains on transactions between the Group and its equity-accounted entities are eliminated to the extent of the Group's interest in the equity-accounted entity.

The Group assesses investments in equity-accounted entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal and value in use. If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

Interests in joint operations

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Certain of the Group's activities in the oil and gas segment are conducted through joint operations where the partners have a direct ownership interest in and jointly control the underlying assets of the joint operation. 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 partners, income from the sale or use of its share of the joint operation's output, together with its share of the expenses incurred by the joint operation, and any expenses it incurs in relation to its interest in the joint operation.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee – Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Group as a lessee – Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Group as a lessor – Finance leases

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are classified as financial leases. The amounts due from the lessee are recorded in the consolidated statement of financial position as financial assets and are carried at the amount of the net investment in the lease after making provision for expected credit losses.

Group as a lessor – Operating leases

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation for intangible assets with finite lives is calculated on a straight-line basis as follows:

Tolling agreement	14 years
Connection rights	34 – 40 years
Computer software	3 years

The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Oil and natural gas exploration, evaluation and development expenditure

Exploration & evaluation costs – capitalisation

Pre-license costs and geological and geophysical exploration costs incurred prior to obtaining the rights to explore are recognised in the consolidated income statement when incurred. Exploration licences are recognised as an exploration and evaluation ("E&E") asset. The cost of that licence includes the directly attributable costs of its acquisition. Examples of such costs may include non-refundable taxes and professional and legal costs incurred in obtaining the licence. Costs incurred after the rights to explore have been obtained, such as geological and geophysical costs, drilling costs, appraisal and development study costs and other directly attributable costs of exploration and evaluation activity, including technical and administrative costs for each exploration asset, are capitalised as intangible 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 then, following development sanction, the carrying value of the relevant E&E asset is reclassified as a development and production ("D&P") 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 asset and it is not expected to derive any future economic benefits, the E&E asset is written off to the consolidated 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.

Notes to the Consolidated Financial Statements continued

31 December 2019

2.5 Summary of significant accounting policies continued

Oil and natural gas exploration, evaluation and development expenditure continued

Property, plant and equipment – general

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The present value of the expected cost for the decommissioning obligation of an asset at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Building, equipment, plant and machinery	20 to 40 years
Oil and gas properties	Unit of production

The assets’ residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

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 their estimated operating life. 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.

Property, plant and equipment – oil and gas properties

Oil and gas properties in the development and production phase (“D&P” assets) and other related assets are stated at cost, less accumulated depreciation and accumulated impairment losses (net of reversal of previously recognised impairment losses, if any). The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of the decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated on a unit-of-production basis over the proved and probable (“2P”) 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.

Property, plant and equipment – major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the group, the expenditure is capitalised. Where an asset or part of an asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset (or asset part) which is immediately written off. Inspection costs associated with major maintenance programs are capitalised when the recognition criteria are met and amortised over the period to the next inspection. Day to day servicing and maintenance costs are expensed as incurred.

Property, plant and equipment – capital work in progress

Capital work in progress is included in property, plant and machinery at cost on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

Property, plant and equipment – freehold land

Freehold land represents freehold rights over certain plots of land in the UAE transferred at nominal amount from ADPC (Ex-ADWEA). At the date of transfer, the Company recorded the fair value of these plots of land under property, plant and equipment. Subsequently, these plots of land are measured at initial fair value being the deemed cost less accumulated impairment losses (net of reversal of previously recognised impairment losses), if any.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of VIU calculations, assumptions are also made regarding the cash flows from each asset’s ultimate disposal. In determining fair value less costs of disposal, recent appropriate market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

For the purpose of E&E asset impairment testing, cash generating units are grouped at the operating segment level. An impairment test performed in the E&E phase therefore involves grouping all E&E assets within the relevant segment with the development & production (D&P) assets belonging to the same segment. The combined segment carrying amount is compared to the combined segment recoverable amount and any resulting impairment loss identified within the E&E asset is written off to the consolidated income statement. The recoverable amount of the segment is determined as the higher of its fair value less costs to sell and its value in use.

Inventories

Inventories of fuel for the purpose of powering electricity generation facilities are valued at the lower of cost, determined on the basis of weighted average cost, and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories of oil and oil products, which represent production from oil and gas facilities of the Group which are tanked at storage facilities awaiting sale, are valued at market value.

Service concessions

The Group accounts for service concession arrangements under IFRIC 12 when the following conditions are met:

- the grantor (usually a government entity) controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor (usually a government entity) controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

In view of the above, concession infrastructure that does not meet the requirements of IFRIC 12 is presented as property, plant and equipment. Under IFRIC 12, the operator’s rights over the plant operated under concession arrangements are accounted for based on the party primarily responsible for payment:

- the “intangible asset model” is applied when users have primary responsibility to pay for the concession services; and
- the “financial asset model” is applied when the grantor has the primary responsibility to pay the operator for the concession services.

Where the grantor guarantees the amounts that will be paid over the term of the contract (e.g. via a guaranteed internal rate of return), the financial asset model is used to account for the concession infrastructure, since the grantor is primarily responsible for payment. The financial asset model is used to account for Build, Operate and Transfer (BOT) contracts entered into with the grantor. The Group recognises financial assets from service concession arrangements in the consolidated statement of financial position as operating financial assets.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Notes to the Consolidated Financial Statements continued

31 December 2019

2.5 Summary of significant accounting policies continued

Financial assets

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of financial assets depends on their classification, as set out below. The group derecognises financial assets when the contractual rights to the cash flow expire or the financials asset is transferred to a third party.

Financial assets at amortised cost

Financial assets at amortised cost are measured using the effective interest rate methods and are subject to impairment. Gains and losses are recognised in the consolidated income statement when the asset is derecognised, modified or impaired. The Group’s financial assets at amortised cost include cash, short term deposits, loans and trade receivables.

Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Derivative designated as hedging instruments in an effective hedge

These derivatives are carried on the consolidated statement of financial position at fair value. The treatment of gains and losses arising from revaluation is described in the accounting policy of derivative financial instrument and hedging activities.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the consolidated income statement.

Impairment of financial assets

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

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

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which the counter-party has an investment grade credit rating or credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are calculated based on estimates including the probability of default (PD) and the loss incurred in default positions (LGD). These estimates are allocated by assessing the counterparty credit ratings. The Group calibrates the matrix to adjust the provision rates with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are projected to change then the historical default rates are adjusted. At every reporting date, the counterparty credit ratings are updated and changes in the forward-looking estimates are analysed. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

Credit-impaired financial assets

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

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

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in the consolidated income statement. Fair value is determined in the manner described in note 34.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at fair value through profit or loss are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the finance costs in the consolidated income statement.

Derivative financial instruments and hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 34.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured 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.

Hedge accounting

At the inception of a hedge relationship that qualifies for hedge accounting, the Group formally 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, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

Notes to the Consolidated Financial Statements continued

31 December 2019

2.5 Summary of significant accounting policies continued

Derivative financial instruments and hedge accounting continued

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the consolidated income statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the consolidated income statement from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of changes in fair values of derivative instruments in cash flow hedges. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement, and is included in changes in fair values of derivatives and fair value hedges line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the consolidated income statement as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

Employees’ end of service benefits

The Group provides end of service benefits to certain employees. The entitlement to these benefits is usually based upon the employees’ length of service and the completion of a minimum service period and year, the expected costs of these benefits are accrued over the years of employment. With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pensions and Benefits Fund calculated as a percentage of the employees’ salaries. Where the Group’s obligations are limited to these contributions made to pension and benefit funds, these contributions are expensed on a monthly basis and paid when due.

Pensions and other post-employment benefits

Defined benefit pension plan

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. The cost of providing benefits under defined benefit plans is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the consolidated income statement in subsequent periods.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group 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 the time value of money and 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 (ARO)/decommissioning liability

Certain subsidiaries have legal obligations in respect of site restoration and abandonment of their power generation and water desalination assets and oil and gas properties at the end of their useful lives (decommissioning costs). The Group records a provision for the site restoration and abandonment based upon estimated costs at the end of their useful lives. Accordingly, a corresponding asset is recognised in property, plant and equipment. Decommissioning costs are recorded at the present value of expected costs to settle the obligations using estimated cash flows and are recognised as part of the cost of each specific asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The accretion is expensed as incurred and recognised in the consolidated income statement as a finance cost. The estimated future costs of the asset retirement obligation are reviewed annually and adjusted as appropriate. Changes to provisions based on revised costs estimates or discount rate applied charges are added to or deducted from the cost of the relevant asset.

Production bonuses

The Group’s production sharing contract contains a legal obligation for production bonuses to be paid to the Kurdistan Regional Government when certain production targets are achieved. The Group records a provision for these bonuses when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. This is assessed based on the Group’s share of proved and probable reserves under the production sharing contract.

Contingencies

From time to time, the Group receives claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. A liability is accrued only if an adverse outcome is more likely than not and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the claim is disclosed as a contingent liability, if material. The actual outcome of a claim may differ from the estimated liability and consequently may affect the financial performance and position of the Group.

2.6 Standards issued but not yet effective

The following standards and interpretations are issued, but not yet effective, up to the date of issuance of the Group’s consolidated financial statements. None of the new standards or amendments are expected to have a material impact on the Group’s consolidated financial statements:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 3: Definition of a Business; and
- Amendments to IAS 1 and IAS 8: Definition of Material.

Notes to the Consolidated Financial Statements continued

31 December 2019

3 Operating segmental information

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

- Power and Water generation – UAE
- Power generation – Others
- Oil and Gas – North America
- Oil and Gas – Europe
- Oil and Gas – Atrush

Power and Water Segment – UAE

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

Power Segment – Others

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

Oil and Gas Segment – North America

This segment is engaged in Upstream and Midstream oil and gas activities in Canada and the United States.

Oil and Gas Segment – Europe

This segment is engaged primarily in Upstream oil and gas activities in the United Kingdom, and Upstream and Midstream oil and gas activities in the Netherlands.

Oil and Gas Segment – Atrush

This segment is engaged primarily in Upstream oil and gas activities in Kurdistan, Iraq.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income statement. Group financing cost and income except for the subsidiaries with project financing arrangements and interest income is managed on a group basis and is not allocated to operating segments.

Investment in certain associates with activities other than power and water generation and oil and gas are managed on a group basis and are therefore not allocated to operating segments. In addition, freehold land is also managed on a group basis and therefore not allocated to operating segments.

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

Inter-segment transactions are on an arm's-length basis in a manner similar to transactions with third parties. Inter-segment revenues are eliminated on consolidation.

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

	Power and water generation – UAE AED million	Power generation – others AED million	Oil and gas – North America AED million	Oil and gas – Europe AED million	Oil and gas – Atrush AED million	Adjustments, eliminations and unallocated AED million	Consolidated AED million
Year ended 31 December 2019:							
Revenue from external customers	7,170	4,321	1,878	3,685	519	15	17,588
Operating expenses	(1,610)	(3,016)	(1,184)	(2,012)	(143)	–	(7,965)
Administrative and other expenses	(122)	(121)	(132)	(42)	(37)	(146)	(600)
Share of results of associates and joint ventures	–	7	–	–	–	101	108
Earnings (losses) before interest, tax, depreciation and amortisation (EBITDA)	5,438	1,191	562	1,631	339	(30)	9,131
Dry hole expenses	–	–	–	(64)	–	–	(64)
Depreciation, depletion and amortisation	(1,852)	(65)	(986)	(732)	(176)	(8)	(3,819)
Earnings (losses) before interest and tax (EBIT)	3,586	1,126	(424)	835	163	(38)	5,248
Finance costs	(1,629)	(251)	(73)	(381)	–	(1,595)	(3,929)
(Loss) gain in fair value of derivatives and financial instruments	–	(100)	–	–	–	11	(89)
Net foreign exchange gains (losses)	2	11	(2)	2	–	47	60
Gain from sale of land and oil and gas assets	–	–	39	–	–	–	39
Finance income	–	–	–	–	–	76	76
Income tax (expense) credit	–	(296)	60	64	–	(29)	(201)
Profit (loss) for the year	1,959	490	(400)	520	163	(1,528)	1,204
	Power and water generation – UAE AED million	Power generation – others AED million	Oil and gas – North America AED million	Oil and gas – Europe AED million	Oil and gas – Atrush AED million	Adjustments, eliminations and unallocated AED million	Consolidated AED million
Year ended 31 December 2018:							
Revenue from external customers	7,120	4,276	1,813	4,231	290	10	17,740
Operating expenses	(1,553)	(2,826)	(969)	(2,365)	(64)	–	(7,777)
Administrative and other expenses	(135)	(101)	(126)	(62)	(35)	(138)	(597)
Share of results of associates and joint ventures	–	7	–	–	–	279	286
Earnings before interest, tax, depreciation and amortisation (EBITDA)	5,432	1,356	718	1,804	191	151	9,652
Dry hole expenses	–	–	–	(169)	–	–	(169)
Depreciation, depletion and amortisation	(1,867)	(65)	(969)	(721)	(92)	(2)	(3,716)
Earnings (losses) before interest and tax (EBIT)	3,565	1,291	(251)	914	99	149	5,767
Finance costs	(1,720)	(288)	(107)	(522)	–	(1,600)	(4,237)
Gain in fair value of derivatives and financial instruments	–	59	–	–	–	–	59
Net foreign exchange gains (losses)	15	10	2	28	–	(153)	(98)
Gain from sale of land and oil and gas assets	–	–	73	–	–	–	73
Finance income	–	–	–	–	–	76	76
Other (losses) gains	(14)	17	1	–	–	(4)	–
Income tax (expense) credit	–	(327)	(18)	77	–	(20)	(288)
Profit (loss) for the year	1,846	762	(300)	497	99	(1,552)	1,352

Notes to the Consolidated Financial Statements continued

31 December 2019

3 Operating segmental information continued

	Power and water generation – UAE AED million	Power generation – others AED million	Oil and gas – North America AED million	Oil and gas – Europe AED million	Oil and gas – Atrush AED million	Adjustments, eliminations and unallocated AED million	Consolidated AED million
At 31 December 2019							
Property, plant and equipment	35,993	63	7,816	5,106	1,048	18,684	68,710
Operating financial assets	–	8,982	–	–	–	–	8,982
Investment in associates, a joint venture and related balances	–	100	–	–	–	2,101	2,201
Other assets	6,269	2,994	1,213	5,038	1,478	674	17,666
Segment assets	42,262	12,139	9,029	10,144	2,526	21,459	97,559
Segment liabilities	29,955	6,218	3,026	12,543	298	35,091	87,131
At 31 December 2018							
Property, plant and equipment	37,357	22	8,092	4,358	945	18,682	69,456
Operating financial assets	–	9,149	–	–	–	–	9,149
Investment in associates, a joint venture and related balances	–	105	–	–	–	2,015	2,120
Other assets	6,638	3,735	1,302	5,145	1,402	390	18,612
Segment assets	43,995	13,011	9,394	9,503	2,347	21,087	99,337
Segment liabilities	31,516	6,916	2,803	11,979	203	35,361	88,778

Other disclosures

Year ended December 2019

Additions to property, plant and equipment	457	2	534	494	275	–	1,762
Additions to intangible assets	–	–	1	57	–	–	58

Year ended December 2018

Additions to property, plant and equipment	268	6	697	636	53	–	1,660
Additions to intangible assets	–	–	7	22	25	–	54

Geographical information

The following tables present revenue, certain asset information relating to the Group based on geographical location of the subsidiaries:

	UAE AED million	North America AED million	Europe AED million	Africa AED million	Others AED million	Total AED million
Revenue						
Year ended 31 December 2019	7,170	2,465	3,685	3,382	886	17,588
Year ended 31 December 2018	7,120	2,472	4,231	3,240	677	17,740
Non-current assets						
At 31 December 2019	36,876	7,820	5,158	7,616	21,285	78,755
At 31 December 2018	38,293	8,464	4,416	6,413	22,476	80,062

Non-current assets for this purpose consist property, plant and equipment (including freehold land), operating financial assets, intangible assets and other assets.

Other information

The following table provides information relating to the Group's major customers which contribute more than 10% towards the Group's revenue.

	Power and water generation – UAE AED million	Power generation – others AED million	Oil and gas Europe AED million	Total AED million
Year ended 31 December 2019				
Customer 1	7,170	–	–	7,170
Customer 2	–	3,070	–	3,070
Customer 3	–	–	1,759	1,759
Total	7,170	3,070	1,759	11,999

Year ended 31 December 2018

Customer 1	7,120	–	–	7,120
Customer 2	–	3,031	–	3,031
Total	7,120	3,031	–	10,151

4 Revenues

4.1 Revenue from oil and gas

	2019 AED million	2018 AED million
Gross oil and gas revenue	5,714	5,793
Less: royalties	(192)	(238)
	5,522	5,555

4.2 Revenue from electricity and water

	2019 AED million	2018 AED million
Operating lease revenue	5,425	6,191
Revenue from operating financial assets (note 12)	1,445	1,389
Sale of electricity	587	659
Energy payments and other related revenue	1,848	1,164
	9,305	9,403

4.3 Fuel revenue

Fuel revenue represents reimbursements from the offtakers of the power and water subsidiaries for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements. Fuel revenue is further analysed as follows:

	2019 AED million	2018 AED million
Backup fuel in domestic subsidiaries reimbursed by EWEC (note 32)	23	61
Reimbursement of coal and other fuel costs in foreign power subsidiaries	2,004	1,954
	2,027	2,015

4.4 Other operating revenue

	2019 AED million	2018 AED million
Net processing income	205	257
Gas trading	66	350
Others	190	13
	461	620

Notes to the Consolidated Financial Statements continued

31 December 2019

5 Operating expenses

	2019 AED million	2018 AED million
Staff costs	391	356
Repairs, maintenance and consumables used	2,261	2,241
Fuel expenses	2,365	2,328
Charges by operating and maintenance contractors	1,511	1,468
Oil and gas operating costs	669	528
Gas purchases for trading	6	357
Transportation costs	280	161
Gas storage expenses	64	110
Exploration and evaluation assets written off (note 13)	55	18
Others	363	210
	7,965	7,777

6 Depreciation, depletion and amortisation

	2019 AED million	2018 AED million
Depreciation of property, plant and equipment and depletion of oil and gas assets (note 11)	3,713	3,611
Amortisation of initial spares fees	—	1
Amortisation of intangible assets (note 13)	106	104
	3,819	3,716

7 Administrative and other expenses

	2019 AED million	2018 AED million
Salaries and related expenses	604	519
Professional fees and business development expenses	140	113
Corporate social contributions	1	1
Others	273	276
	1,018	909
Recoveries	(418)	(312)
Total	600	597

8 Finance costs

	2019 AED million	2018 AED million
Finance costs relating to bonds and global medium term notes	1,774	1,730
Finance costs relating to interest bearing loans and borrowings and Islamic loans	1,180	1,263
Interest expense on interest rate swaps	441	550
Asset retirement obligations accretion expense (note 26)	508	680
Notional interest expense on loan from ADPC (note 27)	2	3
Lease liability interest	13	—
Other accretion expense	11	11
	3,929	4,237

9 Income tax

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	2019 AED million	2018 AED million
Consolidated income statement		
<i>Current income tax:</i>		
Current income tax charge	309	446
Adjustment in respect to income tax of previous years	(128)	(132)
<i>Deferred income tax:</i>		
Relating to origination and reversal of temporary differences	20	(26)
Income tax expense reported in the consolidated income statement	201	288

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable statutory tax rate for the years ended 31 December 2019 and 2018 is as follows:

	2019 AED million	2018 AED million
Profit before tax	1,405	1,640
Non-taxable profit (including income in non-taxable jurisdictions)	(54)	(813)
Total taxable profit	1,351	827
Applicable tax charge at statutory rates – weighted average of 38% (2018: 46%)	(519)	(380)
Adjustment in respect to income tax of previous years	128	132
Withholding taxes	(15)	(16)
Tax incentives	(44)	—
Special production taxes on upstream activities	33	(12)
Others	216	(12)
Income tax expense reported in the consolidated income statement	(201)	(288)

Deferred tax

Deferred income tax at 31 December relates to the following:

	Consolidated statement of financial position		Consolidated income statement	
	2019 AED million	2018 AED million	2019 AED million	2018 AED million
<i>Deferred tax assets:</i>				
Temporary difference on property, plant and equipment	(1,116)	(640)	(476)	246
Temporary difference arising on asset retirement obligations	4,618	4,402	216	(21)
Tax losses	612	347	265	(310)
Others	1,377	1,407	(30)	139
	5,491	5,516	(25)	54
<i>Deferred tax liabilities:</i>				
Temporary difference on property, plant and equipment	965	949	16	27
Others	(12)	(12)	—	1
	953	937	16	28

Based on the latest available forecast of future profits, the Group has determined AED 1,809 million of tax losses (2018: AED 1,636 million) are unlikely to be utilised in the foreseeable future. Hence, no deferred tax benefit has been recognised, though these losses remain available for offset against future taxable profits.

10 Basic earnings per share

Basic earnings per share amounts are calculated by dividing earnings for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Notes to the Consolidated Financial Statements continued

31 December 2019

10 Basic earnings per share continued

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

	2019	2018
Profit for the year attributable to owners of the parent (AED million)	234	398
Weighted average number of ordinary shares issued (million)	6,066	6,066
Basic earnings per share (AED)	0.04	0.07

No figure for diluted earnings per share has been presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

11 Property, plant and equipment

	Freehold land AED million	Capital work in progress AED million	Building, equipment, plant and machinery AED million	Oil and gas assets AED million	Right of use assets AED million	Total AED million
2019						
Cost:						
At 1 January 2019	18,682	1,110	59,910	65,896	473	146,071
Additions	–	84	375	1,303	170	1,932
Disposals of assets	–	–	(15)	(153)	–	(168)
Transfers (note 13)	–	(29)	29	12	–	12
Revision of ARO	–	–	(21)	779	–	758
Exchange adjustment	–	1	(145)	(111)	–	(255)
At 31 December 2019	18,682	1,166	60,133	67,726	643	148,350
Depreciation and depletion:						
At 1 January 2019	–	–	22,003	33,930	–	55,933
Charge for the year (note 6)	–	–	1,828	1,645	240	3,713
On disposal of assets	–	–	–	(136)	–	(136)
Exchange adjustment	–	–	(30)	(11)	–	(41)
At 31 December 2019	–	–	23,801	35,428	240	59,469
Impairment:						
At 1 January 2019	–	352	271	19,586	–	20,209
Exchange adjustment	–	–	(33)	(5)	–	(38)
At 31 December 2019	–	352	238	19,581	–	20,171
Net carrying amount:						
At 31 December 2019	18,682	814	36,094	12,717	403	68,710
2018						
Cost:						
At 1 January 2018	18,682	1,071	60,047	64,941	–	144,741
Additions	–	47	271	1,342	–	1,660
Disposals of assets	–	–	(136)	(113)	–	(249)
Transfers (note 13)	–	(11)	25	(163)	–	(149)
Revision of ARO	–	–	(7)	47	–	40
Exchange adjustment	–	3	(290)	(158)	–	(445)
At 31 December 2018	18,682	1,110	59,910	65,896	–	145,598
Depreciation and depletion:						
At 1 January 2018	–	–	19,771	33,070	–	52,841
Charge for the year (note 6)	–	–	2,534	1,077	–	3,611
On disposal of assets	–	–	(40)	(112)	–	(152)
Exchange adjustment	–	–	(262)	(105)	–	(367)
At 31 December 2018	–	–	22,003	33,930	–	55,933
Impairment:						
At 1 January 2018	–	352	341	19,597	–	20,290
Exchange adjustment	–	–	(70)	(11)	–	(81)
At 31 December 2018	–	352	271	19,586	–	20,209
Net carrying amount:						
At 31 December 2018	18,682	758	37,636	12,380	–	69,456

Property, plant and equipment with a carrying amount of AED 35,552 million (2018: AED 36,892 million) are pledged as security for the related loans.

Effective 31 December 2016, the Company entered into a framework agreement (“the agreement”) with ADPC with the intention of ADPC to support the Company by granting the Company certain plots of land in the UAE. In accordance with the agreement the Company received a freehold right to certain plots of land owned by ADPC at nominal amount. At the date of the transfer, the Company recorded fair value of freehold land, amounting to AED 18,682 million, under property, plant and equipment with a corresponding amount recorded as an equity contribution from ADPC. During the year ended 31 December 2019, management have assessed whether there are any indicators of impairment relating to the Group’s freehold land. A broad range of internal and external factors were considered as part of the indicator review process. In applying this judgement, management has determined that there are no indicators of impairment in respect of the freehold land. The calculation of recoverable amount for freehold land is based upon projected annual rent rates and rent escalation assumptions.

On 26 December 2018, TAQA Atrush B.V. (“TABV”), the Group’s wholly owned subsidiary, entered into a sale and purchase agreement with ShaMaran Petroleum Corporation (“Shamaran”) to acquire 50% of the working interest currently held by Marathon Oil Kurdistan BV (“MOKDV”) in the Atrush Block of the Kurdistan Region of Iraq. As initially structured, ShaMaran agreed to purchase the entire issued share capital of MOKDV, and subsequently transfer 50% of MOKDV’s working interest in Atrush (equating to a 7.5% working interest) to TABV. On 2 April 2019, the transaction was restructured such that General Exploration Partners, Inc. (“GEP”) will purchase MOKDV’s entire working interest in the Atrush Block, and simultaneously transfer 50% of such interest (equating to a 7.5% working interest in the Atrush Block) to TABV. TABV’s rights and obligations under the sale and purchase documentation remain substantially unchanged between the two transaction structures. The transaction closed on 30 May 2019 following consent being granted by the Kurdistan Regional Government. With this acquisition, TABV’s working interest in the Atrush Block will increase from 39.9% to 47.4% and represents an AED 116 million addition to property, plant and equipment in the period.

In January 2020, the Group received an offer from ADPC that would see certain assets transfer to TAQA in exchange for the issuance of additional share capital to ADPC and the termination of the land lease agreement between the two parties. Refer to note 36 for more details.

During the years ended 31 December 2019 and 31 December 2018, no impairment charges or reversals have been recognised on property, plant and equipment.

Oil and gas assets – impairment approach and key assumptions

The calculation of recoverable amount for oil and gas assets is based upon the following key assumptions:

- Reserve and resource volumes;
- Inflation rates;
- Cash flows relating to gas storage;
- Discount rates;
- Foreign exchange rates; and
- Commodity prices.

In the VIU calculations, assumptions are also made regarding the cash flows from each asset’s ultimate disposal.

Reserve and resource volumes

Reserve and resource volumes form the basis of the production profiles within the discounted cash flow models. The Group’s annual oil and gas reserves (proved, probable and possible) and resources review process includes an external audit process conducted by appropriately qualified parties. Where significant, the contingent resources within a segment are also reviewed and reported on. The data generated for each field and location takes into consideration the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets.

Inflation rates

Estimates are obtained from published indices for the countries from which products and services are originated, as well as data relating to specific commodities. Forecast figures are used if data is publicly available. The Company assumed inflation rates ranging from 2% to 5% in perpetuity (2018: 2% to 5%).

Cash flows relating to gas storage

Cash flows relating to gas storage are based on assumptions on delivery capacity, injection capacity, working volumes and expected availability. The assumptions have been approved by management and in most cases validated by third party consultants and are supported by non-binding expressions of interests on demand for working volumes.

Notes to the Consolidated Financial Statements continued
31 December 2019

11 Property, plant and equipment continued
Oil and gas assets – impairment approach and key assumptions continued
Discount rates

Discount rates used reflect the estimated weighted average cost of capital rates for potential acquirer group companies developed for each of the locations. A post tax discount rate ranging from 8.5% to 13% (2018: 8.5% to 13%), was used to calculate the recoverable amounts at the reporting date.

Foreign exchange rates and commodity prices
A summary of the 2019 key assumptions are provided below:

	2020	2021	2022	2023	2024
WTI (US\$/bbl) ¹	60	60	68	68	68
AECO (US\$/mmbtu) ¹	1.30	1.50	2.00	2.25	2.30
Brent (US\$/bbl) ¹	65	65	70	70	70
Summer/Winter gas spread (Euro/MWh) ²	2.00	3.00	3.00	3.00	3.00
US\$/CAD\$	0.77	0.77	0.77	0.77	0.77
US\$/Euro	1.16	1.16	1.16	1.16	1.16
US\$/GBP	1.30	1.33	1.43	1.43	1.43

1 Prices are escalated at 2% (2018: 2%) thereafter.
2 Prices are held flat (2018: flat) thereafter.

Power and water assets – impairment approach and key assumptions
The recoverable amount for power and water assets is based on VIU. In determining VIU, a discounted cash flow valuation model was used, incorporating market based assumptions. The key assumptions for VIU calculations are outlined below together with the approach management has taken in determining the value to ascribe to each. Management believes it is appropriate to use cash flow forecasts over such periods due to the long term power and water purchase agreements associated with the facilities.

The calculation of VIU for power and water generation assets is most sensitive to the following assumptions:

- Future cash flows beyond the term of the current PWPAs;
- Inflation rates; and
- Discount rates.

Future cash flows beyond the terms of the current PWPAs
The Group's expected future cash flows have been estimated based on work performed by an internal expert. In doing so, management has considered key trends in the relevant power and water sectors, likely extension scenarios including extension tariff projections and the recovery of the residual values.

Inflation rates
Estimates are obtained from published indices for the countries from which products and services are originated. Forecast figures are used if data is publicly available. The Company assumed inflation rates ranging from 1% to 5% in perpetuity (2018: 2% to 5%).

Discount rates
Discount rates used represent the current market assessment of the risks specific to the assets, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The future cash flows are discounted using post-tax rates ranging from 7% to 11% (2018: 7% to 11%).

12 Operating financial assets

	2019 AED million	2018 AED million
The movement in operating financial assets is as follows:		
At 1 January	9,149	9,840
Expected credit loss (ECL) provision	–	(213)
At 1 January	9,149	9,627
Recognised during the year (note 4.2)	1,445	1,389
Consideration received during the year	(1,559)	(1,791)
ECL revision	2	–
Exchange losses recognised in the consolidated income statement	(55)	(76)
At 31 December	8,982	9,149

Analysed in the consolidated statement of financial position as follows:

	2019 AED million	2018 AED million
Non current portion	7,944	7,999
Current portion	1,038	1,150
	8,982	9,149

TAQA manages three concession contracts as defined by IFRIC 12, mainly covering electricity generation. The foreign subsidiaries, namely TAQA Morocco (formerly Jorf Lasfar Energy Company SCA (JLEC)), TAQA Neyveli Power Company Pvt Ltd (Neyveli) and Takoradi International Company (Takoradi), have entered into power purchase agreements (PPA) with offtakers in the countries where they are operating. Under the PPA the foreign subsidiaries undertake to make available, and the offtakers undertake to purchase, the available net capacity of the plant for a period of time in accordance with various agreed terms and conditions as specified in the PPA as follows:

TAQA Morocco:
The subsidiary had the right of possession for the site and the plant units (units 1 to 4) for a period of 30 years ending in September 2027. On 24 January, 2020 TAQA Morocco with Office National de l'Electricité ("ONE") signed an extension to the PPA for a further 17 years from 2027 to 2044. At the end of the PPA, the ownership of the site and the plants will be transferred to the offtaker.

During 2009, ONE and TAQA Morocco signed a strategic partnership agreement to extend the capacity of the plant by constructing two new units (units 5&6) with an approximate gross capacity of 350 MW each. In June 2014, the two new units were completed and a 30 year PPA ending 2044 was entered into.

Neyveli;
The subsidiary has a 30 year PPA with the offtaker ending in December 2032. On the expiry date of the PPA, the offtaker has the option to acquire the plant at a price equal to 50% of the terminal value as defined in the PPA.

Takoradi:
The subsidiary had originally signed a 25 year PPA with the offtaker ending in March 2024. On expiry date of the PPA, the plant is to be transferred to the offtaker at a nominal amount. The expansion project has increased the existing 220 MW capacity to 330 MW. As a result of the expansion, the PPA term has been extended to 2039.

Operating financial assets with a carrying amount of AED 8,495 million (2018: AED 8,655 million) are pledged as security for the related borrowings in the subsidiaries.

Notes to the Consolidated Financial Statements continued

31 December 2019

13 Intangible assets

	Exploration and evaluation assets AED million	Tolling agreement AED million	Connection rights AED million	Computer software AED million	Total AED million
2019					
Cost:					
At 1 January 2019	2,962	836	1,388	274	5,460
Additions	48	–	–	10	58
Transfers from oil and gas assets (note 11)	(12)	–	–	–	(12)
Dry hole expenses written off	(64)	–	–	–	(64)
Derecognised during the year (note 5)	(55)	–	–	–	(55)
Exchange adjustment	1	–	–	–	1
At 31 December 2019	2,880	836	1,388	284	5,388
Amortisation:					
At 1 January 2019	–	609	496	234	1,339
Amortisation for the year (note 6)	–	61	37	8	106
At 31 December 2019	–	670	533	242	1,445
Impairment:					
At 1 January 2019 and 31 December 2019	1,987	–	–	–	1,987
Net book value before fair value adjustment:					
At 31 December 2019	893	166	855	42	1,956
Fair value adjustment on effective fair value hedges (note 34.2 (iv))	–	(159)	–	–	(159)
Net book value after fair value adjustment:					
At 31 December 2019	893	7	855	42	1,797
2018					
Cost:					
At 1 January 2018	2,958	836	1,388	265	5,447
Additions	45	–	–	9	54
Transfers from oil and gas assets (note 11)	149	–	–	–	149
Dry hole expenses written off	(169)	–	–	–	(169)
Derecognised during the year (note 5)	(18)	–	–	–	(18)
Exchange adjustment	(3)	–	–	–	(3)
At 31 December 2018	2,962	836	1,388	274	5,460
Amortisation:					
At 1 January 2018	–	548	459	228	1,235
Amortisation for the year (note 6)	–	61	37	6	104
At 31 December 2018	–	609	496	234	1,339
Impairment:					
At 1 January 2018 and 31 December 2018	1,987	–	–	–	1,987
Net book value before fair value adjustment:					
At 31 December 2018	975	227	892	40	2,134
Fair value adjustment on effective fair value hedges (note 34.2 (iv))	–	73	–	–	73
Net book value after fair value adjustment:					
At 31 December 2018	975	300	892	40	2,207

Impairment testing of exploration and evaluation assets

The exploration and evaluation assets are tested for impairment on the existence of triggering events as stated in IFRS 6 (“Exploration for and Evaluation of Mineral Resources”). No such impairment/impairment reversal was required in 2019 or 2018. The recoverable amount for the assets is based on their value in use (VIU). In determining VIU, an appropriate discounted cash flow valuation model is used, incorporating market based assumptions. The key assumptions for the oil and gas asset VIU calculations are outlined in note 11 together with the approach management has taken in determining the value to ascribe to each.

Tolling agreement

As part of the acquisition of BE Red Oak Holding LLC on 31 December 2008, the Group acquired a fuel conversion services, capacity and ancillary services purchase agreement (“Tolling Agreement”) for an amount of AED 836 million (US \$227.5 million). Under the terms of the Tolling Agreement, the Group is entitled to the economic rights (revenue from sale of electricity, capacity payments and any other ancillary services) of a power plant located in New Jersey, USA and the Group is obligated to supply the fuel and also make certain fixed and variable payments to the operator. The tolling agreement cost is being amortised on a straight line basis over the term of the agreement.

The fair value of the contract is based on estimated forward commodity prices, estimated correlation of commodity prices, volatility factors, and other typical option valuation parameters over the term of the tolling contract.

Connection rights

The intangible assets arose from the transfer, made by the Company’s subsidiaries Emirates CMS Power Company, Shuweihat CMS International Power Company, Arabian Power Company and Taweelah Asia Power Company during the years ended 31 December 2002, 2005, 2006 and 2008 respectively, of certain assets to a related party in accordance with the terms of individual agreements and represent the acquisition cost of the right of connection to the transmission systems at the connection sites for a period of 38, 33, 37 and 40 years respectively. The connection rights cost are being amortised on a straight line basis over 38, 33, 37 and 40 years respectively, being the expected period of benefit.

14 Investment in associates and a joint venture

The Group has the following investments:

	Country of incorporation and operation	Ownership	
		2019	2018
Associates			
Massar Solutions PJSC ¹	UAE	49.0%	49.0%
Jubail Energy Company ²	Saudi Arabia	25.0%	25.0%
Sohar Aluminium Company LLC ³	Oman	40.0%	40.0%
Joint Venture			
LWP Lessee LLC ⁴	USA	50.0%	50.0%

- 1 Massar Solution PJSC (formerly Al Wathba Company for Central Services PJSC) is mainly involved in the leasing and management of vehicles and equipment.
2 Jubail Energy Company (“Jubail”) is involved in the generation of electricity.
3 Sohar Aluminium Company LLC (“Sohar”) is involved in the construction, ownership and operation of an aluminium smelter and an associated combined cycle power plant.
4 LWP Lessee LLC (“Lakefield”) is involved in wind power.

The Group’s associates and joint venture are accounted for using the equity method and the reporting dates of the associates are identical to TAQA. The following table analyses the carrying amount and share of profit and other comprehensive income of TAQA’s associates and joint venture.

	2019 AED million	2018 AED million
Carrying amount of investments	1,503	1,422
Group’s share of the associates’ and joint venture:		
Profit for the year	108	286
Other comprehensive income	–	–
Total comprehensive income	108	286

In order for Jubail to reduce its exposure to interest rates fluctuations on loans from banks, the Company’s associate has entered into an interest rate arrangement with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the loans.

Notes to the Consolidated Financial Statements continued

31 December 2019

15 Advance and loans to associates

	2019 AED million	2018 AED million
Mezzanine loan – non-current	395	395
Advance – non-current	303	303
	698	698

The balances above mainly arise from the loans and advances made to Sohar Aluminium Company LLC in previous years. An ECL provision of AED 4 million (2018: AED 4 million) was recognised against this balance.

16 Other assets – non-current

	2019 AED million	2018 AED million
Deferred expenditure	132	119
Derivatives in effective hedges – interest rate swap (note 34.1)	–	15
Petroleum cost receivable	77	161
Others	95	105
	304	400

17 Inventories

	2019 AED million	2018 AED million
Fuel and crude oil	1,559	1,776
Spare parts and consumables	1,655	1,425
	3,214	3,201
Provision for slow moving and obsolete items	(370)	(329)
	2,844	2,872

The cost of inventories recognised as an expense in the consolidated income statement is AED 2,111 million (2018: AED 1,766 million).

Inventories with a carrying amount of AED 2,771 million (2018: AED 2,782 million) are pledged as security for loans of the UAE domestic subsidiaries and certain foreign subsidiaries in the power business. Movements in the provision for slow moving and obsolete items are as follows:

	2019 AED million	2018 AED million
At 1 January	329	315
Provision for the year	41	14
At 31 December	370	329

18 Accounts receivable and prepayments

	2019 AED million	2018 AED million
Trade receivables (note (i))	1,110	1,125
Amounts due from related parties (note (ii))	1,360	1,363
Accrued revenue	411	353
Advances to O&M contractors	2	–
Crude stock underlift	134	249
Deposits	26	19
Advances to suppliers	157	56
Prepaid expenses	320	254
Income tax prepaid	424	493
Cash flow hedges (note 34.1)	4	2
Fair value hedges (note 34.1)	39	–
Other receivables	290	246
	4,277	4,160

(i) Trade receivables

As at 31 December 2019, trade receivables at nominal value of AED 57 million (2018: AED 69 million) were impaired and fully provided for. Trade receivables are non-interest bearing and are recoverable within 30 – 90 working days. Movements in the provision for impairment of receivables are as follows:

	2019 AED million	2018 AED million
At 1 January	69	22
Expected credit loss provision	(1)	34
Provision for the year	(11)	13
At 31 December	57	69

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total AED million	Neither past due nor impaired AED million	Past due but not impaired			
			30 – 60 days AED million	60 – 90 days AED million	90 – 120 days AED million	>120 days AED million
2019	1,110	942	52	2	6	108
2018	1,125	836	81	33	42	133

Subsequent to the balance sheet date, the Group collected less than AED 1 million (2018: AED 4 million) of balances past due for more than 120 days.

(ii) Amounts due from related parties

	2019 AED million	2018 AED million
Emirates Water and Electricity Company (EWEC)	1,246	1,237
Others	114	126
	1,360	1,363

As at 31 December 2019, related parties receivables at nominal value of AED 16 million (2018: AED 10 million) were impaired and fully provided for. The amounts due from EWEC, a fellow subsidiary of ADPC, in respect of available capacity and supply of water and electricity, are payable within 30 – 90 working days. Movements in the provision for impairment of receivables are as follows:

	2019 AED million	2018 AED million
At 1 January	10	9
Provision for the year	6	1
At 31 December	16	10

Amounts receivable from EWEC are non-interest bearing. Amounts due from related parties, net of provisions, are expected, on the basis of past experience, to be fully recoverable. Management has determined that the provision made against these amounts are appropriate as these are receivable from government entities with low probability of default and loss given default.

As at 31 December, the ageing analysis of receivable from related parties is as follows:

	Total AED million	Neither past due nor impaired AED million	Past due but not impaired			
			30 – 60 days AED million	60 – 90 days AED million	90 – 120 days AED million	>120 days AED million
2019	1,360	1,066	220	27	3	44
2018	1,363	1,204	129	1	–	29

Trade receivables and amounts due from related parties net of provisions are expected, on the basis of past experience, to be fully recoverable.

Notes to the Consolidated Financial Statements continued

31 December 2019

19 Cash and cash equivalents

	2019 AED million	2018 AED million
Cash at banks and on hand	2,211	3,030
Short term deposits	742	427
Total cash and short term deposits	2,953	3,457
Bank overdrafts	(74)	(65)
Net cash and cash equivalents	2,879	3,392

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Bank overdrafts carry interest at floating rates and are secured by guarantees from certain shareholders of the subsidiaries.

At 31 December 2019, the Group had available AED 11,452 million (2018: AED 9,719 million) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

20 Share capital

(i) Issued capital

	2019 AED million	2018 AED million
Balance as at 31 December	6,066	6,066

(ii) Contributed capital

	2019 AED million	2018 AED million
Balance as at 31 December	25	25

21 Reserves

21.1 Other reserves

	Statutory reserve AED million	Legal reserve AED million	Total AED million
Balance at 1 January 2018	2,694	995	3,689
Transfers during the year	40	52	92
Balance at 31 December 2018	2,734	1,047	3,781
Transfers during the year	23	(813)	(790)
Balance at 31 December 2019	2,757	234	2,991

Statutory reserve

As required by the UAE Federal Law No. (2) of 2015 and the articles of association of the Company and its subsidiaries, 10% of the consolidated income for the year is transferred to the statutory reserve. The Company and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

Legal reserve – subsidiaries

In accordance with the Articles of Association of certain domestic subsidiaries, 10% of the income for the year is transferred to a legal reserve. The subsidiaries may resolve to discontinue such annual transfers when the reserve totals 50% of their share capital or in accordance with a resolution taken to this effect by the shareholders at the Annual General Meeting upon the recommendation of the Board of Directors of these subsidiaries. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholders of the subsidiaries.

During the year, following Board of Director recommendation, the shareholders' of the domestic holding companies approved for the legal reserve to be discontinued with the associated balance of AED 813 million being transferred into retained earnings/(accumulated losses). Following this resolution, these companies will no longer be required to make annual transfers from income into the legal reserve.

21.2 Foreign currency translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

22 Non-controlling interests

	2019 AED million	2018 AED million
Relating to Abu Dhabi Power Corporation (ADPC)	765	795
Relating to non-controlling interest shareholdings in subsidiaries	5,351	5,251
	6,116	6,046

ADPC is treated as a non-controlling interest in these consolidated financial statements due to its 6% effective equity interest in eight domestic operating subsidiaries of TAQA. Refer to note 32 for more details.

Financial information of subsidiaries that have material non-controlling interests are provided below:

	Country of incorporation and operation	Proportion of equity interests held by non-controlling interests	
		2019	2018
Gulf Total Tractebel Power Company PJSC	UAE	46.0%	46.0%
Arabian Power Company PJSC	UAE	46.0%	46.0%
Shuweihat CMS International Power Company PJSC	UAE	46.0%	46.0%
Taweelah Asia Power Company PJSC	UAE	46.0%	46.0%
Emirates SembCorp Water and Power Company PJSC	UAE	46.0%	46.0%
Fujairah Asia Power Company PJSC	UAE	46.0%	46.0%
Ruwais Power Company PJSC	UAE	46.0%	46.0%
Emirates CMS Power Company PJSC	UAE	46.0%	46.0%

All of the Group's subsidiaries that have material non-controlling interest are similar in nature. These all relate to the Group's UAE power and water subsidiaries, in which TAQA has an effective 54% share. 40% is owned by various international utility companies with Abu Dhabi Power Corporation (ADPC) holding the remaining 6%. Therefore the following disclosures have been provided on an aggregated basis.

	2019 AED million	2018 AED million
Revenue	7,170	7,120
Profit	1,985	1,858
Other comprehensive income	(499)	776
Total comprehensive income	1,486	2,634
Profit allocated to non-controlling interests	913	855
Other comprehensive income allocated to non-controlling interests	(230)	357
Non-current assets	36,917	38,343
Current assets	5,303	5,245
Non-current liabilities	(25,662)	(27,596)
Current liabilities	(4,370)	(4,032)
Total equity	12,188	11,960
Equity attributable to parent	6,582	6,458
Equity attributable to non-controlling interests	5,606	5,502
	12,188	11,960

	2019 AED million	2018 AED million
Cash flows from operating activities	5,471	5,292
Cash flows used in investing activities	(396)	(280)
Cash flows used in financing activities	(5,060)	(5,204)
Net increase (decrease) in cash and cash equivalents	15	(192)
Dividends paid to non-controlling interests	439	490

Notes to the Consolidated Financial Statements continued

31 December 2019

23 Loans from non-controlling interest shareholders in subsidiaries

	2019 AED million	2018 AED million
S2 Offshore Holding Company	120	148
Fujairah F2 CV	16	40
	136	188

The above loans are interest free, with no repayment terms and are unsecured and are subject to terms of repayment as resolved by the Board of Directors of the subsidiaries. Accordingly they have been treated as equity.

24 Interest bearing loans and borrowings

	2019 AED million	2018 AED million
Abu Dhabi National Energy Company Global Medium Term notes (note i)	25,484	25,498
Revolving credit facilities (note ii)	4,222	4,456
Abu Dhabi National Energy Company bonds (note iii)	3,317	3,316
Other subsidiaries' bonds (note iv)	4,374	4,369
Term loans (note v)	24,820	27,317
	62,217	64,956

Disclosed in the consolidated statement of financial position as follows:

Non-current liabilities	59,483	59,943
Current liabilities	2,734	5,013
	62,217	64,956

The Group's interest bearing loans and borrowings (before deducting prepaid finance costs) are repayable as follows:

	2019 AED million	2018 AED million
Within 1 year	2,708	5,117
Between 1 – 2 years	8,354	7,131
Between 2 – 3 years	3,294	8,357
Between 3 – 4 years	7,267	2,562
Between 4 – 5 years	10,414	7,270
After 5 years	30,840	35,083
	62,877	65,520

Changes in liabilities arising from financing activities

	1 January 2019 AED million	Cash flows AED million	Other AED million	31 December 2019 AED million
2019				
<i>Current:</i>				
Interest bearing loans and borrowings	5,103	(11,882)	9,513	2,734
Islamic loans	203	(207)	196	192
	5,306	(12,089)	9,709	2,926
<i>Non-current:</i>				
Interest bearing loans and borrowings	59,853	9,150	(9,520)	59,483
Islamic loans	1,112	–	(184)	928
	60,965	9,150	(9,704)	60,411
Total	66,271	(2,939)	5	63,337

	1 January 2018 AED million	Cash flows AED million	Other AED million	31 December 2018 AED million
2018				
<i>Current:</i>				
Interest bearing loans and borrowings	6,964	(3,668)	1,807	5,103
Islamic loans	180	(183)	206	203
	7,144	(3,851)	2,013	5,306

Non-current:

Interest bearing loans and borrowings	61,750	–	(1,897)	59,853
Islamic loans	1,331	–	(219)	1,112
	63,081	–	(2,116)	60,965
Total	70,225	(3,851)	(103)	66,271

(i) Abu Dhabi National Energy Company Global Medium Term Notes

Abu Dhabi National Energy Company global medium term notes are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligations of TAQA. The following table summarises the terms of the notes payable net of discount/premium and transaction costs:

	Issue rate %	Effective interest rate %	Repayment date	2019 AED million	2018 AED million
Current liabilities					
US \$500,000,000	99.20%	6.40%	September 2019	–	1,834
Total current				–	1,834
Non-current liabilities					
US \$500,000,000	99.66%	3.87%	June 2021	1,829	1,825
US \$250,000,000	102.48%	3.16%	June 2021	926	930
US \$750,000,000	99.52%	6.00%	December 2021	2,748	2,745
US \$1,250,000,000	99.40%	3.75%	January 2023	4,575	4,570
Euro 180,000,000	97.62%	3.10%	May 2024	731	745
US \$750,000,000	99.37%	4.02%	May 2024	2,740	2,737
US \$750,000,000	99.95%	4.38%	April 2025	2,743	2,743
US \$500,000,000	99.00%	4.60%	June 2026	1,817	1,815
US \$500,000,000	104.60%	3.84%	June 2026	1,892	1,900
US \$1,000,000,000	99.96%	4.88%	April 2030	3,657	3,654
US \$500,000,000	100.00%	4.00%	October 2049	1,826	–
Total non-current				25,484	23,664
Total				25,484	25,498

(ii) Revolving credit facilities

The following table summarises drawn revolving credit facilities net of transaction costs:

	2019 AED million	2018 AED million
Non-current liabilities		
US \$3.5 billion facility	4,222	–
US \$3.1 billion facility	–	4,456
	4,222	4,456

- On 19 December 2019, TAQA refinanced its existing revolving credit facility with a US\$ 3.5 billion, 5 year multicurrency revolving credit facility with a syndicate of 13 banks. Amounts borrowed under revolving credit facility carry interest of LIBOR or EURIBOR plus a margin.
- On 29 December 2017, TAQA entered into a bridge facility agreement for US\$ 1.25 billion, with a syndicate of 6 banks. The facility had a tenor of 1 year and carried interest of LIBOR plus a margin. The facility was fully drawn and repaid within 2018.
- TAQA North has a US \$640 million revolving credit facility with TAQA providing a parent guarantee. At 31 December 2019, no amount (2018: nil) was drawn under this credit facility. The facility is due to expire in May 2020 and will not be extended.

Notes to the Consolidated Financial Statements continued

31 December 2019

24 Interest bearing loans and borrowings continued

(iii) Abu Dhabi National Energy Company bonds

The bonds are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligations of the Company. Interest on the US dollar bonds is payable semi-annually. Accrued interest is included under accruals and other liabilities. The following table summarises the bonds net of discount and transaction costs:

	Issue rate %	Effective interest rate %	Repayment date	2019 AED million	2018 AED million
Non-current liabilities					
US \$1,500,000,000	99.05%	6.60%	October 2036	3,317	3,316

(iv) Other subsidiaries' bonds

The bonds are recorded at amortised cost using the effective interest rate and are secured by a number of security documents including the subsidiaries contractual rights, cash deposits, other assets and guarantees. Interest on the bonds is payable semi-annually. The following table summarises the bonds net of discount and transaction costs:

	Issue rate %	Effective interest rate %	Repayment date	2019 AED million	2018 AED million
Non-current liabilities					
Emirates Sembcorp Water & Power Company US \$400,000,000	4.45%	4.79%	February 2029 to August 2035	1,402	1,399
Ruwais Power Company US \$825,000,000	6.0%	6.18%	August 2036	2,972	2,970
Total				4,374	4,369

(v) Term loans

All term loans are shown at amortised cost and carry an effective interest rate of LIBOR plus the margin stated unless noted otherwise.

	Currency	Effective interest rate %	Repayment date	2019 AED million	2018 AED million
Current liabilities					
Abu Dhabi National Energy Company ¹	JPY	JPYLIBOR + 0.60%	2019	—	681
Emirates CMS Power Company PJSC					
Term loan ²	USD	+1.30%	2020	73	136
Working Capital loan ⁶	AED	EBOR +0.80%	2020	37	37
Gulf Tractebel Power Company PJSC ²	USD	+0.65%	2020	220	207
Shuweiha CMS Power Company ²	USD	+1.75%	2020	349	322
Arabian Power Company PJSC ²	USD	+1.65%	2020	256	235
Taweelah Asia Power Company PJSC					
Term loan (1) ²	USD	+ 1.00%	2020	222	197
Term loan (2) ²	USD	+ 0.83%	2020	295	261
Emirates SembCorp Water and Power Company PJSC ²	USD	+ 0.85% – 1.20%	2020	177	158
Fujairah Asia Power Company PJSC					
Term loan (1) ²	USD	+ 0.75%	2020	160	134
Term loan (2) ²	USD	+ 0.50%	2020	229	207
Ruwais Power Company PJSC ²	USD	+1.90% – 2.35%	2020	181	188
TAQA Morocco ³	MAD	4.8%	2020	153	153
Jorf Lasfar Energy Company 5&6 S.A. ⁴	Multi Currency	+4.34% – 5.60%	2020	283	261
Takoradi International Company ⁵	USD	+4.25% – 4.35%	2020	99	92
Total current				2,734	3,269
Non-current liabilities					
Abu Dhabi National Energy Company	USD	+1.00%	2022	735	—
Emirates CMS Power Company PJSC					
Term loan ²	USD	+1.30%	2020	—	73
Gulf Tractebel Power Company PJSC ²	USD	+0.65% – 0.95%	2029	2,248	2,467
Shuweiha CMS Power Company ²	USD	+1.75%	2021	370	716
Arabian Power Company PJSC ²	USD	+1.65%	2023	860	1,114
Taweelah Asia Power Company PJSC					
Term loan (1) ²	USD	+ 1.00%	2025	1,272	1,494
Term loan (2) ²	USD	+ 0.83%	2025	1,679	1,973
Emirates SembCorp Water and Power Company PJSC ²	USD	+0.85% – 1.20%	2029	2,106	2,280
Fujairah Asia Power Company PJSC					
Term loan (1) ²	USD	+ 0.75%	2030	2,120	2,280
Term loan (2) ²	USD	+ 0.50%	2030	3,191	3,414
Ruwais Power Company PJSC ²	USD	+1.90% – 2.50%	2031	3,927	4,103
TAQA Morocco ³	MAD	4.8%	2027	949	1,102
Jorf Lasfar Energy Company 5&6 S.A. ⁴	Multi Currency	+4.34% – 5.60%	2028	1,935	2,241
Takoradi International Company ⁵	USD	+4.25% – 4.35%	2027	694	791
Total non-current				22,086	24,048
Total				24,820	27,317

¹ The loan is fully hedged into US dollars (note 34).

² The loans are secured, subject to various covenants and there are requirements to enter into interest rate swap agreements (note 34).

³ The loans are secured by a number of security documents.

⁴ The loan is secured and there are requirements to enter into interest rate swap agreements as well as foreign exchange swap agreements (note 34).

⁵ The loan is secured and there are requirements to enter into interest rate swap agreements (note 34).

⁶ The loan is unsecured.

Notes to the Consolidated Financial Statements continued

31 December 2019

25 Islamic loans

Islamic loans are with respect to the following subsidiaries:

	2019 AED million	2018 AED million
Shuweihat CMS Power Company PJSC	180	262
Emirates CMS Power Company PJSC	28	81
Arabian Power Company PJSC	327	394
Abu Dhabi National Energy Company PJSC	585	578
	1,120	1,315
Disclosed in the consolidated statement of financial position as follows:		
Non-current liabilities	928	1,112
Current liabilities	192	203
	1,120	1,315
The Group's Islamic loans (before deducting prepaid finance costs) are repayable as follows:		
Within 1 year	192	204
Between 1 – 2 years	173	192
Between 2 – 3 years	669	172
Between 3 – 4 years	92	662
Between 4 – 5 years	–	92
After 5 years	–	–
	1,126	1,322

All Islamic loans carry an effective rental rate of LIBOR plus the margin stated unless noted otherwise.

	Currency	Effective rental rate %	Repayment date	2019 AED million	2018 AED million
Current liabilities					
Emirates CMS Power Company PJSC ¹	USD	+1.30%	2020	28	53
Shuweihat CMS Power Company ¹	USD	+1.75%	2020	89	81
Arabian Power Company PJSC ¹	USD	+1.65%	2020	75	69
Total current				192	203
Non-current liabilities					
Emirates CMS Power Company PJSC ¹	USD	+1.30%	2020	–	28
Shuweihat CMS Power Company ¹	USD	+1.75%	2021	91	181
Abu Dhabi National Energy Company PJSC ²	MYR	4.71%	2022	585	578
Arabian Power Company PJSC ¹	USD	+1.65%	2023	252	325
Total non-current				928	1,112
Total				1,120	1,315

1 The loans are secured and there are requirements to enter into rental rate swap agreements (note 34).

2 The Group has entered into a cross currency swap arrangement to hedge the exposure of fluctuating currency rates (note 34).

26 Asset retirement obligations

As part of the land lease agreements between ADPC and the Company's domestic subsidiaries, the subsidiaries have a legal obligation to remove the power and water desalination plants at the end of the plants' useful lives, or before if the subsidiaries became unable to continue their operations to that date, and to restore the land. The subsidiaries shall at their sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas. The fair value of the ARO liability has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation.

In addition, the Company's foreign subsidiaries involved in the oil and gas sector make provision for the future cost of decommissioning oil and gas properties and facilities at the end of their economic lives. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the respective assets. In addition, the costs of decommissioning are subject to inflationary/deflationary pressures in the cost of third party service provision.

	2019 AED million	2018 AED million
ARO liability at 1 January	14,284	14,197
Utilised during the year	(587)	(575)
Provided during the year	(14)	139
Accretion expense (note 8)	508	680
Revision in estimated cash flows	701	21
Disposal of assets	(23)	–
Exchange adjustment	165	(178)
ARO liability at 31 December	15,034	14,284
Disclosed in the consolidated statement of financial position as follows:		
Current liabilities (note 29)	130	646
Non-current liabilities	14,904	13,638
	15,034	14,284

27 Advances and loans from related parties

	2019 AED million	2018 AED million
Loans from Abu Dhabi Power Corporation (ADPC) (note i)	50	48
Advances from ADPC	206	213
	256	261

Movements in the loan balances during the year were as follows:

	2019 AED million	2018 AED million
Balance at 1 January	48	45
Notional interest expense (note 8)	2	3
Balance at 31 December	50	48

Loans from related party as at 31 December 2019 and 31 December 2018 are from ADPC. The loan is interest free and unsecured and is due for payment in full in June 2025.

28 Other liabilities – non-current

	2019 AED million	2018 AED million
Provisions recognised on onerous contract	14	4
Negative fair value of derivatives – cash flow hedges (note 34.1)	2,285	1,864
Employee benefits obligations	66	44
Lease liabilities	130	–
Others	112	125
	2,607	2,037

Notes to the Consolidated Financial Statements continued

31 December 2019

29 Accounts payable, accruals and other liabilities

	2019 AED million	2018 AED million
Trade payables	877	747
Payable to joint venture partners	65	61
Accrued interest expenses	768	803
Accrual for operating costs	697	886
Payable for capital expenditure	475	305
Provisions recognised on onerous contract	4	1
Cash flow hedges (note 34.1)	502	457
Fair value hedges (note 34.1)	–	100
Dividends payable to non-controlling interests	113	71
Crude stock overlift	53	25
Lease liability	285	–
Asset retirement obligations – current (note 26)	130	646
Income tax payable	357	504
Others	579	880
	4,905	5,486

Terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled between 30 to 60 day terms.
- Payables to joint venture partners are non-interest bearing and have an average term of 60 days.
- Interest payable is normally settled throughout the financial year in accordance with the terms of the loans.

30 Amounts due to related parties

	2019 AED million	2018 AED million
Emirates Water and Electricity Company (EWEC)	6	17
Abu Dhabi Power Corporation (ADPC)	89	66
	95	83

31 Commitments and contingencies

(i) Capital expenditure commitments

The authorised capital expenditure contracted for at 31 December 2019 but not provided for amounted to AED 843 million (2018: AED 1,171 million).

(ii) Operating lease commitments

Group as a lessor:

Future capacity payments to be received by the Group under power and water purchase agreements ("PWPA") based on projected plant availability as at 31 December are as follows:

	2019 AED million	2018 AED million
Within one year	6,018	5,769
After one year but not more than five years	23,978	22,651
More than five years	34,058	39,243
	64,054	67,663

(iii) Other commitments

- a) As at the reporting date TAQA North has entered into contractual commitments, mainly pipeline usage and commitments, under which they are committed to spend AED 800 million as at 31 December 2019 (31 December 2018: AED 904 million).

(iv) Contingencies

- a) As a result of acquisitions made in prior periods, there are contingent liabilities arising from (a) tax assessments or proposed assessments and (b) certain other disputes, all of which are being contested. Pursuant to the Purchase and Sale Agreements between TAQA and the sellers, the sellers have provided TAQA and its subsidiaries with indemnity obligations with respect to such contingent liabilities for the periods prior to date of the respective acquisitions.
- b) TAQA GEN X LLC ("GENX") is the owner by assignment of a Fuel Conversion Services, Capacity and Ancillary Services Purchase Agreement dated as of 17 September 1999 (the "Tolling Agreement") by and between AES Red Oak, L.L.C. ("AES") and Williams Energy Marketing & Trading Company (succeeded by GENX), as well as other ancillary rights and agreements relating to the Red Oak power plant situated in New Jersey, USA. TigerGenCo LLC, a special purpose acquisition subsidiary of Morgan Stanley Infrastructure, acquired all the shareholding of Red Oak LLC. GENX entered into an Energy Management Agreement ("EMA") and an International Swap & Derivatives Master Agreement ("ISDA") both dated 28 December 2010 with Morgan Stanley Capital Group Inc. to manage the energy products under the Tolling Agreement and ancillary rights and agreements. The Group guaranteed the obligations of GENX to Morgan Stanley Capital Group Inc. under the EMA and ISDA agreement. Payments under this guarantee shall not exceed US \$100 million (AED 367 million) (31 December 2018: US\$ 100 million) over the life of the EMA. No payments have been made to date (31 December 2018: nil).
- c) TAQA Bratani Ltd. has entered into decommissioning deeds and other agreements for certain North Sea assets acquired by it, pursuant to which it may be required to provide financial security to the former owners of the assets. As at 31 December 2019, TAQA Bratani Ltd has provided financial security through parent company guarantees from TAQA PJSC in addition to a letter of credit. Under the terms of the letter of credit, TAQA PJSC has provided an undertaking to reimburse any amount called in order to meet certain future decommissioning costs of TAQA Bratani Ltd.
- d) TAQA Offshore B.V., alongside other oil and gas companies and the government of the Netherlands in a cross industry initiative has put in place security for offshore oil and gas infrastructure decommissioning. TAQA Offshore B.V. has formally committed to the Government initiative and a legal Netherlands trust arrangement has been set up, and a bank guarantee secured, to effect the provision of security by TAQA Offshore B.V.

32 Related party transactions and balances

As stated in note 1 to the financial statements, the Group is a subsidiary of ADPC, which is wholly owned by the Government of Abu Dhabi and as such the Group is a government related entity as defined by IAS 24. The Group is therefore exempt from disclosing certain information relating to transactions and balances with entities related to the same government.

Collectively but not individually significant transactions

All domestic power and water production is acquired by Emirates Water and Electricity Company (EWEC), a fellow subsidiary of the Abu Dhabi Power Corporation (ADPC) Group under long term PWPAs. Natural gas fuel is supplied by EWEC to the domestic subsidiaries at no cost in accordance with the terms of the PWPAs.

The following table provides a summary of significant related party transactions included in the consolidated income statement during the year:

	2019 AED million	2018 AED million
<i>Fellow subsidiary (EWEC):</i>		
Sale of electricity and water	7,112	7,033
Fuel revenue (note 4.3)	23	61
Other revenue	35	26
Other expenses	4	–
<i>Others:</i>		
Notional interest expense on loan from ADPC (note 8)	(2)	(3)
<i>Other UAE Government entities</i>		
Licensing fees	18	17
Fuel expense	8	10
Finance cost	16	43
Insurance fees	30	28

Notes to the Consolidated Financial Statements continued 31 December 2019

32 Related party transactions and balances continued Balances with related parties and governmental agencies

Balances with related parties that are disclosed in the consolidated statement of financial position as follows:

	2019 AED million	2018 AED million
<i>Non-current assets:</i>		
Advance and loans to associates (note 15)	698	698
<i>Current assets:</i>		
Amounts due from Emirates Water and Electricity Company (EWEC) (note 18)	1,246	1,237
Amounts due from other related party (note 18)	114	126
Bank balance with UAE Government owned bank	412	632
<i>Non-current liabilities:</i>		
Loan from Abu Dhabi Power Corporation (ADPC) (note 27)	50	48
Advances from ADPC	206	213
Bank loans with government owned bank	127	133
<i>Current liabilities:</i>		
Amounts due to EWEC (note 30)	6	17
Amounts due to ADPC (note 30)	89	66
Overdraft with UAE Government owned bank	66	61
Available undrawn bank facilities with UAE Government owned banks	290	290

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms approved by the management. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group has recorded an impairment of receivables relating to amounts owed by related parties of AED 16 million (2018: AED 10 million). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel and board of directors

For certain subsidiaries, key management personnel are provided by operation and maintenance companies under contractual agreements with the subsidiaries.

The remuneration of senior key management personnel and board of directors of the Group during the year was as follows:

	2019 AED million	2018 AED million
Short-term benefits	12	12
Board of directors’ remuneration	4	4
	16	16

33 Subsidiaries

Subsidiaries	%	Country of incorporation	Principal activities
Foreign subsidiaries			
TAQA Bratani Limited	100%	UK	Oil & gas production
TAQA North Ltd.	100%	Canada	Oil & gas production
TAQA Atrush B.V.	100%	Netherlands	Oil & gas production
TAQA Energy B.V	100%	Netherlands	Gas storage, oil & gas production
TAQA Morocco	86%	Morocco	Power generation
Jorf Lasfar Energy Company 5&6 S.A	91%	Morocco	Power generation
Takoradi International Company	90%	Cayman Islands	Power generation
TAQA Neyveli Power Company Private Ltd	100%	India	Power generation
TAQA GEN X	85%	USA	Gas power tolling interest
Domestic subsidiaries			
Emirates CMS Power Company PJSC (ECPC)	54%	UAE	Generation of electricity and the production of desalinated water
Gulf Total Tractebel Power Company PJSC (GTTPC)	54%	UAE	
Arabian Power Company PJSC (APC)	54%	UAE	
Shuweihat CMS International Power Company PJSC (SCIPCO)	54%	UAE	
Taweelah Asia Power Company PJSC (TAPCO)	54%	UAE	
Emirates Semb Corp Water and Power Company PJSC (ESWPC)	54%	UAE	
Fujairah Asia Power Company PJSC (FAPCO)	54%	UAE	
Ruwais Power Company PJSC (RPC)	54%	UAE	
Taweelah Shared Facilities Company LLC*	48%	UAE	Operating & maintenance
Shuweihat Shared Facilities Company LLC*	38%	UAE	Operating & maintenance

* These entities are treated as subsidiaries even though TAQA’s holding in these entities are below 50% due to the Group’s control through the direct holding in these subsidiaries by two of the Group’s subsidiaries being above 50%, thus enabling TAQA to have the ability to exercise control in the Board.

During the year ended 31 December 2019 and 2018, there were no changes in the group’s major operating subsidiaries as listed above.

34 Financial instruments

34.1 Hedging activities

	Notional amount 2019 AED million	Current 2019 AED million	Non-current 2019 AED million	Current 2018 AED million	Non-current 2018 AED million
Cash flow hedges					
Assets					
Interest rate swaps (note 16 and 18)	–	–	–	2	15
Forward foreign exchange contracts (note 18)	296	4	–	–	–
		4	–	2	15
Liabilities					
Cross currency interest rate swap (notes 28 & 29)	584	16	237	73	250
Interest rate swaps (notes 28 & 29)	23,454	476	2,040	368	1,607
Forward foreign exchange contracts (notes 28 & 29)	36	10	8	16	7
		502	2,285	457	1,864
Fair value hedges					
Assets					
Futures and forward contracts (note 18)		39	–	–	–
Liabilities					
Futures and forward contracts (note 29)		–	–	100	–

Notes to the Consolidated Financial Statements continued

31 December 2019

34 Financial instruments continued

34.1 Hedging activities continued

(i) Interest Rate Swaps – Cash flow hedge

In order to reduce their exposure to interest rate fluctuations on variable interest bearing loans and borrowings (note 24) and Islamic loans (note 25) certain subsidiaries have entered into interest rate swap arrangements with counter-party banks for a notional amount that matches the outstanding interest bearing loans and borrowings and Islamic loans. The derivative instruments were designated as cash flow hedges. The following table summarises certain information relating to the derivatives for each subsidiary as of 31 December 2019 and 31 December 2018:

Subsidiary	Notional amount		Derivative liabilities		Derivative assets		Fix leg on instrument 2019	Fix leg on instrument 2018
	2019 AED million	2018 AED million	2019 AED million	2018 AED million	2019 AED million	2018 AED million		
ECPC	105	250	1	4	–	–	2.78% to 4.76%	2.78% to 4.76%
GTPPC	2,235	2,421	141	48	–	–	2.63% to 3.76%	2.63% to 3.76%
SCIPCO	901	1,306	8	–	–	4	1.83% to 2.65%	1.83% to 2.92%
APC	1,166	1,410	69	74	–	–	4.60% to 4.89%	4.60% to 4.89%
TAPCO	3,210	3,357	204	162	–	–	3.64% to 5.28%	3.64% to 5.28%
ESWPC	4,424	2,460	152	119	–	–	2.80% to 5.85%	2.80% to 5.85%
FAPCO	5,184	4,341	943	795	–	–	2.07% to 5.68%	1.78% to 5.72%
RPC	4,230	4,423	889	704	–	–	4.62% to 5.40%	4.62% to 5.40%
JLEC 5&6	1,428	1,594	98	69	–	–	1.92% to 2.12%	1.92% to 2.12%
TICO	571	635	11	–	–	13	2.20% to 2.31%	2.20% to 2.31%
	23,454	22,197	2,516	1,975	–	17		

(ii) Cross currency Swaps – Cash flow hedges

During 2012, the Group entered into a cross currency rate swap agreement to hedge the Group's exposure on the Malaysian Ringgit Sukuk issued during the year (note 25). Under the terms of the cross currency rate swap, TAQA is required to pay a fixed rate of 5.3% per annum on an initial exchange amount of US \$ 215 million and receive a fixed rate of 4.65% per annum on an amount of MYR 650 million. The derivative instrument had a negative fair value of AED 253 million at 31 December 2019 (2018: negative fair value AED 261 million), which is included within other liabilities, accounts payables, accruals and other liabilities in the consolidated statement of financial position.

During April 2014, the Group entered into a cross currency interest rate swap agreement with Mitsubishi UFJ Securities International plc to hedge the Group's exposure on the Samurai term loan facility issued during the period (note 24). Under the terms of the cross currency interest rate swap, TAQA is required to pay a variable rate equal to LIBOR plus margin on an initial exchange amount of US\$ 200 million and receive a variable rate equal to JPY LIBOR plus margin on an amount of JPY 20 billion. The swap has been designated as a cash flow hedge and the effective portion of gain and losses is recorded in equity. The derivative instrument had a zero fair value as at 31 December 2019 as the contract ended (2018: negative fair value of AED 62 million).

(iii) Forward Foreign Exchange Contracts

Certain subsidiaries use forward foreign exchange contracts to hedge their risk associated with foreign currency fluctuations relating to scheduled maintenance cost payments to overseas suppliers. The derivative instruments were designated as cash flow hedges. The following table summarises certain information relating to the derivatives for each subsidiary as of 31 December 2019 and 31 December 2018:

Subsidiary	Notional amount		Derivative liabilities		Derivative assets	
	2019 AED million	2018 AED million	2019 AED million	2018 AED million	2019 AED million	2018 AED million
ECPC	3	10	–	–	–	–
SCIPCO	36	9	18	8	–	–
TFS	293	–	–	–	4	–
RPC	–	57	–	15	–	–
	332	76	18	23	4	–

34.2 Hedging activities – Fair Value hedges

(iv) Other

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

As at 31 December 2019, the net fair value of exchange-traded derivative instruments was AED 39 million shown under accounts receivables and prepayments (note 18) (2018: AED 100 million shown under accruals and other liabilities). The net realised and unrealised gain recognised in the consolidated income statement relating to such instruments are AED 132 million for the year ended 31 December 2019 (2018: loss of AED 8 million).

The Tolling Agreement recognised as an intangible at acquisition was adjusted for the change in fair value for movements in the designated hedge risk in a fair value hedge relationship. The changes in the fair value of the Tolling Agreement attributable to the hedged risk (note 13), for the year ended 31 December 2019 was a loss of AED 232 million (2018: gain of AED 67 million) which was recognised in the consolidated income statement.

34.3 Fair values

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

	Carrying amount		Fair value	
	2019 AED million	2018 AED million	2019 AED million	2018 AED million
Operating financial assets ¹	8,982	9,149	9,373	9,400
Interest bearing loans and borrowings ²	33,176	33,183	37,223	34,103

- The fair value of operating financial assets is estimated by discounting the expected future cash flows using appropriate interest rates for assets with similar terms, credit risk and remaining maturities.
- Interest bearing loans and borrowings relates to the Abu Dhabi National Energy Company Global Medium Term notes, Abu Dhabi National Energy Company bonds, Ruwais Power Company bond and Emirates SembCorp Water and Power Company bond. The fair value of the interest bearing loans and borrowings is based on price quotations at the reporting date.

34.4 Fair value hierarchy

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

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
 Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
 Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December AED million	Level 1 AED million	Level 2 AED million	Level 3 AED million
2019				
Financial assets measured at fair value				
Forward foreign exchange contracts	4	–	4	–
Financial assets disclosed at fair value				
Operating financial assets	9,373	–	–	9,373
Futures and forward contracts	39	–	39	–
Financial liabilities measured at fair value				
Interest rate swaps – hedged	2,516	–	2,516	–
Forward foreign exchange contracts	18	–	18	–
Cross currency interest rate swaps	253	–	253	–
Financial liabilities disclosed at fair value				
Interest bearing loans and borrowings	37,223	37,223	–	–
2018				
Financial assets measured at fair value				
Interest rate swaps – hedged	17	–	17	–
Financial assets disclosed at fair value				
Operating financial assets	9,400	–	–	9,400
Financial liabilities measured at fair value				
Interest rate swaps – hedged	1,975	–	1,975	–
Forward foreign exchange contracts	23	–	23	–
Cross currency interest rate swaps	323	–	323	–
Futures and forward contracts	100	–	100	–
Financial liabilities disclosed at fair value				
Interest bearing loans and borrowings	34,103	34,103	–	–

Notes to the Consolidated Financial Statements continued
31 December 2019

34 Financial instruments continued
34.4 Fair value hierarchy continued

During the years ended 31 December 2019 and 2018, there were no transfers between categories within the fair value hierarchy.

The fair values of the financial assets and financial liabilities measured at fair value included in the Level 1 category above, have been determined by market rates at the year end date.

The fair values of the financial assets and financial liabilities measured at fair value included in the Level 2 category above, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodities.

Investment carried at FVTOCI are categorised within Level 3 of the fair value hierarchy.

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

35 Financial risk management objectives and policies
Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term debt obligations and short-term deposits with floating interest rates. The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this, the Group enters into interest rate swaps, in which the Group 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. At 31 December 2019, after taking into account the effect of interest rate swaps, approximately 87% of the Group’s borrowings are at a fixed rate of interest (2018: 86%).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings and deposits, after the impact of hedge accounting. With all other variables held constant, the Group’s profit before tax and equity is affected as follows:

	Effect on profit before tax AED million	Effect on equity AED million
2019		
+15 increase in basis point	(8)	52
-15 decrease in basis point	8	(52)
2018		
+15 increase in basis point	(8)	213
-15 decrease in basis point	8	(209)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposure to risk of changes in foreign exchange rates relates primarily to the operating activities (when revenue or expense are denominated in a difference currency from the functional currencies of the subsidiaries), carrying values of assets and liabilities in Canadian Dollars, Euros, Moroccan Dirhams and Indian rupees and the Group’s net investment in foreign subsidiaries.

The Group hedges part of its net exposure to fluctuations on the translation into AED of its foreign operations by holding certain borrowings in foreign currencies, primarily in Euros.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, GBP, CAD, Moroccan Dirham and Indian rupees exchange rates, with all other variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group’s equity (due to changes in foreign currency translation reserve). The Group’s exposure to foreign currency changes for all other currencies is not material.

	Increase/decrease in Euro, GBP, Moroccan Dirham, Indian rupees, and CAD rates	Effect on profit before tax AED million	Effect on equity AED million
2019	+5% -5%	(98) 98	16 (16)
2018	+5% -5%	(150) 150	77 (77)

The movement in equity arises from changes in Euro borrowings in the hedge of net investments in the Netherlands. These movements will partly offset the translation of the Netherland’s operations net assets into AED.

Commodity price risk

TAQA GEN X LLC, a subsidiary of TAQA is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of gas and sale of electricity. Due to volatility in the prices of these commodities, the subsidiary’s management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. The Group mitigates the commodity price risks using forward commodity contracts.

The following table shows the effect of price changes on the fair value of the forward commodity contracts on the profit before tax:

	Change in year end price	Effect on profit before tax AED million
2019	+10% -10%	(27) 27
2018	+10% -10%	(42) 42

The Group also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur.

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 financial loss. 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.

Trade and other receivables

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance. The Group’s largest 2 customers account for approximately 80% of outstanding trade receivables and amounts due from related parties at 31 December 2019 (2018: 79%). The requirement for impairment is analysed at each reporting date on an individual basis for major costumers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. All impairment considerations for trade and other receivables are peformed using the expected credit loss model. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 18. The Group does not hold collateral as security.

Other financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group’s treasury in accordance with the Group’s policy. Investments of surplus funds are made only with reputable banks and financial institutions. The Group’s maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2019 and 2018 is the carrying amounts as illustrated in note 18 except for derivative financial instruments. The Group’s maximum exposure for derivative instruments is disclosed in note 34 and in the liquidity table below, respectively.

Notes to the Consolidated Financial Statements continued

31 December 2019

35 Financial risk management objectives and policies continued

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. The Group's policy is that the amount of borrowings that mature in the next 12 month period should not cause the current ratio to be less than 90%. During 2020, 5% of the Group's debt will mature in less than one year (2019: 8%) based on the carrying value of borrowings reflected in the consolidated financial statements.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted payments:

	< 1 year AED million	1 – 5 years AED million	> 5 years AED million	Total AED million
At 31 December 2019				
Trade and other payables	2,161	75	–	2,236
Bank overdrafts	74	–	–	74
Interest bearing loans, borrowings and Islamic loans	2,900	30,263	30,840	64,003
Advances and loans from related parties	–	206	70	276
Amounts due to ADPC and other related parties	95	–	–	95
Derivative financial instruments	1,002	2,682	1,231	4,915
Total	6,232	33,226	32,141	71,599
At 31 December 2018				
Trade and other payables	2,358	53	2	2,413
Bank overdrafts	65	–	–	65
Interest bearing loans, borrowings and Islamic loans	5,321	26,438	35,083	66,842
Advances and loans from related parties	–	213	70	283
Loans from non-controlling interest shareholders in subsidiaries	–	18	–	18
Amounts due to ADPC and other related parties	83	–	–	83
Derivative financial instruments	1,136	3,286	1,659	6,081
Total	8,963	30,008	36,814	75,785

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

	< 1 year AED million	1 – 5 years AED million	> 5 years AED million	Total AED million
At 31 December 2019				
Inflows	496	1,269	537	2,302
Outflows	(1,002)	(2,682)	(1,231)	(4,915)
Net	(506)	(1,413)	(694)	(2,613)
Discounted at the applicable interbank rates	(507)	(1,324)	(592)	(2,423)
At 31 December 2018				
Inflows	748	2,130	1,009	3,887
Outflows	(1,136)	(3,286)	(1,659)	(6,081)
Net	(388)	(1,156)	(650)	(2,194)
Discounted at the applicable interbank rates	(377)	(1,031)	(514)	(1,922)

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 and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. The Group includes within net debt, interest bearing loans and borrowings, Islamic loans, less cash and cash equivalents. Capital includes total equity including non-controlling interests less total cumulative changes in fair value of derivatives.

	2019 AED million	2018 AED million
Interest bearing loans and borrowings	62,217	64,956
Islamic loans	1,120	1,315
Less cash and cash equivalents	(2,879)	(3,392)
Net debt	60,458	62,879
Equity	10,428	10,559
Movement in cumulative changes in fair value of derivatives	2,555	2,044
Total capital	12,983	12,603
Capital and net debt	73,441	75,482
Gearing ratio	82%	83%

36 Events after reporting date

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

According to the offer received from ADPC, the transfer of assets would include most of ADPC's water and electricity generation, transmission and distribution assets. The assets combined reported net income of AED 4.8 billion and total assets of approximately AED 120 billion for the year ending December 2018.

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

Should an agreement be reached between the two parties, it is envisaged that the terms of the proposed transaction will be finalised during the first half of 2020. A TAQA general assembly meeting would consider approving the transaction during the second half of 2020, with closing shortly thereafter.

At this time, there is no certainty that any transaction will result. As a result, the Group's consolidated 2019 financial results and position do not include any income, costs, assets or liabilities with regards to this proposed transaction.

