PROSPECTUS

Abu Dhabi National Energy Company PJSC
(incorporated with limited liability in the United Arab Emirates)

U.S.$9,000,000,000
Global Medium Term Note Programme

Under the Global Medium Term Note Programme described in this Prospectus (the "**Programme**"), Abu Dhabi National Energy Company PJSC ("**TAQA**" or the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$9,000,000,000 (or its equivalent in other currencies).

Application has been made to the UK Financial Conduct Authority (the "**FCA**") in its capacity as competent authority under Part VI of the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for Notes issued under the Programme, other than Exempt Notes (as defined below), during the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**"). References in this Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU). References in this Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU and any relevant implementing measure in a relevant Member State of the European Economic Area ("**EEA**")) (the "**Prospectus Directive**"). The UK Listing Authority has neither approved nor reviewed information contained in this Prospectus in connection with Exempt Notes. In addition, application may be made to admit the Notes to trading on the Abu Dhabi Securities Exchange. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined in "*Overview — The Programme — Method of Issue*") of Notes will (other than in the case of Exempt Notes) be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange and will also be published on the website of the London Stock Exchange through a regulatory information service. In the case of Exempt Notes, notice of the aggregate nominal amount of such Exempt Notes, interest (if any) payable in respect of such Exempt Notes, the issue price of such Exempt Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the "**Pricing Supplement**").

Each Series (as defined in "*Overview — The Programme — Method of Issue*") of Notes will be evidenced by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes of one Series. Certificates may be evidenced by (i) interests in a global unrestricted note certificate in registered form (each a "**Regulation S Global Note Certificate**") in the case of Notes offered to non-U.S. persons outside the United States in reliance on Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") and/or (ii) interests in a global restricted note certificate in registered form (each a "**Rule 144A Global Note Certificate**" and together with the Regulation S Global Note Certificate, the "**Global Note Certificates**") in the case of Notes offered within the United States only to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A ("**Rule 144A**") under the Securities Act. Each Regulation S Global Note Certificate will be deposited on the relevant issue date with, and registered in the name of a nominee of, a common depositary (the "**Common Depositary**") on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Each Rule 144A Global Note Certificate will be deposited on the relevant issue date with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**"). Beneficial interests in a Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Clearing and Settlement*".

The Issuer has been rated A3 by Moody's Investors Service Ltd. ("**Moody's**") and A by Fitch Ratings Limited ("**Fitch**"). The Programme has been rated A3 by Moody's and A by Fitch. Each of Moody's and Fitch is established in the European Union and is registered under the Regulation EC No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Tranches of Notes to be issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, the applicable rating(s) will be disclosed in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same rating assigned to the Issuer by the relevant rating agency. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes (as defined in "*Terms and Conditions of the Notes*") may, if so specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes), be calculated by reference to one of the London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**"), the Hong Kong Interbank Offered Rate ("**HIBOR**") or the CNH (offshore Renminbi) Hong Kong Interbank Offered Rate ("**CNH HIBOR**"). As at the date of this Prospectus, the administrator of each such rate is not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that each such administrator is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

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

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

Arrangers and Dealers

Citigroup	**First Abu Dhabi Bank PJSC**	**HSBC**	**ING**	**Mizuho Securities**	**Scotiabank**	**SMBC Nikko**

11 April 2018

IMPORTANT INFORMATION

This Prospectus comprises a base prospectus in respect of all Notes (other than Exempt Notes) issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its subsidiaries (the "**Group**") and the Notes which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Where information has been sourced from a third party, the Issuer confirms that such information has been accurately reproduced and so far as the Issuer is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information sourced from third parties contained in this Prospectus relates to the United Arab Emirates (the "**UAE**") economic and commodity statistics and UAE government finance statistics and to certain historic oil and gas prices which are included under the headings "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Overview of the UAE and Abu Dhabi*".

This Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the EEA (each a "**Relevant Member State**") must be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer, nor any Arranger (as defined in "*Overview — The Programme*") nor any Dealer has authorised, nor does any of them authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, any Arranger or any Dealer to publish or supplement a prospectus for such offer.

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

In the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. None of the Issuer, the Arrangers or the Dealers represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "*Subscription and Sale*".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes. None of the Dealers, the Arrangers or the Issuer makes any representation to any

investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

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

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

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

STABILISATION

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

The risks and uncertainties referred to above include those discussed under "*Risk Factors*".

NOTICE TO INVESTORS

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

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a

distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain ("**Bahrain**"), Notes issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in Bahrain where such investors make a minimum investment of at least U.S.$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

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

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of Notes will be made to the public in Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Notes to be issued under the Programme will not be offered or sold at any time, directly or indirectly, in Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in Qatar. The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of Qatar.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Issuer's financial information as at and for the years ended 31 December 2017, 2016 and 2015 has, subject to rounding, been extracted from the Issuer's audited annual consolidated financial statements as at and for the years ended 31 December 2017 (together with the audit report thereon, the "**2017 Financial Statements**") and 31 December 2016 (together with the audit report thereon, the "**2016 Financial Statements**" and, together with the 2017 Financial Statements, the "**Financial Statements**"), in each case incorporated by reference in this Prospectus.

As at 31 December 2017, the accumulated losses of the Group were AED 2,707 million and, the current liabilities of the Group exceeded its current assets by AED 10 million, (see Note 2.1 to the 2017 Financial Statements). Nevertheless, the Financial Statements were prepared on a going concern basis as the Group had sufficient short to medium term liquidity to meet ongoing commitments. The Group incurred a loss of AED 18,233 million during 2016 and, as at 31 December 2016, accumulated losses of the Group were AED 2,802 million. As at 31 December 2016, the current liabilities of the Group exceeded its current assets by AED 413 million (see Note 2.2 to the 2016 Financial Statements).

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

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

Non-IFRS Financial Measures

This Prospectus includes EBITDA data. EBITDA is a non-IFRS financial measure that is used by management as an additional measure of performance. EBITDA is also an alternative performance measure ("**APM**") as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures. EBITDA is not defined by IFRS or recognised within IFRS as a measure of performance and should therefore not be considered as an alternative to other IFRS measures, such as:

- profit after tax (as determined in accordance with IFRS);
- cash flow from operating, investing or financing activities (as determined in accordance with IFRS);
- any other measures of performance under IFRS; or
- as a measure of operating performance or the Group's ability to meet its cash needs.

The Group defines EBITDA as loss or profit for the year before finance costs, taxes, depreciation, depletion and amortisation, net foreign exchange (losses) gains, other income, interest income, changes in fair value of derivatives and fair value hedges, dry hole expenses, gain on sale of land and oil and gas assets, gains on derecognition of a subsidiary and provisions for impairment.

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

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

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

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

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

This Prospectus includes data relating to the Group's gearing ratio, which it uses to monitor capital. The gearing ratio is comprised of 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. Net debt is defined as interest-bearing loans and borrowings plus Islamic loans, less cash and cash equivalents. Capital is defined by the Group as total equity including non-controlling interests less total cumulative changes in fair value of derivatives in cash flow hedges.

Presentation of Other Information

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

- "**Abu Dhabi**" means the Emirate of Abu Dhabi;
- "**$**", "**U.S.$**" and "**U.S. dollars**" are to the currency of the United States of America;
- "**UAE dirham**" and "**AED**" are to the currency of the United Arab Emirates;
- "**£**" and "**sterling**" are to the currency of the United Kingdom;
- "**rupees**" are to the currency of the Republic of India:
- "**MYR**" are to the currency of Malaysia;
- "**MAD**" are to the currency of Morocco;
- "**Canadian dollars**" and "**C$**" are to the currency of Canada;
- "**Renminbi**", "**RMB**" or "**CNY**" are to the currency of the People's Republic of China (the "**PRC**") which, for the purposes of this Prospectus, excludes the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**"), the Macau Special Administrative Region of the PRC and Taiwan; and
- "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

References to a "**billion**" are to a thousand million.

See "*Glossary and Certain Defined Terms*" for the meaning of certain technical terms and abbreviations used in this Prospectus.

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

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

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the Financial Statements (as defined on page 6), and the Terms and Conditions set out on pages 26 to 47 of the prospectus dated 18 October 2007, the Terms and Conditions set out on pages 26 to 47 of the prospectus dated 8 September 2009, the Terms and Conditions set out on pages 32 to 55 of the prospectus dated 25 November 2011, the Terms and Conditions set out on pages 36 to 59 of the prospectus dated 23 April 2014 and the Terms and Conditions set out on pages 43 to 64 of the Prospectus dated 7 June 2016, each relating to the Programme, which have been previously published or are published simultaneously with this

Prospectus and which have been approved by the Financial Conduct Authority or filed with it. Such documents shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

The parts of the above-mentioned documents which are not incorporated by reference into this Prospectus are either not relevant for investors or are covered elsewhere within this Prospectus.

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

SUPPLEMENTARY PROSPECTUS

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**"), the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus or a further Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as required by the UK Listing Authority and section 87G of the FSMA.

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in, or removal from, this Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

AVAILABLE INFORMATION

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

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Issuer is a corporation organised under the laws of the UAE, and a substantial portion of the assets of the Issuer are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States and/or the United Kingdom upon the Issuer or to enforce against it in the United States courts or courts located in the United Kingdom judgments obtained in United States courts or courts located in the United Kingdom, respectively, including judgments predicated upon the civil liability provisions of the securities laws of the United States or the securities laws of any state or territory within the United States. The Notes are governed by English law and disputes in respect of the Notes may be settled under the LCIA Arbitration Rules. In addition, actions in respect of the Notes may be brought in the English courts.

A substantial part of the Issuer's assets are located in the UAE. In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the Abu Dhabi courts are unlikely to enforce a United States or English court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Notes. Investors may have difficulties in enforcing any United States or English court judgments or arbitration awards against the Issuer in the courts of Abu Dhabi. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions. See "*Risk Factors—Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Abu Dhabi*".

CREDIT RATING AGENCIES

The Issuer has been assigned ratings of A3 by Moody's and A by Fitch. The Programme has been assigned ratings of A3 by Moody's and A by Fitch.

Moody's and Fitch are established in the European Union and were registered by the European Securities and Markets Authority under the CRA Regulation on 31 October 2011.

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RISK FACTORS

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

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

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

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

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

Risks Relating to the Group's Business Generally

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

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

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

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

Sustained low oil and gas price environments have, in the past, and could, in the future, have a material adverse effect on the Group's revenue, operating income, cash flow and borrowing capacity and have, in the past, and may, in the future, lead to a reduction in the carrying value of the Group's assets, its planned level of spending for exploration and development and the level of its reserves

32.8 per cent. of the Group's revenue in 2017 was derived from its Oil and Gas business stream. As such, the Group's business, results of operations, financial condition and future growth depend in significant part on the prices it is able to realise for its crude oil and natural gas production. The Group has entered into a range of sale agreements in relation to its crude oil and natural gas production. The pricing mechanism for all these agreements is generally based on the spot price or monthly average prices for the relevant commodity at the time of delivery to the purchaser. As a result, the Group is exposed to volatility in the prices of the crude oil, natural gas and natural gas liquids it produces and sells. See "*Summary of Material Agreements — Summary of Principal Oil and Gas Agreements*".

Historically, the markets for crude oil and natural gas have been volatile, and those markets are likely to continue to be volatile in the future. For example, according to Bloomberg data, the average price per barrel for West Texas Intermediate crude oil (the most relevant reference price for the Group's North American crude oil production)

was U.S.$48.76 in 2015, U.S.$43.47 in 2016 and U.S.$50.96 in 2017. Similarly, the average price per barrel for Brent crude oil (the most relevant reference price for the Group's UK North Sea crude oil production) was U.S.$53.60 in 2015, U.S.$45.13 in 2016 and U.S.$54.30 in 2017. The average price per mmbtu for Henry Hub natural gas (the most relevant reference price for the Group's North American natural gas production) was U.S.$2.63 in 2015, U.S.$2.55 in 2016 and U.S.$2.96 in 2017. Additionally, access to market affects regional price differentials, which may result in tightening or widening of basis between Henry Hub and the Group's North American natural gas sales price. The average Henry Hub to AECO (benchmark price for the majority of the Group's North America natural gas sales) basis differential was U.S. -$0.49/mmbtu in 2015, U.S.-$0.86/mmbtu in 2016, and U.S.-$1.20/mmbtu in 2017.

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. These uncertainties and additional factors may include actions taken by the Organization of Oil Producing and Exporting Countries ("**OPEC**") and adherence or non-adherence to agreed production quotas, war, terrorism, government regulation, social and political conditions in oil and gas producing countries generally, economic conditions, prevailing weather patterns and meteorological phenomena such as storms and hurricanes and the availability of alternative sources of energy. It is impossible to accurately predict future oil and gas price movements.

Similarly, the revenue for services provided in connection with the Group's midstream business (which includes gas storage) is subject to market conditions. The markets for gas storage and similar services are not well developed and are based to some extent on other commodity prices, which have been and may continue to be volatile. As such, it is not possible to predict the actual prices at which the Group may be able to sell services associated with its midstream assets.

Changes in oil and gas prices have significantly impacted the Group's results of operation since 2015 both through reduced revenue and as a result of impairment charges in respect of the Group's oil and gas assets. In particular, the significant drop in oil and gas prices since mid-2014 contributed to a decrease in the Group's oil and gas revenues of 33.5 per cent. in 2016 compared to 2015. In addition, in 2016, the Group recorded significant impairment charges in relation to its oil and gas assets primarily as a result of a sustained low oil and gas price environment. See "*— Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Business — The Group recognised significant impairment charges in respect of certain of its crude oil or natural gas assets in 2016, and may recognise additional significant impairments in the future*" below.

As a result, in 2015 the Group initiated a two-year transformation programme (the "**Transformation Programme**") under which it sought to significantly decrease its capital expenditures, including expenditures for additional exploration and development projects, and non-economic projects, and delayed or cancelled certain proposed investments. Although oil and gas prices improved in 2017 compared to 2016, they remain well below levels recorded prior to the significant fall in prices beginning in mid-2014. Should the current relatively low levels of oil and gas prices decrease in the future or remain at current levels for a lengthy period, this would be likely to negatively affect the Group's revenue, operating income and cash flow, could also negatively impact its borrowing capacity and may lead to a further reduction in the carrying value of the Group's assets, its planned level of spending for exploration and development and the level of its reserves. No assurance can be given that prices will be sustained at levels that will enable the Group to operate its oil and gas business profitably.

The Group has been significantly loss making in recent years and, as at 31 December 2017 its current liabilities exceeded its current assets

The Group recorded losses of AED 1,114 million in 2015 and AED 18,233 million in 2016, and a profit of AED 1,043 million in 2017. As a result, as at 31 December 2017, the Group's accumulated losses amounted to AED 2,707 million. The Group's losses in 2015 were driven by the significant adverse impact of low oil prices on its revenue from oil and gas and, in 2016, by continued low oil and gas prices, and impairment charges taken in relation to its oil and gas assets.

As at 31 December 2017, the Group's current liabilities exceeded its current assets by AED 10 million. This principally reflects the fact that the Group had AED 2,754 million in principal amount of debt securities maturing in January 2018 and has a further AED 1,836 million in principal amount of debt securities maturing in August 2018 which are, accordingly, classified as current liabilities as at 31 December 2017. Although the Group's short- to medium-term liquidity remains sufficient to meet its ongoing commitments, these factors significantly increase the risks to the Group should its liquidity position deteriorate or should the Group experience difficulty in refinancing its maturing securities. See further "*— TAQA's ability to make payments under the Notes depends upon dividends and distributions from its subsidiaries and the companies in which it invests from time to time*" above and "*— TAQA's credit ratings may change and any ratings downgrade could adversely affect the value of Notes issued under the Programme*" below.

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

Many economies around the world, including many of those in which the Group operates, have suffered slowdowns and/or recessionary conditions. These conditions have been exacerbated by volatile credit and equity market conditions, as well as an extended period of low oil prices since mid-2014 and volatility in other commodity prices, see "*— Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Business — The Group recognised significant impairment charges in respect of certain of its crude oil or natural gas assets in 2016, and may recognise additional significant impairments in the future*", and there continues to be, significant political instability in the MENA region, see "*— The Group is subject to political and economic conditions in the regions and countries in which it operates*" below. While these conditions reversed themselves in 2017, there can be no assurances that such conditions will not recur. Consequently, the Group's financial performance could be adversely affected in the future by any deterioration of general economic and financial conditions in the markets in which the Group operates if such conditions result in reduced demand for the products the Group produces. Further, during periods of adverse economic conditions, TAQA and its subsidiaries may have difficulty accessing financial markets, which could make it more difficult or impossible to obtain funding for existing or proposed projects on acceptable conditions or at all. Such adverse economic or financial conditions could have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group's business is subject to all of the operating risks normally associated with the ownership and management of power generation plants as well as the exploration for, and the production, storage, transmission or transportation and marketing of, crude oil, natural gas and natural gas liquids. These risks include equipment failures. explosions, fire, gaseous leaks, migration of harmful substances and oil spills, any of which individually or in combination could cause personal or fatal injury, result in damage to, or destruction of, oil and gas wells or formations, production facilities, other property and equipment and the environment, as well as interrupt operations. In addition, power generation plants may be subject to unplanned outages as a result of equipment failure or for other reasons, see "*— Risks Relating to the Group's Power Generation and Water Desalination Businesses — The Group's power generation facilities may experience equipment failures or may otherwise not operate as planned*". For example, in each of 2017, 2016 and 2015 the Group experienced significant incidents that resulted in loss of life, see "*Description of the Group —Health, Safety, Security, Environmental Regulations and Compliance*". Any such events could therefore result in costs, losses or liabilities accruing to the Group and could also significantly adversely affect the Group's reputation. As a result, the occurrence of any of these risks could have a material adverse effect on the Group's business, results of operations and financial condition.

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

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

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

TAQA's UAE power and water generation subsidiaries sell their products to one related party, the Abu Dhabi Water and Electricity Company ("**ADWEC**"), which is a wholly-owned subsidiary of TAQA's majority shareholder, Abu Dhabi Water and Electricity Authority ("**ADWEA**"). ADWEC is also the Group's most significant customer, accounting for 42.7 per cent. of the Group's total revenue in 2017, 44.5 per cent. in 2016 and 36.4 per cent. in 2015. Generally, TAQA's non-UAE power generation subsidiaries also sell their products to one party, which is typically a governmental entity. These concentrations of sales to a single entity expose the Group to risks if the off-taker

experiences financial or other difficulties, such as with TAQA's Indian and Ghanaian subsidiaries, TAQA Neyveli Power Company Pvt Ltd. and Takoradi International Company, which have in the past experienced delays in obtaining payment from their respective sole off-takers, or if contractual disputes arise between the relevant Group entity and the off-taker. The Group also has individually significant customers in the oil and gas business, for example the Group's Northern North Sea oil and its Brae oil is sold to either TOTSA Total Oil Trading SA ("**TOTSA**") or Chevron Products Company, a division of Chevron USA Inc. ("**Chevron**"), and all of the natural gas produced by the Group in The Netherlands is sold to GasTerra B.V., an entity controlled by the Dutch government, under long-term contracts. In 2017, sales by the Group to customers who individually account for more than 10 per cent. of the Group's total revenue accounted for 71.1 per cent. of the Group's total revenue for the year, compared to 73.0 per cent. in 2016 and 68.3 per cent. in 2015. The Group had three such customers in each of 2017, 2016 and 2015. See "*Summary of Material Agreements*".

TAQA's UAE power and water generation subsidiaries are dependent on supplies of gas and back-up fuel to operate their facilities. This fuel is supplied by ADWEC, under the PWPA it has entered into with each generation subsidiary. ADWEC in turn is dependent on the operation of the Dolphin gas pipeline to receive the gas which it supplies, see "*—The Group is subject to political and economic conditions in the regions and countries in which it operates*" below. As a result, the Group is exposed to any interruptions in gas supply through the Dolphin pipeline and to non-performance by ADWEC in relation to its fuel supply obligations under the PWPAs. TAQA's international power and water generation subsidiaries have similar exposures under their contractual documentation with fuel suppliers. See "*Summary of Material Agreements — Summary of Principal UAE Generation Agreements*" and "*— Summary of Certain International Generation Project Agreements*".

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

The Notes are not guaranteed by the government of Abu Dhabi

Potential investors should note that the Abu Dhabi government does not guarantee the obligations of TAQA in respect of any Notes issued under the Programme and the Noteholders therefore do not benefit from any legally enforceable government backing. Although the Abu Dhabi government has in the past provided significant financial support to companies in which it has ownership interests, including TAQA, it is under no obligation to extend financial support to TAQA in the future and, accordingly, may not do so. TAQA's ability to meet its obligations under the Notes is solely dependent on TAQA's ability to fund such amounts from its operations, profit and cash flow or from external borrowings.

TAQA's credit ratings may change and any ratings downgrade could adversely affect the value of Notes issued under the Programme

TAQA has a long-term foreign currency debt rating of "A" with a stable outlook from Fitch and a long-term foreign currency issuer default rating of "A3" with a stable outlook from Moody's. Fitch notes that its rating depends on the strong likelihood of Abu Dhabi government support for TAQA, should it be needed in the future, whilst Moody's rating is based on the assumption that TAQA will continue to benefit from very high government support.

Any future reduction in either or both of TAQA's ratings could:

- adversely affect its liquidity and competitive position;
- undermine confidence in TAQA;
- increase its borrowing costs;
- limit its access to the capital markets; and/or
- limit the range of counterparties willing to enter into transactions with TAQA, as many institutions require their counterparties to satisfy minimum ratings requirements.

In addition, to the extent that TAQA has rating dependent obligations in its contractual arrangements, any rating downgrade could trigger these obligations which could be material in amount. See, for example, "*— The Group could incur significant decommissioning costs in relation to its facilities*" below.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Ratings may not reflect the potential impact of all risks related to structure, market, the risk factors discussed in this section and other that may affect the value of Notes issued under the Programme.

TAQA cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

Abu Dhabi's economy is highly dependent upon its hydrocarbon-related revenue and the sustained period of low oil prices may materially reduce the likelihood of financial support for the Group from the government of Abu Dhabi should it be needed in future periods

Abu Dhabi's economy is highly dependent upon its hydrocarbon-related revenue. Oil and gas prices have fluctuated in response to changes in many factors over which the Group has no control. These factors include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil and gas products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil and gas producing or consuming countries;
- prices and availability of alternative fuels;
- global economic and political conditions;
- prices and availability of new technologies; and
- global weather and environmental conditions.

The sustained period of low crude oil prices since mid-2014 has materially adversely affected Abu Dhabi's fiscal position. Abu Dhabi's fiscal balance (which depends almost entirely on revenue from hydrocarbon royalties and taxes and dividends received from ADNOC), which was a surplus of AED 1.4 billion in 2014, became a deficit of AED 41.5 billion in 2015 and a deficit of AED 25.9 billion in 2016. Abu Dhabi's preliminary budget for 2017 showed a deficit of AED 13.7 billion based on an assumed oil price of U.S.$50 per barrel. Abu Dhabi's recent fiscal deficits may materially reduce the likelihood of financial support for the Group from the government of Abu Dhabi should it be needed in future periods.

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

The Group's facilities may be exposed to the effects of natural disasters and other potentially catastrophic events, such as major accidents, armed conflicts, hostilities and terrorist attacks. This risk is increased by the broad geographical scope of the Group's operations and the fact that the Group's operations are commonly large, key infrastructure facilities.

For example, the Fort McMurray area in Canada experienced a major fire in May 2016. The fire was reported to have burned over 500,000 hectares and evacuation orders were issued that affected approximately 19 oil facilities. Although none of the Group's facilities were directly affected by the fire, there is no assurance that future similar events in North America, or other natural disasters, whether in the North Sea or elsewhere, will not impact any of the Group's properties in the future.

The continued threat of terrorist activity and other acts of war, or hostility, have significantly increased the risk of political, economic and social instability in some of the geographic areas in which the Group operates, particularly Iraq. For example, the main Kurdistan export pipeline, which the Group uses to export crude production from the Atrush Block, has, in the past, been attacked within Turkey by armed groups. The resultant pipeline outages have caused significant economic losses for the Kurdistan Regional Government ("**KRG**") and the international oil companies operating in the Kurdistan Region of Iraq. If similar pipeline outages, whether as a result of attacks or for other reasons, were to recur in the future, this may result in economic loss for the Group. No assurance can be given that the Group will not experience operational suspensions, additional costs for increased security and difficulty in attracting and retaining qualified service companies and related personnel in the future in relation to its operations in Atrush.

The Group's facilities may not be adequately protected or insured against all such events, see "— *The Group's insurance policies may not always be adequate and may not cover all damage and losses*" below. In addition, the Group may suffer adverse consequences from any such events affecting similar or related facilities in the countries or regions in which it operates, even if the Group's own facilities are not directly affected, particularly if the facilities

affected are significant to the Group such as pipelines or transmission infrastructure upon which it is reliant. If any such events occur, this could materially and adversely affect a facility's operations and thereby have a material adverse effect on the Group's business, results of operations and financial condition.

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

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

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

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

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

Specific examples of political risk faced by the Group include the fact that the Group's operations in Iraq may be adversely affected by tensions between the Iraqi government and the KRG, the official ruling body of the Kurdistan Region of Iraq. While the KRG asserts jurisdiction over oil and gas resources in the Kurdistan Region of Iraq and has granted production sharing contracts ("**PSC**s") for the exploration and production of oil thereunder (in December 2012, the Group acquired an interest in an exploration block in the Kurdistan Region of Iraq which has given it an interest in PSC in the region), there is no agreed legal framework in place in Iraq in relation to oil and gas. The Iraqi Ministry of Oil has denied the legitimacy of such PSCs and asserted that any international companies who have entered into or will enter into any such PSCs will be prohibited from tendering for exploration blocks in Iraq generally under national laws. As of the date of this Prospectus, there are several draft oil laws pending before the Iraqi parliament, all of which may cast doubt on the enforceability of the Group's PSC interest in the Atrush Block. Furthermore, the KRG has in the past temporarily halted, or threatened to halt, oil and gas exports from the Kurdistan Region of Iraq on the basis that the Iraqi government had failed to make payments to companies in the region. Such tensions between the KRG and the Iraqi government may constrain the Group's ability to operate in Iraq or to profit from any future oil or gas discoveries, and any change in the political position of the KRG or implementation of the pending draft oil laws in Iraq could lead to legal and regulatory changes and/or have a material adverse impact on the Group's exploration rights and its ability to exploit them, which may in turn have a material adverse effect on the Group's business, results of operations or financial condition.

Iraq is currently subject to OPEC production quotas and total production (including the production of both federal Iraq and the Kurdistan Region of Iraq) exceeds these quotas. The KRG may not consider itself bound by OPEC quotas (potentially contributing to the tensions that already exist around Group assets in the region, see "*— The Group's land, mineral and other rights may be subject to challenge*" below), and any resulting over-production could result in adverse treatment by OPEC.

In addition, the Kurdistan Region of Iraq and Turkey share a border and there have been periods of friction between the two. A major cause of that friction has been the activities of the PKK, an organisation which is listed as a terrorist organisation by states and organisations, including Turkey, the European Union and the United States. The government of Turkey has, in the past, authorised Turkey's military to make incursions into Iraq in order to carry out cross-border assaults, limited shelling and air strikes against the PKK. No assurance can be given that any activities of the PKK or further military action by Turkey in the future will not adversely affect any of the Group's facilities in the Kurdistan Region of Iraq.

Separately, in the UK, there is uncertainty in relation to the implementation of Brexit after the UK's decision in a referendum held in June 2016 to leave the European Union (the "**EU**"). The vote's result caused the British pound to fall to its lowest level against the US dollar in 30 years and the exchange rate continues to be volatile. Negotiations between the UK and the EU on the terms of the withdrawal are ongoing and may continue for a lengthy period of time. The uncertainty surrounding the outcome of these negotiations could have a material adverse effect on the Group's business, financial condition and/or results of operations, including as a result of interest rate and exchange rate fluctuations and general economic volatility caused by the uncertainty, the impact of the withdrawal on foreign investment treaties and lack of clarity in relation to the regulatory framework that will apply after the withdrawal is effected.

In the UAE, the Group depends on the continued operation of the Dolphin pipeline for the gas it needs to power its generation and desalination plants, see "*—The Group is substantially dependent on a limited number of customers for a significant proportion of its revenue and is also dependent on third party suppliers of fuel to its power and water generation subsidiaries*" above. The UAE is currently involved in discussions with the governments of Saudi Arabia and Qatar relating to a maritime corridor which Qatar has purported to grant to Saudi Arabia, from within Qatar's own maritime waters. This corridor crosses part of the route of the Dolphin gas pipeline between Qatar and the UAE, which the UAE considers to be a breach of pre-existing agreements between Qatar and the UAE. In addition, since June 2017 a number of GCC countries (including the UAE) and other regional countries have severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions on Qatar. The stated rationale for such actions was Qatar's support of terrorist and extremist organisations and Qatar's interference in the internal affairs of other countries. There can be no assurance as to when diplomatic relations will be restored or air, land and sea connections reopened with Qatar and there can be no assurance that these events will not impact the supply of gas to the UAE through the Dolphin pipeline.

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

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

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

In addition, and particularly in relation to its operations in the Kurdistan Region of Iraq, the Group is subject to significant political risk in relation to its PSC in the Kurdistan Region of Iraq. See "*— The Group is subject to political and economic risks in the regions and countries in which it operates*" above.

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

The Group conducts its oil and gas operations under numerous exploration, development and production licences and leases. In addition, the Group conducts its power and water operations under numerous licences. Most of these licences and leases may be suspended, terminated or revoked if the relevant Group licensee fails to comply with the licence or lease requirements, does not make timely payments of levies and taxes, does not comply with emissions and other environmental requirements, systematically fails to provide information, becomes insolvent, fails to fulfil any capital expenditure or production obligations or does not develop the area to which the licence or lease relates. The Group may not comply with certain licence or lease requirements for some or all of its licence and lease areas. If it fails to fulfil the specific terms of any of its licences or leases or if it operates in its licence and lease areas in a manner that

violates applicable law, government regulators may impose fines or suspend or terminate its licences or leases, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, to operate its business as currently contemplated, the Group must obtain permits and authorisations to conduct operations, such as land allotments, approvals of designs and feasibility studies, environmental impact studies, pilot projects and development plans, and for the construction of any facilities. This includes permits and authorisations from local municipalities. The Group may not be able to obtain, in a timely manner or at all, the required permits and authorisations for many reasons, including reasons beyond its control. If the Group experiences any material delays in the receipt of any required permits or authorisations, or suspension of such permits or authorisations, it may have to delay its investment or development programmes, or both, which could materially adversely affect its business, results of operations and financial condition.

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

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

In addition, when Group companies have acquired facilities from third parties, as part of the consideration for such acquisitions, TAQA has, in most instances, been required to accept the decommissioning liabilities with respect to such facilities and to protect the selling parties from the future decommissioning liabilities. Some of these third parties have the right to require TAQA to secure its obligations with a parent company guarantee, letter of credit or other cash equivalent collateral. For example, a member of the Group has entered into decommissioning deeds for certain but not all of the North Sea Assets acquired by it pursuant to which it is required to either (a) place monies in trust or procure the issuance of letters of credit in an amount equal to 150 per cent. of its share of the estimated pre-tax net decommissioning costs of the subject fields, (b) procure a guarantee from TAQA or an affiliate with a credit rating of AA- (Standard & Poor's) or Aa3 (Moody's) or better or (c) provide security in such other form as may be agreed by the parties to the deeds. TAQA initially provided a parent company guarantee, but its credit rating has since been reduced to below the minimum credit rating specified in certain of the decommissioning deeds. TAQA has previously been in good faith discussions with the other parties to these deeds regarding whether and to what extent TAQA will be required to replace or supplement some or all of the parent guarantee with other acceptable credit support, with no decisions having been reached, and the parent guarantee remains in place. Since the discussions ended, the UK government has introduced a legislative framework that allows security arrangements for North Sea decommissioning obligations to be made on a post-tax basis to the extent parties to the decommissioning deeds adopt modified agreements. TAQA expects that, if and when the discussions with its counterparties resume, any amendments to its decommissioning deeds will likely be on a post-tax basis. If TAQA was required to replace the parent guarantee in its entirety, the amount it would have to place in trust, or procure through the issuance of letters of credit or other cash equivalent collateral, could be in excess of U.S.$1.0 billion. Given the potential size of the decommissioning liabilities, if these third parties were to require TAQA to post security for all or a material portion of these liabilities, TAQA could be required to divert funds or liquidity from other business purposes such that the Group's business, results of operations and financial condition could be materially adversely affected.

In respect of certain other North Sea Assets, TAQA is able to meet the security arrangements for decommissioning obligations by way of provision of a parent company guarantee, so long as TAQA continues to be majority owned by the Abu Dhabi government. Accordingly, if TAQA ceases to be majority owned by the Abu Dhabi government, this could significantly increase the cost to it of providing security for its decommissioning obligations, which could have a material adverse effect on the Group's business, results of operations and financial condition.

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

The marketability of the Group's crude oil and natural gas production depends in part on the availability, proximity and capacity of pipeline transportation and gathering systems owned by third parties. The lack of available

transportation capacity in these systems and facilities could result in the shutting-in of producing wells, the delay or discontinuance of development plans for properties, or lower price realisations. For example, the Group's North American oil and gas production volumes were negatively affected in 2015 due to restricted access to a third party pipeline, an industry issue in North America. Although the Group has some contractual control over the transportation of its production, material changes in these business relationships could materially affect the Group's operations.

Further, while the PSCs entered into by international oil companies ("**IOC**s") and the KRG contemplate direct marketing and exports of produced petroleum by the IOCs, in practice all crude oil pipeline exports to date (including all of the Group's crude oil exports in Iraq since the Atrush block started producing in July 2017) have been marketed by the KRG. Until September 2015, the KRG's marketing of crude oil pipeline exports resulted in most IOCs receiving a fraction of their revenue entitlement under the PSC on an *ad* hoc basis. Since then, the KRG has made monthly payments to IOCs based on their contractual entitlements under the relevant PSCs. No assurance can be given however that KRG payments will continue to be made on a timely basis or that any future export of the Group's petroleum assets in the Kurdistan region of Iraq will not be constrained by government intervention in and political disputes around, the export of petroleum from the region. See "*Regulation — Oil and Gas — Kurdistan Region of Iraq*".

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

The Group is subject to joint venture risks

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

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

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

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

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

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

In addition, governmental authorities in the jurisdictions where the Group operates may enforce existing laws and regulations more strictly than they have done in the past and may impose stricter environmental standards, or higher levels of fines and penalties for violations, than those now in effect. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require the Group to

pay material amounts for the installation and operation of systems and equipment for remedial measures, to pay fees or fines for pollution or other breaches of environmental requirements and/or to curtail or cease certain operations. Accordingly, TAQA is unable to estimate the future financial impact of compliance with, or the cost of a violation of, its environmental obligations. There can be no assurance that such environmental obligations will not have a material adverse effect on the Group's business, results of operations and financial condition.

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

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

The nature of the Group's operations creates a risk of accidents, incidents and fatalities among its workforce, and Group companies may be required to pay compensation or suspend a part or all of their operations as a result of any accidents, incidents or fatalities that occur, which could have a material adverse effect on the Group's business, results of operations and financial condition. For example, in each of 2017, 2016 and 2015 the Group experienced significant incidents that involved loss of life, see "*Description of the Group —Health, Safety, Security, Environmental Regulations and Compliance*".

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

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

Although TAQA undertakes customary due diligence prior to any acquisition of assets or entities that it believes is consistent with industry best practice, such a process may not necessarily reveal all relevant existing or potential problems, nor will it permit TAQA to become sufficiently familiar with the properties to exhaustively assess their deficiencies and capabilities. TAQA does not inspect every oil and gas well, storage or distribution facility, power generation facility or water desalination facility it acquires, and even when it inspects a well or facility it may not discover all structural, subsurface or environmental problems that may exist or arise and which could have an adverse impact on the value of such asset. Structural or environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. It may therefore be possible that the entities and assets acquired are subject to liabilities of which the relevant Group company is unaware In instances where an acquiring Group company has obtained warranties or other protections to mitigate such risks, there is no certainty that it will be able to enforce its contractual or other rights or that such rights will be sufficient to cover the full extent of losses from such risks. For example, as a result of acquisitions made in prior periods, TAQA has assumed contingent liabilities in respect of certain past and potential future tax assessments and in respect of certain other disputed matters, see note 35(iv)(a) to the 2017 Financial Statements.

When selling shareholdings or assets, the relevant Group company will typically be required to give warranties or other protections to the purchaser to mitigate the purchaser's risks associated with the acquisition. In addition, the relevant Group company may be required to assume liabilities accrued prior to the transfer of its assets, including environmental, tax and other liabilities, and may acquire interests in properties on an "as is" basis.

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

Failure to integrate any future acquisitions could prove to be costly in terms of management time and resources and may impose post-acquisition risks

Although the Group's current strategy is focused on organic growth within its current footprint, it has in the past made, and may, in the future, consider, selective acquisitions that are complementary to its existing businesses and are expected to be accretive to its revenue and cash flow. Such acquisitions may require significant amounts of time and attention of senior managers and other resources to integrate into the Group. In addition, the Group may encounter difficulties in integrating the accounting and information technology systems of acquired entities and in ensuring that the compliance systems in acquired companies match those in the rest of the Group.

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

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

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

The Group's business plan to exploit and commercialise its assets, including maintaining the integrity of its existing facilities, may require significant capital expenditure and funding, including, for example, in relation to future oil and gas exploration and evaluation activities and any consequent development activities. Particularly in relation to its North American properties, the Group may lose significant rights if the Group does not develop certain properties in a timely manner. If sufficient funding is not available to meet future capital expenditure requirements, this could have a material adverse effect on the Group's business, results of operations and financial condition, see "*— The Group's results of operations may be adversely affected by any decline in general economic or business conditions or continued disruption in the global credit markets*" above.

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

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

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

Even if a loss suffered by the Group is fully insured, the Group may experience delays in recovering under its insurance policies and is also exposed to the risk that the relevant insurance company may become insolvent or otherwise be unable to make payment in full under the relevant policy or that the policy is invalidated through the Group's failure to comply with the terms of the policy.

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

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

Group companies may be unable to recruit and retain qualified personnel

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

Furthermore, the Group depends to a large extent on its senior management team. The Group does not currently have insurance against costs or losses that may be incurred in the event of the loss or dismissal of key

personnel, including, for example, the executive officer of each of its reporting segments. Four of TAQA's current six-member senior management team were appointed in 2016, including its chief operating officer, its chief financial officer and its head of the power and water business and all of these appointments were made on an acting basis, see "*Management — Executive Management*". All of these changes were managed through internal succession plans. Further due to 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, the Group experienced a reduction of senior management positions during 2017, 2016 and 2015 within its head office and these factors may continue. The loss of the services of key members of the Group's senior management or staff with institutional knowledge may cause significant delays in meeting its strategic objectives and could have a material adverse effect on its business, financial condition and results of operations.

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

The Group has a number of staff belonging to certain trade unions that have a record of occasional industrial action. Third party contractors who provide services to the Group may also have staff belonging to these or other trade unions. The presence of trade unions may limit the flexibility of certain Group companies in dealing with their staff and third party contractors, including their ability to adjust capacity of operations in response to market conditions. If there is a material disagreement between any Group companies and one or more trade unions, those companies' operations could suffer an interruption or shutdown which could have a material adverse effect on the Group's business, results of operations and financial condition.

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

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

In addition, Group companies are subject to the risk of litigation or regulatory action by regulators in respect of their activities, including for breaches of applicable tax, environmental, health and safety and other laws and regulations. Any regulatory actions against one or more Group companies could lead to fines, the loss or restriction of operating licences, or other penalties, thereby having a material adverse effect on the Group's business, results of operations and financial condition.

For a discussion of certain litigation and other proceedings in which the Group is currently involved, see "*Description of the Group — Litigation*".

The Group faces foreign exchange risk exposure

Group companies operate in a number of different jurisdictions and their functional currencies may be UAE dirham, U.S. dollars, euro, Canadian dollars, Moroccan dirham, Indian rupees, Ghanaian cedis, Omani rials, Saudi riyals, Iraqi dinars, pounds sterling or other currencies, depending on the jurisdiction in which they operate. The impact of the businesses of these companies on the Group's financial results will depend on the prevailing rates of exchange between the UAE dirham, the functional currency of the parent company, and the relevant functional currency of the company concerned, and the Group's results of operations will be exposed to the risk of adverse fluctuations in such exchange rates. While the Group seeks to match the currency of the Group's cash flow and liabilities where possible, if significant foreign exchange risk exposure materialises, it may have a material adverse effect on the Group's business, results of operations and financial condition. Certain of the Group's generation companies use derivative instruments to hedge the risk associated with currency fluctuations. However, these hedges may not be effective in all circumstances to eliminate those risks and changes in the fair values of these contracts may negatively impact the Group's income statement and statement of comprehensive income. In addition, to the extent that the Group expands its international operations and derives its revenue in additional currencies, the Group's results of operations will become subject to increased risks relating to exchange rate fluctuations.

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

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

The interests of TAQA's majority shareholder may be different from those of its creditors

ADWEA is the majority shareholder of TAQA and a minority shareholder in each of TAQA's UAE generation operations. ADWEC, a company wholly-owned by ADWEA, is also the primary supplier of fuel to the Group's UAE generation operations and the sole off-taker for their power and desalinated water output, see "— *The Group is substantially dependent on a limited number of customers for a significant proportion of its revenue and is also dependent on third party suppliers of fuel to its power and water generation subsidiaries*" above. Because of these different roles held by ADWEA and ADWEC, transactions may be entered into between TAQA and these companies on terms not determined by market forces and such contracts may, or may not, be beneficial to TAQA.

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

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

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

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

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

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

The Group may suffer a failure or interruption in or breach of its information systems

The Group relies on its information systems to conduct its business and is dependent on its technology infrastructure for the effective operation of its business. Sophisticated information technology ("**IT**") systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking or other criminal cyber-attacks, physical damage to vital IT centres and computer virus infection. IT systems also need regular upgrading to meet the needs of changing business and regulatory requirements and to keep pace with the requirements of existing operations. Any failure, interruption or breach in security of the Group's IT or information systems could result in failures or interruptions in its risk management, general ledger, or other important systems. Although the Group has developed business continuity plans, back-up systems and a disaster recovery centre, no assurance can be given that failures or interruptions will not occur or that the Group will be able to adequately address them if they do occur.

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

The government of Abu Dhabi has exercised, and can be expected to continue to exercise, a strong influence over the Group's operations. ADWEA, a governmental agency, is TAQA's founding shareholder and owns 74.05 per cent. of its equity. In addition, the government has an indirect ownership interest of 1.15 per cent. through other government entities. Because of its shareholding, the government of Abu Dhabi is in a position to approve the election of all the members of the Board of Directors. Any unexpected changes in the government's policy on water production or power generation as it applies to the Group's UAE generation subsidiaries or any changes in the government's geographic investment priorities as they impact the Group's international operations could have a material adverse effect on the Group's results of operations and financial condition.

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

U.S., European and other international economic or financial sanctions have in the past been imposed on companies engaging in certain types of transactions with specified countries, companies or individuals. Companies operating or investing in certain countries in the Middle East and Africa have been the target of such sanctions in the past. The terms of legislation and other rules and regulations that establish sanctions regimes are often broad in scope. Neither the Group nor any of its affiliates is currently the target of any economic or financial sanctions administered by the United States, the European Union, or any other sanctions authority, and it is the Group's policy to comply with sanctions regulations applicable to the Group.

In the United States, the U.S. Department of Treasury's Office of Foreign Assets Control of the U.S. Department of Treasury ("**OFAC**") administers economic and financial sanctions. Certain of OFAC's regulations restrict the ability of U.S. persons to invest in, or otherwise engage in business with, directly or indirectly, certain individuals, entities, regions, and countries (together "**U.S. Sanctions Targets**"). As the Group is not a U.S. Sanctions Target, OFAC regulations do not prohibit U.S. persons from investing in, or otherwise engaging in business with the Group. However, to the extent that the Group engages, directly or indirectly, in business with U.S. Sanctions Targets, U.S. persons investing in the Group, including through the purchase of the Notes, may incur the risk of being exposed, indirectly, to U.S. Sanctions Targets.

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

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

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

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

The Group's power generation and water desalination facilities are subject to changes in their operating cost structure. Although each of the Group's UAE generation facilities have long-term fuel supply arrangements pursuant to which its customers assume responsibility for purchasing and supplying primary fuel to its facilities or have PWPAs pursuant to which the cost of fuel is paid for by the customer on a pass-through basis, these facilities may in the future experience increases in costs relating to fuel to the extent that these are not covered by fuel supply contracts or under the relevant PWPA. In relation to Jorf Lasfar and Neyveli, the project companies are responsible for purchasing fuel, but pass the cost through to the off-taker based on a formula that is intended to allow a full pass-through of costs. In the case of the Red Oak Facility, the Group is exposed to changes in the price of natural gas purchased by TAQA Gen-X, used for its sale of power production from the Red Oak plant, and the associated derivatives used by TAQA Gen-X to hedge fuel costs and power sales revenues. Under the Tolling Agreement, TAQA Gen-X has the right to dispatch power production by the Red Oak plant. Accordingly, TAQA Gen-X bears the fuel cost exposure for natural gas purchased to

supply to Red Oak to produce the amount of power production output dispatched by TAQA Gen-X relative to the actual prices at which TAQA Gen-X can then sell Red Oak's power production output into the regional power market. In addition, operations, maintenance and repair costs and costs relating to environmental compliance, such as the cost of purchasing emissions offsets and capital expenditure incurred in installing environmental emission equipment, may increase in the future.

If the Group is unable to meet its obligations under the off-take and marketing agreements or PWPAs, or if these agreements are terminated for any reason, without suitable replacement arrangements being put in place, or if there are any adverse changes in the cost structure of the Group's power generation and water desalination facilities, the Group's business, results of operations and financial condition could be adversely affected.

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

The operation of industrial facilities such as power generation and water desalination plants means that the Group's business is exposed to material operating risks. These can include, among other things, unplanned outages (such as the damaged gas turbines, damaged combustion hardware and damaged generator exciter at the Group's Takoradi facility in Ghana, which adversely impacted that facility's capacity and production in each of 2017, 2016 and 2015), leading to a loss of revenue and profit, facilities operating inefficiently or below their designed capacity, unexpectedly high operating and maintenance costs, equipment failures and unforeseen third party liabilities. The Group has, in the past, experienced certain unplanned outages at its generation facilities due to equipment failures, which negatively impacted the relevant operating subsidiary's net income through lost revenue, penalty payments for capacity unavailability and increased costs. In addition, any planned outages that are a part of routine maintenance operations may last longer or cost more than anticipated, adversely affecting the Group's revenue and costs from its power generation and water desalination activities. In addition, the Group's power generation and water desalination facilities may require unexpected maintenance outside the scope of the scheduled maintenance programme. If the performance of any plant is below its expected levels of output or efficiency for these or any other reason, this could materially and adversely affect the return on the Group's investment in that plant and thereby significantly adversely affect the Group's business, results of operations and financial condition.

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

The primary energy source for each of TAQA's UAE generation subsidiaries' plants is natural gas. In the past, supplies of natural gas in the UAE were not always sufficient to meet demand, including from natural gas fuelled generation plants. In such cases, the UAE generation subsidiaries relied on back-up fuel oil to operate their plants which, in some cases, resulted in plants being operated at less than full capacity. In addition, the operation of the plants on back-up fuel oil over an extended period of time in the past may have negatively impacted the life of the plants.

Although problems related to gas shortages experienced by the UAE generation subsidiaries were reduced significantly when the Dolphin pipeline became fully operational in 2008, demand for natural gas in the UAE continues to increase and ADWEC, as the Group's gas supplier in the UAE, continues to face competing priorities and is not always able to make natural gas available to the Group in the quantities required to operate its facilities. As a result it is possible that, in the future, the Group may have to rely more extensively on back up fuel oil than it currently does, which could result in reduced revenue from plants not operating at full capacity, could increase the Group's maintenance costs and could impact the life of the plants affected.

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

The Group recognised significant impairment charges in respect of certain of its crude oil and natural gas assets in 2016, and may recognise additional significant impairments in the future

TAQA's management determines whether there are any indications of impairment to the carrying values of the Group's property, plant and equipment and its intangible assets (including goodwill) at each reporting date based upon the difference between the recoverable amounts of cash-generating units and their carrying values. TAQA's management also determines recoverable amounts of cash-generating units based on the higher of value-in-use and fair value less costs of disposal. For the Group's oil and gas assets, these calculations require the use of estimates and assumptions, including assumptions regarding oil and gas prices, which may in turn impact the estimated life of a field, as well as assumptions related to operating costs, anticipated production from proved reserves and other relevant data. An actual or anticipated substantial and prolonged decline in oil or gas prices or unanticipated drilling results may indicate a need for the Group to write down the value of certain of its assets. For example, in 2016, the Group recorded pre-tax net impairment charges relating to property, plant and equipment of AED 22,020 million, principally reflecting the impact on the Group's oil and gas properties of a decline in reserves under a sustained low oil and gas price environment. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Impairment Charges*".

Subsequent adverse changes in oil and gas prices or drilling results, or further deviations in their levels from the Group's current estimates and assumptions, may result in the Group being unable to recover the carrying value of certain of its assets (particularly those with a long life), and make it appropriate to recognise more impairments related to these assets in future periods. While a write-down does not directly affect cash flow, the charge to earnings results in a decrease in earnings and could be viewed unfavourably in the market and could materially adversely affect the market value of the Notes. In addition, any write-down would negatively affect the Group's asset base.

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

The Group's future crude oil and natural gas production levels, and therefore its cash flow and profits, are highly dependent upon the Group's ability to increase its reserves base by drilling new wells. Particularly with regard to its UK North Sea assets, the producing crude oil and natural gas reserves are in decline. While the Group and its joint venture partners are involved in exploration and development, those efforts may result in dry holes or in the discovery of hydrocarbons that cannot be produced economically under prevailing conditions or are otherwise not successful. In addition, given the capital intensive nature of exploration and development activities, the Group has in recent years delayed or cancelled a number of projects as a result of the low oil and gas price environment.

To the extent that the Group's cash flow from operations and external sources of financing are insufficient to sustain its drilling programme, its reserve base may be depleted and its reserve life may decline. New reserves from exploration wells will be influenced by oil and gas prices, therefore the exploration programme may be affected by prevailing oil and gas pricing. If the Group is unsuccessful in expanding its reserve base through exploration and development and/or through acquisitions, its business, results of operations and financial condition will be materially adversely affected. The Group's net reserves replacement ratio (which measures the amount of probable and proved reserves attributable to the Group and added to its reserve base during the year, including through acquisitions, relative to the amount of oil and gas produced that is attributable to the Group) was 70 per cent. in 2017, -15 per cent. in 2016 and 30 per cent. in 2015. A reserves replacement ratio of less than 100 per cent. indicates that the resources produced in the year were not fully replaced while a negative reserves replacement ratio indicates the depletion of oil and gas reserves.

Even if the Group is able to obtain the funds it needs to sustain its drilling programme, there can be no assurance that any production will be obtained as a result of these activities, or that if such production is obtained, it will be profitable. As a result, the Group may expend substantial funds without benefit, possibly resulting in significant impairments in its oil and gas operations, see "— *The Group recognised significant impairment charges in respect of certain of its crude oil or natural gas assets in 2016, and may recognise additional significant impairments in the future*" below.

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

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

Estimates with respect to oil and gas reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves, rather than upon actual production history. Subsequent evaluation of the same reserves based upon production history will result in variation, which may be material, in the estimated or actually recovered reserves. In addition, significant reductions in commodity prices may make the exploitation of certain reserves uneconomic and this too can affect reserves figures from period to period. For example, in 2016 the Group significantly reduced its reserves estimates in a number of jurisdictions as a result of sustained low oil and gas prices.

The estimates for the Group's proven and probable reserves set out in this Prospectus were evaluated using the Society of Petroleum Engineers' Petroleum Resource Management System. The Group's annual crude oil and natural

gas reserves and resources review process includes an annual external review process conducted by appropriately qualified independent reserves auditors, except with reference to the prospective resources at the Atrush Block which are estimated based on work performed by an internal expert. Potential investors should note that the definitions and guidelines prescribed by the U.S. Securities and Exchange Commission or any other regulatory body may provide for a more conservative approach to reserve estimates and therefore result in lower reserve values than the approach currently followed by the Group. There can be no assurance that an assessment of the reserves using the Group's current methodology would be consistent with an assessment using any other methodology.

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

A number of Group companies rely on oil and gas suppliers and contractors to provide materials and services in conducting their exploration and production businesses. Any substantial increase in the worldwide prices of commodities, such as steel, and competitive pressures on oil field suppliers could result in a material increase in costs for the materials and services required by these companies to conduct their business. In addition, the cost of oil and gas field services and goods has historically been volatile reflecting fluctuations in demand which tends to reduce in periods when oil prices are depressed. The Group expects that this volatility is likely to continue in future periods. Future increases could have an adverse effect on the Group's operating income and cash flow and may require a reduction in the carrying value of the Group's properties, its planned level of spending for exploration and development and the level of its reserves. No assurance can be given that prices for materials and services will be sustained at levels which will enable the Group to operate profitably. Any significant or sustained increase in such costs could have a material adverse effect on the Group's business, results of operations and financial condition.

Crude oil and natural gas exploration and development activities are inherently risky

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

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

Whether the Group ultimately undertakes an exploration or development project depends upon a number of factors, including the availability and cost of capital, current and projected oil and gas prices, receipt of government approvals, current and projected taxation levels, access to the property, the costs and availability of drilling rigs, completion services and other equipment, supplies and personnel necessary to conduct these operations, the success or failure of activities in similar areas and changes in the estimates for completing the projects. Further, additional information acquired during a project could cause TAQA to alter its schedule or determine that the project should no longer be pursued, which could adversely affect the Group's business, results of operations and financial condition.

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

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

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

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

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

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

The oil and gas industry is highly competitive

The oil and gas industry is highly competitive in all its phases. The Group competes with numerous other participants in the search for, and the acquisition of, oil and gas assets and in the marketing of oil and gas, including other oil and gas companies that possess greater technical, physical and/or financial resources. Many of these competitors not only explore for and produce oil and gas, but also carry on refining operations and market petroleum and other products on an international basis. In addition, oil and gas production blocks or acreage are typically auctioned by governmental authorities and the Group faces intense competition in bidding for such production blocks, especially for those blocks with the most attractive oil and gas potential reserves. Such competition may result in the Group failing to obtain desirable production blocks or may result in the Group acquiring such blocks at a price which could result in the subsequent production not being economically viable. The Group also competes with other companies to attract and retain experienced skilled management and industry professionals. If the Group is unsuccessful in competing against other companies or if the Group fails to acquire or discover and thereafter develop new oil and gas reserves on a cost-effective basis, its business, results of operations and financial condition could be materially adversely affected.

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

Risks Related to the Structure of a Particular Issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when TAQA may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

TAQA may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than prevailing rates on comparable fixed rate notes and could affect the market value of an investment in the relevant Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such benchmarks

Interest rates and indices, such as LIBOR, EURIBOR, HIBOR and CNH HIBOR, which are deemed to be benchmarks, are the subject of recent international and national regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and applied as of 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the FCA, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, and LIBOR has been selected as the Reference Rate, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its replacement). In circumstances where LIBOR is discontinued, neither the Relevant Screen Page, nor any replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of LIBOR), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before LIBOR was discontinued, and if LIBOR is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of the Floating Rate Notes, so that the Floating Rate Notes will, in effect, become fixed rate notes utilising the last available LIBOR rate. Uncertainty as to the continuation of LIBOR, the availability of quotes from reference banks, and the rate that would be applicable if LIBOR is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is a "LIBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If LIBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

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

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

Risks Related to Renminbi Notes

Notes denominated in Renminbi ("**RMB Notes**") may be issued under the Programme. RMB Notes contain particular risks for potential investors, including:

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between the Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC Government of control over trade transactions involving import and export of goods and services, as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Currently, participating banks in Hong Kong and a number of other jurisdictions (the "**Applicable Jurisdictions**") have been permitted to engage in the settlement of current account trade transactions in Renminbi.

PRC regulation on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually. Generally, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system.

Although starting from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket of currencies, in addition to the U.S. dollar, euro, Japanese yen and sterling, created by the International Monetary Fund as an international reserve asset, there is no assurance that the PRC Government will liberalise its control over cross-border Renminbi remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under any RMB Notes. If Renminbi is not available in certain circumstances as described under "*Terms and Conditions — Payments — Inconvertibility, Non-Transferability or Illiquidity*", the Issuer can make payments under the RMB Notes in a currency other than Renminbi. The relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) will contain provisions dealing with the determination of the currency in which such payments will be made.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service RMB Notes

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People's Bank of China ("**PBoC**") has established a Renminbi clearing and settlement mechanism for participating banks in the Applicable Jurisdictions through settlement agreements (the "**Settlement Agreements**") with certain banks (each a "**RMB Clearing Bank**") to act as the RMB clearing bank in the Applicable Jurisdictions, the current size of Renminbi-denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The relevant RMB Clearing Banks only have access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

The offshore Renminbi market is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or that the Settlement Agreements will not be terminated or amended so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of RMB Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Although the Issuer's primary obligation is to make all payments with respect to RMB Notes in Renminbi, where a "RMB Currency Event" is selected as being applicable in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes), in the event access to Renminbi becomes restricted to the extent that, by reason of Inconvertibility, Non-Transferability or Illiquidity (each as defined in Condition 7(e)), the Issuer is unable to make any payment in respect of the RMB Note in Renminbi, the terms of such RMB Notes will permit the Issuer to make payment in U.S. dollars converted at the Spot Rate, all as provided in the Terms and Conditions of the Notes. The value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the market place.

Investment in RMB Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBoC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to RMB Notes will be made in Renminbi unless a RMB Currency Event is specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes), and a RMB Currency Event occurs, in which case payment will be made in U.S. dollars. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

An investment in Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in Renminbi interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of RMB Notes will only be made to investors in the manner specified in terms and conditions of the relevant RMB Notes

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong or such other RMB Settlement Centre(s) as may be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). All Renminbi payments to investors in respect of the RMB Notes will be made solely (i) for so long as the RMB Notes are represented by a Global Note Certificate held with the common depositary for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or any such other RMB Settlement Centre(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or such other RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than described in the Terms and Conditions of the Notes, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, cheque or draft or by transfer to a bank account in the PRC).

Risks Related to the Notes Generally

Set out below is a description of material risks relating to the Notes generally:

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

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

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

Holders of beneficial interests in a Global Note Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

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

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

Under current Abu Dhabi law, the Abu Dhabi courts are unlikely to enforce an English or United States court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the UAE, may not accord with the perception of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors contribute to judicial uncertainty.

The Notes, the Agency Agreement, the Trust Deed and the Dealer Agreement are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the LCIA Arbitration Rules, with the seat of any such arbitration to be London, England.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Abu Dhabi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. In practice, however, whether the Abu Dhabi courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention has yet to be tested. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. There is, however, no system of binding judicial precedent in the UAE and it is unclear if these decisions are subject to any appeal (it should be noted that only the Dubai Court of Cassation decision was a final decision). Therefore, how the New York Convention provisions would be interpreted and applied by the Abu Dhabi courts in practice and whether the Abu Dhabi courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention (or any other multilateral or bilateral enforcement convention), remain largely untested.

The uncertainty regarding the interpretation and application of the New York Convention provisions by the courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and because of the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Abu Dhabi courts will take the same approach in similar proceedings in the future. In practice, therefore, how the New York Convention provisions would be interpreted and applied by the Abu Dhabi courts, and whether the Abu Dhabi courts will enforce a foreign arbitration award in accordance with the New York Convention, remains largely untested.

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

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

The Issuer has waived its rights in relation to sovereign immunity, however, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Agency

Agreement, the Trust Deed and the Dealer Agreement are valid and binding under the laws of the UAE and applicable in Abu Dhabi.

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. The Terms and Conditions of the Notes also provide that a written resolution signed by the holders of 75 per cent. in nominal amount of the Notes outstanding shall take effect as if it were an Extraordinary Resolution. In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer and the Trustee (as the case may be) will be entitled to rely upon:

- where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and
- where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer and/or the Trustee (as the case may be) (a) by accountholders in the clearing systems with entitlements to such global certificate and/or, (b) where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, DTC, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system and, in the case of (b) above, such clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting (where applicable) and Noteholders who voted in a manner contrary to the majority.

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

The value of the Notes could be adversely affected by a change in English law or administrative practice

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should

definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks Related to the Market Generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

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

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note would not be available at such Note's maturity.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

OVERVIEW

TAQA is the holding company for a diversified international energy group headquartered in the Emirate of Abu Dhabi, United Arab Emirates. The Group 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. For the year ended 31 December 2017, the Group's revenue was AED 16,680 million and it reported a profit of AED 1,043 million.

POWER AND WATER

The Power and Water business is the largest of the Group's two business streams and comprises the ownership, development, acquisition and operation of power generation and water desalination facilities. TAQA owns majority interests in eight power generation and water desalination facilities in the UAE. In addition, TAQA owns an interest in and operates power generation facilities in each of Morocco, India and Ghana. TAQA also owns a majority interest in a tolling agreement in relation to a power generation facility in the United States and minority interests in a company which operates an aluminium smelter and related power generation plant in Oman and a power generation company in Saudi Arabia.

For the year ended 31 December 2017, the Power and Water business stream generated consolidated revenue from external customers of AED 11,215 million, or 67.2 per cent. of the Group's total consolidated revenue, and recorded a profit for the year (before adjustments, eliminations and unallocated) of AED 2,463 million.

As at 31 December 2017, the Group's facilities (excluding the power generation plant at Sohar Aluminium Company LLC ("**Sohar Aluminium**") in Oman but including the Group's minority interest in the Jubail power plant in Saudi Arabia) had a gross power generation capacity of 12,487MW in the UAE and 3,923MW in operations outside the UAE and a gross desalinated water production capacity of 917MIGD. Based on TAQA's percentage ownership, its aggregate net interest in the facilities as at 31 December 2017 was 6,743MW in the UAE, 3,217MW internationally and 495MIGD, respectively. For the year ended 31 December 2017, total power production from the facilities was 89.846 GWh and total desalinated water production from the facilities was 249.469 MIG.

OIL AND GAS

The Group is engaged in upstream and midstream oil and gas businesses with its principal operations in North America (comprising Canada and the northwestern United States), the UK North Sea and The Netherlands. The Group also has a 39.9 per cent. interest in a PSC governing the Atrush Block in the Kurdistan Region of Iraq. The Group's upstream oil and gas business includes exploration, development and production of crude oil, natural gas and natural gas liquids. The Group's midstream oil and gas business includes gas storage, oil and gas processing and transport. For the year ended 31 December 2017, the Oil and Gas business stream generated consolidated revenue from external customers of AED 5,465 million, or 32.8 per cent. of the Group's total consolidated revenue, and recorded a loss (before adjustments, eliminations and unallocated) of AED 73 million. For the year ended 31 December 2016, aggregate daily average crude oil, natural gas liquids and natural gas production was 49.1 mboe/d, 12.9 mboe/d and 385.1 mmcf/d, respectively.

STRATEGY

TAQA's long-term strategy is to develop energy and water businesses of scale, focused on long-term value creation and diversification of risk by becoming a leading power and water business focused on the MENA region and a significant oil and gas business. A key objective for both business streams is to bring substantial technology and capability benefits 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 its geographic focus, TAQA aims to grow its business within the UAE and the MENA region, while also considering organic growth opportunities that fit its strategy within its current footprint.

TAQA's Power and Water business stream has grown through acquisition and brownfield growth in seven countries, which provide a strong platform of stable cash flows and underpins the financial stability of the Group.

TAQA's Oil and Gas business stream has acquired and developed significant operational capabilities globally in North America, Europe and the Middle East. In both business streams, TAQA is primarily focused on organic growth, as evidenced by the recent completion of power expansion projects at Jorf Lasfar in Morocco and Takoradi in Ghana and the Gas Storage Bergermeer project as well as the recent development of the Atrush Block in the Kurdistan Region of Iraq.

Through the implementation of its strategy, the Group is making a meaningful contribution to the Abu Dhabi Economic Vision 2030 in the key areas of economic development, social and human resource development and infrastructure development, see "*Overview of the UAE and Abu Dhabi*". In particular, TAQA's strategy seeks to enable

the diversification of income and the creation of a sustainable knowledge-based economy for Abu Dhabi as well as the provision of a reliable supply of electricity and water.

TAQA's strategy is based on five pillars:

- **Strong Abu Dhabi relationships**. TAQA builds on the strength of its Abu Dhabi relationships and contributes to the delivery of the Abu Dhabi Economic Vision 2030. It manages strategic energy and water assets critical to Abu Dhabi and the UAE. The Abu Dhabi relationships enable TAQA to more effectively manage geopolitical, regulatory and market risk in its international operations, and particularly in the MENA region.
- **Operational excellence and technology application**. TAQA considers health and safety and the protection of the environment to be its top priorities. TAQA is continuously striving for operational excellence and seeks to apply leading technologies in order to deliver strong financial and operational performance. The Group continues to focus on improving and enhancing infrastructure, creating safer facilities with more facility uptime, as well as greater operational and cost efficiency.
- **Long-term value creation and portfolio realignment**. Through a diversified mix of assets, TAQA generates a combination of stable cash flows and exposure to commodity price recovery. The Power and Water business stream provides stability in times of lower commodity prices. Cost reduction programmes implemented by the Group in 2015 and 2013 have reduced and are expected to continue to reduce the Group's operating costs and capital expenditures, whilst still focusing on managing production levels in the Oil and Gas business stream. Further operational efficiency has been achieved 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. TAQA continues to review its portfolio for opportunities to divest non-strategic assets to increase the Group's strategic focus, provided that the divestment is value creating.
- **Strong financial management**. The Group is committed to make prudent financial decisions with carefully planned and executed capital expenditure programmes and to apply leading levels of corporate governance to its financial decision-making processes, including through the implementation of its Transformation Programme, which it completed at the end of 2016 and which had focused on reducing operating expenses and revisiting levels of capital expenditure with a focus on financial management. The Group is focused on maintaining strong cash and liquidity positions, particularly when commodity prices are low, and aims to strengthen its credit metrics and gearing ratios over time.
- **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. TAQA believes that its culture is unique, thus creating a competitive advantage in global markets. TAQA has increased, and continues to actively increase, Emiratisation at its headquarters. Finally, TAQA is committed to being a responsible corporate citizen in the communities where it operates.

COMPETITIVE STRENGTHS

TAQA's strategy is founded on three distinctive competitive strengths.

Abu Dhabi Government Support

The Group benefits significantly from the strong support of the Abu Dhabi government, which indirectly owns approximately 75.2 per cent. of TAQA's share capital. In January 2011, the Abu Dhabi Department of Finance confirmed that the Abu Dhabi government's policy is to provide broad and ongoing support to TAQA. TAQA is the leading diversified energy operator of scale among Abu Dhabi's state-owned enterprises and, as such, it is uniquely positioned to support specific opportunities in line with the Emirate's public and foreign policy. This advantage is sustainable and provides the following benefits:

- Ownership of energy and water assets in Abu Dhabi. TAQA provides over 85 per cent. of the electricity and water requirements of the Emirate through its majority ownership of eight integrated power generation and water desalination plants that were contributed to it by ADWEA. This set of assets is the core of the Group's global Power and Water portfolio, and positions the Group within the top 10 global independent power producers in terms of gross power generation capacity.
- Support from Abu Dhabi in TAQA's relationships with non-UAE governments. Abu Dhabi has very strong government-to-government relationships with many countries. TAQA directly and indirectly benefits from these relationships, either through the support of development or operational activities internationally, or through access to a unique pipeline of international opportunities.

- In addition, the Abu Dhabi government has supported TAQA through the contribution of other assets, such as what are now TAQA's interests in Sohar Aluminium and Massar Solutions, and other specific actions, including the granting of 99-year leasehold rights over certain plots of land in the UAE valued at AED 18,682 million, which resulted in TAQA offsetting losses from pre-tax impairment charges in an amount of AED 20,020 million, and the waiver by the Group's majority shareholder of an outstanding loan and related interest in 2014. This waiver increased TAQA's retained earnings by AED 2,919 million in 2014, and the granting of the leasehold rights decreased the accumulated losses to AED 2,802 million as at 31 December 2016.

Large and Diversified Portfolio with a Presence in Emerging Markets

The Group operates in 11 countries spread across four continents, with businesses that span the energy value chain from upstream oil and gas exploration, development and operations to midstream oil and gas transport and storage services, as well as power generation and water desalination. This diversified platform has enabled the Group to reduce its exposure to individual business, country and currency risks. The Group's assets are balanced between investments dependent on commodity prices and investments that provide long-term committed revenue and earnings, see "*Description of the Business — Business Streams — Power and Water — Contractual nature of the power and water business*", as well as investments in developed and emerging markets.

The Group has assets in a number of emerging markets in the Middle East, Africa and India. These economies are experiencing, and are expected to continue to experience, higher economic growth rates than more mature markets. This growth not only translates into higher demand growth for energy, particularly electricity, but also requires significant investments in critical infrastructure such as power generation facilities and related energy infrastructure. TAQA believes that the Group is well positioned to benefit from these trends, particularly through its power generation presence and expansion in such markets.

Proven Capabilities

TAQA has proven capabilities in a number of areas, including project development and operations. It has successfully implemented a number of large capital projects, including the U.S.$1.6 billion expansion of the Jorf Lasfar power plant in Morocco in 2014, the U.S.$1 billion development of Gas Storage Bergermeer in The Netherlands in 2015 and the 110MW combined cycle expansion of the Takoradi power plant in Ghana in 2015. In 2017, the 30,000bpd central processing facility at the Atrush Block in the Kurdistan Region of Iraq commenced production

The Group also has a solid track record in operating energy assets throughout the value chain. It operates onshore and offshore oil and gas exploration and production activities as well as midstream infrastructure in North America and Europe. The Group also operates power plants in the UAE, Morocco, India and Ghana.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes).

This Overview of the Programme constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Issuer:	Abu Dhabi National Energy Company PJSC.
Issuer Legal Entity Identifier (LEI):	213800UNJSVQFNUYYW03.
Description:	Global Medium Term Note Programme.
Size:	Up to U.S.$9,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arrangers:	Citigroup Global Markets Limited, First Abu Dhabi Bank PJSC, HSBC Bank plc, ING Bank N.V., London Branch, Mizuho International plc, Scotiabank Europe plc and SMBC Nikko Capital Markets Limited.
Dealers:	Citigroup Global Markets Limited, First Abu Dhabi Bank PJSC, HSBC Bank plc, ING Bank N.V., London Branch, Mizuho International plc, Scotiabank Europe plc and SMBC Nikko Capital Markets Limited. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches, where the context allows.
Trustee:	Citicorp Trustee Company Limited.
Principal Paying and Transfer Agent:	Citibank, N.A.
Registrar:	Citigroup Global Markets Deutschland AG.
Paying and Transfer Agent:	Citibank Europe plc
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms or, in the case of Exempt Notes, Pricing Supplement.
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes will be issued in registered form only. Notes will be evidenced by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Notes of one Series.
Clearing Systems:	Clearstream, Luxembourg, Euroclear (in the case of Regulation S Notes), DTC (in the case of Rule 144A Notes) and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Principal Paying and Transfer Agent, the Trustee and the relevant Dealer.

Initial Delivery of Notes:

Each Series of Notes may be evidenced by (i) interests in a Regulation S Global Note Certificate in the case of Notes offered outside the United States in reliance on Regulation S and/or (ii) interests in a Rule 144A Global Note Certificate in the case of Notes offered inside the United States to QIBs in reliance on Rule 144A. Each Regulation S Global Note Certificate will be deposited on or before the relevant issue date with, and registered in the name of a nominee of, the Common Depositary. Each Rule 144A Global Note Certificate will be deposited on or before the relevant issue date with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Clearing and Settlement*". The provisions governing the exchange of interests in Global Note Certificates for Individual Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

Currencies:

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Maturities:

Subject to compliance with all relevant laws, regulations and directives, any maturity.

Specified Denomination:

Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that (other than in the case of Exempt Notes): (i) the minimum denomination of each Note will be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); (ii) in the case of any Notes denominated in U.S. dollars, the minimum Specified Denomination shall be U.S.$200,000; and (iii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes:

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).

Floating Rate Notes:

Floating Rate Notes (as defined in "*Terms and Conditions of the Notes*") will bear interest determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., or

(ii) on the basis of the reference rate set out in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).

Interest periods will be specified in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).

Exempt Notes:

The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the relevant Pricing Supplement.

Zero Coupon Notes:

Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.

Interest Periods and Interest Rates:

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a

	minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).
Redemption:	The relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies) (other than Exempt Notes).
Optional Redemption:	The Final Terms (or Pricing Supplement, in the case of Exempt Notes) issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders (in addition to the option described in "— *Noteholder Put Option upon Change of Control*" below), and if so the terms applicable to such redemption.
Noteholder Put Option upon Change of Control:	If the Emirate of Abu Dhabi, including, without limitation, any agency of its government or any entity controlled by it, at any time ceases to own and control (directly or indirectly) more than 50 per cent. of the economic and voting rights in respect of the Issuer, then each Note in respect of which the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) specifies that the Change of Control Put Option is applicable will be redeemable at the option of the holder at the Change of Control Redemption Amount set out in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes), together with (if applicable) interest accrued to but excluding the relevant Put Date (as defined in "*Terms and Conditions of the Notes*") if such option is exercised within the period of 30 days after the relevant Change of Control Notice (as defined in "*Terms and Conditions of the Notes*") is given.
Status of the Notes:	Subject as set out in "— *Negative Pledge*" below, the Notes are unsecured obligations of the Issuer which rank *pari passu*, without any preference among themselves and, subject as aforesaid, with all other outstanding present and future unsecured and unsubordinated obligations of the Issuer.
Negative Pledge:	The Notes contain a negative pledge in respect of the Issuer and any Material Subsidiary in relation to the creation of any Security Interest (other than certain Permitted Security Interests) to secure Relevant Indebtedness (as each such term is defined in "*Terms and Conditions of the Notes*"). See "*Terms and Conditions of the Notes — Covenants — Negative Pledge*".
Restriction on Disposals:	The Notes contain a restriction on disposals for so long as any Existing Bonds remain outstanding (other than as approved by an Extraordinary Resolution (each such term as defined in "*Terms and Conditions of the Notes*")) (1) by the Issuer or any Subsidiary (as defined in "*Terms and Conditions of the Notes*") of shares in any Domestic Subsidiary (or any holding company of any Domestic Subsidiary), in each case if, and to the extent that, any such disposal would result in the proportion of the total issued share capital of such Domestic Subsidiary beneficially owned by the Issuer (either directly or indirectly) being less than the proportion so owned by the Issuer on the Existing Bonds Issue Date (as defined in "*Terms and Conditions of the Notes*"), and (2) by any Domestic Subsidiary of its assets other than: (i) sales of inventory (including, without limitation, electricity and desalinated water) in the ordinary course of business; (ii) sales or transfers between one or more Domestic Subsidiaries;

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

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

Domestic Subsidiary (as defined in "*Terms and Conditions of the Notes*") includes any subsidiary of the Issuer which is engaged from time to time in the business of power generation and/or water desalination in the Emirates of Abu Dhabi or Fujairah.

Cross Acceleration: The Notes contain a cross-acceleration provision in respect of other Borrowed Money Indebtedness (as defined in "*Terms and Conditions of the Notes*" and including for this purpose any guarantee or indemnity in respect of the relevant indebtedness) of the Issuer or any Material Subsidiary becoming due and payable prior to its stated maturity by reason of any actual or potential default or event of default or a failure by the Issuer or any Material Subsidiary to pay when due, or within any applicable grace period, any Borrowed Money Indebtedness subject to an aggregate threshold amount of such Borrowed Money Indebtedness of U.S.$50,000,000. See "*Terms and Conditions of the Notes — Events of Default*".

Ratings: The Programme has been rated by Moody's and Fitch.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be disclosed in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the ratings assigned to the Programme.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Early Redemption: Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes — Redemption*".

Withholding Tax: All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United Arab Emirates or the Emirate of Abu Dhabi subject to customary exceptions, all as described in "*Terms and Conditions of the Notes — Taxation*".

Governing Law: The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

Listing and Admission to Trading: Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange or as otherwise specified in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes). In addition, application may be made to admit the Notes to trading on the Abu Dhabi Securities Exchange. As specified in the relevant Pricing Supplement, in the case of Exempt Notes, a Series of Notes may be unlisted.

Selling Restrictions: The United States, the EEA (including the United Kingdom), the United Arab Emirates, the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar, the State of Kuwait, the Republic of Singapore, Hong Kong, the PRC and the State of Japan. See "*Subscription and Sale*".

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions (as defined below) that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note Certificate(s) evidencing each Series. Either (i) the full text of these Conditions together with the relevant provisions of Part A of the Final Terms or (ii) these Conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Certificates evidencing such Notes. In the case of Exempt Notes, the final terms (or the relevant provisions thereof) are set out in Part A of the relevant Pricing Supplement. The relevant Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms (or, in the case of Exempt Notes, the relevant Pricing Supplement). Those definitions will be endorsed on the Certificates. References in these Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by an amended and restated Trust Deed (as amended or supplemented as at the date of issue of the first Tranche of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 11 April 2018 between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Certificates referred to below. An amended and restated Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 11 April 2018 has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank, N.A. as initial principal paying and transfer agent and calculation agent, Citigroup Global Markets Deutschland AG as registrar and Citibank Europe plc as paying and transfer agent. The principal paying and transfer agent, the paying and transfer agents, the registrar and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Principal Paying and Transfer Agent**", the "**Paying and Transfer Agents**" (which expression shall include the Principal Paying and Transfer Agent), the "**Registrar**" and the "**Calculation Agent(s)**".

Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England) and at the specified offices of the Paying and Transfer Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an "**Exempt Note**"), the applicable pricing supplement (the "**Pricing Supplement**") will only be obtainable by a Noteholder holding one or more such Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying and Transfer Agent as to its holding of such Notes and identity. Any reference in these Conditions to applicable Final Terms shall be deemed to include a reference to applicable Pricing Supplement where relevant. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1 Form, Denomination and Title

The Notes are issued in registered form in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

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

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

In these Conditions, "**Noteholder**" and "**holder**" (in relation to a Note) means the person in whose name a Note is registered. Capitalised terms have the meanings given to them hereon (the absence of any such meaning indicating that such term is not applicable to the Notes) and any terms defined in the Trust Deed and not in these Conditions shall have the same meaning when used herein except where otherwise indicated.

2 Transfers of Notes

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

(b) ***Exercise of Options or Partial Redemption in respect of Notes:*** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a redemption of, some only of a holding of Notes evidenced by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Paying and Transfer Agent. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding.

(c) ***Delivery of New Certificates:*** Each new Certificate to be issued pursuant to Condition 2(a) or (b) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate. Delivery of the new Certificate(s) shall be made at the specified office of the relevant Paying and Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Paying and Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Paying and Transfer Agent or the Registrar (as the case may be).

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

(e) ***Closed Periods:*** No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days prior to any date on which Notes are called for redemption by the Issuer at its option pursuant to Condition 6(d), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)).

3 Status

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

4 Covenants

(a) ***Negative Pledge:*** So long as any Note remains outstanding (as defined in the Trust Deed) the Issuer will not and will ensure that none of its Material Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness or Relevant Sukuk Obligation, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

In these Conditions:

"**Domestic Subsidiary**" means:

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

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

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

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

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

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

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

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

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

(i) whose total assets exceed 10 per cent. of the consolidated total assets of the Issuer; or

(ii) whose net profit before taxation exceeds 10 per cent. of the consolidated net profit before taxation of the Issuer.

For these purposes:

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

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

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

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

(3) subject to paragraph (1) above, if as a result of any transfer, reconstruction, amalgamation, reorganisation, merger or consolidation of a company which, immediately before such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation, satisfied either of the tests set forth in paragraphs (i) and (ii) above, but immediately after such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation does not satisfy either such test, such company shall immediately cease to be a Material Subsidiary;

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

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

(ii) it is limited to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) ***Disposals:*** So long as any Existing Bonds remain outstanding (except as shall have been approved by an Extraordinary Resolution) (1) the Issuer will not and will procure that no Subsidiary will convey, lease, sell, transfer or otherwise dispose of (or agree to do so at any future time) all or any of the shares in any Domestic Subsidiary (or in any holding company of any Domestic Subsidiary) held by the Issuer or such Subsidiary, as the case may be, in each case if, and to the extent that, any such disposal would result in the proportion of the total issued share capital of such Domestic Subsidiary beneficially owned by the Issuer (either directly or indirectly) being less than the proportion so owned by the Issuer on the Existing Bonds Issue Date and (2) the Issuer will procure that none of the Domestic Subsidiaries will convey, lease, sell, transfer or otherwise dispose of (or agree to do so at any future time) all or any part of their assets except (in respect of the restriction in this sub-paragraph (2) only):

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

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

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

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

In these Conditions, "**Existing Bonds**" means the U.S.$1,500,000,000 6.5 per cent. Bonds due 2036, issued on 27 October 2006 (the "**Existing Bonds Issue Date**") by the Issuer.

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

The Issuer has undertaken in the Trust Deed to deliver to the Trustee, within 30 days of its annual audited financial statements being made available to its members, and also within 30 days of a request therefor made by the Trustee, a certificate of the Issuer signed by a duly authorised officer as to there not having been an Event of Default or Potential Event of Default or a Change of Control (as defined in Condition 6 below) or other breach of the Trust Deed since the date of the last such certificate or, if none, the date of the Trust Deed, or if such an event has occurred, giving details of it. The Trustee shall be entitled to rely on such certificate and shall not be obliged to independently monitor compliance by the Issuer with the covenants set forth in this Condition 4, nor be liable to any person for not so doing and need not enquire further as to circumstances existing on the date of such certificate.

5 Interest and other Calculations

(a) Interest on Fixed Rate Notes: Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date (as defined in Condition 5(j)) at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date provided that, if the Specified Currency is Renminbi and any Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day. The amount of interest payable shall be determined in accordance with Condition 5(g).

(b) Interest on Floating Rate Notes:

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day (as defined in Condition 5(j)), then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period (as defined in Condition 5(j)) shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions (as defined in Condition 5(j)) and under which:

(a) the Floating Rate Option is as specified hereon;

(b) the Designated Maturity is a period specified hereon; and

(c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination

(a) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as defined in Condition 5(j)) (being either LIBOR, EURIBOR, HIBOR or CNH HIBOR as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (as defined in Condition 5(j)) as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or, in the case of CNH HIBOR, 11.15 a.m. (Hong Kong time) or 2.30 p.m. (Hong Kong time) if, at or around that earlier time it is notified that the fixing will be published on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(b) If the Relevant Screen Page is not available or if sub-paragraph (a)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (a)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time if the Reference Rate is LIBOR, Brussels time if the Reference Rate is EURIBOR or Hong Kong time if the Reference Rate is HIBOR or CNH HIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(c) If paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.00 a.m. (London time if the Reference Rate is LIBOR, Brussels time if the Reference Rate is EURIBOR or Hong Kong time if the Reference Rate is HIBOR or CNH HIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market, if the Reference

Rate is EURIBOR, the Euro-zone interbank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate at approximately 11.00 a.m. (London time if the Reference Rate is LIBOR, Brussels time if the Reference Rate is EURIBOR or Hong Kong time if the Reference Rate is HIBOR or CNH HIBOR), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market, if the Reference Rate is EURIBOR, the Euro-zone interbank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) Linear Interpolation:

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(d) Zero Coupon Notes:

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(e) Accrual of Interest:

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

(f) Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) by adding (if a positive number) or subtracting

the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(iv) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(g) ***Calculations:*** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction (as defined in Condition 5(j)) for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:***

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any other determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or any Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying and Transfer Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(i) ***Determination or Calculation by Trustee:***

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early

Redemption Amount or Optional Redemption Amount and the Issuer fails to appoint a leading bank or investment banking firm under Condition 5(k) below, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(j) ***Definitions:***

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency;

(ii) in the case of euro, a day on which the TARGET2 System is open (a "**TARGET2 Business Day**");

(iii) in the case of Renminbi, a day (other than a Saturday or Sunday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; or

(iv) in the case of a currency and/or one or more Business Centres specified hereon a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres (including in each case if TARGET2 System is specified as a Business Centre in the applicable Final Terms, a TARGET2 Business Day);

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "Actual/Actual" or "Actual/Actual — ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

(vii) if "Actual/Actual-ICMA" is specified hereon:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in

such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date;

"**Determination Date**" means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part, provided that if the Specified Currency is Renminbi, the Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01 (with halves being rounded up); and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling, euro nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR;

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

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Chinese Yuan in the Hong Kong inter-bank market, in each case selected by the Calculation Agent;

"**Reference Rate**" means the rate specified as such hereon;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or such replacement page, section, caption, column or other part of that service which displays the information);

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated; and

"**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

(k) ***Calculation Agent:*** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee, such approval not to be unreasonably withheld or delayed) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption

(a) ***Final Redemption:***

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency. In the case of Fixed Rate Notes where the Specified Currency is Renminbi, if the Maturity Date falls on a day which is not a Business Day, the Maturity Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Maturity Date shall be brought forward to the immediately preceding Business Day.

(b) ***Early Redemption:***

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as provided in sub-paragraph (B) above except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable was the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) Other Notes: The Early Redemption Amount payable in respect of any Note (other than Notes described in paragraph (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) Redemption for Taxation Reasons: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Abu Dhabi or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two duly authorised officers of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders.

(d) Redemption at the Option of the Issuer: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other minimum and maximum notice periods as may be specified in the applicable Final Terms), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together (if applicable) with interest accrued to but excluding the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount (if any) to be redeemed specified hereon and no greater than the Maximum Redemption Amount (if any) to be redeemed specified hereon. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall, unless otherwise specified hereon, also specify the nominal amount of Notes drawn and the holder(s) of such Notes, to be redeemed, which shall have been drawn in such place as the Trustee may in its sole discretion, approve and in such manner as it, in its opinion, deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) Redemption at the Option of Noteholders:

(i) If General Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other minimum and maximum notice periods as may be specified in the applicable Final Terms) redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together (if applicable) with interest accrued to but excluding the date fixed for redemption or purchase, as the case may be.

(ii) If Change of Control Put Option is specified hereon and if a Change of Control occurs, the Issuer shall, at the option of the holder of any such Note (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c) or 6(d)), redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Put Date at its Change of Control Redemption Amount together (if applicable) with interest accrued to but excluding the Put Date.

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

of Control Notice") to the Noteholders in accordance with Condition 16 specifying the nature of the Change of Control.

If 85 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or, as the case may be, purchased, pursuant to this Condition 6(e)(ii), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Put Date), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes at their Change of Control Redemption Amount together (if applicable) with interest accrued to but excluding the date fixed for redemption or purchase, as the case may be.

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

For the purpose of these Conditions:

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

(b) "**Put Date**" shall be the tenth Business Day after the expiry of the Put Period; and

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

(iii) To exercise any option specified in this Condition 6(e) the holder must deposit the Certificate evidencing such Note(s) with the Registrar or any Paying and Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying and Transfer Agent or the Registrar (as applicable) within the Notice Period or the Put Period, as applicable. No Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) ***Purchases:*** The Issuer and any Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

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

7 Payments

(a) ***Notes:***

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

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

(iii) For the purposes of Condition 7(a)(ii)), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear in the Register at the close of business on the Record Date.

(b) ***Payments subject to Fiscal Laws:*** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of

Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) ***Appointment of Agents:*** The Principal Paying and Transfer Agent, the Paying and Transfer Agents, the Registrar and the Calculation Agent initially appointed by the Issuer are set out above. The Principal Paying and Transfer Agent, the Paying and Transfer Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee, such approval not to be unreasonably withheld or delayed, to vary or terminate the appointment of the Principal Paying and Transfer Agent, any other Paying and Transfer Agent, the Registrar or the Calculation Agent(s) and to appoint additional or other Paying and Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying and Transfer Agent, (ii) a Registrar, (iii) one or more Calculation Agent(s) where the Conditions so require and (iv) a Paying and Transfer Agent (which may be the Principal Paying and Transfer Agent) having its specified office in a major European city.

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

(d) ***Non-Business Days:*** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in the relevant place of presentation, in such jurisdictions as shall be specified as "Additional Financial Centres" hereon (including if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a TARGET2 Business Day) and:

(i) (in the case of a payment in a currency other than euro or Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency;

(ii) which (in the case of a payment in euro) is a TARGET2 Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

(e) ***RMB Currency Event:***

If "RMB Currency Event" is specified in the applicable Final Terms and notwithstanding any other provision in these Conditions, by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able, or it would be impracticable for it, to satisfy any payment due under the Notes in Renminbi, the Issuer shall, on giving not less than five and not more than 30 days' irrevocable notice to the Noteholders prior to the due date for the relevant payment (unless this is not possible because the Issuer does not become aware of the Inconvertibility, Non-transferability or Illiquidity until the time at which payment is due to be made, when no such notice shall be required), settle such payment in the Relevant Currency on the due date at the Relevant Currency Equivalent of the relevant Renminbi amount.

In such event, payment of the Relevant Currency Equivalent of the relevant Renminbi amounts due under the Notes shall be made in accordance with Condition 7(a).

In this Condition 7(e):

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets of Hong Kong (including the HKMA);

"**HKMA**" means the Hong Kong Monetary Authority;

"**Illiquidity**" means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain a sufficient amount of Renminbi in order to satisfy in full its obligation to make any payment due under the Notes;

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date on which agreement is reached to issue the first Tranche of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Non-transferability**" means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date on which agreement is reached to issue the first Tranche of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Rate Calculation Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and the principal financial centre of the Relevant Currency;

"**Rate Calculation Date**" means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions;

"**Relevant Currency**" means U.S. dollars or such other currency as may be specified hereon;

"**Relevant Currency Equivalent**" means the Renminbi amount converted into the Relevant Currency using the Spot Rate for the relevant Rate Calculation Date; and

"**Spot Rate**", for a Rate Calculation Date, means the spot rate between Renminbi and the Relevant Currency as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on such date in good faith and in a reasonable commercial manner; and if a spot rate is not readily available, the Calculation Agent may determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the People's Republic of China domestic foreign exchange market.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Arab Emirates or the Emirate of Abu Dhabi therein or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note:

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

(b) ***Surrendered for payment more than 30 days after the Relevant Date:*** In cases where surrender is required, in respect of which the Certificate is surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrender of such Certificate for payment on the thirtieth day assuming that day to have been a business day (as defined in Condition 7(d) above).

As used in these Conditions, "**Relevant Date**" in respect of any Note means whichever is the later of (i) the date on which payment in respect of it first becomes due and (ii) if the full amount payable has not been received by the Principal Paying and Transfer Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts (except as provided in Condition 7(a)), Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall (except as provided in Condition 7(a)) be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed

to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9 Prescription

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

10 Events of Default

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

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

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

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

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

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

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

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

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

(i) ***Analogous Events:*** Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

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

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

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

(ii) any liability under or pursuant to any:

(a) letter of credit;

(b) acceptance credit facility;

(c) note purchase facility; or

(d) foreign currency transaction;

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

(iv) any liability under or pursuant to any guarantee or indemnity in respect of any of the obligations referred to in paragraphs (ii) or (iii) above.

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

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders: The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

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

(b) Modification of the Trust Deed and Waiver: The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed which is, in its

opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) ***Substitution:*** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of certain other entities (being the Issuer's successor in business or any Subsidiary or such Subsidiary's successor in business, subject, in the case of a Subsidiary or such Subsidiary's successor in business, to the Notes being guaranteed by the Issuer to the Trustee's satisfaction and all as further provided in the Trust Deed) in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

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

12 Enforcement

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

13 Indemnification of the Trustee

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

14 Replacement of Notes and Certificates

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

15 Further Issues

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

16 Notices

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

17 Contracts (Rights of Third Parties) Act 1999

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

18 Governing Law and Jurisdiction

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

(b) ***Arbitration***:

(i) Subject to Condition 18(b)(ii) below, the Trustee and the Issuer have irrevocably agreed in the Trust Deed that any dispute arising out of or connected with the Trust Deed (which includes the Certificates, these Conditions and this Condition 18(b)), including a dispute as to the validity, existence or termination of the Trust Deed or a dispute relating to any non-contractual obligations arising out of the Trust Deed (a "**Dispute**") shall be resolved by arbitration in London, England conducted in the English language by three arbitrators, in accordance with the LCIA Arbitration Rules (as amended from time to time, the "**Rules**") (with party nomination of arbitrators), which Rules are deemed to be incorporated by reference into this Condition, save that, unless the parties agree otherwise, the third arbitrator, who shall act as chairman of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If he is not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, he shall be chosen by the London Court of International Arbitration (the "**LCIA**").

(ii) Notwithstanding Condition 18(b)(i) above, a Dispute may, at the sole option of the Trustee, be resolved by proceedings brought in the courts of England. If the Trustee wishes to exercise this option, it must do so by notice (the "**Notice**") to the Issuer and, if a Request for Arbitration (as defined in the Rules) has been served, the Notice must be given within 28 days of such service. If the Trustee gives Notice pursuant to this Condition 18(b)(ii), the Dispute to which such Notice refers shall be determined in accordance with Condition 18(b)(iv) and any arbitration commenced under Condition 18(b)(i) in respect of the Dispute will be terminated. Subject, in the case of the Trustee, to its rights under Clause 9 of the Trust Deed, each of the parties to the terminated arbitration will bear its own costs in relation thereto.

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

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

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

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

(iv) If a Notice is given pursuant to Condition 18(b)(ii), the Courts of England shall have jurisdiction to settle any Dispute, and the Issuer has waived under the Trust Deed any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Dispute, and has agreed not to claim that any such court is not a convenient or appropriate forum. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts. This submission is made for the benefit of each of the Noteholders and the Trustee and shall not limit the right of any of them to take proceedings in respect of a Dispute in any other court of competent jurisdiction nor shall the taking of such proceedings in one or more jurisdictions preclude the taking of such

proceedings in any other jurisdiction (whether concurrently or not), in each case to the extent allowed by law.

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

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

THE GLOBAL NOTE CERTIFICATES

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

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

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

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

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

AMENDMENTS TO TERMS AND CONDITIONS OF THE NOTES

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

Payments

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

appropriate schedule to the relevant Global Note Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

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

Meetings

The holder of each Global Note Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Trustee Powers

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

Cancellation

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

Transfers

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

Notices

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

EXCHANGE FOR INDIVIDUAL CERTIFICATES

Exchange

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

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

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

Delivery

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

Legends

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

Electronic Consent and Written Resolution

While any Global Note Certificate is registered in the name of any nominee for a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require a special quorum resolution (as defined in the Trust Deed) to be passed at a meeting), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, (a) by accountholders in the clearing system with entitlements to such Global Note Certificate and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, DTC, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

CLEARING AND SETTLEMENT

Custodial and depositary links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of any Notes evidenced by a Global Note Certificate and cross-market transfers of such Notes associated with secondary market trading. See "*— Book-Entry Ownership*" and "*— Settlement and Transfer of Notes*" below.

Investors may hold their interests in a Global Note Certificate directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

EUROCLEAR AND CLEARSTREAM, LUXEMBOURG

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organization" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in a Rule 144A Global Note Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Note Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Summary of Provisions Relating to the Notes while in Global Form — Exchange for Individual Certificates*", DTC will cause its custodian to surrender the Rule 144A Global Note Certificate for exchange for Rule 144A Individual Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Payments through DTC

Payments in U.S. dollars of principal and interest in respect of a Global Note Certificate registered in the name of, or in the name of a nominee for, DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than U.S. dollars in respect of Notes evidenced by a Global Note Certificate registered in the name of, or in the name of a nominee for, DTC will be made or procured to be made by the Principal Paying and Transfer Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Principal Paying and Transfer Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Issuer by the Principal Paying and Transfer Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC Participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Principal Paying and Transfer Agent will convert amounts in such currency into U.S. dollars and deliver such U.S. dollar amount in same day funds to DTC for payment

through its settlement system to those DTC Participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

BOOK-ENTRY OWNERSHIP

Euroclear and Clearstream, Luxembourg

Each Regulation S Global Note Certificate evidencing Regulation S Notes will have an International Securities Identification Number ("**ISIN**") and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

Each Rule 144A Global Note Certificate evidencing the Rule 144A Notes will have an ISIN, Common Code and a Committee on Uniform Securities Identification Procedures ("**CUSIP**") number and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer to the holder of such Global Note Certificate (save in the case of payments other than in U.S. dollars outside DTC, as referred to in "*— DTC — Payments through DTC*" above) and in relation to all other rights arising under such Global Note Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Paying and Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

SETTLEMENT AND TRANSFER OF NOTES

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Individual Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems

to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or to otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in a Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of a Rule 144A Global Note Certificate will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by such Rule 144A Global Note Certificate of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in a Rule 144A Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will transmit appropriate instructions to the custodian of such Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and instruct the Registrar to: (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note Certificate.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Note Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Paying and Transfer Agent will have the responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their

respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Settlement of Pre-issue Trades

It is expected that delivery of Notes will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market are generally required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes will initially settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes, including supporting liquidity and the repayment of outstanding debt, including with entities which may be underwriting a particular tranche of Notes issued under the Programme, or their affiliates. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).

CAPITALISATION

The table below shows the Group's capitalisation and indebtedness as at 31 December 2017. This table should be read together with the Financial Statements incorporated by reference in this Prospectus.

	As at 31 December 2017
	(AED millions)
Bank balances and cash[(1)]	**4,400**
Debt:	
Short-term debt[(2)]	7,337
Long-term debt[(3)]	63,081
Total debt	**70,418**
Equity:	
Issued capital	6,066
Contributed capital	25
Other reserves	3,689
Accumulated losses	(2,707)
Foreign currency translation reserve	(1,928)
Cumulative change in the fair value of derivatives in cash flow hedges	(1,617)
Non-controlling interests	5,366
Loan from non-controlling interest shareholders in controlled subsidiaries	242
Total equity	**9,136**
Total capitalisation[(4)]	**72,217**

Notes:

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

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

(3) Excludes debt with a maturity of less than 12 months. The Notes, when issued, will constitute long-term debt.

(4) Total equity plus long-term debt.

The Group has not incurred further debt since 31 December 2017. The Group expects to continue to raise financing through issues of Notes under the Programme and through bank finance. There has been no material change in the capitalisation of the Group since 31 December 2017.

SELECTED FINANCIAL AND OTHER INFORMATION

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

Consolidated Income Statement Data

The table below shows the Group's consolidated income statement for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December			
	2017	*2017*	*2016*	*2015*
	(U.S.$ millions)	*(AED millions)*		
Revenue				
Revenue from oil and gas (net of royalties)	1,348	4,951	4,234	6,291
Revenue from electricity and water	2,569	9,436	9,546	9,685
Fuel revenue	456	1,676	1,672	2,269
Gas storage revenue	59	218	290	261
Other operating revenue	109	399	376	838
	4,541	**16,680**	**16,118**	**19,344**
Cost of sales				
Operating expenses	(1,965)	(7,216)	(7,066)	(9,120)
Depreciation, deletion and amortisation	(804)	(2,955)	(6,339)	(6,541)
Dry hole expenses	(6)	(22)	(53)	(17)
Provisions for impairment	-	-	(22,020)	(835)
	(2,775)	**(10,193)**	**(35,478)**	**(16,513)**
Gross profit/(loss)	**1,766**	**6,487**	**(19,360)**	**2,831**
Administrative and other expenses	(138)	(508)	(580)	(713)
Finance costs	(1,192)	(4,380)	(4,636)	(4,635)
Finance income	13	46	28	27
Changes in fair value of derivatives and fair value hedges	(22)	(84)	(78)	(138)
Net foreign exchange gains	11	42	159	64
Gain on derecognition of a subsidiary	23	86	-	-
Gain on sale of land and oil and gas assets	21	78	58	21
Share of results of associates	26	96	56	104
Share of results of a joint venture	8	29	21	23
Other (losses) gain	33	123	(10)	3
Profit/(Loss) before tax	**549**	**2,015**	**(24,342)**	**(2,413)**
Income tax (expense)/credit	(265)	(972)	6,109	1,299
Profit/(Loss) for the year	**284**	**1,043**	**(18,233)**	**(1,114)**
Attributable to:				
Equity holders of the parent	44	160	(19,034)	(1,800)
Non-controlling interests	240	883	801	686

Consolidated Statement of Other Comprehensive Income Data

The table below shows the Group's consolidated statement of comprehensive income for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December			
	2017	*2017*	*2016*	*2015*
	(U.S.$ millions)		*(AED millions)*	
Profit/(Loss) for the year	284	1,043	**(18,233)**	**(1,114)**
Other comprehensive income (loss)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Change in fair values of derivative instruments in cash flow hedges - net	199	732	1,007	636
Share of other comprehensive income of associates	0	1	18	34
Realised gain of foreign currency translation reserve on derecognition of a subsidiary	14	52	—	—
Exchange differences arising on translation of overseas operations	(20)	(76)	(92)	(364)
	193	**709**	**933**	**306**
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on defined benefit plans	3	12	(2)	9
	3	**12**	**(2)**	**9**
Other comprehensive income for the year	196	721	**931**	**315**
Total comprehensive income/(loss) for the year	**480**	**1,764**	**(17,302)**	**(799)**
Attributable to:				
Equity holders of the parent	151	557	(18,550)	(1,775)
Non-controlling interests	329	1,207	1,248	976

Consolidated Statement of Financial Position Data

The table below shows the Group's consolidated statement of financial position as at 31 December 2017, 2016 and 2015.

	At 31 December			
	2017	*2017*	*2016*	*2015*
	(U.S.$ millions)		*(AED millions)*	
Assets				
Non-current assets				
Property, plant and equipment	19,499	71,610	73,512	74,850
Operating financial assets	2,353	8,642	8,557	9,758
Intangible assets	608	2,232	2,411	9,956
Investment in associates	277	1,017	914	421
Investment in joint ventures	41	151	147	—
Advance and loans to associates	191	702	702	702
Deferred tax asset	1,487	5,462	6,119	1,183
Other assets	159	582	241	167
	24,614	**90,398**	**92,603**	**97,037**
Current assets				
Inventories	758	2,785	2,800	2,835
Operating financial assets	326	1,198	1,103	256
Advance and loans to associates		—	—	2
Accounts receivable and prepayments	1,158	4,252	4,107	4,489
Cash and short-term deposits	1,198	4,400	3,879	3,568
	3,440	**12,635**	**11,889**	**11,150**
Assets classified as held for sale	—	—	—	580[(1)]
Total assets	**28,055**	**103,033**	**104,492**	**108,767**
Equity and liabilities				
Equity attributable to equity holders of the parent				
Issued capital	1,652	6,066	6,066	6,066
Contributed capital	7	25	25	25
Other reserves	1,004	3,689	3,612	3,546
Accumulated losses	(737)	(2,707)	(2,802)	(2,382)
Foreign currency translation reserve	(525)	(1,928)	(1,904)	(1,812)
Cumulative changes in fair value of derivatives in cash flow hedges	(440)	(1,617)	(2,026)	(2,604)
	961	**3,528**	**2,971**	**2,839**
Equity attributable to non-controlling interests				
Non-controlling interests	1,461	5,366	4,789	4,035
Loans from non-controlling interest shareholders in subsidiaries	66	242	312	457
Total equity	**2,488**	**9,136**	**8,072**	**7,331**
Non-current liabilities				
Interest bearing loans and borrowings	16,814	61,750	63,662	66,734
Islamic loans	362	1,331	1,446	1,639
Deferred tax liabilities	248	909	930	2,570
Asset retirement obligations	3,845	14,120	14,037	13,396
Advances and loans from related parties	72	266	273	280
Loans from non-controlling interest shareholders in subsidiaries	19	69	267	301
Other liabilities	764	2,807	3,503	4,414
	22,124	**81,252**	**84,118**	**89,334**
Current liabilities				
Accounts payable, accruals and other liabilities	1,273	4,675	4,453	5,129
Interest bearing loans and borrowings	1,896	6,964	6,882	5,772
Islamic loans	49	180	170	156
Amounts due to related parties	24	88	89	153
Income tax payable	148	545	613	761

	At 31 December			
	2017	2017	2016	2015
	(U.S.$ millions)		(AED millions)	
Bank overdrafts	53	193	95	131
	3,443	**12,645**	**12,302**	**12,102**
Total liabilities	**25,567**	**93,897**	**96,420**	**101,436**
Total equity and liabilities	**28,055**	**103,033**	**104,492**	**108,767**

Note:

(1) During 2015, the Group decided to divest its investments in LWP Lessee and in an associate, Massar Solutions PJSC ("**Massar Solutions**"). These assets were classified as assets held for sale at 31 December 2015. Subsequently, during the year ended 31 December 2016, management decided not to proceed with the divestment and, accordingly, the investments have been reclassified as investment in joint venture and investment in associates under non-current assets, respectively.

Cash Flow Statement Data

The table below summarises the Group's consolidated cash flow statement for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December			
	2017	2017	2016	2015
	(U.S.$ millions)		(AED millions)	
Net cash from operating activities	2,382	8,750	8,463	9,282
Net cash used in investing activities	(356)	(1,309)	(1,205)	(3,478)
Net cash used in financing activities	(1,860)	(6,832)	(6,802)	(5,946)
Net foreign exchange differences	(51)	(186)	(109)	49
Cash and cash equivalents at 1 January	1,030	3,784	3,437	3,530
Cash and cash equivalents at the end of the year	1,145	4,207	3,784	3,437

EBITDA and Certain Ratios

The table below shows the Group's EBITDA and a reconciliation of profit for the year to EBITDA for each of 2017, 2016 and 2015. For additional information, see Note 3 to the Group's Financial Statements.

	Year ended 31 December			
	2017	*2017*	*2016*	*2015*
	(U.S.$ millions)		*(AED millions)*	
Profit/(Loss) for the year	**284**	**1,043**	**(18,233)**	**(1,114)**
Income tax expense or credit	265	972	(6,109)	(1,299)
Other gains (losses) and finance income	(46)	(169)	(18)	(30)
Net foreign exchange gains	(11)	(42)	(159)	(64)
Changes in fair value of derivatives and fair value hedges	22	84	78	138
Finance costs	1,192	4,380	4,636	4,635
Gain on sale of land and oil and gas assets	(21)	(78)	(58)	(21)
Gains on derecognition of a subsidiary	(23)	(86)	—	—
Provisions for impairment	0	-	22,020	835
Dry hole expenses	6	22	53	17
Depreciation, depletion and amortisation	804	2,955	6,339	6,541
EBITDA	**2,472**	**9,081**	**8,549**	**9,638**

EBITDA is a non-IFRS financial measure that is used by management as an additional measure of performance. EBITDA is not defined by IFRS or recognised within IFRS as a measure of performance and should therefore not be considered as an alternative to other IFRS measures. For the periods under review, the Group has defined EBITDA as loss or profit for the year before finance costs, taxes, depreciation, depletion and amortisation, net foreign exchange (losses) gains, other income, interest income, changes in fair value of derivatives and fair value hedges, dry hole expenses, gain on sale of land and oil and gas assets, gains on derecognition of a subsidiary and provisions for impairment. For further discussion of non-IFRS measures, see "*Presentation of Financial and Other Information — Presentation of Financial Information — Non-IFRS Financial Measures*".

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

	As at/year ended 31 December		
	2017	*2016*	*2015*
Gross margin[(1)] (*%*)	39	(120)	15
Return on equity[(2)] (*%*)	5	(641)	(63)
Net debt/total capital[(3)] (*%*)	85	85	86
EBITDA/net interest[(4)] (*x*)	2.51	2.19	2.46
Net debt/EBITDA (*x*)	7.27	8.00	7.35

Notes:

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

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

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

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

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

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

This section presents a discussion and analysis of the Group's audited consolidated financial statements as at and for the years ended 31 December 2017, 2016 and 2015, prepared in accordance with IFRS. See "Presentation of Financial and Other Information" for a discussion of certain disclosure enhancements that have been made and that affect comparative financial data included in this section.

OVERVIEW

TAQA is the holding company of a diversified international energy group headquartered in Abu Dhabi, United Arab Emirates. The Group's operating business comprises two business streams: the Power and Water business stream, and the Oil and Gas business stream. The Group's power and water business includes the ownership and operation of power generation facilities in the Middle East, Africa, India and North America, and water desalination facilities in the UAE. The Group's oil and gas business includes upstream exploration and production and midstream processing, transmission and storage assets in North America, Europe and the Kurdistan Region of Iraq.

The Group's Power and Water business stream generates long-term contracted revenue through offtake contracts, typically entered into with government entities in the countries in which it operates. The Oil and Gas business stream's revenue is significantly more volatile and driven by commodity price fluctuations which have been significant in the periods under review.

From January 2015 to the end of 2016, the Group has focused on reducing its operating expenses and capital expenditure through its **Transformation Programme**, see "— *Factors Affecting Results of Operations — Transformation Programme*" below. For the year ended 31 December 2017, the Group's revenue was AED 16,680 million and it reported a profit of AED 1,043 million. At 31 December 2017, the Group had total assets of AED 103,033 million.

FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations.

Impairment Charges

Impairment of plant, property and equipment

The Group's impairment testing for non-financial assets is most sensitive to price assumptions, foreign exchange rate assumptions and discount rates used in the cash flow models. The Group's expansion into North America and Europe have exposed it to extreme volatility of natural gas prices in such regions. In 2015, the Group recorded pre-tax impairment charges of:

- AED 485 million in respect of its PGI Alkmaar gas storage facility in The Netherlands reflecting the fact that the facility's contract with Gas Terra was due to expire in November 2017 and there was at the time no current expectation of the contract being renewed; and

- AED 350 million in respect of its hydro power plant project located in India following significant delays in commissioning the plant and the fact that the project company is in negotiations with its financiers in relation to restructuring the project finance agreements.

In 2016, the Group recorded a pre-tax impairment charge of AED 22,020 million as follows:

- AED 9,107 million representing the write-down in Europe of certain oil and gas assets to their recoverable amount;

- AED 11,249 million representing the write-down of certain oil and gas assets in the United States and Canada to their recoverable amount;

- AED 1,514 million representing the write-down of certain oil and gas assets in Iraq to their recoverable amount; and

- AED 150 million representing the write-down of net assets in Ghana to their recoverable amount.

In 2017, no impairment charges or reversals have been recognised on property, plant and equipment.

On 30 May 2017, in accordance with the purchase agreement entered into between TAQA India Power Ventures Private Limited, Himachal Sorang Power Limited ("**HSPL**") and Greenko East Coast Power Projects Pvt. Limited ("**Greenko**"), the Group transferred the management control of its subsidiary, HSPL to Greenko. Accordingly, the Group does not hold any beneficial interest in HSPL with effect from this date.

The lenders have sent a notice indicating their intention to invoke their pledge on the shares HSPL held by the Group and in response the Group has provided its no objection for the same.

The legal formalities for the transfer of share are expected to be completed in due course. The Group neither holds any management control nor retains any beneficial interest in HSPL. Accordingly, management has derecognised all the assets and liabilities of HSPL held as at 30 May 2017 from its consolidated financial statements. A gain of AED 86 million was recognised by the Company on derecognition of HSPL.

Impairment of goodwill

In connection with past acquisitions made by the Group, the excess of the purchase price over the fair market value of the net identifiable assets, if any, has been recorded as goodwill. Goodwill on acquisition is initially measured at cost and reviewed for impairment on an annual basis in accordance with International Accounting Standard 36. For the purpose of impairment testing, goodwill acquired in a business combination is assessed for impairment at the operating segment level as this represents the lowest level at which goodwill is monitored. While the goodwill is supported by the cash flow and synergies arising from the acquisition, a significant change in the key economic assumptions of the acquired businesses could result in an impairment charge in the future. For the year ended 31 December 2016 the Group recorded goodwill impairment charges of AED 4,991 million. This charge related to its oil and gas properties in North America and the UK North Sea in 2016, in addition to some power generation entities. The impairment charges were largely driven by declining reserves under low oil and gas price environments.

In determining the amount of the impairment, each of the Group's oil and gas subsidiaries has determined the fair value less the cost of disposal (the "**FVLCD**") of the assets concerned and the impairment charge taken by the subsidiary was the difference between that amount and the FVLCD at the previous year end. At a consolidated level, in 2015, the FVLCD of the relevant assets was AED 17,048 million, on a pre-tax basis. The FVLCD of the relevant North American assets amounted to AED 12,409 million, the FVLCD of the relevant European assets amounted to AED 2,148 million and the FVLCD of the Atrush assets amounted to AED 2,491 million.

In 2016, the FVLCD of the relevant assets was AED 12,363 million, on a pre-tax basis, giving rise to an impairment charge of AED 4,991 million. The FVLCD of the relevant North American assets amounted to AED 6,089 million, the FVLCD of the relevant European assets amounted to AED 4,430 million and the FVLCD of the Atrush assets amounted to AED 1,844 million. In both 2015 and 2016, the value of the relevant assets was supported by a related party put agreement in relation to the Group's oil and gas assets in North America.

During the year ended 31 December 2017, no impairment charges or reversals were recognised in respect of goodwill.

See also "*Risk Factors — Risks Relation to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Businesses — The Group recognised significant impairment charges in respect of certain of its crude oil and natural gas assets in 2016, and may recognise additional significant impairments in the future*".

Factors Affecting the Group's Revenue

TAQA generates its revenue from its Power and Water and Oil and Gas businesses operating in the Middle East, India, Africa, North America and Europe. The most significant factors affecting the Group's revenue and results of operations are its ability to make available power generation and water desalination capacity and the prices obtained

for its crude oil and natural gas production. The Group's revenue is derived principally from the sale of power and desalinated water capacity under its PWPAs and PPAs and the sale of crude oil and natural gas production.

Power and water sales revenue

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

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

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

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

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

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

Power and Water production

The Group's revenue from power and water production is principally affected by net available capacity made available to the off-taker. Tariffs for power and water generation are set in the PWPAs and PPAs entered into by each of the Group's generation subsidiaries. In the case of TAQA Gen-X, revenues for available power generation capacity pursuant to the Tolling Agreement are determined principally through tariffs established annually in three-year forward regional power market generation capacity auctions and revenues for electricity production dispatched from the Red Oak plant comprise sales of electricity production at prevailing power market prices. In addition, TAQA Gen-X records as revenue (or cost, as the case may be) the net result of its power price and gas cost hedging activity.

The table below shows TAQA's power generation and water desalination production, as well as the average technical availability of its plants, for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
UAE generation plants			
Power generation (*GWh*)	64,064	66,652	64,234
Water desalination (*MIG*)	249,469	257,169	264,127
Technical availability	92.7%	94.3%	92.9%
International generation plants			
Power generation (*GWh*)	25,782	26,594	26,883
Technical availability	89.8%	90.6%	89.5%
Global technical availability	**92.1%**	**93.6%**	**92.3%**

Oil and gas sales revenue

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

Crude oil and natural gas prices have been volatile in the periods under review. The charts below show the price trend for both Brent crude oil (which is the industry reference price for the Group's UK North sea crude oil and natural gas liquids production and its Netherlands crude oil production) and West Texas Intermediate ("**WTI**") crude oil (which is the industry reference price for the Group's North American crude oil and natural gas liquids production) between 1 January 2015 and 31 December 2017 and the price trend for Henry Hub natural gas (which is an industry reference price for North American natural gas production) and AECO spot prices (by reference to which a large proportion of the Group's gas sales are priced) over the same period.

Source: Bloomberg

Source: Bloomberg

Average realised prices

The table below shows TAQA's average realised prices for crude oil, natural gas liquids and natural gas for each of 2017, 2016 and 2015. The averages are calculated by dividing the gross realised revenue in U.S. dollars by the corresponding sales volume in each period.

	Year ended 31 December		
	2017	*2016*	*2015*
	(U.S.$/boe for crude oil, natural gas liquids and the overall average realised price and U.S.$/mmbtu for natural gas)		
Crude oil			
North America average	41.44	32.33	37.45
Europe average	54.73	42.29	52.21
Iraq average	42.08	—	
Total crude oil average	**50.76**	**39.82**	**49.01**
Natural gas liquids			
North America average	30.05	20.42	22.02
Europe average	43.76	25.34	31.59
Total natural gas liquids average	**31.23**	**20.77**	**22.96**
Natural gas			
North America average	1.88	1.70	2.20
Europe average	5.93	4.68	6.74
Total natural gas average	**2.57**	**2.17**	**2.97**
Overall average realised price	**30.75**	**24.65**	**33.09**

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

The table below shows average industry reference prices for crude oil, natural gas liquids and natural gas for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
		(*U.S.$/barrel*)	
Crude oil			
WTI	50.96	43.34	52.31
Brent	54.30	44.05	48.68
Natural gas			
Henry Hub	2.94	2.55	2.61
AECO	1.85	1.57	2.12

Source: Bloomberg

Netback Analysis

The table below shows the average operating netback (being the gross average realised price less any royalties and operating costs for the relevant company's total production of crude oil, natural gas liquids and natural gas) per barrel of oil equivalent for each of North America and Europe for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
		(U.S.$/boe)	
North America			

Gross average realised price	19.08	15.34	18.92
Royalties	(2.35)	(1.59)	(2.03)
Net average realised sales price	16.73	13.75	16.89
Operating costs[(1)]	(7.46)	(7.65)	(8.54)
North America operating netback	9.26	6.10	8.35
Europe			
Gross average realised price	49.98	39.13	49.92
Royalties[(2)]	—	—	—
Net average realised sales price	49.98	39.13	49.92
Operating costs[(1)]	(28.44)	(23.31)	(27.83)
Europe operating netback	21.55	15.82	22.09

Notes:

(1) Operating costs are calculated consistently with the definition for management reporting purposes and exclude general and administrative costs.

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

Average daily production

The table below shows TAQA's average daily production of crude oil, natural gas liquids and natural gas for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
	(mboe/d for crude oil and natural gas liquids and mmcf/d for natural gas)		
Crude oil			
North America	12.8	13.4	15.2
Europe	34.5	44.9	53.2
Iraq	1.8	—	—
Total crude oil	**49.1**	**58.3**	**68.4**
Natural gas liquids			
North America	11.7	11.7	10.1
Europe	1.2	1.0	1.0
Total natural gas liquids	**12.9**	**12.6**	**11.1**
Natural gas[(1)]			
North America	319.9	334.6	325.9
Europe	65.2	63.6	69.6
Total natural gas	**385.1**	**398.2**	**395.5**
Total production *(mboe/d)*	**126.2**	**137.3**	**145.2**

(1) Figures can be converted into barrels of oil equivalent by dividing by six.

Taxation

In each of 2015 and 2016, the UK government announced material tax changes that have impacted, or will impact, the Group's results of operations.

On 26 March 2015 the UK Finance Act 2015 implemented a reduction in the rate of Petroleum Revenue Tax from 50 per cent. to 35 per cent., effective for chargeable periods beginning on 1 January 2016, and a reduction in the rate of Supplementary Charge from 32 per cent. to 20 per cent. and introduced an Investment Allowance to provide a new relief against Supplementary Charge, based on capital investment, which replaced a number of existing field allowances. These changes resulted in an AED 553 million deferred tax credit being recognised by the Group in 2015.

On 16 March 2016, the UK Government announced a number of further changes in the UK oil and gas taxation regime which are designed to reduce the burden of taxation and incentivise further investment. The principal changes impacting TAQA's UK business comprised the effective abolition of Petroleum Revenue Tax by reducing this from 35 per cent. to 0 per cent., effective for chargeable periods beginning on 1 January 2016, and a reduction in the rate of Supplementary Charge to Corporation Tax from 20 per cent. to 10 per cent. These changes resulted in an overall credit adjustment to the consolidated income statement of AED 163 million being recognised by the Group in 2016.

The Group periodically receives and responds to issues raised by the UK and other tax authorities. For example, towards the end of 2015, the UK tax authorities challenged the business combination accounting approach that

TAQA had adopted in relation to an earlier acquisition. TAQA responded to the challenge and was successful with its argument. This resulted in a credit of AED 209 million being recognised by the Group in 2017. Similarly, in 2016, following a tax audit, TAQA Morocco was required to pay U.S.$2.30 million to the Moroccan tax authorities in December 2017. This tax adjustment did not have a significant impact on the financial results or the liquidity of TAQA Morocco.

Transformation Programme

Reflecting the significant fall in oil prices in the second half of 2014, in January 2015, the Group initiated the Transformation Programme, which aimed to achieve U.S.$400 million (AED 1.5 billion) in run-rate cash cost reductions over two years and to deliver a 40 per cent. reduction in capital expenditure, representing a ceiling of U.S.$1 billion. This Transformation Programme was completed as of 31 December 2016, having achieved cumulative savings of AED 13.2 billion, including a global capital expenditure reduction of AED 8.6 billion, and a global headcount reduction of 25 per cent.

The primary focus of the dedicated transformation team was to streamline the Group's operating model and enhance corporate and business unit accountability. The transformation team challenged established ways of working and set challenging cost reduction targets for each business unit. In 2015 and 2016, the Group reduced its cash costs (which are defined as operating expenses (less power and water fuel costs and IFRIC12 construction costs) and gross general and administrative costs before corporate allocations) by U.S.$480 million and U.S.$756 million, respectively and significantly reduced its capital expenditure as described below. The major areas of saving were headcount rationalisation measures (which reduced headcount by 27 per cent., over the two years), professional services management, supply chain management, contract renegotiation, reducing the frequency and improving the effectiveness of maintenance, operational intervention on existing wells and better fuel management. The Group also reduced its unit operating costs in North America from U.S.$10.8 per boe in 2014 to U.S.$7.65 per boe in 2016. The Group's unit operating costs in the UK decreased from U.S.$36.5 per boe in 2014 to U.S.$24.85 per boe in 2016.

Among many other measures designed to reduce costs, the Group's directors waived their fees for 2014, 2015 and 2016, the Group significantly reduced its bonus payments, including to senior management, and no dividends were declared in respect of 2014, 2015 and 2016.

In terms of reducing its capital expenditure, the Group has completed a number of major projects in recent years, with the expansion at Jorf Lasfar being completed in 2014 and the Gas Storage Bergermeer project and the Takoradi and Fujairah 1 expansion projects all being completed in 2015. Reflecting these and other actions, such as scaled back and deferred projects, reduced discretionary investments and unwinding of commitments, the Group reduced its capital expenditures from U.S.$832 million in 2015 to U.S.$300 million in 2016 (with the majority of the reduction in 2016 from the oil and gas business stream). As evidenced by the success of the Transformation Programme, TAQA has the ability to scale up or scale down the Group's capital expenditure in relation to its upstream oil and gas business to take into account prevailing oil and gas prices. For example, the Group increased its capital expenditures to $375 million in 2017 from $300 million in 2016, predominantly in connection with oil and gas projects. The Group's current capital expenditures are primarily for exploration and development of oil and gas reserves (principally in North America and elsewhere where required by licence terms) and the completion of the first phase of the Atrush Block in the Kurdistan Region of Iraq. Save in respect of expansion projects initiated by it, the Group generally does not incur material capital expenditure costs in relation to its UAE power and water generation plants as this cost was principally incurred by ADWEA before the plants were transferred to the Group see, "*Description of the Group — History*". Capital expenditure in each period generally results in increased depreciation in future periods as a result of an increased depreciable asset base and, to the extent that the capital expenditure has been financed by external borrowing, in increased finance costs in future periods, see "*— Liquidity and Capital Resources — Capital Commitments — Capital expenditure*" for a discussion of the Group's committed capital expenditure at 31 December 2017.

The Transformation Programme was completed by 31 December 2016.

Exchange Rates

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

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

Seasonality of Operations

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

SIGNIFICANT ACCOUNTING POLICIES

The Group's significant accounting policies are summarised in Note 2.5 to its 2017 Financial Statements and certain of these accounting policies are described or summarised below. Please see Note 2.5 to its 2017 Financial Statements for a full discussion of all of the Group's significant accounting policies.

Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding sales taxes, royalties, and other similar levies as applicable.

Oil and gas

Revenue from the sale of oil and gas is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when the product is physically transferred into a delivery mechanism such as a vessel or a pipeline.

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 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:

- 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. Construction revenue is recognised commensurate with completion of construction when the outcome of the contract can be estimated reliably by reference to the stage of completion, operating revenue is recognised as the service is provided and finance revenue is recognised using the effective interest rate method on the financial asset. Where TAQA determines that the relevant contract (whether a PWPA or a 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. Construction revenue is recognised commensurate with completion of construction when the outcome of the contract can be estimated reliably by reference to the stage of completion, operating revenue is recognised as the service is provided and finance revenue is recognised using the effective interest rate method on the financial asset;
- While PWPAs themselves are accounted for as operating leases, 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;

- Energy and water payments are recognised as revenue when the contracted power and water is delivered to the offtaker.
- 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.

Liquidated damages

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at its 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 the arrangement.

Group as lessee

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated income statement. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

Group as 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.

Group as 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 statement of financial position as financial assets and are carried at the amount of the net investment in the lease after making provision for bad and doubtful debts.

Interest income

Interest income is recognised as the interest accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Oil and Gas Accounting

Exploration and evaluation costs

Pre-licence costs and geological and geophysical exploration costs incurred prior to obtaining the rights to explore are recognised in the 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.

Oil and gas joint ventures

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

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

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

Depreciation

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

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

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

Buildings, equipment, plant and machinery:	20 to 40 years
Leasehold land:	Straight line from commencement to expiry of lease

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

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

Provisions

General

Provisions are recognised when TAQA has a present obligation (legal or constructive) as a result of a past event, and 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. Where TAQA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects 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/decommissioning liability

Some Group companies 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 (i.e., decommissioning costs). TAQA 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 unwinding of the discount 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 cost estimates or discount rates applied are added to or deducted from the cost of the asset. Note 30 to the 2017 Financial Statements provides details of the Group's asset retirement obligations at 31 December 2017.

Production bonuses

TAQA's PSC in relation to the Atrush Block contains a legal obligation for production bonuses to be paid to the KRG when certain production targets are achieved. TAQA 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 TAQA's share of proved and probable reserves under the PSC.

Derivatives

TAQA uses derivative financial instruments such as forward currency and interest rate swaps and forward commodity contracts to hedge its risks associated with foreign currency and interest rate fluctuations and its commodity price risks, respectively. In addition, TAQA Gen-X uses futures and options to manage its exposure to fluctuating market power and natural gas prices and associated fixed and variable payment obligations under the Red Oak Tolling Agreement. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges which is recognised in other comprehensive income, and later reclassified to the consolidated income statement when the hedged item affects profit or loss.

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

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

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

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

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

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss 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 consolidated statement of comprehensive income, 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 profit or loss from that date. Certain hedging arrangements entered into by TAQA Gen-X are classified as fair value hedges, see "—*Primary Risks — Commodity Price Risk*".

Cash flow hedges

The effective portion of 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 profit or loss, 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 profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income 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 profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Hedges of a net investment in foreign operations

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

Further information in relation to the Group's outstanding derivative contracts at 31 December 2017 is set out in Note 38 to the 2017 Financial Statements.

Foreign Currency Translation

The Group's consolidated financial statements are presented in UAE dirham, which is the parent company's functional currency. Each Group company determines its own functional currency and items included in the financial statements of that company are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated

income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquiror measures the non-controlling investment in the acquiree either (i) at fair value or (ii) at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets acquired, the difference is recognised as a gain in the income statement.

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

Impairment of Non-Financial and Financial Assets

TAQA assesses at each reporting date whether there is any indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, TAQA estimates the recoverable amount of the asset concerned. If the carrying value of the asset exceeds its recoverable amount it is considered to be impaired and is written down to the recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal (determined on the basis of recent comparable market transactions or, if none, using an appropriate valuation model) and its value in use (being the estimated future cash flow discounted using an appropriate discount rate).

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment on an annual basis at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the group of cash generating units to which the goodwill is allocated. When the recoverable amount of the group of cash generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Where applicable, for the purposes of testing goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that led to the creation of goodwill and remain at the reporting date as estimated by the management are treated as part of the relevant group of cash generating units.

E&E costs

An impairment review is performed if and when facts and circumstances indicate that the carrying amount of an E&E asset may exceed its recoverable amount. 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 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.

TAQA has made impairments (and reversed certain impairments) to its oil and gas properties in each of 2016 and 2015. No impairment charges or reversals were recognised by the Group for the year ended 31 December 2017, see "*— Years ended 31 December 2017, 2016 and 2015 Compared — Cost of Sales*".

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

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 is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. 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 profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. TAQA's significant judgments, estimates and assumptions are described in Note 2.4 to its 2017 Financial Statements and certain of them are summarised below. See Note 2.4 to its 2017 Financial Statements for a discussion of all of TAQA's significant judgments, estimates and assumptions.

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

Oil and gas assets – Depreciation, depletion and amortisation

Oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves and incorporating the estimated future cost of developing and extracting those reserves. Proved and probable oil and gas reserves are determined using estimates of oil in place,

recovery factors and future oil prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The volume of estimated oil and gas reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets has been impaired.

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. Any difference between the amounts actually collected in future periods and the amounts expected to be recovered will be recognised in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis.

Amounts which are not individually significant, but which are old or obsolete, are assessed and a provision applied according to the inventory type. In determining net realisable value, raw materials held for use in the production of inventories and not written down below cost if the finished product in which they will be incorporated are expected to be sold at or above cost.

Oil and Gas Reserves

Oil and gas reserves and resources used for accounting purposes are estimated using internationally accepted methods and standards. Although reserve estimates are inherently imprecise, and estimates of new discoveries and undeveloped locations are more imprecise than those of established producing properties, the Group's crude oil and natural gas reserves and resources used for accounting purposes are estimated using internationally accepted methods and standards, such as the Society of Petroleum Engineers Petroleum Resources Management System guidelines. The Group's annual oil and gas reserves and resources review process includes an external audit process conducted by appropriately qualified parties; except with reference to prospective resources (the "**PR**") at TAQA Atrush. PR at Atrush has been estimated based on work performed by an internal expert. 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 in the income statement and may also affect the unit-of-production depreciation charge in the income statement. TAQA has made impairments (and reversed certain impairments) to its oil and gas properties in each of 2016 and 2015. During the year ended 31 December 2017, no impairment charges or reversals have been recognised, see "— *Years ended 31 December 2017, 2016 and 2015 Compared — Cost of Sales*".

Provision for Decommissioning Costs

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 the characteristics and specificities of the assets that are subject to decommissioning. 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. As a result, there could be significant adjustments to the provisions established which would affect future financial results, see "— *Significant Accounting Policies — Provisions — Asset retirement obligations/decommissioning liability*".

Income Taxes

TAQA 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 its ability to obtain tax deductions in future periods.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived based on quoted prices from active markets, their fair value is determined by using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments 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.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Impairment of Non-financial Assets

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 notes 7 and 15 to the 2017 Financial Statements, which relate to impairment testing.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Power and Water Purchase Agreements

Management does not consider the domestic subsidiaries' PWPAs to fall within the scope of IFRIC 12 Service Concession Arrangements. 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 judgment applied by management which considers that TAQA 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.

YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015 COMPARED

Revenue

The table below sets out the Group's revenue for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
		(AED million)	
Revenue from oil and gas (net of royalties)	4,951	4,234	6,291
Revenue from electricity and water	9,436	9,546	9,685
Fuel revenue	1,676	1,672	2,269
Gas storage revenue	218	290	261
Other operating revenue	399	376	838
Total revenue	**16,680**	**16,118**	**19,344**

The Group's total revenue in 2017 was AED 16,680 million, an increase of AED 562 million, or 3.5 per cent., compared to total revenue of AED 16,118 million in 2016 which, in turn, was a decrease of AED 3,226 million, or 16.7 per cent., compared to total revenue of AED 19,344 million in 2015.

The Group has two business streams: (i) Power and Water and (ii) Oil and Gas. These business streams are based on products and services and geographical areas of operation which resulted in five reporting segments in each year as follows:

Power and Water business stream

- Power and Water Generation – UAE; and
- Power Generation – Others.

Oil and Gas business stream

- Oil and Gas – North America;
- Oil and Gas – Europe; and
- Oil and gas – Atrush.

Detailed information on the Group's reporting segments for each of 2017, 2016 and 2015 is set out in Note 3 to the 2017 Financial Statements. References to the results of a business stream below are to an aggregation of the equivalent results of each reporting segment within that business stream.

Power and Water

The Group's Power and Water business stream principally generates revenue from the sale of electricity and water and from fuel revenue.

2017 and 2016

In 2017, the Group's Power and Water business stream generated revenue of AED 11,215 million, a decrease of AED 43 million, or 0.4 per cent. from AED 11,258 million generated in 2016.

The Group's revenue from the sale of electricity and water in 2017 was AED 9,436 million, a decrease of AED 110 million, or 1.2 per cent., from AED 9,546 million generated in 2016. This decrease was principally due to outages in June and July 2017 caused by blade failure in Fujairah 1, and in Umm-al-Naar in December 2017.

The Group's fuel revenue in 2017 was AED 1,676 million, an increase of AED 4 million, or 0.2 per cent., from AED 1,672 million recorded in 2016.

The Power and Water business stream's other operating revenue was AED 103 million in 2017 compared to AED 40 million in 2016, an increase of AED 63 million, or 157 per cent. The increase was principally due to an insurance claim in Taweelah A1 and A2 projects.

2016 and 2015

In 2016, the Group's Power and Water business stream generated revenue of AED 11,258 million, a decrease of AED 782 million, or 6.5 per cent. from the AED 12,040 million generated in 2015.

The Group's revenue from the sale of electricity and water in 2016 was AED 9,546 million, a decrease of AED 139 million, or 1.4 per cent., from the AED 9,685 million generated in 2015. This decrease was principally due to lower revenue at the Group's Red Oak facility in the United States due to lower power and fuel prices.

The Group's fuel revenue in 2016 was AED 1,672 million, a decrease of AED 597million, or 26.3 per cent., from AED 2,269 million recorded in 2015. AED 248 million of this decrease was due to lower availability at the Group's Takoradi plant in Ghana and the plant utilising more gas than oil, and AED 239 million due to drop in coal prices in Morocco.

The Power and Water business stream's other operating revenue was AED 40 million in 2016 compared to AED 86 million in 2015, a decrease of AED 46 million.

Oil and Gas

The Group's Oil and Gas business stream principally generates revenue from the sale of oil and gas. In addition, the business stream generates gas storage revenue and other operating revenue.

2017 and 2016

In 2017, the Group's Oil and Gas business stream generated revenue (net of royalties) of AED 5,465 million, an increase of AED 605 million, or 12.4 per cent., from the AED 4,860 million recorded in 2016.

The Group's revenue from the sale of oil and gas (net of royalties) in 2017 was AED 4,951 million, an increase of AED 717 million, or 16.9 per cent., compared to the AED 4,234 million recorded in 2016. This increase principally

reflected higher commodity prices which contributed AED 1,100 million in 2017, although it was offset by an AED 313 million decrease in production.

Further information on the Group's production and international oil and gas prices can be found under "— *Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*" above.

The Group's gas storage revenue was AED 218 million in 2017 compared to AED 290 million in 2016, a decrease of AED 72 million, or 25.0 per cent. The decrease was principally due to amended terms of the PGI contract, which came into effect in April 2017.

The Oil and Gas business stream's other operating revenue in 2017 was AED 296 million, a decrease of AED 40 million, or 11.9 per cent., compared to AED 336 million in 2016. This decrease was largely due to lower brokerage income in North America as well as lower processing income across North America and Europe.

2016 and 2015

In 2016, the Group's Oil and Gas business stream generated revenue (net of royalties) of AED 4,860 million, a decrease of AED 2,444 million, or 33.5 per cent., from the AED 7,304 million recorded in 2015.

The Group's revenue from the sale of oil and gas (net of royalties) in 2016 was AED 4,234 million, a decrease of AED 2,057 million, or 32.7 per cent., compared to the AED 6,291 million recorded in 2015. This was primarily due to an AED 2,073 million combined impact of lower prices and lower volumes, of which AED 1,130 million was due to lower commodity prices and AED 970 million was due to production volume, and was offset by other smaller favourable variances of AED 16 million.

Further information on the Group's production and international oil and gas prices can be found under "— *Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*" above.

The Group's gas storage revenue was AED 290 million in 2016 compared to AED 261 million in 2015, an increase of AED 29 million, or 11.1 per cent. due to Gas Storage Bergermeer being fully operational throughout 2016, whereas it was only operational from April of 2015.

The Oil and Gas business stream's other operating revenue in 2016 was AED 336 million, a decrease of AED 416 million, or 55.3 per cent., compared to AED 752 million in 2015. This decrease was largely due to lower brokerage income in The Netherlands due to lower trading volumes on completion of the cushion gas injection into Gas Storage Bergermeer.

Cost of Sales

The table below sets out TAQA's cost of sales for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
		(AED million)	
Operating expenses	(7,216)	(7,066)	(9,120)
Depreciation, depletion and amortisation (DD&A)	(2,955)	(6,339)	(6,541)
Dry hole expenses	(22)	(53)	(17)
Provisions for impairment	-	(22,020)	(835)
Total cost of sales	**(10,193)**	**(35,478)**	**(16,513)**

The Group's cost of sales comprises operating expenses, DD&A costs, dry hole expenses and net provisions for impairment. The Group's total cost of sales was AED 10,193 million in 2017, a decrease of AED 25,285 million, or 71.3 per cent., compared to the AED 35,478 million cost of sales recorded in 2016 which was, in turn, an increase of AED 18,965 million, or 114.8 per cent., compared to the AED 16,513 million cost of sales recorded in 2015.

Power and Water

The Group's cost of sales in the Power and Water business stream principally comprise fuel expenses (which are substantially matched by fuel revenue), other operating expenses and DD&A costs. Other operating expenses in the Power and Water business stream include repairs, maintenance and consumables used, charges by operation and maintenance contractors and staff costs.

2017 and 2016

In 2017, the Power and Water business stream's cost of sales was AED 6,202 million, a decrease of AED 162 million, or 2.5 per cent., from AED 6,364 million in 2016. The Power and Water business stream's operating expenses in 2017 were AED 4,273 million, a decrease of AED 33 million, or 0.8 per cent., compared to the AED 4,306 million

recorded in 2016. This decrease was principally due to the successful completion of the cost transformation program in 2016, pursuant to which the Group continued to achieve lower operating expenses than in 2016.

The Power and Water business stream's DD&A expenses were AED 1,929 million in 2017, an increase of AED 21 million, or 1.1 per cent., compared to the AED 1,908 million recorded in 2016.

The Power and Water business stream recorded an AED 150 million pre-tax impairment charge in 2016 against its subsidiary in Ghana. No impairment charges were recorded by the Power and Water business stream in 2017.

2016 and 2015

In 2016, the Power and Water business stream's cost of sales was AED 6,364 million, a decrease of AED 913 million, or 12.5 per cent., from AED 7,277 million in 2015.

The Power and Water business stream's operating expenses in 2016 were AED 4,306 million, a decrease of AED 737 million, or 14.6 per cent., compared to the AED 5,043 million recorded in 2015. This decrease was principally due to reductions in Morocco (AED 42 million) and Ghana (AED 67 million) as a result of lower construction costs in 2016 and lower fuel prices which reduced the Group's fuel cost in the United States (AED 100 million) and Morocco (AED 237 million).

The Power and Water business stream's DD&A expenses were AED 1,908 million in 2016, an increase of AED 24 million, or 1.3 per cent., compared to the AED 1,884 million recorded in 2015.

The Power and Water business stream recorded an AED 150 million pre-tax impairment charge in 2016 against its subsidiary in Ghana, due to future cash flows from operating financial assets being lower than net assets. An impairment charge of AED 350 million was recorded in 2015.

Oil and Gas

The Group's cost of sales in respect of the Oil and Gas business stream principally comprise operating expenses, DD&A costs and, in 2016, provisions for impairment. Operating expenses include staff costs, repairs, maintenance and consumables used, gas storage expenses and fuel expenses.

2017 and 2016

In 2017, the Oil and Gas business stream's cost of sales was AED 3,991 million, a decrease of AED 25,108 million, or 86.3 per cent., from AED 29,099 million cost of sales in 2016, primarily due to increased DD&A expenses.

The Oil and Gas business stream's operating expenses were AED 2,943 million in 2017, an increase of AED 183 million, or 6.6 per cent., compared to AED 2,760 million in 2016. The increase in operating expenses principally reflected the impact of adverse stock movements in Europe

The Group's dry hole expenses were AED 22 million in 2017 compared to AED 53 million in 2016. The decrease was principally due to the write-off of the majority of the Sturgeon exploration wells in 2016.

The Oil and Gas business stream's DD&A expenses were AED 1,026 million in 2017, a decrease of AED 3,390 million, or 76.8 per cent., compared to AED 4,416 million in 2016. The decrease was a result of the impairment taken in 2016 as well as lower production volumes, and includes the impact of the reclassification of the 2016 impairment between DD&A and Deferred Tax, which accounted for AED 590 million of the variance in 2017.

The Oil and Gas business stream recorded a pre-tax impairment charge of AED 21,870 million in 2016. No such impairment charge was recorded in 2017. The charge in 2016 related to the Group's oil and gas assets in Europe, North America and Atrush. See "*—Factors Affecting Results of Operations—Impairment Charges—Impairment of goodwill*".

2015 and 2016

In 2016, the Oil and Gas business stream's cost of sales was AED 29,099 million, an increase of AED 19,887 million, or 215.9 per cent., from the AED 9,212 million cost of sales in 2015.

The Oil and Gas business stream's operating expenses were AED 2,760 million in 2016, a decrease of AED 1,317 million, or 32.3 per cent., compared to AED 4,077 million in 2015. The decrease in operating expenses principally reflected:

- Lower operating costs in the UK of AED 707 million, primarily due to favourable exchange rates and cost savings.;
- AED 422 million lower operating costs in North America, primarily due to favourable exchange rates and cost savings;

The Group's dry hole expenses were AED 53 million in 2016 compared to AED 17 million in 2015. The increase principally reflected the write-off of drilling expenses in the UK North Sea in 2016 and there being no equivalent write-offs in 2015.

The Oil and Gas business stream's DD&A expenses were AED 4,416 million in 2016, a decrease of AED 217 million, or 4.7 per cent., compared to AED 4,633 million in 2015. The decrease in 2016 related to Europe (AED 65 million) and Canada (AED 152 million) and was due to a lower production volume in 2016 compared to 2015, reflecting the fact that the oil and gas business stream's DD&A is substantially determined based on the unit of production method.

In 2015, the Group's pre-tax impairment amounted to AED 485 million and related to certain gas storage assets in Europe in respect of the PGI Alkmaar gas storage facility in The Netherlands, reflecting the expiry of the facility's contract with Gas Terra in November 2017.

Gross Profit/(Loss)

Reflecting the above factors, the Group's gross profit was AED 6,487 million in 2017, compared to a gross loss of AED 19,360 million in 2016 and a gross profit of AED 2,831 million in 2015. The Group's gross profit/(loss) margin was 38.9 per cent. for 2017, (120.1) per cent. for 2016 and 14.6 per cent. for 2015.

Other Income and Expense Items

The table below sets out the Group's principal other income and expense items for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
		(AED million)	
Finance costs	(4,380)	(4,636)	(4,635)
Administrative and other expenses	(508)	(580)	(713)
Share of results of equity accounted investees[1]	125	77	127
Interest income	46	28	27
Changes in fair value of derivatives and fair value hedges	(84)	(78)	(138)
Net foreign exchange gains	42	159	64
Other income and expenses (net)	287	48	24
of which:			
Gain on derecognition of a subsidiary	86		—
Gain on sale of land and oil and gas assets	78	58	21
Other gains/(losses)	123	(10)	3
Total other income and expense items	**(4,472)**	**(4,982)**	**(5,244)**

Note:
(1) Comprises the sum of the share of results of associates and the share of results of joint ventures.

Finance costs

The Group's finance costs primarily consist of interest expense on bank loans and outstanding bonds.

2017 and 2016

The Group's finance costs were AED 4,380 million in 2017, a decrease of AED 256 million, or 5.5 per cent., compared to finance costs of AED 4,636 million in 2016. The decrease principally resulted from the repayment of loans and new hedge agreements with reduced interest rates.

2016 and 2015

The Group's finance costs were AED 4,636 million in 2016, an increase of AED 1 million, or 0.02 per cent., compared to finance costs of AED 4,635 million in 2015.

Administrative and other expenses

The Group's administrative and other expenses consist of salaries and related expenses, professional fees and other expenses.

2017 and 2016

Administrative and other expenses were AED 508 million in 2017, a decrease of AED 72 million, or 12.4 per cent., compared to AED 580 million recorded in 2016. The decrease principally reflected the continuous outcome of the cost reduction programmes in all business areas.

2016 and 2015

Administrative and other expenses were AED 580 million in 2016, a decrease of AED 133 million, or 18.7 per cent., compared to the AED 713 million recorded in 2015. The decrease principally reflected the impact of cost reduction programmes in all business areas.

Share of results of equity accounted investees

The Group's equity accounted investees comprise a joint venture and three associates. See Note 2.5 to the 2017 Financial Statements for a discussion of the Group's accounting treatment of its investments in joint ventures and associates.

The Group's share of the results of its equity accounted investees was AED 125 million in 2017, an increase of AED 48 million, or 62.3 per cent., compared to the AED 77 million share in 2016. This increase principally reflected the fact that the Group's joint venture and one of its three associates were recorded as assets held for sale during 2016 and as at 31 December 2016, they were reclassified to investments from assets held-for-sale.

The Group's share of the results of its equity accounted investees was AED 77 million in 2016, a decrease of AED 50 million, or 39.4 per cent., compared to the AED 127 million share in 2015. This decrease principally reflected the fact that the Group's joint venture and one of its three associates were recorded as assets held for sale during the majority of 2016.

Interest income

The Group's interest income was AED 46 million in 2017, an increase of AED 18 million, or 64.3 per cent., compared to AED 28 million in 2016 and an increase of AED 1 million, or 3.7 per cent., compared to AED 27 million in 2015. The increase in 2017 principally reflected full-year interest income on a facilitation agreement in TAQA Atrush in 2017 compared to two months' interest income in 2016 as well as higher interest income on TAQA UAE subsidiaries due to higher cash and cash equivalents in 2017 compared to 2016.

Changes in the fair value of derivatives and fair value hedges

In 2017, the change in the fair value of derivatives and fair value hedges was a loss of AED 84 million compared to a loss of AED 78 million in 2016.

In 2016, the change in the fair value of derivatives and fair value hedges was a loss of AED 78 million compared to a loss of AED 138 million in 2015. These losses related to mark to market movements on derivative contracts entered into in connection with the Red Oak Tolling Agreement.

Net foreign exchange gains and losses

The Group's net foreign exchange gains and losses arise from the translation of net monetary assets and liabilities of subsidiaries and the settlement of transactions denominated in currencies other than the UAE dirham, TAQA's functional currency. The Group's net foreign exchange gains were AED 42 million in 2017, compared to AED 159 million in 2016 and AED 64 million in 2015. The gains in 2017, 2016 and 2015 principally related to the Oil and Gas business stream (and reflected exchange rate fluctuations between the U.S. dollar and the Canadian dollar as well as the pound sterling relating to revaluation of net monetary liabilities in Canada and the UK) and, in 2015, gains not attributed to either business stream relating to an inter-company hedge settlement.

Other income and expenses

In 2017, 2016 and 2015, the Group's net other income and expenses principally comprised gains of AED 78 million, AED 58 million and AED 21 million, respectively, on the sale of oil and gas properties made as part of the Group's policy of strategic divestment of North American oil and gas assets. The Group also recorded a gain of AED 86 million in 2017 pertaining to the derecognition of a subsidiary in India, and realised a foreign currency translation reserve gain of AED 61 million on the liquidation of one of its holding companies.

Income Tax (Expense)/Credit

The table below shows the breakdown of the Group's total income tax expense or credit for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
		(AED million)	
Current income tax	(336)	(471)	(357)
Deferred income tax	(636)	6,580	1,656
Total income tax (expense)/credit	**(972)**	**6,109**	**1,299**

The Group's income tax charge was AED 972 million in 2017, comprising AED 336 million of current income tax expense and AED 636 million of deferred income tax charge, resulting in an effective tax rate (being the weighted average of the statutory rates applicable to it) of 22 per cent. The Group's income tax credit was AED 6,109 million in 2016, comprising AED 471 million of current income tax expense and AED 6,580 million of deferred income tax credit. The Group's income tax credit in 2015 was AED 1,299 million, comprising AED 357 million of current income tax expense and AED 1,656 million of deferred income tax credit. No impairment taken in 2017 and therefore no tax credit recorded in 2017.

Major events effecting taxes for 2016 in comparison to 2015 include:

- a higher deferred tax credit of AED 5,149 million due to the impairment taken in 2016 as explained above under "*Impairment of plant, property and equipment*";
- higher losses before tax in 2016, primarily as a result of the lower commodity prices across the oil and gas businesses; and
- a tax credit of AED 553 million was recognised in 2015 as a result of a change in the UK tax regime.

Profit/(Loss) for the Year

Reflecting the above factors, the Group recorded a profit for 2017 (before non-controlling interest) of AED 1,043 million compared to a loss of AED 18,233 million for 2016 and a loss of AED 1,114 million for 2015.

Other Comprehensive Income

The Group's other comprehensive income or loss in each period under review has principally been driven by:

- changes in interest rate swap transactions entered into by the Group's generation subsidiaries (which are recorded under "*Changes in fair values of derivative interests in cash flow hedges*" and the finance cost of which is recorded under "*Reclassification adjustment for losses included in the income statement*");
- reclassification adjustments for losses included in the consolidated income statement; and
- movements in exchange rates, principally the exchange rate between the Canadian dollar and the UAE dirham and the Euro and the UAE dirham.

In 2017, the Group's other comprehensive income was AED 721 million, which principally reflected positive changes of AED 732 million in the fair value of derivative instruments in cash flow hedges offset by negative exchange differences of AED 76 million arising on the translation of overseas operations and realised gains on foreign currency translation reserves on the derecognition of a subsidiary, amounting to AED 52 million.

In 2016, the Group's other comprehensive income was AED 931 million, which principally reflected positive changes of AED 1,007 million in the fair value of derivative instruments in cash flow hedges offset by negative exchange differences of AED 92 million arising on the translation of overseas operations.

In 2015, the Group's other comprehensive income was AED 315 million, which principally reflected positive changes of AED 636 million in the fair value of derivative instruments in cash flow hedges offset by negative exchange differences of AED 364 million arising on the translation of overseas operations.

Total Comprehensive Income/(Loss)

Reflecting the above factors and the Group's profit or loss for each year, the Group's total comprehensive income was AED 1,764 million in 2017 compared to total comprehensive losses of AED 17,302 million in 2016 and AED 799 million in 2015.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

The ability of those subsidiaries to pay dividends or make other distributions or payments to TAQA is subject to, among other things, the availability of profits or distributable funds, restrictions on the payment of dividends set forth in covenants given in connection with financial indebtedness and restrictions in applicable laws and regulations, including as a result of TAQA's investments in regulated utilities. The Terms and Conditions of the Notes contain no covenants that prevent TAQA's subsidiaries or the other companies in which it invests from entering into agreements which may restrict their ability to pay dividends or make payments to TAQA and its affiliates. However, the majority of TAQA's power generation and water desalination plants have been financed with limited recourse project finance facilities, which contain certain restrictive covenants, including a prohibition on the payment of dividends in certain circumstances, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Business Generally — TAQA's ability to make payments under the Notes depends upon dividends and distributions from its subsidiaries and the companies in which it invests from time to time*".

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

The Group's cash requirements arise primarily from the capital intensive nature of its power generation and water desalination operations, its oil and gas exploration and production activities and the operation of its gas storage facilities.

Cash Flow

The table below summarises the Group's cash flow for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
		(AED millions)	
Net cash from operating activities	8,750	8,463	9,282
Net cash used in investing activities	(1,309)	(1,205)	(3,478)
Net cash used in financing activities	(6,832)	(6,802)	(5,946)
Net foreign exchange differences	(186)	(109)	49
Cash and cash equivalents at start of year	3,784	3,437	3,530
Cash and cash equivalents at end of year	4,207	3,784	3,437

Operating Activities

Net cash from operating activities in 2017 was AED 8,750 million, compared to AED 8,463 million in 2016 and AED 9,282 million in 2015. Net cash from operations in 2017 principally reflected a profit before tax of AED 2,015 million adjusted upwards for DD&A of AED 2,955 million, interest expense and notional interest of AED 3,668 million, cash received from service concession arrangements of 1,705 million and adjusted downwards to reflect revenue from operating financial assets of AED 1,514 million. Net cash from operations in 2016 principally reflected a loss before tax of AED 24,342 million adjusted upwards for DD&A of AED 6,339 million, interest expense and notional interest of AED 3,925 million, cash received from service concession arrangements of AED 1,721 million and provision for impairment of AED 22,020 million and adjusted downwards to reflect revenue from operating financial assets of AED 1,535 million. Net cash from operations in 2015 principally reflected a loss before tax of AED 2,413 million adjusted upwards for DD&A of AED 6,541 million, interest expense and notional interest of AED 3,940 million, cash received from service concession arrangements of AED 1,635 million and provision for impairment of AED 835 million and adjusted downwards to reflect revenue from operating financial assets of AED 1,634 million.

Investing Activities

Net cash used in investing activities was AED 1,309 million in 2017. In 2017, the Group purchased property, plant and equipment of AED 1,244 million, primarily in relation to development and maintenance activity across the Group's Oil and Gas operations in Europe, North America and Iraq as well as maintenance spend across the power and water fleet in the UAE. It also spent AED 85 million on the purchase of intangible assets, principally due to exploration activity at the Group's operations in Europe. Net cash used in investing activities was AED 1,205 million in 2016. In 2016, the Group purchased property, plant and equipment of AED 852 million primarily in relation to development and maintenance activity across the Group's Oil and Gas operations in Europe, North America and Iraq as well as

maintenance spend across the power and water fleet in the UAE. In addition, the Group spent AED 22 million in construction costs relating to the expansion of the plant in Jorf 5&6 and AED 101 million on the acquisition of intangible assets, principally due to exploration activity at the Group's operations in Europe. Net cash used in investing activities in the year ended 31 December 2015 was AED 3,478 million. In 2015, the Group purchased property, plant and equipment of AED 2,840 million, including in relation to Gas Storage Bergermeer, the Atrush Block, additions in North America and Europe and the expansion of the Fujairah 1 power and water plant in the UAE.

Financing Activities

Net cash used in financing activities was AED 6,832 million in 2017, with AED 5,505 million being raised in new external borrowings, AED 7,779 million of external borrowings being repaid and AED 3,659 million of interest being paid.

Net cash used in financing activities in 2016 was AED 6,802 million, with AED 4,704 million being raised in new external borrowings, AED 6,876 million of external borrowings being repaid and AED 3,983 million of interest being paid.

Net cash used in financing activities in 2015 was AED 5,946 million, with AED 6,961 million being raised in new external borrowings, AED 8,394 million of external borrowings being repaid and AED 3,894 million of interest being paid.

TAQA did not pay any dividends in 2017, 2016 or 2015.

Going Concern

As at 31 December 2017, 2016 and 2015, the Group's current liabilities exceeded its current assets by an amount of AED 10 million, AED 413 million and AED 372 million, respectively. The Group's Financial Statements were all prepared on a going concern basis since the Group had sufficient short- to medium-term liquidity to meet its ongoing commitments. See also "*Risk Factors — Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Business — The Group has recognised impairment charges in respect of certain of its crude oil or natural gas assets in each of the three years ended 31 December 2017, and may recognise additional impairments in the future*".

Capital Commitments

Capital expenditure

The commitments under the Group's ongoing operations are expected to be financed with cash flows generated from operations. As at 31 December 2017, the total authorised capital expenditure contracted, but not provided for in relation to ongoing operations, amounted to AED 752 million, compared to AED 605 million as at 31 December 2016 and AED 806 million as at 31 December 2015. The authorised capital expenditure contracted, but not provided for, by each business stream as at 31 December 2017, is set out in the table below.

Business Stream	*At 31 December 2017*
	(AED million)
Oil and Gas	710
Power and Water	42
Total	**752**

Each of TAQA's subsidiaries operating power generation and water desalination plants in the UAE and TAQA's subsidiaries operating the international power generation plants have entered into limited recourse project finance arrangements. Operating budget capital expenditure for these subsidiaries is non-contractual and discretionary.

As evidenced by the success of the Transformation Programme that was completed by the end of 2016, TAQA has the ability to scale up or scale down the Group's capital expenditure in relation to its upstream oil and gas business to take into account prevailing oil and gas prices. For example, the Group increased its capital expenditures to $375 million in 2017 from $300 million in 2016, predominantly in connection with oil and gas projects.

Other significant commitments and entitlements

In North America, the Group is party to pipeline usage commitments under which it was, at 31 December 2017, committed to spend AED 737 million prior to 31 December 2018.

TAQA's joint venture, LWP Lessee, has future minimum payments under a non-cancellable operating lease as at 31 December 2017, amounting to AED 1,448 million, of which the Group's share is AED 724 million. In addition, one of the Group's associates, Sohar Aluminium, has future minimum payments under a non-cancellable operating lease of AED 838 million as at 31 December 2017. The Group's share of these payments is AED 335 million.

The Group's existing assets in the Power and Water business stream are contracted on a long-term basis and the payment flows under the contracts are generally stable in nature. Factors such as technology changes, competition, inflation and commodity prices do not typically affect the payment flows as fuel costs are typically passed through to the offtaker under the contracts and many of the contacts also have a degree of change in law protection. The Group, as a lessor, had future minimum receipts under non-cancellable operating leases of AED 72.3 billion as at 31 December 2017. These operating leases have remaining maturities ranging from 5 to 15 years.

The Group, as a lessee, also has future minimum payments under non-cancellable operating leases of AED 1.4 billion as at 31 December 2017. These operating leases have remaining maturities ranging from one to nine years.

For further details, see note 35 to the 2017 Financial Statements.

Capital Resources

The Group's interest bearing loans and borrowings as at 31 December 2017 comprised:

- AED 29,142 million in conventional project finance term loans and AED 919 million in Islamic project finance term loans outstanding. These loans are denominated in U.S. dollars and UAE dirham (in the case of the UAE power and water generation subsidiaries), in euro and Moroccan dirham (in the case of the loans to the Jorf Lasfar project companies) and in U.S. dollars in the case of the loan to Takoradi International Company. Each of the loans to the UAE power and water generation subsidiaries, some of the loans to the Jorf Lasfar project companies and the loan to Takoradi International Company bears interest at a floating rate determined by reference to a margin over LIBOR and the remaining international loans bear interest at fixed rates. The floating rate loans entered into by the UAE subsidiaries have margins to LIBOR that range between 0.5 per cent. and 2.5 per cent. The floating rate loans entered into by the international subsidiaries have margins to LIBOR that range between 3.92 per cent. and 7 per cent. The fixed rate loans have effective interest rates that range between 5.8 per cent. and 12.73 per cent. For further details, see note 29 to the 2017 Financial Statements;
- AED 27,620 million (including sukuk of AED 592 million) in parent company debt securities outstanding. These securities are denominated in U.S. dollars (save for the sukuk, which is denominated in Malaysian ringgit and one issue of notes which is denominated in euro) and all series bear interest at a fixed rate. The weighted average interest rate of these debt securities was 4.87 per cent. at 31 December 2017;
- AED 4,364 million in project bonds outstanding issued by two of its subsidiaries. The bonds bear interest at a fixed rate of 4.45 per cent. to 6 per cent. and mature by 2036, and are solely the obligation of these subsidiaries and not guaranteed by TAQA;
- AED 663 million in a Japanese yen-denominated floating rate term loan with a margin of 0.6 per cent. over LIBOR entered into by the parent company which is repayable in full in 2019; and
- AED 7,517 million in drawings under a revolving credit facility. These drawings comprise a mixture of euro and U.S. dollar advances. The drawings bear interest at floating rates and had a weighted average interest rate of 2.02 per cent. at 31 December 2017.

As at 31 December 2017, the Group had AED 11,161 million in unutilised committed funding, including the U.S.$1.25 billion bridge loan facility (the "**Bridge Loan**") entered into by the Issuer and affiliates of certain Dealers, including Citibank, N.A., London Branch, HSBC Bank Middle East Limited, ING Bank N.V., Dublin Branch, Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and The Bank of Nova Scotia (AED equivalent 4,590 million).

The Issuer may issue Notes under the Programme from time to time in any currency permitted under the Programme, with any tenor and interest rate basis as set out in this Prospectus, on a listed or unlisted basis, up to an aggregate amount outstanding at any time of up to U.S.$9,000 million (or its equivalent in other currencies). As at the date of this Prospectus, approximately U.S.$6,250 million was outstanding.

Project finance term loans

Project finance term loans (excluding the Islamic loans described below), which are shown at amortised cost, have been incurred by the following subsidiaries. Each of these loans is described in more detail in note 28(vi) to the 2017 Financial Statements.

Subsidiary	*Amortised cost at 31 December 2017*
	(AED million)
UAE power and water generation subsidiaries	

Subsidiary	Amortised cost at 31 December 2017
	(AED million)
Emirates CMS Power Company PJSC ("**ECPC**")	319
Gulf Total Tractebel Power Company PJSC	2,875
Shuweihat CMS International Power Company PJSC ("**SCIPCO**")	1,338
Arabian Power Company PJSC ("**Arabian Power**")	1,570
Taweelah Asia Power Company PJSC	4,362
Emirates Sembcorp Water and Power Company	2,598
Fujairah Asia Power Company PJSC	6,348
Ruwais Power Company PJSC	4,489
	23,899
International power generation subsidiaries	
TAQA Morocco S.C.A. (formerly Jorf Lasfar Energy Company S.C.A.)	1,443
Jorf Lasfar Energy Company 5&6 S.A,	2,828
Takoradi International Company	972
	5,243
Total	**29,142**

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

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

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

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

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

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

Islamic Loans

Islamic loans, which are shown at amortised cost, have been taken out with respect to the following subsidiaries. Each of these loans is described in more detail in note 29 to the 2017 Financial Statements.

Subsidiary	*Amortised cost at 31 December 2017*
	(AED million)
Emirates CMS Power Company PJSC	124
Shuweihat CMS Power Company PJSC	335
Arabian Power Company PJSC	460
Total	**919**

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

Debt securities issued

As at 31 December 2017, TAQA also had outstanding eleven series of U.S. dollar-denominated fixed rate notes issued under its global medium term note programme in an aggregate face amount of U.S.$6.25 billion and one series of euro-denominated fixed rate notes with a face amount of €180 million. In addition, at the same date TAQA had U.S.$1.50 billion in aggregate face amount of one series of directly issued bonds outstanding and U.S.$1,225 million in face amount of bonds issued by Ruwais Power Company and Emirates Sembcorp Water & Power Company, two subsidiaries of the Group.

TAQA also has a MYR 3.5 billion sukuk programme under which it can issue Shari'ah compliant securities. As at 31 December 2017, a Malaysian ringgit 650 million sukuk due March 2022 had been issued and was outstanding in the amount of AED 592 million.

The table below summarises the maturity profile of these securities:

Repayment Date	*Amount Outstanding at 31 December 2017*
	(AED million)
January 2018	2,754
August 2018	1,836
September 2019	1,831
June 2021	1,820
June 2021	934
December 2021	2,742
January 2023	4,565
May 2024	778
May 2024	2,734
June 2026	1,812
June 2026	1,907
October 2036	3,315
Total	**27,028**

Revolving credit facilities

In May 2010, TAQA North entered into a C$1.0 billion three-year revolving credit facility with a syndicate of eight banks. As at 31 December 2015, no drawings were outstanding under this facility. The facility was extended for an additional one year in each of 2011, 2012, 2013 and 2014, to mature in May 2019 and the amount of the facility has also been changed to U.S.$800 million. Borrowings under the facility are guaranteed by TAQA.

In August 2015, TAQA entered into a U.S.$3.1 billion five year multi-currency revolving credit facility with a syndicate of 15 banks. Drawings under the facility bear interest at floating rates determined by reference to LIBOR or EURIBOR plus a margin. As at 31 December 2017, AED 7,517 million in drawings were outstanding under this facility.

Repayment Profile

Principal amounts repayable by TAQA and its subsidiaries (before deducting prepaid finance costs) under the conventional and Islamic loans identified above outstanding at 31 December 2017 are as follows:

Repayment Profile	*Amortised cost at 31 December 2017*
	(AED million)
Within 1 year	7,253

Between 1 and 2 years	5,276
Between 2 and 3 years	10,440
Between 3 and 4 years	8,537
Between 4 and 5 years	2,683
After 5 years	36,777
Total	**70,966**

Loans from related parties

As at 31 December 2017, the Group had AED 266 million outstanding in long-term loans and advances from related parties, see note 31 to the 2017 Financial Statements.

EQUITY

The Group's equity was positively affected in 2017 by the profit generated by the Group. The Group's equity was AED 9,136 million as at 31 December 2017, AED 8,072 million as at 31 December 2016 and AED 7,331 million as at 31 December 2015. The decreases in equity in 2016 and 2015 were driven by impairment charges and lower commodity prices.

Effective 31 December 2016, the Company entered into a framework agreement with ADWEA pursuant to which ADWEA granted the Company 99-year leasehold rights over certain plots of land in the UAE at a nominal amount. At the date of the transfer, the Company recorded the fair value of leasehold land amounting to AED 18,682 million, under property plant and equipment with a corresponding amount recorded as an equity contribution from ADWEA. The Company's Board of Directors issued a resolution to transfer equity contributions amounting to AED 18,682 million to accumulated losses, which was approved at the Annual General Meeting of the Shareholders held in April 2017.

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTINGENT LIABILITIES

In addition to its obligations under guarantees and letters of credit entered into in the ordinary course of business, the Group is subject to contingent liabilities arising from tax assessments or proposed assessments and disputes connected with acquisitions made and also has a contingent liability in respect of a guarantee entered into in connection with the Red Oak acquisition.

Furthermore, TAQA is subject to potentially significant additional costs in respect of its UK North Sea assets, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Business Generally — The Group could incur significant decommissioning costs in relation to its facilities*". In this respect, the UK government has entered into Decommissioning Relief Deeds (each a "**DRD**") with individual oil companies (including TAQA Bratani Limited and TAQA Bratani LNS Limited) operating in the UK continental shelf which effectively guarantee the tax reliefs that companies can expect when decommissioning their UK continental shelf assets, providing that if the current rate of the tax relief on decommissioning (which is approximately 50-75 per cent. (depending on the tax rate and asset in question)) is reduced in the future, the UK government will make a compensating payment. The security provided in relation to the payment of decommissioning costs is typically governed by decommissioning security agreements (each a "**DSA**") between joint venture partners or between buyers and sellers of assets. Assuming a DRD is in place on a default by a joint venture partner, under the corresponding DSA the non-defaulting parties are contractually guaranteed tax relief on the additional expenditure imposed on them. The DSAs to which TAQA is a party currently require decommissioning security on a pre-tax basis. Because of the guarantees from the UK government in the DRDs, the expectation is that these DSAs should be amended to a post-tax basis, but they have yet to be amended and there is no assurance that such amendments will be agreed in the near future or at all.

Under certain of the DSAs, TAQA may be required to provide security in replacement of the parent guarantee currently provided and the amount of that security, if required, could be in excess of U.S.$1 billion. See generally note 35(iv) to the 2017 Financial Statements.

PRIMARY RISKS

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

- commodity risk, principally arising from changes in prices for crude oil and natural gas;

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

Commodity Price Risk

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

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

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

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

TAQA Gen X seeks to hedge its commodity price risks (incurred through its ongoing purchases of gas and sales of electricity) through forward commodity contracts. In 2017, a 10 per cent. increase in the fair value of the forward commodity contracts to which TAQA Gen X was a party would have decreased the Group's profit before tax by AED 42 million whereas a 10 per cent. fall in the fair value of those contracts would have had an equal but opposite effect.

Exploration and Production Risk

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

Production risk tends to be associated with ageing production equipment and human error, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Business — Some of the Group's oil and gas installations are past their original designed life*". To address this risk, the Group

emphasises risk management at all stages of the production process. Automatic detection and emergency shutdown processes are in place to prevent losses during equipment failures. The Group uses standardised work procedures and operation manuals, together with training programmes, to encourage the adoption of best practices and risk management procedures by its employees. In addition, stringent operational safety assessments are carried out by outside agencies to ensure high standards.

Market Price Risk

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

Foreign currency exchange risk

The Group conducts operations in 11 countries and reports its consolidated financial statements in UAE dirham. As a result, its results of operations are affected by exchange rate fluctuations between the UAE dirham and other currencies, in particular the Canadian dollar, the euro, the Indian rupee, the Moroccan dirham and the pound sterling. The Group's foreign exchange risk consists of both currency transaction risk and currency translation risk. Each of the Group's operating subsidiaries reports its assets and liabilities and profits and losses in the operating currency of the jurisdiction in which it primarily operates. These amounts, if not reported in UAE dirham, are then translated into UAE dirham for inclusion in the Group's consolidated financial statements at the period average or period-end exchange rates, as the case may be. The translation of these amounts can impact the Group's financial results from period to period and affect their comparability.

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

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

In 2017, a 5 per cent. increase in the exchange rate between the dirham and the Canadian dollar, the euro, the Indian rupee, the Moroccan dirham and the pound sterling, respectively, with all other variables held constant, would have decreased the Group's profit before tax by AED 20 million and (through the Group's euro-denominated borrowings) increased its equity by AED 19 million, with a 5 per cent. fall in the exchange rate having an equal but opposite effect.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations and short-term deposits with floating interest rates. It is the Group's policy to manage its interest costs using a mix of fixed and variable rate debts. To manage this, Group companies enter into interest rate swaps, in which the relevant Group company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. As at 31 December 2017, after taking into account the effect of interest rate swaps, approximately 89 per cent. of the Group's borrowings are at a fixed rate of interest.

As at 31 December 2017, an increase in interest rates of 0.15 per cent. (assuming all other variables remained constant) would have reduced the Group's profit in 2017 by AED 12 million and increased its equity by AED 222 million. An equivalent decrease in interest rates would have increased the Group's profit in 2017 by AED 12 million and decreased its equity by AED 244 million.

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

Credit Risk

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

TAQA's UAE power and water generation subsidiaries sell their products to one related party, which was also the Group's most significant customer in each period under review, accounting for 42.7 per cent. of the Group's total revenue in 2017, 44.5 per cent. in 2016 and 36.4 per cent. in 2015. Generally, TAQA's non-UAE power generation subsidiaries also sell their products to one party, which is typically a governmental entity. TAQA Bratani derives most of its revenue from the sale of crude oil to TOTSA and Chevron. The crude oil contracts with these companies are annually tendered and currently cover the period to 31 December 2018. All of the natural gas produced by the Group in The Netherlands is sold to GasTerra B.V., an entity 50 per cent. owned by the Dutch government and 50 per cent. owned by a joint venture between Shell and Exxon Mobil, under a long-term contract. These subsidiaries seek to limit their credit risk with respect to a single customer by monitoring outstanding receivables. The Group's non-UAE subsidiaries are potentially exposed to concentrations of credit risk in respect of accounts receivable, cash and cash equivalents, VAT recoverable, loans receivable and advances. The Group's other oil and gas operations sell their output in the spot market. The Group does not generally require collateral to limit its exposure to loss; however, letters of credit and prepayments are often used. Although the condition of these receivables could be influenced by economic factors affecting these entities, TAQA believes there is no significant risk of loss beyond allowances already recorded.

The Group generally trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure relates to carrying amounts for amounts due from related parties and accounts receivable and prepayments. The Group's two largest customers accounted for approximately 75 per cent. of outstanding trade receivables and amounts due from related parties as at 31 December 2017. In relation to its other financial assets, including cash and cash equivalents, available for sale financial investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. TAQA seeks to limit its credit risk to banks by only dealing with reputable banks and financial institutions.

Liquidity Risk

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

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (for example accounts receivable and other assets) and projected cash flow from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and bonds. The Group's policy is to try to ensure that the amount of borrowings that mature in the next 12-month period should not result in the current ratio (current assets divided by current liabilities) being less than 90 per cent.

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 to maximise shareholder value. The Group manages its capital structure through dividend adjustments and issuing new shares. TAQA monitors the Group's capital using a gearing ratio of net debt divided by total capital plus net debt. For these purposes, "**net debt**" comprises interest bearing loans and borrowings and Islamic loans less cash and cash equivalents and "**capital**" comprises total equity (including non-controlling interests) less cumulative changes in the fair value of derivatives.

As at 31 December 2017, the Group's gearing ratio was 85 per cent.

DESCRIPTION OF THE GROUP

OVERVIEW

TAQA is the holding company for a diversified international energy group headquartered in the Emirate of Abu Dhabi, United Arab Emirates. The Group 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. In 2017, the Group's revenue was AED 16,680 million and it reported a profit of AED 1,043 million.

Power and Water

The Power and Water business is the larger of the Group's two business streams and comprises the ownership, development, acquisition and operation of power generation and water desalination facilities. TAQA owns majority interests in eight power generation and water desalination facilities in the UAE. In addition, TAQA owns an interest in and operates power generation facilities in each of Morocco, India and Ghana. TAQA also owns a majority interest in a tolling agreement in relation to a power generation facility in the United States and minority interests in a company which operates an aluminium smelter and related power generation plant in Oman and a power generation company in Saudi Arabia. For the year ended 31 December 2017, the Power and Water business stream generated consolidated revenue from external customers of AED 11,125 million, or 67.2 per cent. of the Group's total consolidated revenue, and recorded a profit for the year (before adjustments, eliminations and unallocated) of AED 2,463 million.

As at 31 December 2017, the Group's facilities (excluding the power generation plant at Sohar Aluminium in Oman but including the Group's minority interest in the Jubail power plant in Saudi Arabia) had a gross power generation capacity of 12,487MW in the UAE and 3,923MW in operations outside the UAE, and a gross desalinated water production capacity of 917MIGD. Based on TAQA's percentage ownership, its aggregate net interest in the facilities as at 31 December 2017 was 6,743MW in the UAE, 3,217MW internationally and 495MIGD, respectively. For the year ended 31 December 2017, total power production from the facilities was 89.846 GWh and total desalinated water production from the facilities was 249.469 MIG.

Oil and Gas

The Group is engaged in upstream and midstream oil and gas businesses with its principal operations in North America (comprising Canada and the northwestern United States), the UK North Sea and The Netherlands. The Group also has a 39.9 per cent. interest in a PSC governing the Atrush Block in the Kurdistan Region of Iraq. The Group's upstream oil and gas business includes exploration, development and production of crude oil, natural gas and natural gas liquids. The Group's midstream oil and gas business includes gas storage, oil and gas processing and transport. For the year ended 31 December 2017, the Oil and Gas business stream generated consolidated revenue from external customers of AED 5,465 million, or 32.8 per cent. of the Group's total consolidated revenue, and recorded a loss (before adjustments, eliminations and unallocated) of AED 73 million. For the year ended 31 December 2017, aggregate daily average crude oil, natural gas liquids and natural gas production was 49.1 mboe/d, 12.9 mboe/d and 385.1 mmcf/d, respectively.

HISTORY

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

TAQA was established in June 2005 pursuant to the provisions of Emiri Decree (16) of 2005 as a public joint stock company. At TAQA's inception, ADWEA, then TAQA's sole shareholder, transferred approximately 24 per cent. of its shareholding to the Farm Owners' Fund. The Farm Owners' Fund's shareholding was subsequently reduced when mandatory convertible bonds issued by TAQA converted into shares in 2008. In August 2005, TAQA's shares were listed on the Abu Dhabi Securities Exchange and a concurrent equity offering reduced ADWEA's shareholding to approximately 51 per cent. In 2017, ADWEA purchased all of the Farm Owners' Fund's shareholding, bringing ADWEA's shareholding to 74.1 per cent.

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

Between 2007 and 2012, TAQA completed a number of acquisitions in the I-MENA region (the MENA region plus India), North America, Europe and elsewhere. Since then, TAQA's primary focus has been on developing its asset base. Due to the sharp decline in international oil prices in the second half of 2014, TAQA commenced its Transformation Programme in early 2015, which it completed by the end of 2016 see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Transformation Programme*". TAQA continues to manage its property portfolio. In 2015 and 2016, this included the disposal of non-core oil and gas properties in North America as well as other non-core assets in both the oil and gas and power and water business streams.

Effective 31 December 2016, the Company entered into a framework agreement with ADWEA pursuant to which ADWEA granted the Company a 99-year leasehold right over certain plots of land in the UAE at a nominal amount. At the date of the transfer, the Company recorded the fair value of leasehold land amounting to AED 18,682 million, under property plant and equipment with a corresponding amount recorded as an equity contribution from ADWEA. The Company's Board of Directors issued a resolution to transfer equity contributions amounting to AED 18,682 million to accumulated losses, which was approved of the Annual General Meeting of the Shareholders held in April 2017.

In February 2018, Law No. 11 of 2018 on the establishment of the Energy Department was published. Pursuant to the law, all of ADWEA's assets, rights and obligations will be transferred to the Energy Department. The Energy Department will be responsible for the entire energy sector in the Emirate of Abu Dhabi, including the Emirate's energy strategy. It will regulate the energy sector in all respects and license all institutions, entities and companies working in the energy sector. It will also propose fees and tariffs and submit them to the Abu Dhabi Executive Council for approval. It is expected that the Executive Council will issue a decision specifying the subsidiary bodies that will be subject to the supervision of the Energy Department.

SHAREHOLDERS

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

Shareholder	*Shareholding*
	(%)
ADWEA	74.1
Other government entities	1.1
Publicly owned	24.8

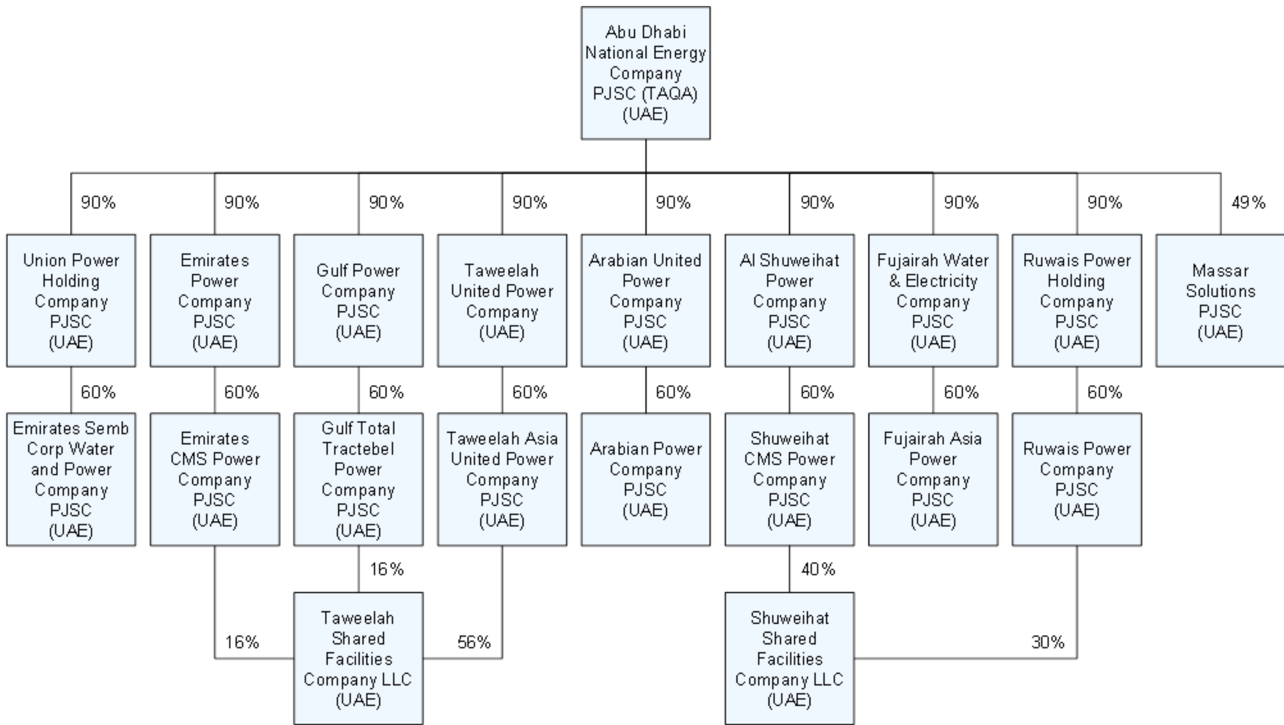
ADWEA and the other government entities are wholly owned by the Abu Dhabi government. Accordingly, the Abu Dhabi government indirectly owns approximately 75.2 per cent. of TAQA's share capital.

CORPORATE, ORGANISATIONAL AND REPORTING STRUCTURES

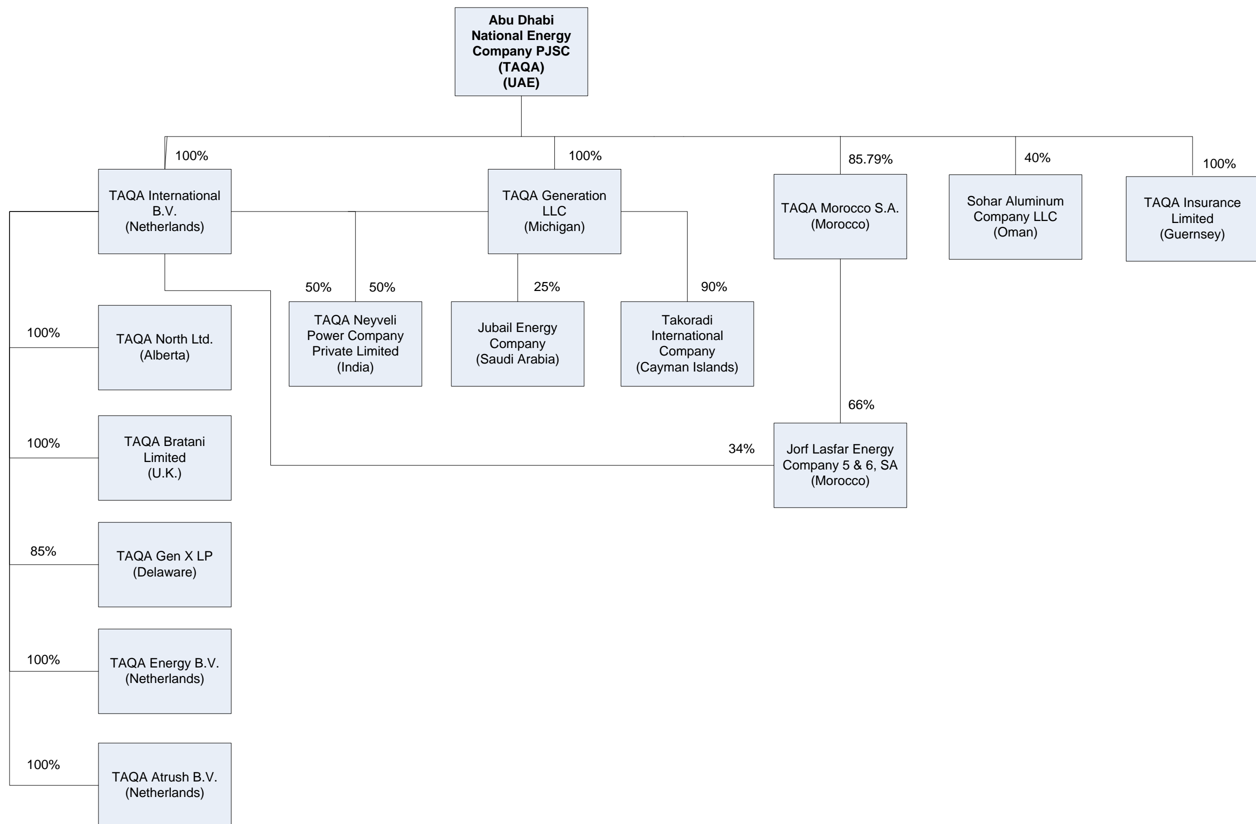
Corporate Structure

The simplified corporate structure charts as at 31 December 2017 below depict the inter-corporate relationships between TAQA and its principal UAE and international subsidiaries. Intermediate holding companies may be interposed between the companies shown on the corporate structure charts, and the ownership percentage figures in the charts reflect TAQA's direct or indirect effective ownership, as applicable.

UAE subsidiaries

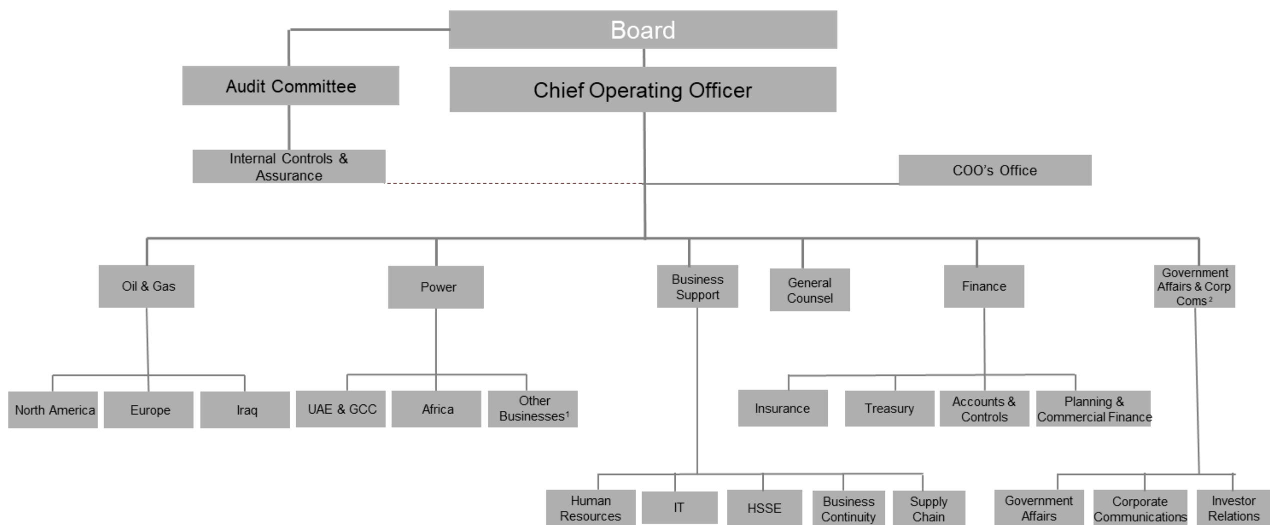


International subsidiaries



Organisational and Reporting Structure

The chart below depicts how the Group's business is organised and the general reporting lines for the business.



STRATEGY

TAQA's long-term strategy is to develop energy and water businesses of scale, focused on long-term value creation and diversification of risk as well as transfer of technology and operatorship capabilities to Abu Dhabi and the UAE. TAQA's current global portfolio of assets, where TAQA plays a major role in operations and development, reflects this strategy.

In terms of its geographic focus, TAQA has a strong presence in the UAE, but also maintains operations in geographies that are of particular interest to Abu Dhabi, including Morocco and Iraq. TAQA's primary focus is further developing its businesses within the UAE and the MENA region, as well as organic growth opportunities within its current footprint that fit its strategy.

TAQA's Power and Water business stream originated from its ownership interests in UAE power and water projects, and has grown through acquisition and brownfield growth in seven countries. The business stream provides a strong platform of stable cash flows and underpins the financial stability of the Group. TAQA has significant operator roles across its international power and water fleet.

TAQA's Oil and Gas business stream has grown through acquisitions and subsequent development. Currently TAQA operates businesses of significant scale in North America, Europe and the Middle East, and has developed a strong operational track record.

In both business streams, recent growth has been focused on organic projects, as evidenced by the recent completion of expansion projects at Jorf Lasfar in Morocco and Takoradi in Ghana and the development of Gas Storage Bergermeer in The Netherlands and the Atrush Block in the Kurdistan Region of Iraq. However, TAQA is always exploring strategic opportunities, including the disposal of any oil and gas assets.

From the start of 2015, TAQA's primary focus has been to improve operational efficiencies and reduce cash cost expenses and capital expenditure through a two-year Transformation Programme, pursuant to which the Group reduced capital and operational expenditure and at the same time transformed its balance sheet, leading to a significant impairment recorded in 2016. The Transformation Programme was completed in December 2016 and was a primary driver of the Group's return to profitability in 2017, see "*Management's Discussion and Analysis of Financial Condition and Results of Opera*tions — *Factors Affecting Results of Operations — Transformation Programme*".

Through the implementation of its strategy, the Group is making a meaningful contribution to the Abu Dhabi Economic Vision 2030 in the key areas of economic development, social and human resource development and infrastructure development, see "*Overview of the UAE and Abu Dhabi*". In particular, TAQA's strategy seeks to enable the diversification of income and the creation of a sustainable knowledge-based economy for Abu Dhabi as well as the provision of a reliable supply of electricity and water.

TAQA's strategy is based on five pillars:

- **Strong Abu Dhabi relationships**. TAQA builds on the strength of its Abu Dhabi relationships and contributes to the delivery of the Abu Dhabi Economic Vision 2030. It manages strategic energy and water assets critical to Abu Dhabi and the UAE. The Abu Dhabi relationships enable TAQA to more

effectively manage geopolitical, regulatory and market risk in its international operations, and particularly in the MENA region.

- **Operational excellence and technology application**. TAQA considers health and safety and the protection of the environment to be its top priorities. TAQA is continuously striving for operational excellence and seeks to apply leading technologies in order to deliver strong financial and operational performance. The Group continues to focus on improving and enhancing infrastructure, creating safer facilities with more facility uptime, as well as greater operational and cost efficiency.
- **Long-term value creation and portfolio realignment**. Through a diversified mix of assets, TAQA generates a combination of stable cash flows and reduced exposure to commodity prices as the Power and Water business stream provides stability in times of lower commodity prices. Further operational efficiency has been achieved 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. TAQA continues to review its portfolio for opportunities to divest non-strategic assets to increase the Group's strategic focus, provided that the divestment is value creating.
- **Strong financial management**. The Group is committed to make prudent financial decisions with carefully planned and executed capital expenditure programmes and to apply leading levels of corporate governance to its financial decision-making processes, including through its Transformation Programme which achieved reduced operating expenses and revised levels of capital expenditure with a focus on financial management. The Group seeks to maintain strong cash and liquidity positions, particularly when commodity prices are low, and aims to strengthen its credit metrics and gearing ratios over time.
- **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. TAQA believes that its culture is unique, thus creating a competitive advantage in global markets. TAQA has increased, and continues to increase, Emiratisation at its headquarters. Finally, TAQA is committed to being a responsible corporate citizen in the communities where it operates.

COMPETITIVE STRENGTHS

TAQA's strategy is founded on three distinctive competitive strengths.

Abu Dhabi Government Support

The Group benefits significantly from the strong support of the Abu Dhabi government, which indirectly owns approximately 75.2 per cent. of TAQA's share capital, following an increase in its indirect shareholding in 2017.

The Abu Dhabi government has in the past provided significant financial support to TAQA. TAQA is the leading diversified energy operator of scale among Abu Dhabi's state-owned enterprises and, as such, it is uniquely positioned to support specific opportunities in line with the Emirate's public and foreign policy. This advantage is sustainable and provides the following benefits:

- Ownership of energy and water assets in Abu Dhabi. TAQA provides over 95 per cent. of the electricity and water requirements of the Emirate through its majority ownership of eight integrated power generation and water desalination plants that were contributed to it by ADWEA. This set of assets is the core of the Group's global Power and Water portfolio, and positions the Group within the top 10 global independent power producers in terms of gross power generation capacity.
- Support from Abu Dhabi in TAQA's relationships with non-UAE governments. Abu Dhabi has strong government-to-government relationships with many countries. TAQA directly and indirectly benefits from these relationships, either through the support of development or operational activities internationally, or through access to a unique pipeline of international opportunities.

In addition, the Abu Dhabi government has provided numerous forms of tangible to support TAQA through the years, including asset contributions such as Sohar Aluminium and Massar Solutions, waiver of shareholder loans, and, most recently, the provision of 99-year leasehold interests in the land in the UAE on which TAQA's power plants are located.

Large and Diversified Portfolio with a Presence in Emerging Markets

The Group operates in 11 countries spread across four continents, with businesses that span the energy value chain from upstream oil and gas exploration, development and operations to midstream oil and gas transport and storage services, as well as power generation and water desalination. This diversified platform has enabled the Group to reduce

its exposure to individual business, country and currency risks. The Group's assets are balanced between investments dependent on commodity prices and investments that provide long-term committed revenue and earnings (see "*Description of the Business — Business Streams — Power and Water — Contractual nature of the power and water business*"), as well as investments in developed and emerging markets.

The Group has assets in a number of emerging markets in the Middle East, Africa and India. These economies are experiencing, and are expected to continue to experience, higher economic growth rates than more mature markets. This growth not only translates into higher demand growth for energy, particularly electricity, but also requires significant investments in critical infrastructure such as power generation facilities and related energy infrastructure. TAQA believes that the Group is well positioned to benefit from these trends, particularly through its power generation presence in such markets.

Proven Capabilities

TAQA has proven capabilities in a number of areas, including project development and operations. It has successfully implemented a number of large capital projects, including the U.S.$1 billion development of Gas Storage Bergermeer in The Netherlands in 2015, the 110MW combined cycle expansion of the Takoradi power plant in Ghana in 2015 and the commencement of production in 2017 of the Atrush block in the Kurdistan Region of Iraq, where TAQA is the operator.

The Group also has a solid track record in operating energy assets throughout the value chain. TAQA's Oil and Gas business stream operates onshore and offshore oil and gas exploration and production activities as well as midstream infrastructure in North America, Europe and Iraq. Through the Power and Water business stream, the Group owns a significant fleet of modern power assets, and is the operator of its power plants in Morocco, India and Ghana.

BUSINESS STREAMS

Power and Water

The Group's Power and Water business includes the ownership, development, acquisition and/or operation of power generation and water desalination facilities in the Middle East, North and Sub-Saharan Africa and India.

In the UAE, TAQA has equity interests in eight special purpose entities in the Emirates of Abu Dhabi and Fujairah, which provide more than 91 per cent. of the water and 78 per cent. of the electricity requirements of the Emirate of Abu Dhabi in addition to varying levels of power and water supply to the other Emirates. Each special purpose company is partially owned by various leading international energy companies, and TAQA's holding in each is the result of a transfer from ADWEA, see "— *History*". As of 31 December 2017, the Group's UAE power and water facilities had 12,487MW of gross power generation capacity and 917MIGD of gross water desalination capacity. Based on TAQA's percentage ownership, its aggregate net interest in the facilities as at 31 December 2017 was 6,743MW and 495MIGD, respectively.

TAQA also undertakes power generation activities through its subsidiaries in Morocco, India and Ghana and, as of the date of this Prospectus owns an 85 per cent. interest in a tolling agreement in relation to a power generation facility in the United States, a 40 per cent. interest in a company which operates an aluminium smelter and associated power generation facility in Oman, and a 25 per cent. equity interest in a power generation company in Saudi Arabia. As at 31 December 2017, these entities (excluding the facility in Oman) had, on a combined basis, approximately 3,923MW of gross power generation capacity, with TAQA's net interest being 3,217MW.

Contractual nature of the power and water business

Almost all of the power generation and/or water desalination facilities in which TAQA currently has an equity interest sell electricity and/or desalinated water to their customers, who are generally state-controlled, under long-term contracted price take-or-pay PPAs or, in the case of the UAE facilities, PWPAs, see "*Summary of Material Agreements — Summary of Certain International Generation Project Agreements"* and *"Summary of Material Agreements — Summary of Principal UAE Generation Agreements*". The exceptions are the smelter in Oman where the power generation facility is part of the smelter and the TAQA Gen-X Red Oak tolling arrangement where the output is sold on a merchant basis, with electricity sales and natural gas cost price exposures being partially mitigated through a rolling hedging programme.

The long-term, take-or-pay price nature of PPAs and PWPAs provides for stable cash flow and income over a contractually agreed long-term timeframe, allowing for limited recourse financing to be used for the development of power generation and water desalination assets. There are generally two components of the Group's PPAs and PWPAs in respect of the contract price, which is commonly referred to as the tariff: (i) a "capacity charge" based on the generation and/or desalination capacity of the facility, which is structured to allow the owner of the facility to recover all of the facility's fixed costs, such as debt repayment, normal maintenance and a minimum return on equity; and (ii) an "energy charge" which covers the project company's variable costs, such as certain maintenance costs.

Fuel supply for the Group's international facilities is generally provided for under fuel supply agreements ("**FSAs**") or in the relevant PPA and, for the Group's UAE facilities, is provided by the off-taker under the PWPA. Fuel costs under the FSAs are included as part of the energy charge portion of the tariff such that the relevant project company minimises its exposure to changes in fuel costs.

Similarly, operating, maintenance and financing costs for the entire life of the PPA or PWPA are factored into the tariff under the PPA or PWPA, under cost plus or lump sum arrangements.

In addition to this, PPAs, PWPAs and related agreements provide for protection against certain risks to which the project company might be exposed. For example, part of the tariff related to the Neyveli facility in India is indexed to the U.S. dollar to protect against adverse movements in the rupee against the U.S. dollar.

As a result, the Group's Power and Water business is generally a long-term contracted business with historically stable cash flow and earnings.

UAE power and water assets

As at the date of this Prospectus, TAQA owns a 54 per cent. interest in each of its eight UAE power generation and water desalination plants, with ADWEA having a 6 per cent. interest in each such plant. The remaining 40 per cent. interest in each of these plants is held by various international partners.

The plants (or the project companies that own the plants) sell all their electricity and water production (or electricity generation and water desalination capacity) under PWPAs with ADWEC, under which their compensation is based primarily on the availability of generation and desalination capacity rather than the amount of electricity and desalinated water produced.

Each of these plants is managed, operated and maintained by international partners under long-term operations and maintenance agreements between the relevant international partner and the generation subsidiary concerned.

Each plant has been financed with limited recourse project finance facilities, which contain certain covenant packages, including a prohibition on the payment of dividends in certain circumstances, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Resources — Project finance term loans*".

The table below sets out the key aspects of the Group's UAE power and water facilities as of 31 December 2017, all of which are build, own and operate ("**BOO**") facilities.

Facility	*TAQA's interest*	*Holding*	*Partners*	*Gross Power Capacity*	*Net Interest Power Capacity*	*Gross Water Desalination Capacity*	*Net Interest Water Desalination Capacity*	*Scheduled PWPA Termination*
	(*%*)			(*MW*)	(*MW*)	(*MIGD*)	(*MIGD*)	
Taweelah A1	54	Gulf Total Tractebel Power Company	ADWEA (6%) GDF Suez (20%) TOTAL (20%)	1,600	864	84	45	2029
Taweelah A2	54	Emirates CMS Power Company	ADWEA (6%) Marubeni Corporation (34%) JGC Corporation (6%)	770	416	50	27	2021
Taweelah B	54	Taweelah Asia Power Company	ADWEA (6%) BTU Power Company (10%) Marubeni Corporation (14%) Powertek Berhad (10%) JGC Corporation (6%)	2,000	1,080	163	88	2028
Shuweihat S1	54	Shuweihat CMS International Power Company	ADWEA (6%) International Power (20%) Sumitomo Corporation (20%)	1,500	810	100	54	2025
Shuweihat S2	54	Ruwais Power Company	ADWEA (6%) GDF Suez (20%) Marubeni Corporation (20%)	1,500	810	100	54	2036
Umm al Naar	54	Arabian Power Company	ADWEA (6%) International Power (20%) Mitsui & Co., Ltd. (6%) Tokyo Electric Power Co. (14%)	2,256	1,218	160	87	2027
Fujairah 1	54	Emirates SembCorp Water & Power Company	ADWEA (6%) SembCorp Utilities (40%)	861	465	130[1]	70	2035[2]
Fujairah 2	54	Fujairah Asia Power Company	ADWEA (6%) International Power (20%) Marubeni Corporation (20%)	2,000	1,080	130	70	2031
Total				**12,487**	**6,743**	**917**	**495**	

Notes:

(1) With effect from December 2015 following the completion of an expansion project to increase the water desalination capacity of Fujairah 1 IWPP from 100MIGD to 130MIGD.

(2) Extended from 2029 to 2035 in conjunction with the capacity expansion noted above.

The table below shows the power availability (as a percentage of contracted capacity) of each of the UAE generation facilities for each of 2017, 2016 and 2015. All figures given are averages of monthly averages.

	Year ended 31 December		
	2017	*2016*	*2015*
Taweelah A1	91.7%	91.6%	91.2%
Taweelah A2	96.2%	94.2%	93.0%
Taweelah B	89.4%	94.7%	96.1%
Shuweihat S1	90.5%	92.6%	90.5%
Shuweihat S2	96.7%	96.0%	91.2%
Umm al Naar	95.4%	94.1%	91.5%
Fujairah F1	95.7%	97.1%	96.0%
Fujairah F2	90.4%	95.2%	94.1%

All of the Group's UAE power and water facilities use natural gas as their primary fuel, with the natural gas being supplied by ADWEC. The natural gas is not charged to the generator. Rather, the generator pays a penalty or receives a bonus, depending upon how efficiently it uses the fuel. Back-up fuel is supplied on a "pass-through" basis pursuant to which the generator purchases the fuel and then passes the cost of the fuel on to the off-taker in the tariff under the relevant PWPA. Each plant must procure its own back-up fuel, in the form of fuel oil purchased from Abu Dhabi National Oil Company ("**ADNOC**"), and in that regard is required to maintain a seven-day fuel oil storage capacity (with the exception of two plants that must maintain larger storage capacities). Back up fuel costs are also "pass through" to ADWEC under the relevant PWPA for each UAE power and water facility. ADWEC determines the fuel usage for each of the UAE facilities. During periods of low natural gas availability, a plant may be required to use back-up fuel oil for its operations. Such usage is permissible over extended periods, but extensive use over a long period may lead to higher maintenance costs and increased maintenance requirements, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Power Generation and Water Desalination Businesses — Reliance on back-up fuel over extended periods of time may have a material adverse effect on power and water plant operations*".

The Dolphin pipeline, operated by Dolphin Energy Limited, commenced operations in May 2007. The pipeline has a design capacity of 3,200 mmscf/d of natural gas. ADWEA is the principal UAE customer for the gas transported from Qatar through the Dolphin pipeline and, as a result, problems related to gas shortages experienced by the UAE generation subsidiaries in the period before the pipeline was built were reduced significantly once the pipeline became fully operational. However, demand for natural gas in the UAE continues to increase and ADWEC, as the Group's sole gas procurer in the UAE, continues to face competing priorities and is not always able to make natural gas available to the Group in the quantities required to operate its facilities. In such instances, the UAE generation subsidiaries must rely on back-up fuel to operate their plants. The total consumption of back-up fuel by the Group's UAE generation facilities amounted to 6.8MIG in 2015, 3.5 MIG in 2016 and 2.0 MIG in 2017.

International power and water assets

TAQA owns controlling interests in power generation facilities in Morocco, India and Ghana. TAQA also owns an interest in a tolling agreement in relation to a power generation facility located in the State of New Jersey in the United States and minority interests in an aluminium smelter and related power generation facility in Oman and in a power generation plant in Saudi Arabia.

The table below sets out the key aspects of the Group's majority-owned interests in international power and water facilities as of 31 December 2017, that are operated by or through its subsidiaries.

Facility	*Location*	*TAQA's Interest*	*Partners*	*Gross Power Capacity*	*Net Power Capacity*	*Fuel*	*Off-taker*	*Scheduled PPA Termination*	*Ownership Type*
		(%)		*(MW)*					
Jorf Lasfar 1 - 4	Morocco	85.79	Minorities	1,356	1,257	Coal	ONEE	2027	BOT[(1)]
Jorf Lasfar 5&6	Morocco	90.62	Minorities	700	625	Coal	ONEE	2044	BOOT[(2)]
Neyveli	India	100[(3)]	—	250	250	Lignite	TANGEDCO	2032	BOOT
Takoradi	Ghana	90	VRA	330	297	Tri-fuel	VRA	2040	BOO[(4)]
Red Oak	United States	85	Morgan Stanley	832	707	Natural Gas	PJM Market	N/A	Tolling agreement

Notes:

(1) Build, operate and transfer
(2) Build, own, operate and transfer.
(3) A nominal number of shares are held by the original third party developer of the project.
(4) Build, own and operate.

TAQA Morocco

The Jorf Lasfar power plant is a coal-fired plant comprising two 330MW generation units (units 1 and 2), two 348MW generation units (units 3 and 4) and, since mid-2014, two 350MW generation units (units 5 and 6) located on the Atlantic coast of Morocco. The Jorf Lasfar plant is a major power supplier in the Moroccan market, satisfying over half of the country's base-load electricity demand. The Jorf Lasfar facility is owned, operated and maintained by the Group.

Under the Jorf Lasfar PPAs, all power generation capacity and power generation is sold to ONEE, Morocco's state-owned off-taker. Coal for the plant is imported from a variety of countries, including Colombia, Poland, Russia, South Africa and the United States. The plant has coal-handling facilities that manage logistics for the landing of coal deliveries received by ship at a neighbouring, purpose-built port. The plant maintains sufficient coal reserves to operate all six units for approximately 35 days without receiving any further shipments of coal. Fuel costs are quasi "pass-through" to ONEE as part of the tariff under the Jorf Lasfar PPA.

The table below shows the power availability (as a percentage of contracted capacity) for the Jorf Lasfar generation facility for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
Jorf Lasfar (units 1 through 4)	93.2%	93.1%	91.1%
Jorf Lasfar (units 5 and 6)	90.9%	91.3%	95.2%

Neyveli (India)

TAQA Neyveli Power Company Pvt Ltd. ("**TNPCL**"), a 100 per cent.-owned indirect subsidiary of TAQA, was established in November 1993 to develop, own and operate a 250MW lignite-fired power plant near an open-cast lignite mine located in Neyveli, Tamil Nadu, India. The facility was developed and constructed by TNPCL and commenced full commercial operations on 15 December 2002. TNPCL sells the entire capacity of the Neyveli plant to TANGEDCO, the local state government-owned utility, under a 30-year PPA, which was entered into on 4 November 1993. TNPCL is also responsible for the operation and maintenance of the plant and related facilities.

Fuel (lignite) is supplied by Neyveli Lignite Corporation ("**NLC**") under a 30-year fuel supply agreement, with the cost being "pass-through" to TANGEDCO as part of the tariff, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks relating to the Group's Businesses Generally — The Group is substantially dependent on a limited number of customers for a significant proportion of its revenue and is also dependent on third party suppliers of fuel to its power and water generation subsidiaries*". The power generation facility has a lignite storage capacity of 75,000 metric tonnes with an average lignite stock on hand of 30,000 metric tonnes. In addition, NLC maintains a stock of at least 50,000 metric tonnes at the mine. The table below shows the power availability (as a percentage of contracted capacity) for the Neyveli generation facility for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	*2016*	*2015*
Neyveli	84.3%	96.5%	87.0%

Takoradi (Ghana)

The Group operates a 330MW combined-cycle tri-fuel compatible (natural gas, fuel oil or distillate/light crude) power plant located at Takoradi, 220km west of Accra, Ghana. TAQA has a 90 per cent. ownership interest in Takoradi International Company ("**TICO**"), with the remaining 10 per cent. owned by the Volta River Authority (the "**VRA**"), which is a state-owned entity. All power produced from the Takoradi facility is sold under a 25-year PPA with the VRA, which was entered into on 1 March 1999. The facility commenced commercial operations in 2000. Fuel for the plant is supplied to TICO by the VRA at cost, with these costs being "pass-through" to the VRA as part of the tariff.

TICO received Ghanaian parliamentary approval in July 2012 to convert the facility from a simple-cycle to a combined-cycle generation facility. Construction commenced in the third quarter of 2012 and the commercial operation of the T2 plant expansion, which increased the net generating capacity from 220MW to approximately 330MW, began on 16 October 2015.

The table below shows the power availability (as a percentage of contracted capacity) for the Takoradi generation facility for each of 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
Takoradi[(1)]	75.2%	73.8%	72.2%

Note:

(1) Takoradi experienced an extended major overhaul for units 1 and 2 in 2015, resulting in the units being out of commission for 53 and 14 days, respectively. In 2016, Takoradi experienced an extended unit 1 outage, due to an equipment upgrade, and unit 2 experienced an extended outage from 10 May 2016 to 11 July 2016. In 2017, Takoradi underwent an extended major overhaul for unit 2 and an extended outage for the steam turbine.

TAQA Gen-X (United States)

As at the date of this Prospectus, TAQA owns 85 per cent. of TAQA Gen-X as a limited partner, with an affiliate of Morgan Stanley owning the remaining 15 per cent. as the sole general partner. TAQA Gen-X, through its wholly-owned subsidiary TAQA Gen-X LLC, owns the Red Oak Tolling Agreement for the Red Oak power generation facility in Sayreville, New Jersey. Therefore, TAQA has a contractual interest only, through the Red Oak Tolling Agreement, in the Red Oak plant. The Red Oak facility is a combined-cycle power generation facility of approximately 766MW (summer capacity) to 830MW (winter capacity) owned and operated by Red Oak Power, LLC. Pursuant to the Red Oak Tolling Agreement, TAQA Gen-X is entitled to the economic rights (revenue from the sale of electricity, capacity payments and any other ancillary services) of the power generation facility. TAQA Gen-X is required to supply the fuel and make certain fixed and variable payments to Red Oak Power, LLC. Gas is currently procured through gas supply/transport agreements with New Jersey Natural Gas Company. The Red Oak Tolling Agreement expires in September 2022.

Oil and Gas

The Group is engaged in upstream and midstream oil and gas businesses in Canada, the United States, the UK North Sea, The Netherlands and the Kurdistan Region of Iraq. The Group's upstream business includes exploration, development and production of crude oil, natural gas and natural gas liquids, and its midstream business comprises gas storage facilities, processing plants, pipeline interests and associated assets.

Upstream exploration and production

The Group has oil and gas exploration, development and production operations in North America, Europe and the Kurdistan Region of Iraq. The Group's North American operations are located in the western Canadian provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario and the Northwest Territories, and in the states of Montana, North Dakota and Wyoming in the northwest United States. The Group's European exploration and production operations consist of assets in the UK North Sea and The Netherlands (both onshore and offshore). The Group's Iraqi exploration and production operations consist of an operating interest in the Atrush Block in the Kurdistan Region of Iraq.

The Group's exploration and production strategy is focused on optimising the return from its existing asset base. The Group continues to invest in improving and enhancing infrastructure, creating safer facilities with more facility uptime, as well as greater operational and cost efficiency.

Another important element of the Group's upstream strategy is the use of optimised drilling and completion technologies, as well as disciplined and focused exploration techniques, which enable it to develop and produce crude oil and natural gas more efficiently.

Exploration and development activities

The Group is involved in both exploration (the search for crude oil and natural gas) and development (the bringing into production of wells). The Group's exploration operations include aerial surveys, geological and geophysical studies (such as seismic surveys), drilling of wildcat wells, core testing and well logging.

Seismic surveys involve recording and measuring the rate of transmission of shock waves through the earth with a seismograph. Upon striking rock formations, the waves are reflected back to the seismograph. The time lapse is a measure of the depth of the formation. The rate at which waves are transmitted varies with the medium through which they pass. Seismic surveys may either be three-dimensional or two-dimensional surveys, the former type generally giving a better and more detailed picture and the latter a better overall picture.

Analysis of the data produced allows the Group to formulate a picture of the underground strata to enable it to form a view as to whether there are any leads or prospects. "**Leads**" are preliminary interpretations of geological and geophysical information that may or may not lead to prospects, and "**prospects**" are geological structures likely to be

conducive to the production of crude oil and natural gas. The actual existence of oil and gas must be confirmed, usually by the drilling of a wildcat well. If the wildcat well confirms the prospect (that is, is considered "**successful**"), the Group may then drill a delineation (or appraisal) well to acquire more detailed data on the reservoir formation. Once hydrocarbons are proven to be present in commercially recoverable quantities, or the delineation well is successful, development wells may be drilled to prepare for production. An area is considered to be developed when it has a well on it capable of producing oil or gas in paying quantities.

Reserves and production

The Group evaluates and categorises its hydrocarbon reserves in accordance with the Society of Petroleum Engineer's Petroleum Resources Management System ("**SPE-PRMS**"), as per the Group's Reserves and Resources Policy. As per SPE-PRMS:

- "**proved**" reserves are quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions, operating methods and government regulations; and
- "**probable**" reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves.

The summation of the proved and the probable reserves represents the best estimate reserves where it is equally likely that the actual remaining quantities recovered will be greater than or less than the estimated proved plus probable reserves or "**2P**". Proved and probable reserves include developed and undeveloped reserves categories. The Group's annual oil and gas reserves and resources review process includes an external audit process conducted by appropriately qualified parties; except with reference to prospective resources (PR) at TAQA Atrush. PR at Atrush has been estimated based on work performed by an internal expert.

Reserves information may be reported on a gross, net (or working interest) or entitlement basis. The Group's North American and European reserves are reported in this document on a net basis. The Group's Kurdistan Region of Iraq operations are governed by a Production Sharing Contract ("**PSC**"). In PSC regimes, contracts of various types replace conventional tax-royalty systems and in these cases reserves are reported on an entitlement basis, which means that the reserves are estimated based on a formula specified in the contract terms incorporating project costs, project profits, and carried tax treatments.

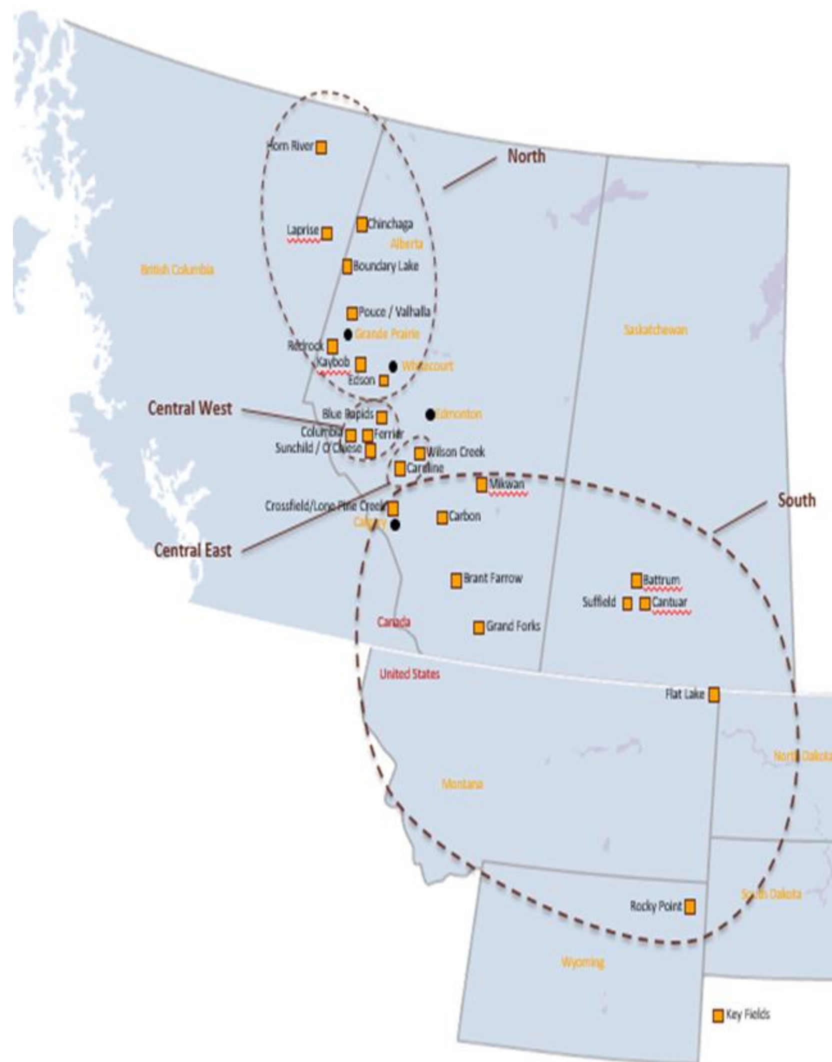
The Group's total net proved and probable reserves of crude oil, natural gas liquids and natural gas as at 31 December 2017 were 413.7 mmboe. The Group's overall reserves replacement ratios (including acquisitions) in 2017, 2016 and 2015 were 70 per cent., -15 per cent. and 30 per cent., respectively. The Group's reserves replacement ratio is the ratio of additions to 2P reserves in a period divided by production in that period. A reserves replacement ratio of less than 100 per cent. indicates declining reserves. The comparatively low reserves replacement ratios reflect the current low price environment and the Group's reduced exploration and evaluation activity as part of its focus on reducing capital expenditure. For further discussion on the Group's reserve base, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Accounting Judgments, Estimates and Assumptions — Oil and Gas Reserves*". See also "*Risk factors — Factors that may Affect TAQA's Ability to fulfil its Obligations under Notes issued under the Programme — Risks Relating to the Group's Crude Oil and Natural Gas Exploration, Production, Transmission and Storage Businesses — The Group may fail to replace its current oil and gas reserves*".

North America — properties

The Group's North American oil and gas business is focused on conventional oil and gas production in the Western Canadian sedimentary basin and in the northwestern United States, creating efficiencies in development while at the same time strengthening existing operating capabilities.

The Group has extensive land holdings in North America with exploration and production rights. As of 31 December 2017, the Group had approximately 1.0 million net producing acres with approximately a further 1.3 million net acres of non-producing land. TAQA's strategy is to realise the full potential of this land base through focused, efficient execution of exploration and development of selected core areas coupled with a phased exit from non-core areas and assets.

The following map sets out the approximate location of oil and gas producing properties in North America that are owned and/or operated by the Group:



Crude oil and natural gas leases held by the Group in Canada have been acquired by public auction from the Crown (the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario and the Northwest Territories) or acquired from private freehold owners by direct negotiation. Crown leases, which comprise the majority of the leases held by the Group in Canada, typically have terms of five years and then revert back to the Crown. If a lease is proven productive at the end of its five-year term (for example, by drilling, mapping or producing), the lease continues beyond its five-year term until the holder can no longer prove that the lease is capable of producing oil and gas or is lost through rental or royalty payment default or by voluntary surrender.

In the United States, almost all of the Group's leases are freehold with a three-year primary term after which, unless the lease has been proved productive, it reverts to the original owner. The terms of freehold leases with private owners have varying provisions relating to bonus payments, annual rental fees, royalties and duration.

The Group manages its leases to ensure that all properties are reviewed for development potential and either drilled or sold or are attempted to be farmed out in advance of the expiry dates of the leases. Economic conditions required to develop the leases are based on meeting internal rates of return.

The Group's North American oil and gas assets are located in four main regions: Central West, Central East, North and South.

The critical appraisal and development activities for the Group are concentrated in the core assets within each of the four regions. For the non-core assets in each region, the focus is on optimising the existing operations with minimal direct capital investment.

Mineral rights ownership is varied across the asset base and includes both operated and non-operated producing properties. Capital allocation in the areas being actively developed varies from year to year according to commodity prices and project status. Capital is directed to generate maximum returns for the Group whilst also protecting its existing assets, for example by drilling wells to validate licenses or leases of crown lands or participating

in wells drilled on non-operated core areas to avoid losing the relevant licenses or leases or relinquishing interests in core areas.

The Central West area consists of a large geographically focused group of assets located south and west of Edmonton, Alberta containing the Sunchild Upper Mannville wet gas development. In total, the Group's properties in this area span approximately 672,000 gross (390,000 net) acres, of which approximately 160,000 net acres are non-producing and approximately 230,000 net acres are producing. The Group's crude oil and natural gas production facilities in the Central West area consist of well site separation and dehydration, extensive gas-gathering systems, and field and booster compressor stations. The Group operates several gas plants in the area including Blue Rapids and Columbia, and has a working interest in several non-operated gas plants. It also operates several central multi-well oil batteries including water disposal facilities. Work is expected to commence in 2018 on the design and construction of a new gas plant to support the Sunchild Upper Mannville development, with plant commissioning currently expected to occur in 2020. The production from the Central West area averaged 32,900 boe/d in 2017.

The Central East team focuses on development of the Wilson Creek Glauconite play and appraisal of further development opportunities in the Caroline Area, Glauconite and Cardium formations), covering a contiguous area in West Central Alberta south and west of Edmonton, Alberta. The Group's land base in this area is approximately 529,000 gross (347,000 net) acres, of which approximately 165,000 net acres are non-producing and approximately 182,000 net acres are producing. The Group's crude oil and natural gas production facilities in the Central East area consist of well site separation and dehydration, extensive gas-gathering systems, and field and booster compressor stations. The Group operates the Bearberry and Sundre gas plants in this area, and has a working interest in several non-operated gas plants. The Central East area production averaged 13,600 boe/d in 2017.

The North team is responsible for a large area encompassing northern Alberta and northeast British Columbia. Activity is focused on appraisal and development of the Montney oil and wet gas reserves and resources located in the Pouce Coupe area of northwest Alberta, as well as the further appraisal and development of the multi-zone oil potential in the greater Grande Prairie region. In total, the Group's assets in this area span over 1.4 million acres gross (0.8 million acres net), of which approximately 544,000 net acres are non-producing and approximately 284,000 net acres are producing. The Group's oil and natural gas production facilities in this area consist of well site separation and dehydration, gas-gathering systems, compressor stations and multi-well oil batteries. The Group also owns and operates gas processing plants at Whitecourt, Sousa, Chinchaga and Valhalla, the last of which is presently being expanded to provide processing capacity for the current Montney development plans in the Pouce Coupe area. Where the Group does not own the gas plants or processing facilities, its gas-gathering systems are connected to processing plants operated by third parties. The North area averaged 13,800 boe/d in 2017.

The South area includes all of east central and southern Alberta, southwest Saskatchewan and the states of Montana, North Dakota and Wyoming in the north western United States. Current development activity is focused primarily in the large multi-zone oil accumulations in southwest Saskatchewan, a core area for the Group but one that is operated by others. In total, the Group's properties in this area span approximately 1.1 million gross (0.8 million net) acres, of which approximately 445,000 net acres are non-producing and approximately 352,000 net acres are producing. The Group's most significant operated natural gas production facility in the area is the gas-processing plant at East Crossfield. The Group's low pressure gas-gathering systems and field compression stations are connected to processing infrastructure operated by both itself and other operators. There are central, multi-well oil batteries in Alberta and many significant non-operated oil batteries in southwest Saskatchewan, while the oil production in the United States is generally connected by pipeline to major oil transmission systems from single or multi-well batteries. The South area production averaged 17,500 boe/d in 2017.

North America — reserves and production

As of 31 December 2017, the Group had net proven plus probable reserves in North America of 303.5 mmboe consisting of 1,245.7 bcf of natural gas and 95.9 mmbbls of oil and natural gas liquids.

The table below gives details of the Group's net reserves in North America as at 31 December 2017.

	Crude oil	*Natural gas liquids*	*Natural gas*	*Barrels of oil equivalent*
	(mmbbls)	*(mmbbls)*	*(bcf)*[1]	*(mmboe)*
Proved reserves	38.7	28.8	803.5	201.4
Probable reserves	14.5	13.9	442.2	102.1
Total reserves	**53.2**	**42.7**	**1,245.7**	**303.5**

(1) Figures can be converted into barrels of oil equivalent by dividing by six.

The Group's North American gross reserves replacement ratios in 2017, 2016 and 2015 were 82 per cent., -5 per cent. and 40 per cent., respectively.

In 2017, the North American properties produced 77.8 mboe/d on average of crude oil, natural gas liquids and natural gas, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Factors Affecting the Group's Revenue — Oil and gas sales revenue*".

The Group has entered into a range of sale agreements in relation to its North American crude oil and natural gas production. The pricing mechanism for these agreements is generally based on the spot price for the relevant commodity at the time of delivery to the purchaser. The majority of natural gas is sold on an annual or seasonal term, and on an index basis. The Group typically diversifies its natural gas sales so that approximately 50 per cent. is sold on a monthly index, and approximately 50 per cent. on a daily index. Produced gas is delivered onto five pipeline systems and is sold at the respective market centre price index. Approximately 90 per cent. of the Group's North American gas flows onto the TransCanada/NGTL system and is sold into the Alberta AECO gas market.

Almost all of the Group's North American crude oil production is sold on the basis of 30-day evergreen contracts based on the price of crude oil set by the oil industry's exchange traded monthly weighted average indices. The Group's natural gas liquid production is marketed on a one or multi-year term and participates also in differentials to benchmark pricing. Realised prices are further adjusted for quality, transportation, and/or processing fees.

In addition to its North American oil and gas reserves, in 2017 the Group's largest gas production facilities in North America were:

Facility	*Location*	*Capacity (net)*	*Throughput (net)*
East Crossfield Sour Gas Facility	Alberta, Canada	23 mmcf/d	12 mmcf/d
Sundre Gas Facility with Liquids Recovery	Alberta, Canada	34 mmcf/d	24 mmcf/d
Blue Rapids Gas Facility	Alberta, Canada	31 mmcf/d	8 mmcf/d
Chinchaga Gas Facility	British Columbia, Canada	50 mmcf/d	15 mmcf/d
Bearberry Gas Facility	Alberta, Canada	78 mmcf/d	0 mmcf/d
Whitecourt Gas Facility	Alberta, Canada	24 mmcf/d	3 mmcf/d
Valhalla Gas Facility	Alberta, Canada	12 mmcf/d	10 mmcf/d

Throughput reflects the amount of gas that passes through the particular facility. During the low commodity price environment in 2015 and 2016, the Group decided to temporarily suspend the Bearberry plant and route all volumes to Sundre for cost efficiency purposes. Some of these facilities are in areas classified as non-core by TAQA North; as such, capital deployment in these areas in recent years has been limited to maintenance and base management capital, which translates to low throughput.

Europe — properties

In Europe, the Group's areas of exploration and production are the UK North Sea (offshore) as well as The Netherlands (onshore and offshore). The Group's licences in relation to its UK North Sea assets have varying terms depending on the type of interest held. Typically, the Group is responsible for a portion (based on its licence equity share) of the abandonment and/or decommissioning costs in relation to platforms, pipelines, sites and wells, see "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Business Generally — The Group could incur significant decommissioning costs in relation to its facilities*".

The table below shows the working interest in TAQA's European crude oil and natural gas assets as at 31 December 2017 and identifies the operator of each asset.

Asset	*Oil/Gas*	*TAQA Working Interest*	*Operator*
UK North Sea			
North Cormorant	Oil	100%	TAQA Bratani
Cormorant Alpha	Oil	100%	TAQA Bratani
Eider	Oil	100%	TAQA Bratani
Tern	Oil	100%	TAQA Bratani
Pelican	Oil	100%	TAQA Bratani
Kestrel	Oil	100%	TAQA Bratani
Hudson	Oil	26.7%	Dana
Otter	Oil	100%	TAQA Bratani
Falcon	Oil	100%	TAQA Bratani
Cormorant East	Oil	60%	TAQA Bratani
Brent System Pipeline	Oil	16%	TAQA Bratani
Sullom Voe Terminal	Oil	24%	Enquest

Asset	Oil/Gas	TAQA Working Interest	Operator
Exploration Kerloch (ex P.201)	Oil	35%	TAQA Bratani
Exploration (Bourbon) P.2015	Oil	100%	TAQA Bratani
Exploration (Thunder South) P.2198	Oil	100%	TAQA Bratani
Exploration (Dunottar) P.2344	Oil/Gas	33%	TBC[1]
Cladhan	Oil	64.5%	TAQA Bratani
Brae — Block 16/17a	Oil/Gas	43.3%	Marathon Oil UK L.L.C
East Brae	Oil/Gas	47.8%	Marathon Oil UK L.L.C
Braemar	Oil/Gas	63.2%	Marathon Oil UK L.L.C
Harding	Oil/Gas	70%	TAQA Bratani
Exploration (Morrone)	Oil/Gas	70%	TAQA Bratani
Maclure	Oil/Gas	37.037%	Maersk Oil UK Limited
Devenick	Oil/Gas	88.7% [2]	TAQA Bratani
SAGE Pipeline	Gas	22.85%	SAGE North Sea Limited (Ancala)
SAGE Terminal	Gas	22.85%	SAGE North Sea Limited (Ancala)
Netherlands onshore			
Middelie Onshore	Gas	80%	TAQA Energy
Bergen onshore	Gas	36%	TAQA Energy
Westbeemster	Gas	8%	NAM
Netherlands North Sea			
P/15 and P/18 offshore	Gas	30%	TAQA Energy
Rijn Field	Oil	38.34%	TAQA Energy
Q16 Maas	Gas	9.8%	Oranje Nassau Energie
M7	Gas	5%	Oranje Nassau Energie
F3FB	Gas	23.4%	Neptune Energy
G14	Gas	7%	Neptune Energy
A/B	Gas	3.9%	Petrogas
Q1 Block	Gas	9 – 12%	Wintershall
P11	Gas	30%	Oranje Nassau Energie
Q13-Amstel	Oil	10%	Oranje Nassau Energie
Discovery appraisal			
F17	Oil	5%	Wintershall

Notes:
(1) An operator for this asset has not yet been appointed by the joint venture partners.
(2) After giving effect to the revenue sharing agreement, TAQA is entitled to 17.74 per cent. of the net revenues.

Europe — reserves and production

The UK North Sea properties had net proven plus probable reserves of 80.5 mmboe as at 31 December 2017, consisting of 77.3 mmbbls of crude oil and natural gas liquids, and 19.1 bcf of natural gas. The Netherlands' net proven plus probable reserves were 9.5 mmboe as at 31 December 2017, consisting of 45.3 bcf of natural gas and 1.9 mmbbls of crude oil and natural gas liquids.

The tables below give details of the Group's net reserves in the UK North Sea and The Netherlands as at 31 December 2017.

	Crude oil	Natural gas liquids	Natural gas	Barrels of oil equivalent
	(mmbbls)	*(mmbbls)*	*(bcf)[1]*	*(mmboe)*
UK North Sea				
Proved reserves	47.8	0.6	16.4	51.1
Probable reserves	28.8	0.1	2.7	29.4
Total UK North Sea reserves	**76.6**	**0.7**	**19.1**	**80.5**

(1) Figures can be converted into barrels of oil equivalent by dividing by six.

	Crude oil	Natural	Natural	Barrels of

		gas liquids	gas	oil equivalent
	(mmbbls)	*(mmbbls)*	*(bcf)*[1]	*(mmboe)*
The Netherlands				
Proved reserves	0.7	0.6	32.4	6.7
Probable reserves	0.4	0.2	12.9	2.7
Total Netherlands reserves	**1.1**	**0.8**	**45.3**	**9.4**

(1) Figures can be converted into barrels of oil equivalent by dividing by six.

The Group's UK 2P net reserves replacement ratios (including acquisitions) in 2017, 2016 and 2015 were 99 per cent., -53 per cent. and 2 per cent., respectively. The Group's net reserves replacement ratios in The Netherlands in 2017, 2016 and 2015 were 29 per cent., 118 per cent. and 41 per cent., respectively. In 2017, the Group's UK properties produced on average 39.6 mboe/d and its properties in The Netherlands produced on average 6.9 mboe/d.

Approximately 84 per cent. of the Group's UK North Sea production is crude oil, with the balance being natural gas. In The Netherlands, approximately 81 per cent. of the Group's production is natural gas, with the remainder being crude oil.

The Group has five main annual sale agreements in place in relation to its UK North Sea production, four of these relate to crude oil production with a pricing mechanism related to the average monthly Platts' price for Brent crude and Forties crude, and one relates to its natural gas production which is predominantly sold on the spot market. The Group's Netherlands' crude oil production is partly sold under an agreement where the price is based on monthly average Brent prices and partly sold under an agreement where the price is based on Brent spot, whilst the Group's Netherlands natural gas production is mainly sold to Gas Terra (with the remainder sold to Chevron) at a price based on the normalised index price ("**NIP**"), which is calculated from the month's average TTF pricing (spot market).

Kurdistan Region of Iraq — Properties

The Group has a 39.9 per cent. working interest in the Atrush Block in the Kurdistan Republic of Iraq.

The Atrush Block covers roughly 270km^2 and is located in the Taurus Mountains approximately 90km northwest of the city of Erbil. Partners in the venture are Marathon Oil KDV B.V., General Exploration Partners Inc., and the KRG. The interests in the block are governed by a PSC which was originally executed in 2007. The previous operator filed a Declaration of Commercial Discovery with the KRG in November 2012 which required TAQA to submit a Field Development Plan ("**FDP**") in May 2013. The FDP was subsequently approved by the Ministry of Natural Resources in September 2013. The FDP approval related primarily to Phase 1 of the development consisting of the construction of a 30,000 bpd central processing facility and the drilling / completion of four wells that would produce into this facility.

An update to the FDP was presented to the KRG in November 2015 which, pending further field assessment by TAQA and its partners, contemplates an increase in crude oil production through additional wells and facilities.

Kurdistan Region of Iraq — Reserves and Production

Production from the Atrush Block commenced in July 2017, with delivery of product to the export markets through the Iraq-Turkey pipeline transporting crude oil to the Turkish port in Ceyhan. See "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Business Generally — The Group's facilities could be exposed to catastrophic events, including natural disasters, terrorist attacks or war, that are beyond the Group's control*".

The table below gives details of the entitlement reserves attributable to the Group's interest in the Atrush Block as at 31 December 2017.

	Crude oil	*Natural gas liquids*	*Natural gas*	*Barrels of oil equivalent*
	(mmbbls)	*(mmbbls)*	*(bcf)*	*(mmboe)*
Entitlement Reserves[1]				
Proved entitlement reserves	13.9	0.0	0.0	13.9
Probable entitlement reserves	6.4	0.0	0.0	6.4
Total Proved + Probable entitlement reserves	**20.3**	**0.0**	**0.0**	**20.3**

Note:
(1) Based on PSC contract terms incorporating project costs, profits and tax treatment.

Midstream oil and gas storage, processing and transport

The Group's midstream business consists of gas storage and oil and gas processing and transport (pipeline interests) assets in Europe and North America.

The Netherlands midstream assets

PGI Alkmaar

PGI Alkmaar is a peak shaving natural gas storage facility operated by the Group. The Group, through TAQA Energy B.V. (a subsidiary of TAQA International B.V), has a 36 per cent. interest in the facility, with the other stakeholders being EBN B.V. ("**EBN**"), an entity controlled by the Dutch government which has a 40 per cent. interest in the facility, and Dyas B.V. and Dana Petroleum Netherlands B.V., each of which has a 12 per cent. interest in the facility. PGI Alkmaar was the first peak shaver in The Netherlands designed and built specifically to provide security of supply using stored natural gas. PGI Alkmaar is designed to meet peak demand in the west of The Netherlands during winter and to meet emergency natural gas supply requirements in the event of network interruptions.

All the working gas capacity in the PGI Alkmaar facility is owned by GasTerra, an international company which trades in natural gas. GasTerra operates on the European energy market and has a significant share of the Dutch gas market. The Dutch government has a 50 per cent. stake in GasTerra directly and through EBN. The Group has a long-term peak shaving contract with GasTerra. This contract has been extended for a four-year period to April 2021, with an option for the Group to extend it to April 2025.

Bergermeer

Gas Storage Bergermeer, in which TAQA holds a 60 per cent. stake, is a storage facility formed from the conversion by the Group and its partner, EBN, of the nearly depleted Bergermeer gas field into one of northwest Europe's largest underground gas storage facilities, with a working volume of 4.1 bcm. Bergermeer is strategically located at a crossroads of gas export routes from Russia (such as Nordstream, which is controlled by Gazprom) and Norway to northwest Europe.

The Group is the operator of the Bergermeer facility, which has a potential service life of 40 to 50 years. The Bergermeer facility is an open access natural gas storage facility, which means that the majority of the storage capacity is made available to the market through negotiated third party access rights. Gazprom Export LLC is a strategic participating customer of the Bergermeer facility, whereby Gazprom Marketing & Trading Limited ("**GM&T**"), a subsidiary of Gazprom, owns a 5 per cent. participating interest in the technical operation of the facility under a joint operating agreement between TAQA, EBN and GM&T in exchange for delivering a defined amount of cushion gas for injection into the Bergermeer reservoir. Cushion gas is critical to ensure that the reservoir has the optimal pressure in order to perform commercial storage operations.

Full commercial operation at the Gas Storage Bergermeer project commenced in April 2015. The pricing of capacity sold in Gas Storage Bergermeer is principally subject to the spread between the summer period and winter period TTF gas prices.

UK North Sea terminals and the Brent system

TAQA has an interest in two non-operated terminal facilities in the UK comprising: (i) a 24 per cent. interest in the Sullom Voe oil terminal (operated by Enquest); and (ii) a 22.85 per cent. interest in the SAGE gas plant (operated by Ancala).

The Sullom Voe oil terminal is a 1,000 acre site that contains 16 storage tanks with 9 mmbbls of total capacity. It also connects to three oil pipelines flowing from the northern North Sea — the Brent system, Ninian and Clair — and to two gas pipelines. The site has a throughput design capacity of 1.4 mmbbls/d.

The SAGE gas plant is currently capable of handling 20 per cent. of the UK's gas demand and has a throughput capacity of 1,890 mscf/d.

The Group is the operator of the Brent system, in which the Group has a 16 per cent. interest. The Brent system is responsible for transporting around 80,000 bbls/d of oil from 22 North Sea fields, to the Sullom Voe oil terminal.

Other Investments

Sohar Aluminium — Oman

TAQA owns 40 per cent. of Sohar Aluminium, a company organised in Oman. Sohar Aluminium owns and operates an aluminium smelter in Oman that currently produces approximately 380,000 tonnes of aluminium per year. Sohar Aluminium also owns and operates a captive 1,000MW power generation facility with the output from the facility dedicated to the smelter and the option to exchange unused capacity held in reserve with the operator of the Omani electrical distribution grid subject to dispatch request and requirement for aluminium production.

Massar Solutions – United Arab Emirates

As at the date of this Prospectus, TAQA holds a 49 per cent. ownership interest in Massar Solutions. The remaining 51 per cent. ownership interest and management responsibility in respect of Massar Solutions are with Abu Dhabi Investment Company. Massar Solutions is engaged in providing support services such as vehicle leasing and maintenance, heating and air conditioning, and equipment leasing to electricity generation and water desalination plants and other businesses in the UAE.

Jubail — Saudi Arabia

As at the date of this Prospectus, TAQA holds a 25 per cent. interest in the Jubail power plant in Saudi Arabia. National Power Company, a joint venture established by Al-Zamil & Brothers Co. and Elseif Co., holds the remaining 75 per cent. interest in the plant. The Jubail plant is a co-generation facility which has a generation capacity of 260MW and steam production capacity of 510 tonnes per hour.

Sale of Himachal Sorang Power Limited – India

On 30 May 2017, in accordance with the purchase agreement entered into between TAQA India Power Ventures Private Limited, Himachal Sorang Power Limited ("**HSPL**") and Greenko East Coast Power Projects Pvt. Limited ("**Greenko**"), the Group transferred management control of its subsidiary, HSPL, to Greenko. Accordingly, the Group does not hold any beneficial interest in HSPL as of that date.

Lakefield – United States of America

As at the date of this Prospectus, TAQA holds a 50 per cent. interest in LWP Lessee. LWP Lessee leases a 205.5MW operating wind farm located in Lakefield, Minnesota (USA) under a long-term lease agreement, and sells the whole of the output generated by the wind farm to the Indianapolis Power & Light Company under the terms of a power purchase agreement, the initial 20-year term of which expires in 2031. Marubeni Corporation holds the remaining 50 per cent. interest in LWP Lessee.

HEALTH, SAFETY, SECURITY, ENVIRONMENTAL REGULATIONS AND COMPLIANCE

TAQA is committed to health, safety, security and environmental ("**HSSE**") performance. TAQA strives to achieve its goals of no harm to people, provide a safe and secure workplace, and demonstrate respect for the natural environment by minimising its operational impacts.

Through TAQA's worldwide network of HSSE staff, TAQA assures the application of consistent HSSE management oversight, cohesive policies, key processes, and performance reporting during the acquisition, integration/optimisation, project design/construction, and operational phases of TAQA's business.

Ensuring the health, safety and security of its employees and environmental compliance are operational priorities for the Group. The Group has dedicated HSSE personnel, both at its headquarters in Abu Dhabi and throughout its operating businesses. Specific elements of the Group's commitment to HSSE include:

- ensuring compliance with all applicable HSSE related laws and regulations through specific HSSE policies, procedures and guidelines, including those tailored for specific business units;
- adoption of, and compliance with, international and industry standards and best practices;
- building and enhancing an HSSE compliance culture where all Group personnel from managers to workers are committed to, and accountable for, compliance with the Group's HSSE policies and procedures;
- empowering employees to identify, investigate and resolve underlying causes of HSSE incidents and near misses;
- providing sufficient resources, training, equipment and controls to ensure a safe and secure working environment;
- seeking opportunities to mitigate the Group's impact on the environments in which it operates, including energy and resources conservation in its operations;
- ensuring the security of the Group's assets, business activities, employees and other stakeholders;
- conducting regular audits and assessments to evaluate compliance with global HSSE standards, processes and regulatory requirements;
- supporting the development and acquisition activities of the Group through participation in due diligence and post-merger integration/optimisation activities regarding HSSE matters; and

- communicating openly with all stakeholders regarding the Group's HSSE performance.

TAQA strives for continuous improvement by regularly tracking and reviewing HSSE-related information on fines, notices, violations, environmental expenditure, reserves for remediation and other relevant matters.

The Group monitors a number of HSSE key performance indicators ("**KPIs**"), including recordable injury rates per 200,000 hours and reportable spills (determined in accordance with local regulations). The table below shows these KPIs for each of 2017, 2016 and 2015.

KPI	2017	2016	2015
Recordable injury rate (*per 200,000 hours*)			
Oil and gas business stream	0.38	0.64	0.40
Power and water business stream	0.35	0.27	0.07
Group	0.37	0.52	0.30
Reportable spills (*number*)			
Oil and gas business stream	36	53	53
Power and water business stream	0	2	6
Group	36	55	59
Lost time injury (*number*)			
Oil and gas business stream	6	3	3
Power and water business stream	2	1	1
Group	8	4	4

Significant Recent HSSE Events

Jorf Lasfar Power Plant

On 17 October 2017, a contractor working on Unit 3 of the Jorf Lasfar Power Plant in Morocco received a fatal electric shock from a faulty portable electric lamp. A full independent investigation was undertaken to identify areas for improvement. The lessons have been shared within the Group. Additionally an independent assessment of HSSE has been undertaken against industry best practice to identify further areas for improvement in HSSE.

TAQA Atrush B.V.

On 27 August 2016, an individual engaged by a local contractor suffered a fatal accident from a falling object during construction of a drill pad at the Atrush Block in the Kurdistan Region of Iraq. The learnings from the incident investigation have been incorporated into the business along with a continued strong emphasis on safety training and influencing positive behaviours in the workplace.

Himachal Sorang Power Limited

On 18 November 2015, during commissioning activities at the HSPL hydro power plant, there was a failure of the penstock, a high pressure water pipeline feeding the generating turbines. Two contractor security guards and a visitor to the local village were washed away in the path of the water. This incident has been fully investigated. On 30 May 2017, HSPL was sold to Greenko East Coast Power Projects Pvt. Limited. The Group neither holds any management control nor retains any beneficial interest in HSPL.

INSURANCE

TAQA maintains insurance coverage in respect of each of its subsidiaries. In the case of the Group's UAE generation assets, each subsidiary has arranged for insurance coverage in accordance with the terms of the finance documents for the relevant project. The PWPA and financing agreements for each UAE generation subsidiary and the PPA, prudent operations and financing agreements for each non-UAE generation subsidiary require insurance such as third party liability, physical damage and business interruption insurance.

TAQA's policy is to arrange insurance in respect of its other operations as required and in accordance with international energy industry practice and standards.

TAQA has a fully owned insurance subsidiary, TAQA Insurance Limited ("**TIL**"), which is domiciled in Guernsey and regulated by the Guernsey Financial Services Commission. TIL is used to consolidate insurable risk

across the Group in order to simplify procurement and gain from economies of scale. TIL has the benefit of a parent company guarantee from TAQA up to an aggregate limit of U.S.$25 million, which is consistent with the amount of risk retained by TIL.

TAQA makes claims under its insurance policies from time to time. Certain insurance claims are currently outstanding, but TAQA does not believe that any of the claims, if rejected or not paid in full, would be likely to have a significant adverse effect on the financial position or profitability of the Group.

LITIGATION

One of the Group's subsidiaries, TAQA India Power Ventures Private Limited ("**TAQA India**"), initiated an arbitration against one of the sellers of the shares acquired by TAQA India in Himachal Sorang Power Private Limited in 2015. The amount claimed by TAQA India was in the region of U.S.$70 million to U.S.$90 million. The principal cause of action was the failure of the seller to deliver a completed project as contracted. The arbitration proceedings concluded in favour of TAQA India in January 2018.

At TAQA Bratani, Marathon, as the operator of Brae, has been invoicing the partners for unapproved pension deficit payments. TAQA has been disputing the amount and allocation of these to Brae and has withheld payments. Approval of the 2017, 2016 and 2015 budgets has also been withheld on the basis that they provide for such pension deficit amounts. Marathon initiated legal proceedings to recover payments to cover the pension deficit and is also seeking specific performance of the obligation to approve the budgets. The amounts relating to the deficit also relate to periods prior to TAQA's ownership of the assets and therefore the prior owners (BP and Talisman) have been informed. Part judgment was handed down on 21 February 2018 upholding Marathon's argument that TAQA is liable for payments towards the pension deficit. The quantum of the liability is still to be decided with the parties to first try to agree the quantum, failing which a court hearing on the quantum aspects of the claim will be held.

In relation to the fatality, which occurred at TAQA Bratani's Harding platform in 2014, the U.K.'s Health and Safety Executive has completed its investigation and provided a recommendation to the Procurator Fiscal, that could result in proceedings being brought against the Company and individual Directors, although the Company expects actions against individual Directors to be remote. If the Procurator Fiscal initiates proceedings, the quantum of liability could be in the region of U.S.$13 million.

On 1 April 2016, a writ of attachment was delivered to TAQA Atrush B.V. in The Hague. The attachment is based on arbitrational rulings rendered in 1996 and 2003 ordering different governmental bodies/state enterprises of the State of Iraq to pay a sum to a Belgian manufacturer. The total claim (including interest) is approximately EUR 39 million. The writ of attachment is addressed to TAQA Atrush B.V. and requires it to take certain actions in relation to amounts owing to it from, or owed by it to, the State of Iraq. On 10 May 2016, the Dutch Minister of Security and Justice issued an order to have the writ of attachment revoked for violation of international law, and this is currently being contested in Dutch courts. TAQA is not participating in that trial. Pending judgment in the case between the claimant and the Dutch State, the claimants do not appear to be actively pursuing the matter, but have conserved their claim. The ruling on the appeal is expected to be in April 2018. The claim itself is not against TAQA Atrush B.V. and, in any event, TAQA's preliminary view is that the summons is without merit. TAQA intends to assess the matter further following resolution of a connected procedure.

EMIRATISATION

While TAQA meets current requirements with respect to the employment of UAE nationals in its headquarters office, TAQA is committed to continuing to increase the number of UAE nationals working in its headquarters as well as in its global assets. TAQA has implemented a five year emiratisation plan to reach a target level of 85 per cent. UAE national employees in TAQA's headquarters by 2020. As such, training and recruitment of UAE nationals is one of TAQA's major objectives, and it supports a number of efforts to develop and train its UAE staff, including being the first non-accounting entity in the UAE to offer an Associate Chartered Accounting training programme. Since 2014, TAQA has succeeded in doubling the number of UAE national employees in leadership roles in TAQA's headquarters and, as of 31 December 2017, 71 per cent. of TAQA's senior management were UAE nationals.

In respect of the UAE generation subsidiaries, each PWPA includes provisions for the training of UAE nationals by the relevant subsidiary to ensure that certain minimum percentages of UAE nationals employed by each subsidiary are met throughout the term of such PWPA. The Group's UAE generation subsidiaries are broadly in compliance with this requirement. However, UAE nationals with the requisite skills and experience are in short supply and high demand, and TAQA and the UAE generation subsidiaries' success in attracting UAE nationals to work at its more remote sites has been limited to date.

EMPLOYEES AND PENSIONS

As of 31 December 2017, TAQA, together with its subsidiaries, had 2,945 full-time employees and 369 contract workers worldwide. All of the employees of the Power and Water business in the UAE are employed by the energy companies that operate the facilities, rather than by the Group.

The table below presents a breakdown of TAQA's employees as at 31 December 2017:

	Employees
TAQA	83
Umm al Naar[1]	311
Shuweihat S1[1]	164
Shuweihat S2[1]	119
Taweelah A1[1]	185
Taweelah A2[1]	107
Taweelah B[1]	238
Fujairah 1[1]	139
Fujairah 2[1]	122
Jorf Lasfar	478
Neyveli	134
Takoradi	78
TAQA Atrush	101
TAQA Energy	342
TAQA North	344
Total	**2,945**

Note:
(1) Principally comprises employees from the respective operation and maintenance companies which TAQA counts as TAQA employees even though the operating and maintenance companies are also owned by other partners.

TAQA undertakes initiatives to motivate employees to contribute to its success through bonus programmes. Group employees are eligible to receive an annual bonus, which is calculated as a percentage of their base salary, based on the achievement of their annual performance targets and the Group's performance.

In accordance with the laws of the UAE, TAQA provides end of service benefits to non-UAE national employees. Under UAE law, the entitlement to these benefits is based upon the employee's length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The Group believes that its relationship with its employees is good.

MANAGEMENT

DIRECTORS

TAQA's Board of Directors (the "**Board**") comprises six directors and a chairman with a broad range of backgrounds, expertise and commercial experience. Each director is appointed for a term of three years and, at the end of that period, the Board may be reconstituted.

The Board is formed taking into consideration an appropriate balance between executive, non-executive and independent directors. At all times, at least one-third of the directors are required to be independent, and a majority of the directors are required to be non-executives who have technical skills and experience that benefit TAQA. The Board meets in person on a periodic basis pursuant to a formal schedule.

As of the date of this document, the members of the Board are as set out below.

Name	*Position*
His Excellency Saeed Mubarak Al Hajeri	Chairman
His Excellency Khaleefa Al Qamzi	Vice Chairman
His Excellency Abdulaziz Abdulrahman Al Hemaidi	Director
His Excellency Salem Sultan Al Dhaheri	Director
His Excellency Khaled Abdulla Al Mass	Director
His Excellency Dr Saif Al Sayari	Director
His Excellency Mohammed Sahoo Al Suwaidi	Director

His Excellency Saeed Mubarak Al Hajeri, Chairman of the Board

TAQA Board Member since 2014

H.E. Saeed Mubarak Al-Hajeri was elected Chairman of the Board in 2014. He is currently Executive Director, Information Technology Department at Abu Dhabi Investment Authority ("**ADIA**"). He has more than 20 years of experience in international finance. 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 United Arab Emirates. He holds a Bachelor of Business Administration from Lewis & Clark College in the United States. He is a qualified Chartered Financial Analyst (CFA) and attended the Executive Education Program at Harvard Business School.

His Excellency Khaleefa Al Qamzi, Vice Chairman of the Board

TAQA Board Member since 2017

H.E. Khaleefa Al Qamzi is currently the Director of Evaluation and Follow-up at ADIA. Since joining ADIA in 1997, he has held several executive positions. He is also a Board Member at ADWEA, Abu Dhabi Securities Exchange, Abu Dhabi Chamber of Commerce and Industries, Abu Dhabi Distribution Company and Al Ain Distribution Company. He holds an executive MBA in business administration from Zayed University, UAE.

His Excellency Abdulaziz Abdulrahman Al Hemaidi

TAQA Board Member since 2011

H.E. Abdulaziz Abdulrahman Al Hemaidi was elected to the Board in 2011 and has held various positions at ADWEA, including Managing Director of both Abu Dhabi Water and Electricity Company and Abu Dhabi Distribution Company. Before joining ADWEA in 1997, he held key positions at Abu Dhabi Health Services Company, Al Ain International Airport and the Privatization Committee for Water and Electricity Sector of the Emirate of Abu Dhabi. H.E. Al Hemaidi is a Board member at Abu Dhabi General Services Company (Musanada) and ADWEC. He is Chairman of Shuweihat Asia Power Company and an Advisor at Al Ain Distribution Company. He is a Civil Engineering graduate from UAE University.

His Excellency Salem Sultan Al Dhaheri

TAQA Board Member since 2011

H.E. Salem Sultan Al Dhaheri was elected to the Board in 2011. He is currently Deputy Director at ADIA, having held various positions since joining ADIA in 1993. He is also a Member of the Board of Directors and Member of the Audit Committee of several public and private companies. He is a member of the Illinois CPA Society, the American Institute of Certified Public Accountants, and the Institute of Leadership and Management in the United Kingdom. A Certified Public Accountant since 1994, he graduated with a Bachelor of Science Degree in Accounting from Metropolitan State College in Denver in the United States.

His Excellency Khaled Abdulla Al Mass

TAQA Board Member since 2014

H.E. Khaled Abdulla Al Mass was elected to the Board in 2014. He is Chairman of Imass Investment. He is also a Member of the Board of the Tourism Development and Investment Company, The National Investor and an original founding Board Member of the National Health Insurance Company (Daman). He has served as a Board Member in many companies specialising in a variety of different fields, including real estate, finance and investment and has held senior positions at Abu Dhabi Investment Company and National Bank of Abu Dhabi. He holds a Bachelor of Science degree in Management from Marylhurst University, Oregon in the United States.

His Excellency Dr Saif Al Sayari

TAQA Board Member since 2017

H.E. Dr Saif Al Sayari was elected to the Board in 2017. He joined TAQA in 2010 and has held senior leadership positions with responsibility for developing alternative and technology-driven energy initiatives. He is currently the Acting Director-General of ADWEC. Prior to joining TAQA, he held various technical and managerial positions at ADNOC. He is a Board Member at several ADWEA and TAQA power plants in the UAE. He holds a PhD in petroleum engineering from Imperial College London, UK.

His Excellency Mohammed Sahoo Al Suwaidi

TAQA Board Member since 2017

H.E. Mohammed Sahoo Al Suwaidi is the Acting Chief Executive Officer of Nawah Energy Company, the company responsible for the operations and maintenance of the Barakah nuclear reactors in the UAE. He has previously held executive-level positions at ADNOC and its subsidiaries, including as Chief Executive Officer of Abu Dhabi Gas Industries Limited for more than ten years. He also serves as a Board Member of Emirates Nuclear Energy Corporation and Barakah One Company. Further, he is a member of various committees, in several other public and private companies. He holds a bachelor's degree in chemical engineering from the University of Southern California in Los Angeles, United States.

The business address of each of the Directors is P.O. Box 55224, Abu Dhabi, United Arab Emirates.

The members of the Board are appointed by the general meeting of TAQA's shareholders. TAQA is not aware of any conflicts of interest between the duties to TAQA of each member of the Board and his private interests or other duties.

EXECUTIVE MANAGEMENT

The Board has delegated the day-to-day management of the Group to executive officers appointed by the Board. As of the date of this document, the members of TAQA's executive management are as follows:

Name	*Position*	*Date of Appointment*
Saeed Hamad Al Dhaheri	Acting Chief Operating Officer	22 June 2016
Mohammed Al Ahbabi	Acting Chief Financial Officer	01 September 2016
Awad Al Ketbi	Acting Executive Vice-President and Business Support	10 May 2016
Saeed Rashed Al Darei	Executive Vice-President, Government Affairs, Corporate Communications and Board Secretary	28 October 2013
Abdelmajid Iraqui	Acting Executive Officer Global Power and Water	10 May 2016
Vivek Gambhir	General Counsel	25 May 2017

Saeed Hamad al Dhaheri joined TAQA in 2014 and was appointed acting Chief Operating Officer in 2016. He is a Board member at Massar Solutions, Sohar Aluminium and TAQA Morocco. Prior to joining TAQA, he 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. He has a Master's degree in Management from Abu Dhabi University and Bachelor's degree in International Business from Eckerd College, United States.

Mohammed Al Ahbabi joined TAQA in January 2016 as deputy CFO and was appointed acting CFO in September 2016. He is responsible for TAQA's corporate finance function. He started his career at Abu Dhabi Company for Onshore Oil Operations. He joined SEHA in 2009 where he held the position of CFO before joining TAQA. He 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 TAQA in 2014 and was appointed acting Executive Vice-President Business Support in 2016. He is responsible for TAQA's HR, HSSE, IT, procurement, business continuity and general services functions. He was previously TAQA's Chief Technology Officer. Prior to joining TAQA, he held IT leadership positions at Tawazun Economic Council and Tawam Johns Hopkins Hospital in Abu Dhabi Emirate. He has a Bachelor's degree in Management Information Systems from the American University in Dubai.

Saeed Rashed Al Darei is Executive Vice-President Government Affairs and Corporate Communications. He directs TAQA's public affairs and corporate communications activities, including all high-level relations with the governments of the countries in which TAQA has operations. He is also responsible for TAQA's investor relations and dealings with regulatory authorities related to its public listing on the Abu Dhabi Securities Exchange. Before joining TAQA in October 2013, he held leadership positions at Abu Dhabi government entities including the Department of Social Services and Commercial Buildings, the Department of Municipalities and Agriculture, the Department of Transport, and the Department of Civil Service. He holds a Bachelor's degree in Management, Sociology and Leadership from Gonzaga University in the United States. He is a UAE national.

Abdelmajid Iraqui is responsible for managing TAQA's global power and water businesses. He is also the Managing Director for the African business which includes TAQA Morocco, a listed company in the Casablanca Exchange and Takoradi International Company, a power plant in Ghana. Before joining TAQA in 2006, he was CFO and regional Director at CMS Energy. He has a Bachelor's degree in Finance from Eastern Michigan University, and an M BA from the University of Michigan in the United States.

Vivek Gambhir joined TAQA in May 2011 as Deputy General Counsel and was appointed as General Counsel with effect from 25 May 2017. Prior to joining TAQA, he was in London for 12 years and was a partner at an international law firm where he headed the international power practice. He has worked in a number of jurisdictions on various international assignments. Prior to his work in London, he worked in Hong Kong. He is a British national and is qualified to practice law in England and Wales.

CORPORATE GOVERNANCE

As a public company, TAQA continually strives for the highest standards of corporate governance.

Structure of Board

TAQA's Board of Directors comprises seven Directors with a broad range of backgrounds, expertise and commercial experience. When Directors are chosen, consideration is given to whether or not a Director is able to dedicate adequate time and effort to his or her membership and that such membership is not in conflict with his or her other interests. The Board meets in person on a periodic basis pursuant to a formal schedule.

Committees

TAQA currently has two Board committees, the Audit Committee and the Nomination and Remuneration Committee. Each committee consists of at least three non-executive directors, of whom all members are independent directors, and each committee is chaired by an independent director. The Chairman of the Board may not be a member of either committee.

Audit Committee

The following committee members were appointed in 2017: H.E. Salem Sultan Al Dhaheri (Chairman), H.E. Abdulaziz Abdulrahman Al Hemaidi and H.E. Mohammed Sahoo Al Suwaidi.

The basic duties of the Audit Committee include:

- monitoring the integrity of TAQA's financial statements and its reports (annual reports, semi-annual reports, and quarterly reports);
- reviewing TAQA's financial and accounting policies and procedures;
- ensuring the independence of TAQA's external auditor; and
- evaluating the integrity and quality of TAQA's internal control policies.

The Committee convenes not less than once every three months and whenever the need arises. The establishment of the Audit Committee was approved by a resolution of the Board of Directors in a meeting held on 30 October 2007 and its charter was last updated in November 2017.

Nomination and Remuneration Committee

The following committee members were appointed in 2017: H.E. Khaleefa Al Qemzi (Chairman), H.E. Abdulaziz Abdulrahman Al Hemaidi and H.E. Khaled Abdulla Al Mass.

The Nomination and Remuneration Committee has responsibility for making recommendations to the Board regarding the Group's policy on the remuneration of certain senior executives and key managerial personnel, including performance bonuses and other benefits. In addition to making recommendations on remuneration and benefits packages, the committee is also responsible for establishing the qualifications of Board members and the independence of the independent Board Members.

The establishment of the Nomination and Remuneration Committee was approved by a resolution of the Board of Directors in a meeting held on 20 January 2008 and its charter was last updated in December 2016.

Supervising Committee for Insider Trading

Following the issuance of resolution 7/R.M. of 2016 by the Securities and Commodities Authority ("**SCA**"), which sets out new corporate governance rules and standards for public joint stock companies, the Company formed a separate committee dedicated to overseeing insider transactions. The committee was established in December 2017 and its members were appointed by the Board of Directors. The Committee consists of the following members: The Executive VP of Government Affairs and Corporate Communications, the General Counsel and the GVP of Internal Controls and Assurance.

Internal Controls

Internal controls are processes established by TAQA's Board of Directors, management and employees, designed to achieve reasonable assurance regarding the achievement of TAQA's objectives related to: (i) effectiveness and efficiency of operations, (ii) reliability of financial and non-financial reporting, and (iii) compliance with laws and regulations.

The internal controls framework at TAQA comprises four key components: Control Environment, Risk Assessment, Control Activities and Monitoring Activities.

Control Environment

This includes:

- the structure of the Board of Directors along with its committees' structure and mandates that establish the custodianship and supervisory roles over the design and implementation of internal controls across TAQA;
- the managerial organisational structure approved by the Board of Directors and designed to achieve its objectives by defining accountabilities, roles and responsibilities towards the implementation of internal controls across the Group;
- the code of business ethics that describes and reinforces conduct based on TAQA's guiding core values; and
- the internal controls and assurance function that reports to the Board's Audit Committee to ensure independence from management and conducts monitoring activities.

Risk Assessment

This includes:

- TAQA's risk management processes established and designed to identify, assess, manage and report risks according to predefined risk tolerance and assessment criteria; and
- TAQA's enterprise risk management procedure that was issued during 2017 and is being implementing during 2018 and is designed to ensure that risks are identified, assessed, monitored and managed across the Group.

Control Activities

This comprises a set of key Group policies, procedures, guidelines and management committees, governing various disciplines within the business, such as finance, human resources and HSSE, including:

- the delegation of authority Group policy, launched in 2016 and updated in 2017, which integrates key financial and non-financial authorities and streamlines authorities across the Group;
- the Code of Ethics and polices related to anti-bribery and corruption, gifts, hospitality and entertainment, conflicts of interest, insider trading, fraud and whistle blowing;

- the Executive Management Committee established during 2016 to review, assess and provide recommendations relating to TAQA's key affairs; the Capital Investment Committee established during 2017 to review and endorse capital investment proposals and projects;
- the commitment to operational excellence, which defines TAQA's HSSE management system and sets expectations; and
- the monthly, quarterly and annual managerial reporting processes of financial and operational plans, budgets, forecasts and results.

Monitoring Activities

This comprises the ongoing monitoring and review of the internal control system to test its fitness for purpose and to confirm business compliance. It includes the internal controls and assurance function, led by the Group Vice President of Internal Control & Assurance and Compliance Officer, which is responsible for:

- overseeing the internal audit and the internal controls functions;
- auditing TAQA's internal controls to confirm that they are adequate, identifying and reviewing any perceived shortfalls or weaknesses, and testing compliance with the internal control framework and
- preparing annual risk-based audit plans pursuant to which it audits and reviews specific functions and activities within the Group. The annual audit plan is designed to prioritise potential areas of risk for TAQA. –

In addition, TAQA's external auditor conducts quarterly reviews and annual audits of its financial statements, providing reasonable assurance of the reliability of management financial reporting and internal controls.

REGULATION

UAE GENERATION SUBSIDIARIES

The Environment

The Emirate of Abu Dhabi's Environmental Agency is the governmental body charged with introducing and monitoring environmental standards with respect to, among other things, water and air quality, water treatment and disposal. TAQA's UAE subsidiaries are further governed through a set of environmental standards applied to international project financing through their respective financing arrangements, including, in some cases, the Equator Principles which have been adopted by certain leading international financing institutions.

As part of the land leases between ADWEA and each UAE generation subsidiary, the UAE generation subsidiaries have a legal obligation to remove the power generation and water desalination plants at the end of the plants' useful lives, or before if the UAE generation subsidiary becomes unable to continue its operations to that date, and to restore the land. The UAE generation subsidiary must at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavations and return the surface to the grade of the designated area.

Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi

Law No. (2) of 1998, concerning the Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi, as amended ("**Law No. 2**"), set up the Regulation and Supervision Bureau (the "**Bureau**") to undertake the licensing, regulation and supervision of all companies that carry on any production, transmission, storage, desalination, provision, distribution or supply of water and electricity in the Emirate of Abu Dhabi. In addition, the Bureau also regulates the wastewater sector which is responsible for ensuring the safe collection, treatment and disposal of wastewater products. Law No. 2 sets out the rules that apply to the water and power industries in the Emirate of Abu Dhabi and also provides for the introduction of a licensing framework and the restructuring and future privatisation of the water and power industries.

Law No. 2 authorises the Bureau to review plans pertaining to the provision of water and power in the Emirate of Abu Dhabi, to issue licences relating to the operations that are the subject of the plans, and to supervise such plans and control their implementation in accordance with the provisions of Law No. 2. The duties of the Bureau include consumer protection as to the tariff and water and electricity supply terms and conditions.

Each of TAQA's UAE generation subsidiaries has applied for, and been granted, licences by the Bureau.

In February 2018, Law No. (11) of 2018 on the establishment of the Energy Department ("**Law No. 11**") was published. Pursuant to the law, all of ADWEA's assets, rights and obligations will be transferred to the Energy Department. The Energy Department will be responsible for strategic plans for the entire energy sector in the Emirate of Abu Dhabi. It will regulate the energy sector in all respects and license all institutions, entities and companies working in the energy sector. It will also propose fees and tariffs and submit them to the Executive Council for approval. It is expected that the Executive Council will issue a decision specifying the subsidiary bodies that will be subject to the supervision of the Energy Department. Law No. 11 is not yet in force as an implementing regulation in relation to it is still to be issued by the Executive Council of Abu Dhabi. When that regulation is issued, all conflicting provisions of Law No. 2 will be repealed.

INTERNATIONAL GENERATION SUBSIDIARIES

India

Environment

The Ministry of Environment, Forests and Climate Change, Government of India ("**MoEF&CC**") is the nodal agency in the administrative structure of the Government of India which is responsible for protecting and improving the quality of the environment and preventing, controlling and abating environmental pollution. The MoEF&CC is, among other matters, responsible for granting environmental clearances and regulating diversion of forest land for projects. Further, pollution control boards have been set up at the central and state level to regulate and control pollution levels and prescribe rules and regulations from time to time.

Compliance with environmental laws in India has evolved from the doctrine of strict liability to the doctrine of absolute liability. It is essentially guided by the sustainable development, precautionary, and polluter pays principles. A power project developer is required to obtain a number of permits and consents which are issued by various government authorities, including with respect to the use of forest land, impact on wildlife, rehabilitation and resettlement of local populations and the handling and storage of hazardous substances and explosives.

Generally, state policies for allotment and operation of hydro power projects require the project developers to give preference in employment (up to a certain percentage) to the local residents of the state where the project is located. In addition, various employee welfare statutes and regulations relating to maintaining appropriate working conditions, payment of wages and benefits, and hire and fire policies must be complied with.

Regulation of the electricity sector in India

In India, both the central government and the various state governments are empowered to legislate in relation to the electricity sector. While the central government sets the policies and statutory framework for the sector, the state governments independently oversee power generation and the supply of power to consumers in their respective states in line with the relevant statute or regulations made under it.

The primary statute governing the electricity sector in India is the Electricity Act, 2003 (the "**Electricity Act**"). The Electricity Act introduced new measures designed to create a liberal framework for the development of the power industry, promote competition, protect the interests of consumers and supply of electricity to all areas, rationalise electricity tariffs, ensure transparent policies and promote efficiency. The key measures include:

(a) unbundling of power generation and supply by allowing any entity to undertake any aspect of either generation or supply of power or both;

(b) delicensing generation of power. However, techno-economic clearance from the Central Electricity Authority (the "**CEA**") is required for developing hydro power projects;

(c) licensing for transmission, distribution and trading in electricity. Trading has been recognised as a separate business activity where traders can directly buy power from generators and on-sell it;

(d) establishment of independent electricity regulatory commissions at the central level (the Central Electricity Regulatory Commission (the "**CERC**") and state level (state electricity regulatory commissions (the "**SERCs**"). The relevant SERCs exercise jurisdiction over intrastate electricity regulatory matters (including tariffs), whereas the CERC exercises jurisdiction over all interstate electricity regulatory issues (also including tariffs);

(e) establishment of the Appellate Tribunal for Electricity to hear appeals against the decisions of the CERC and SERCs;

(f) formulation of the National Electricity Policy, 2005 and the Tariff Policy 2006, as revised by the Tariff Policy 2016 (the "**Tariff Policies**"); and

(g) grant of non-discriminatory open access in transmission and distribution network to a licensee, consumer or a person engaged in generation.

A generating company in India is free to sell power generated from its project to a distribution company, individual consumers, trading companies and on the power exchange. The tariff for sale of power from a generating project to a distribution company is either determined on the basis of a cost plus approach or through competitive bidding.

In terms of the Tariff Policies, power procurement by state distribution companies after 5 January 2011 is required to be done on the basis of competitive bidding except for certain situations which include procurement of power from an existing power project undergoing one-time expansion and a hydro power project owned by a private company which is compliant with conditions under the Tariff Policies. The tariff determination for sale of power on a cost plus approach is carried out by CERC and the relevant SERC on the basis of norms specified in their existing tariff regulations. These tariff regulations are valid for a particular control period and provide for truing up of tariff considering the various components of tariff (such as additional capitalisation, return on equity, operation and maintenance expenses, depreciation and interest on loan capital) in each control period.

For the offtake of power from a generating project, depending upon the agreement between the generator and the offtaker, either the generating company or the offtaker is required to obtain open access to use the network of the relevant transmission licensee and/or the distribution licensee (as the case may be) for arranging supply of power to the delivery point.

The Electricity Act along with the policies, regulations and rules issued under it, has abolished the monopoly of state entities which existed under the earlier statutes and has created a new competitive framework for the development of the power sector in India.

Morocco

Environment

The Moroccan Ministry of the Environment is responsible for introducing and monitoring environmental standards in respect of, among other matters, air quality, wastewater treatment and ash disposal.

The plant is required to maintain a number of permits and consents throughout the life of the PPA, including certain construction permits, aerial beaconing permits and other operation permits. These permits and consents are issued and governed by a number of governmental bodies including the Ministry of Transportation and the Ministry of Public Works.

In addition, the operating units at the facility have been designed and upgraded to ensure compliance with certain World Bank guidelines for particulate emissions, sulphur dioxide emissions and air quality limits. To ensure ongoing compliance, the operator, TAQA North Africa, has developed an environmental management system to ensure that the units operate in accordance with applicable environmental standards.

Regulation of the electricity sector in Morocco

Office National de l'Electricité et de l'Eau Potable ("**ONEE**") is the body with primary responsibility for regulating the electricity and water sectors in Morocco. It is a public industrial and commercial body, established by decree-law No. 1-11-160 of 29 September 2011, implementing Law 40-09 by merging the former Office National de l'Electricité ("**ONE**") and the former Office National de l'Eau Potable ("**ONEP**"). ONEE's responsibilities include:

- regulating electricity generation, transmission and distribution;
- providing electricity distribution services in the event that the state-run companies or concessions fail to provide such services directly; and
- exclusively authorising the installation of power generation plants with capacity in excess of 50MW.

ONEE's rights and obligations in relation to electricity generation, transmission and distribution are set out in specifications approved by decree-law No. 2-73-533 of 29 November 1973, which sets out the technical, administrative and financial conditions for the operation of electricity generation, transmission and distribution companies.

Pursuant to decree-law No. 1-63-226 of 5 August 1963 (as amended and supplemented), ONEE has the authority to put out to commercial tender opportunities for the development of power plants with capacity in excess of 50MW, and to enter into commercial agreements with private companies for the construction thereof, provided that the power generated from such plants is sold exclusively to ONEE.

One of ONEE's primary objectives is to meet the country's demand for electricity on the best terms and conditions in respect of cost and quality of service and to develop any industrial or service activities that are designed to further that objective.

OIL AND GAS

Canada

Canadian federal regulation

The Group's ownership of its subsidiary, TAQA North, is subject to certain investment conditions imposed by the Investment Review Division of Industry Canada, pursuant to the Investment Canada Act. These conditions, in the form of undertakings given by the Group, generally relate to such matters as the maintenance of existing levels of employment, ensuring Canadian participation and representation in senior management and at the board level, and a commitment to capital and research and development expenditures. These undertakings were satisfied in 2010, so no further formal reporting or pre-approvals are required. However, Industry Canada reserved the right to request such ad hoc updates as it deems appropriate from time to time. The Government of Canada enacted changes to the Investment Canada Act in 2014 and 2016 to increase its ability to scrutinise future significant investments in Canada by or involving state-owned enterprises.

The Group is also subject to federal environmental regulatory requirements that restrict and control the use of substances considered "toxic" pursuant to the Canadian Environmental Protection Act, 1999.

Pursuant to the Government of Canada's commitments as a party to the United Nations Framework Convention on Climate Change and its ratification of the Paris Accord, Canada has committed to reduce national greenhouse gas ("**GHG**") emissions 30 per cent. below 2005 levels by 2030. To facilitate nationwide emission reductions, the Government of Canada issued the Pan-Canadian Framework on Clean Growth and Climate Change together with most of the Provinces in 2016, and announced that all provinces will be required to implement carbon

pricing by 2018 to the extent they had not already done so. Legislation to implement this federal carbon pricing system was released for public comment in early 2018. The proposed Greenhouse Gas Pollution Pricing Act would (a) impose a charge on fossil fuels of C$10 per tonne of CO2 equivalent ("CO2e") in 2018 increasing annually by C$10 per tonne up to C$50 per tonne by 2022; and (b) establish a federal cap and trade system for large industrial emitters. The federal regime is intended to serve as a regulatory backstop and only apply to those provinces that have not otherwise implemented adequate provincial GHG regimes. Other than operations in Saskatchewan, all of the Group's facilities are located in provinces that have implemented an adequate GHG regime. As such, the federal regime is not expected to have a significant impact on the Group's operations.

A small portion of the Group's upstream assets in Alberta, Saskatchewan and British Columbia are located on First Nations reserve lands. Indian Oil and Gas Canada ("**IOGC**"), an organisation created pursuant to Canadian federal laws, manages and regulates oil and gas resources on reserve lands, regardless of the province in which such assets are located. In addition to regulation of First Nations oil and gas resources, IOGC assists First Nations with ongoing resource management.

Canadian provincial regulation

The Group operates upstream assets in Alberta, British Columbia, Saskatchewan and Ontario. Each jurisdiction has its own regulatory authority which is responsible for the administration and enforcement of various statutes and regulations that apply to the operation of the Group's upstream assets, including regulating and enforcing environmental, health and safety standards in the oil and gas industry. Examples of regulated matters relevant to the Group's upstream assets include benzene practices (Alberta), emergency response planning, well suspension, abandonment, and reclamation requirements, flaring/venting requirements and product and waste storage/disposal. Further information regarding the regulatory authorities for the provinces referred to above is set out below.

Alberta

A large percentage of Alberta's mineral resources are owned by the Crown in right of Alberta and administered by the Department of Energy. Through the Mines and Minerals Act, petroleum and natural gas leases and licences are granted to producers, usually through periodic Crown sales, and royalties are established and collected. The New Democratic Party formed the Government of Alberta in May 2015, marking a shift from 44 years of Conservative Party leadership. The new government has implemented a number of policy initiatives that affect the upstream oil and gas industry, including the Climate Leadership Plan and Modernized Royalty Framework.

The Alberta Energy Regulator ("**AER**") is the primary regulator for the oil and gas industry in Alberta and is responsible for the administration and enforcement of various statutes and regulations that apply to the different stages of the Group's upstream assets and their operation, including various environmental statutes and regulations with respect to the Group's upstream assets' air emissions and access to ground and surface water. the AER HAS regulatory responsibility relative to the exploration of oil and gas resources under Part 8 of the Mines and Minerals Act and is also responsible for the regulatory functions of Alberta Environment and Parks as they relate to the intersection between public lands, water, the environment, and energy resource development. In this way, the AER provides full life-cycle regulatory oversight of energy resource development in Alberta, from application and construction to abandonment and reclamation.

The Modernized Royalty Framework, which is primarily focused on streamlining the royalty regime and incentivising efficiency, applies to oil and gas wells spudded after 1 January 2017. The prior royalty regime will continue to apply to pre-2017 wells for 10 years, and there will be no changes to oil sands royalty rates.

The Climate Leadership Plan includes commitments to eliminate pollution from coal-fired electricity sources, achieve a 45 per cent. reduction in methane emissions from oil and gas operations by 2025, cap oil sands emissions at 100 megatonnes per year, and implement a carbon pricing scheme for transportation and heating fuels. The per litre carbon levy rates translate to C$30 per tonne of CO2e. If enacted, the Greenhouse Gas Pollution Pricing Act will increase the price to C$40 per tonne in 2021 and C$50 per tonne in 2022.

*The Alberta Climate Change and Emissions Management Act ("**CCEMA**") provides a statutory framework for managing climate change and GHG emissions in Alberta. As part of the Climate Leadership Plan, the Specified Gas Emitters Regulation under the CCEMA in will be replaced by the Carbon Competitiveness Incentive Regulation ("**CCIR**") in 2018. The CCIR will set product-specific intensity benchmarks for facilities that emit over 100,000 tonnes of GHGs per year. The most efficient facilities that emit under the benchmark will be able to earn tradable emission performance credits, while facilities whose intensities exceed the product benchmark will be subject to compliance requirements such as acquiring emissions performance or carbon offset credits, or payment into the Climate Change and Emissions Management Fund. Only 30 per cent. of a facility's compliance obligation may be met through the purchase or use of emissions performance or carbon offset credits. British Columbia*

The Ministry of Energy and Mines is responsible for all matters relating to energy, mineral resources and petroleum resources in British Columbia. In particular, the Ministry has the authority to collect royalties and regulate the production of petroleum and natural gas under the Petroleum and Natural Gas Act.

The British Columbia Oil and Gas Commission is the primary regulator in the province with respect to the upstream oil and gas industry and is responsible for the administration and enforcement of various statutes and regulations that apply to the different stages of the Group's upstream assets. The British Columbia Ministry of Environment is responsible for the administration and enforcement of the province's environmental statutes and regulations, including with respect to the Group's upstream assets' air emissions and access to ground and surface water.

Upstream oil and gas operations in British Columbia are subject to a number of statutes pertaining to GHG emissions. Notable to the Group are the Greenhouse Gas Reduction Targets Act ("**GGRTA**"), the Carbon Tax Act, and the Greenhouse Gas Industrial Reporting and Control Act ("**GGIRCA**").

The GGRTA sets targets for reducing GHGs by at least 33 per cent. below 2007 levels by 2020. The GGRTA Regulations authorise incentives for operators who refurbish facilities in order to reduce GHG emissions.

The revenue neutral Carbon Tax Act imposes a tax on consumption in British Columbia of virtually all fossil fuels, including gasoline, diesel, natural gas, coal and propane. Each type of fossil fuel is taxed at a differing rate. These rates are equivalent to C$30 per tonne of CO2e, and have been the same since 1 July 2012. Beginning on 1 April 2018, carbon tax rates will increase by the equivalent of C$5 per tonne of CO2e annually to facilitate alignment with federal carbon pricing requirements. Fuels exported from the province are not taxed, nor are fuels used in-province for certain exempt purposes, which include pipeline pigging, down hole operations at well sites, removal of natural gas liquids or impurities in the processing of marketable natural gas, and closed-system refrigeration in the processing of marketable natural gas.

The GGIRCA establishes GHG emissions performance standards for specified regulated operations, which are limited to liquefied natural gas facilities and coal based electricity generation operations at this time. Emission reporting obligations apply to a broader range of facilities pursuant the GGIRCA's Greenhouse Gas Industrial Emission Reporting Regulation. Pursuant to the Reporting Regulation, an annual emissions report must be provided to the Ministry of Environment in respect of any of the Group's British Columbia facilities that undertakes specified oil and gas activities and emits over 10,000 tonnes of CO2e annually. If any of the Group's British Columbia facilities report emissions greater than 25,000 tonnes of CO2e per year, they will be required to have their emissions reports independently verified. The Greenhouse Gas Emission Control Regulation establishes a framework for the purchase of emissions compliance units (offsets) and the BC Carbon Registry through which offsets may be issued, transferred, or retired.

Saskatchewan

Ownership of oil and gas interests in Saskatchewan is held by the Crown pursuant to the Saskatchewan Crown Minerals Act ("**CMA**"). Through the CMA, petroleum and natural gas interests are granted subject to the Petroleum and Natural Gas Regulations, 1969 ("**PNGR**"). The PNGR set out the requirements that must be met for the acquisition of exploration permits, drilling reservations and leases. Leases are granted by public tender. Crown royalties are dealt with under the CMA and are regulated under the PNGR.

Under the Energy and Mines Act, the Minerals, Lands and Resource Policy Division of the Saskatchewan Ministry of the Economy is responsible for the exploration, development, management and conservation of non-renewable resources in the province, and the administration and enforcement of various statutes and regulations that apply to the different stages of the Group's upstream assets. The Oil and Gas Conservation Board is the primary regulator in the province with respect to this mandate.

The Saskatchewan Ministry of Environment is responsible for the administration and enforcement of the province's environmental statutes and regulations with respect to the Group's upstream assets' air emissions and access to ground and surface water. This includes responsibility over the Environmental Management and Protection Act, 2010 and associated Environmental Code, which represent a shift to results-based environmental regulation in the province.

The Saskatchewan government introduced its Prairie Resilience Climate Change Strategy (the "**Strategy**") in December 2017. Among other things, the Strategy proposes that facilities emitting more than 25,000 tonnes of CO2e per year would be subject to sector-specific emissions intensity standards, and would have a wide range of compliance options available to achieve emissions reduction targets. Portions of the 2010 Management and Reduction of Greenhouse Gases Act have been proclaimed in order to implement certain aspects of the Strategy. However, consultation is ongoing with respect to many aspects of the Strategy, including sector-specific emissions intensity standards and the regulation of flaring and venting from upstream oil and gas operations, which have yet to be finalised or implemented. Should the federal government determine that the details of the Saskatchewan Strategy (when released) do not align with federal emissions reduction targets, it may seek to impose a carbon pricing system on Saskatchewan in accordance with the terms of the Greenhouse Gas Pollution Pricing Act (at such time that legislation is enacted).

Ontario

TAQA North owns and operates two producing oil and gas properties in Ontario: a sweet gas field at which TAQA North also provides processing and gathering services to three other operators, and an oil producing property

with an associated treatment facility. The production from these Ontario properties represents approximately 0.2 per cent. of TAQA North's total production.

TAQA North's Ontario assets are subject to regulation by the Ontario Ministry of Natural Resources and Forestry ("MNRF"), the ministry responsible for administering the Ontario Oil, Gas and Salt Resources Act, the Exploration, Drilling and Production Regulation, and the associated Provincial Operating Standards. Pursuant to this suite of regulatory instruments, the MNRF regulates exploration, drilling, production and storage of oil and gas resources in Ontario, as well as oil and gas-field waste disposal.

On 1 January 2017, the Climate Change Mitigation and Low-carbon Economy Act, 2016 and associated regulations came into effect in Ontario. Regulated entities, which include natural gas distributors emitting 25,000 tonnes of CO2e or more per year, must report and verify their GHG emissions and register for Ontario's cap and trade program. TAQA North's Ontario operations do not exceed this threshold at this time, and are therefore not subject to the cap and trade program.

United States

The Group operates upstream oil and gas assets in Montana, North Dakota and Wyoming. No single governmental body or statutory or regulatory framework governs onshore oil and gas development in the United States. The legal framework for oil and gas development involves a complex and overlapping system of federal, state, local and tribal statutory, regulatory and common law schemes. Often, an analysis of applicable law will begin with whether the oil and gas to be developed is owned by the United States, an individual state, a Native American tribe or individual Native American or private owner.

U.S. federal regulation

The Bureau of Land Management ("**BLM**"), a department within the U.S. Department of the Interior, administers the federal regulations and regulates oil and gas exploration and production activities on federal lands. The BLM governs the award of leases for lands and minerals that are subject to federal jurisdiction, pursuant to procedures set forth in the U.S. Code of Federal Regulation. Unless specifically carved out of the leasing programme, all BLM-managed lands and national forests are open to leasing. Oil and gas leasing is generally not permitted in the national park system, in national wildlife refuges, in the Wild and Scenic River Systems and in wilderness areas. Leasing in national forests requires approval from the Forest Service, under the U.S. Department of Agriculture.

Environmental regulation

Oil and gas development in the United States is subject to both federal, state, tribal and, to a much lesser extent, local environmental regulation. Federal environmental laws applicable to oil and gas development are generally not industry-specific, but rather they regulate any discharge or contamination that threatens the natural environment in general. The Resource Conservation and Recovery Act ("**RCRA**") regulates management of solid and hazardous waste; the Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**") regulates clean-up of contaminated sites; the Clean Air Act ("**CAA**") regulates air emissions; and the Clean Water Act ("**CWA**"), the Oil Pollution Act ("**OPA**") regulates oil spills, and the Safe Drinking Water Act ("**SDWA**") regulate water discharges. The principal federal enforcement agency is the Environmental Protection Agency (the "**EPA**"), but state agencies enforce similar state laws and can also be delegated authority by the EPA to implement and enforce certain federal statutes.

Under the CWA, the EPA can implement water quality standards relating to both upstream and downstream oil and gas operations, as well as rules governing the discharge of oil and gas and production fluids into U.S. waterways. The SDWA protects groundwater reservoirs, and can affect injection and underground disposal operations. Under the CAA, both federal and state environmental laws regulate new and existing sources of air pollution, including oil and gas operations. Under the OPA, the EPA can recover damages to natural resources caused by oil spills. Under CERCLA, the EPA may require clean-up of contaminated sites, and in general, without regard to cause or fault for the contamination.

In addition, new exploration or development operations on federal land will usually undergo a comprehensive environmental impact review under the federal National Environmental Policy Act ("**NEPA**"). The process includes public involvement, can be contentious, and can delay a project for years while the process is being completed. Failure to complete the process or comply with permits can lead to significant delays, penalties and injunctions. Finally, the Endangered Species Act ("**ESA**") can prohibit oil and gas development activities that threaten the habitats of threatened and endangered species, or require particular mitigation measures to minimise adverse impacts to an animal species.

Operational regulation-spacing/drilling

After leases have been issued, development and operation of an oil and gas project is generally subject to site level regulation by either a state or federal regulatory body. For federal lands and minerals, the BLM regulates unit formation, controls issuance of drilling permits, and generally ensures federal regulatory compliance. Spacing (that is, the number of wells in any particular area of land) is regulated by a combination of federal and state regulation.

Transportation

The Federal Energy Regulatory Commission ("**FERC**") is charged with overseeing the implementation and operation of the natural gas transportation infrastructure. FERC has jurisdiction over, and is the primary federal regulatory agency governing, interstate oil and natural gas pipelines and transmission. FERC regulates rates and other terms for oil and gas transportation through interstate pipelines. FERC is generally charged with ensuring that interstate carriers provide non-discriminatory service to all shippers, and FERC policy is generally to approve all pipelines that comply with the statutory standards, but to let the market decide which pipelines will be built.

The location, construction and operation of interstate pipelines, facilities and storage fields involved in moving oil and gas across state boundaries must be approved by FERC, but the Department of Transportation ("**DOT**") regulates the safety and integrity of interstate oil and gas pipelines through the Pipeline Safety Improvement Act of 2002.

Oil and gas pipelines and transportation are primarily governed by federal regulation because of their interstate nature, but states may regulate intrastate oil and gas pipelines and may regulate gathering lines and other intrastate transportation activities. Typically, this is done through a state's public utilities commission (a "**PUC**").

U.S. state regulation

Each of the major oil and gas producing states has an agency tasked with administration and enforcement of statutes and regulation for oil and gas production activities for state and private lands. In Montana, these agencies are the Montana Department of Natural Resources and Conservation and the Montana Board of Oil and Gas. In Wyoming, the agency is the Wyoming Oil and Gas Conservation Commission. In North Dakota, the agency is the Oil and Gas Division of the North Dakota Industrial Commission. The primary function of state oil and gas commissions is implementing site-level operational regulations such as spacing regulation, issuance of drilling permits, and ensuring regulatory compliance with state and federal laws. Additionally, state oil and gas commissions, along with other state environmental quality agencies, do enforce state level environmental statutes; however, because environmental regulation in the United States is largely controlled by federal law, the role of state agencies is generally administration and enforcement of federal statutes or equivalent state statutes.

UK North Sea

Oil and gas exploration and production activities in the United Kingdom's territorial waters and on the United Kingdom Continental Shelf are governed primarily by the Petroleum Act 1998 ("**UK Petroleum Act**"). The UK Petroleum Act vests ownership of the resources and the exclusive right to search for, drill and extract petroleum in the areas governed by the licence in the state. Licences may be granted by the state enabling persons to "search and bore for and get" petroleum in the UK over identified areas for an identified period.

Until recently, responsibility for granting licences under the UK Petroleum Act sat with the Secretary of State for Energy and Climate Change (the former ministerial position with overall responsibility for the Department of Energy and Climate Change ("**DECC**"). With the recent change of Prime Minister, a new department, the Department for Business, Energy & Industrial Strategy ("**BEIS**") has taken over from DECC. In addition to this department change, the Energy Act 2016 (the "**Energy Act**") has been passed, and it establishes a new regime for the regulation of these activities (the "**New Regime**"). The New Regime makes amendments to the UK Petroleum Act and passes the licensing functions from DECC to the Oil and Gas Authority ("**OGA**"). Initially, OGA was set up as an executive agency of DECC, but it has now been established as an entity separate from DECC/BEIS, with the Secretary of State for Business, Energy and Industrial Strategy (the "**Secretary of State**") as the sole shareholder; the OGA has responsibility for the effective stewardship and regulation of petroleum recovery, including licensing. The Secretary of State under the New Regime will still have certain powers to provide directions to the OGA (for example where these are necessary for national security or, in exceptional circumstances, in the public interest). The majority of the provisions of the Energy Act came into force by the issuance of commencement regulations by the Secretary of State as of 1 October 2016.

The UK Petroleum Act requires the OGA to produce one or more strategies to maximise the economic recovery of UK petroleum, which will bind, amongst others, licence holders, operators and owners in the UK oil and gas sector. On 18 March 2016, the OGA published the Maximising Economic Recovery Strategy for the UK (the "**MER Strategy**") which, amongst other things, requires offshore UK licence holders (and others) to take steps necessary to secure that the maximum value of economically recoverable petroleum is recovered from the strata relevant UK waters.

The UK regime conforms to EU Directive 94/22/EC on the conditions for granting and using authorisations for the investigation, exploration and production of hydrocarbons.

The terms of UK production licences are predominantly contained in "model clauses" applicable at the time of the issue of the licence which are replicated in full in every production licence, though additional restrictions may also be contained in the particular licence. The model clauses in existing licences are not affected by the issue of new model clauses unless a measure is expressly stated to have retrospective effect. The model clauses govern matters such as: the

grant of the rights themselves; the terms and conditions applicable to a licence; the regulation of development programmes; measurement, records and access; working method; pollution; and training.

The licences cannot be granted without the authorisation of the OGA. When considering whether to authorise a proposal, the OGA will take into account a variety of factors, including whether the applicant has the necessary technical and financial capacity to contribute to delivering the MER Strategy. In addition, there are other requirements of licensees such as the establishment of a tax base, finance, residence and organisational structure.

Where a UK licence is awarded to a joint venture, the companies engaged in the joint venture are jointly and severally liable for discharging the obligations contained in the licence. The Group will typically be party to a joint operating agreement (the "**JOAs**") with co-venturers for each of its licences except in relation to certain acreage in the Northern North Sea which is wholly owned by the Group. The JOAs set forth the rights and obligations between the Group and its partners with respect to operatorship, expenditures and other related matters. A JOA will also establish the operator's rights, powers and duties, as well as the means by which an operator can be replaced. The process of agreeing and following work programmes and budgets is also set out, and each partner's ability to transfer its interest in the joint venture will be described.

Offshore oil and gas exploration and production activities in UK territorial waters and the United Kingdom Continental Shelf are subject to a wide range of environmental and health and safety legislation. Many of the key safety aspects under the Health and Safety at Work etc. Act 1974 and a range of subordinate legislation are regulated by the Health and Safety Executive ("**HSE**") and in particular its Energy Division. Key activities of the HSE with regard to the offshore hydrocarbon exploration and production industry include: inspection of work sites, incident investigation, assessment of safety documentation, enforcement of legislation and generally to advise, guide and inform. Action that may be taken by the HSE following a perceived breach of health and safety legislation will vary depending upon the nature of the breach but may include the provision of informal advice, the issue of an improvement or prohibition notice or prosecution in a criminal court.

As a result of the issuance of the EU Offshore Safety Directive 2013/30/EU, there are also extensive safety regulations that apply to the UK oil and gas industry. These include the Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015 (SI 2015/398) (the "**Safety Case Regulations**"), the Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 (SI 2015/385) (the "**Offshore Safety Directive Regulations**") and the Merchant Shipping (Oil Pollution Preparedness, Response and Co-operation Convention) (Amendment) Regulations 2015 (SI 2015/386) (the "**Oil Pollution Regulations**").

The Safety Case Regulations implement requirements for the operator of an offshore installation to develop and implement a major accident prevention policy which, amongst other things, takes into account the reliability and integrity requirements of all systems critical for safety and environmental protection and for operators and owners to take suitable measures to reduce any risk. They also require operators or owners to notify the competent authority of any major accident or immediate risk of such an accident.

The Offshore Safety Directive Regulations require the licensing authority to consider the technical capability and financial security of any prospective offshore licensee (amongst other criteria) before granting any consent and prohibit the carrying out of any offshore petroleum operations without a licence. These Regulations also create financial liability for the licensee for the prevention and remediation of environmental damage which is, or may be, caused by offshore petroleum activities carried out by or on behalf of the licensee or operator under an offshore license.

The Oil Pollution Regulations require operators of offshore installations to have an oil pollution emergency plan in place. Certain events involving the discharge of oil must be reported to the competent authority.

The Offshore Safety Directive Regulator ("**ODSR**") is the competent authority established in accordance with the EU Offshore Safety Directive. The ODSR is a partnership between HSE's Energy Division and DECC's offshore Oil and Gas Environment and Decommissioning Team. The role of the ODSR as the competent authority under the Offshore Safety Directive is to oversee industry compliance. This includes related functions such as accepting, assessing, approving and/or inspecting relevant Safety Cases, Oil Pollution Emergency Plans, Well Notifications and other notifications, as well as reporting, intervention planning and investigation. While DECC and HSE retain separate functions outside the context of ODSR, the relevant sections of these bodies will deliver the ODSR's functions under a set of common operational arrangements.

The Netherlands

Regulatory environment

The Group's activities in The Netherlands are subject to various legislative and regulatory provisions, and governance by several regulatory bodies. The Minister of Economic Affairs ("**MEA**") is responsible for the energy sector in The Netherlands but has a limited direct role in the operation of the industry. It is responsible for the introduction of energy related legislation, delegation of authority for licensing, ministerial guidelines and the setting of policy for the utilisation of small gas fields in The Netherlands.

The gas industry is subject to regulation by the Dutch Competition Authority, the "Autoriteit Consument & Markt" ("**ACM**"). The ACM is responsible for, among other matters:

- determining tariff structures and conditions and maximum tariffs in respect of gas transmission pipelines;
- determining tariffs for gas transport;
- issuing supply licences for supply of gas to households;
- supervision of compliance with the Gas Act; and
- issuing binding regulations or imposing penalties.

There are a number of specific regulations that govern the Group's activities in respect of exploration and production and gas transportation, distribution and storage.

Transport, distribution and storage

The Gas Act established the legal separation of the distribution systems of the former regional distribution and supply companies into separate legal entities, with the intention of fostering conditions for non-discriminatory third party access.

The Gas Act also governs gas storage, supervising the market through a system of negotiated third party access in accordance with EU laws. Pursuant to the terms of the act, gas storage companies are required to publish their main commercial conditions on an annual basis and, subject to certain conditions, enter into negotiations with potential customers at their request. The Gas Act stipulates that storage services must be provided on an objective, transparent and non-discriminatory basis.

Exploration and production

Exploration and production activities are governed by mining legislation. The Mining Act governs the state's participation in licences of 40 per cent. or 50 per cent. depending on the law in force at the date of issuance of the licence (some oil fields carry 0 per cent. State participation). The Mining Act (in conjunction with the Corporate Income Tax Act) also governs the Production Revenue Tax (*staatswinstaandeel*) and the level of royalties that can be claimed from upstream revenue.

Health, safety and environment

The MEA is also responsible for regulating and enforcing offshore legislation in relation to health, safety and environmental matters, including air and water quality. Onshore, other (local and regional) governmental bodies also have authority for health, safety, environmental and zoning matters. The key legislation includes the Mining Act, the Environmental Management Act, the Environmental Permitting Act, the Spatial Planning Act and the Nature Protection Act. These Acts govern, also by requiring and setting permitting conditions, matters relating to health and safety, air, water and soil quality, emissions, noise, zoning and nature protection, and implement (among others) the EU Offshore Safety Directive (Directive 2013/30 of the European Parliament and Council). Other acts may be applicable to the Group's mining installations, such as legislation on external safety and the prevention of accidents.

In terms of workplace health and safety issues, the Mining Act, in conjunction with the Dutch Occupational Health and Safety Act (and associated regulations), which implements (among others) EU Directive 1992/91 on safety and health protection of workers in the mineral extracting industry through drilling, requires comprehensive risk inventory and evaluation studies (recorded in a "**Safety and Health Document**") for all activities as well as the development and implementation of a safety management system. The safety management system (or any other health and safety regulation) must be approved by the works council. The Safety and Health Document, safety management system and any associated health and safety documentation are required to be updated at various stages in the lifecycle of any mining installation.

Kurdistan Region of Iraq

Management and control of oil and gas in the Kurdistan region of Iraq

The management and control of petroleum resources in the Kurdistan Region of Iraq is disputed between the Government of Iraq and the KRG. On the assertion that oil and gas matters are constitutionally within the exclusive jurisdiction of Iraqi regions and governorates (rather than the Iraqi federal government), the Kurdistan Region National Assembly passed the Kurdistan Region Oil and Gas Law in 2007, which purports to provide a statutory framework for oil and gas production in the Kurdistan Region and is the legal basis for the award of PSCs by the KRG. Since 2007, the KRG has entered into over 40 PSCs with international oil companies. The Government of Iraq does not recognise the terms of the PSCs and views the relevant resources as owned by the Iraqi people until title transfers to the purchaser

after export. This has contributed to frequent tension and disruptions in the export of petroleum from the Kurdistan Region of Iraq, see "*— Export of petroleum from the Kurdistan Region of Iraq*" below.

The Government of Iraq continues to dispute the constitutional basis of the KRG's exclusive claim to petroleum rights in the Kurdistan Region of Iraq. There are several draft oil laws pending before the Iraqi parliament, all of which cast doubt on the enforceability of existing PSCs in the KRG. See "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Business Generally — The Group's land and mineral rights may be subject to challenge*".

Export of petroleum from the Kurdistan Region of Iraq

The Government of Iraq considers the export of petroleum from the Kurdistan Region of Iraq to be the domain of the state-owned State Oil Marketing Organisation ("**SOMO**"). The Government of Iraq controls and operates the Iraq section of the main northern export pipeline, the Kirkuk-Ceyhan Pipeline (also known as the Iraq-Turkey Pipeline or ITP), which runs from Kirkuk area fields south to Baiji before banking sharply northwest, passing west of Mosul city and on to the Turkish border at Feshkabour, continuing then through Turkey until the port of Ceyhan. The Iraq stretch of the ITP has been non-operational since March 2014 when a sabotage attack by Islamic State of Iraq and ash-Sham (ISIS) brought it off line. The Government of Iraq is planning to repair the Iraq section of the ITP and to have it back online in or around the first quarter of 2019.

Prior to 2014, the KRG was therefore reliant on exporting and marketing by SOMO, with revenues routed through the Government of Iraq. Such exports from the Kurdistan Region of Iraq through the Kirkuk to Ceyhan pipeline took place intermittently from 2009 but were frequently been disrupted by disagreements regarding the level and frequency of payments from the Government of Iraq to the KRG.

The PSCs granted by the KRG authorise contractors to export freely their share of petroleum, without reference to SOMO, and, since 2014, when the Kurdistan Export Pipeline went online, the majority of crude oil produced from the Kurdistan Region of Iraq has been exported through this pipeline to Ceyhan. The remaining crude oil has been trucked or sold to local refineries. Exports through the Kurdistan Export Pipeline are contrary to the Government of Iraq's historic policy stance.

RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

Members of the Group have contracts with entities owned in whole or in part by TAQA's majority shareholder, ADWEA. These include the PWPAs with ADWEC, land leases relating to the UAE generation plants and shared facilities at project sites and shareholders' agreements. See "*Summary of Material Agreements*".

Certain of TAQA's related party transactions are disclosed in notes 4, 9, 18, 21, 31, 34 and 36 to the 2017 Financial Statements. These transactions include transactions with associated companies, major shareholders, directors and key management personnel of TAQA, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by TAQA's management. Because the Group is a government-related entity (as defined in IAS 24), the Group is exempt from disclosing certain information relating to transactions and balances with entities related to the Abu Dhabi government.

Note 36 to the 2017 Financial Statements describes certain collectively, but not necessarily individually, significant related party transactions and outstanding balances. These include sales of water and electricity by each of the Group's UAE generation subsidiaries to ADWEC under long-term PWPAs and the receipt by those subsidiaries of natural gas fuel at no cost from ADWEC in accordance with the terms of the PWPAs. The outstanding balances at 31 December 2017 principally comprise loans and advances and certain bank balances. All outstanding related party balances at 31 December 2017 and 2016 were unsecured, interest free and to be cash-settled. There were no guarantees provided or received for any related party receivables or payables in either 2017 or 2016. The Group did not impair related party receivables during either 2017 or 2016.

On 31 December 2016, the Company entered into a framework agreement with ADWEA whereby ADWEA granted the Company 99-year leasehold rights over certain plots of land in the UAE for a nominal amount. At the date of transfer, the Company recorded the fair value of the leasehold land, amounting to AED 18,682 million, under property, plant and equipment with a corresponding amount recorded as an equity contribution from ADWEA. Apart from this transaction, there were no individually significant related party transactions in 2017.

SUMMARY OF MATERIAL AGREEMENTS

The following are summaries of selected provisions of certain material agreements governing each of the UAE and international generation projects and certain material oil and gas contracts. These summaries should not be considered to be a full statement of the terms and provisions of such agreements.

SUMMARY OF PRINCIPAL UAE GENERATION AGREEMENTS

Power and Water Purchase Agreement

Each generation subsidiary has entered into a PWPA with ADWEC as the power and water procurer, with all such PWPAs having generally the same terms and conditions (although the tariff for each one is unique). The PWPA governs:

(a) the design, construction and operation and maintenance of the relevant generation and desalination facilities (and their expansion, where relevant);

(b) the design, construction and transfer of the shared and/or special facilities and associated inter-connection facilities developed and built by the UAE generation subsidiary and (where relevant) transferred to the transmission, distribution or shared facilities company; and

(c) the sale and purchase of power and water capacity and power and water output to ADWEC for the term of the PWPA.

The PWPA requires the generation subsidiary to make available to ADWEC the net dependable power capacity and net dependable water capacity of the relevant facilities and to deliver to ADWEC dispatched net electrical energy and net water output. ADWEC is obliged to purchase from the UAE generation subsidiary the net dependable power capacity and net dependable water capacity and take delivery of dispatched net electrical energy and net water output.

The term of each PWPA is 20-25 years from the Plant Commercial Operations Date ("**PCOD**").

Fuel supply

ADWEC is required to supply, and deliver on a substantially continuous basis, all the natural gas necessary for the facilities to generate net electrical energy and to produce net water output in accordance with a fuel utilisation schedule provided by the generation subsidiary.

The generation subsidiary is required to procure sufficient fuel oil at its own cost to enable the facilities to be operated for seven consecutive days (and, in the case of Umm al Naar, in relation to the existing facilities, the maximum possible number of days agreed with ADWEC) in the event the gas is not made available by ADWEC. The tariff mechanism in the PWPA adjusts to pass through the costs of procuring back-up fuel to ADWEC.

Capacity

Capacity from the relevant facilities is dedicated to ADWEC. Payments for capacity under the PWPA are based on the facilities' net dependable capacity for each of power and water, which are determined by testing and measured prior to the PCOD and periodically thereafter.

Payments and fees

The PWPA provides for a four-part tariff structure for each of power and water, and each component of the tariff structure is designed to provide for recovery of certain types of cost. These costs include debt service; return on shareholders' equity contributions; taxes, levies and duties; fixed and variable operating and management expenses; and fuel costs.

Supplemental payments

In addition to capacity payments and output payments, the PWPA requires ADWEC to make certain supplemental payments. These vary among the PWPAs but generally include payments for the use of back-up fuel and, where relevant, for certain shared facilities and insurance costs.

Terms of payment

ADWEC is required under the PWPA to make power and water capacity and output payments on a monthly basis following receipt by ADWEC of an invoice from the UAE generation subsidiary. All payments are made in AED, and invoices are due and payable 30 days after the day on which the invoice is received by ADWEC.

Procurer credit support

Under procurer credit support agreements, the Abu Dhabi government has agreed to guarantee certain of ADWEC's payment obligations (the "**Procurer Credit Support**"). This credit support terminates if ADWEC achieves and maintains for a continuous period of 730 days a long-term unsecured debt rating of at least BBB from Standard & Poor's or Baa2 from Moody's, or their equivalent.

Force majeure and government action or inaction

Each party is excused from performance and will not be in default of its obligations under the PWPA for so long as failure to perform such obligation is due to an event of *force majeure* or government action or inaction, although each party is generally obliged to make reasonable efforts to minimise and mitigate the effects of such event of *force majeure* or government action or inaction and restore its ability to perform. Certain delays are not excused by an event of *force majeure* or government action or inaction.

Where the generation subsidiary's performance is affected by events of *force majeure*, ADWEC is not obliged to make any payment in respect of power or water capacity not made available. Where the UAE generation subsidiary's performance is affected by events of government action or inaction, ADWEC continues to be required to make capacity payments.

Events of government action or inaction are circumstances where the action or inaction of any instrumentality of the UAE or Abu Dhabi is the controlling or contributing force that causes the occurrence of such an event. Such events are limited to circumstances caused or arising out of acts of war, rebellion, acts of terrorism or riot occurring in the UAE or Abu Dhabi, change in law, *force majeure* in connection with gas, electricity or water supply caused by action or inaction or controlled or contributed to by any instrumentality of the UAE or Abu Dhabi, certain countries' boycott or sanction or any other acts or failures to act without justifiable cause by any instrumentality of the UAE or Abu Dhabi, including, without limitation, the denial of or material delay in the granting of any permit, licence or consent.

Termination

Each party may terminate the PWPA following the occurrence of an event of default subject to a 30-day notice of termination. During the 30-day notice period, which may be extended pursuant to suspension period provisions, the parties must consult with a view to mitigating the consequences of and curing such event of default. If the default is not cured within the consultation period, the party having given notice of termination may terminate the PWPA.

Events of default

ADWEC is subject to a number of events of default, including in relation to non-payment, breach of contract, insolvency, failure of credit support and expropriation or compulsory acquisition.

Each generation subsidiary is subject to a number of events of default. These include a failure to achieve PCOD by a long-stop date, wilful default, abandonment, non-payment, insolvency, average availability of less than 75 per cent. of net dependable power or water capacity for any rolling period of two years or more, and material breach of obligations.

Termination upon prolonged force majeure or event of government action or inaction

In addition to termination following an event of default, the PWPA may be terminated by the generation subsidiary if an event of government action or inaction prevents ADWEC from performing any of its obligations under the PWPA for an extended period of time, provided that, if ADWEC elects to continue paying capacity payments for power and water, then the UAE generation subsidiary will not have the right to terminate the PWPA. There is no express right to terminate for an event of *force majeure* affecting the operating subsidiary, other than in the case of Taweelah A2.

ADWEC may terminate the PWPA if (a) an event of *force majeure* or government action or inaction prevents ADWEC from performing any of its obligations under the PWPA for an extended period of time; or (b) an event of government action or inaction (and, in the case of Taweelah A2, an event of *force majeure*) prevents the generation subsidiary from generating or delivering net power or water output for such continuous period.

Consequences of termination

In the event of termination of a PWPA, the rights of the generation subsidiaries differ according to the nature of the events or circumstances which have caused the termination. Early termination of the PWPA obligates the payment by ADWEC of termination amounts specified with regard to the subject termination event. Where early termination is due to default by a generation subsidiary, such subsidiary may be required to sell its plant and facilities as specified in the PWPA in order to fund the repayment of its lenders. Payment of termination amounts resulting from the

generation subsidiary's right to terminate the PWPA in certain cases is guaranteed by the Abu Dhabi government pursuant to the Procurer Credit Support.

Other remedies

In the event of a breach by a party of its obligations under the PWPA, the other party may seek to protect and enforce its rights, to recover any damages to which it may be entitled, or to seek specific performance in accordance with the dispute resolution provisions of the PWPA. Apart from its termination right, ADWEC's sole remedy, and the sole liability of the UAE generation subsidiary, is a reduction in capacity payments.

Insurance

The generation subsidiary is required under the PWPA to obtain and maintain insurance policies from financially sound and reputable insurers that generally contain provisions which are reasonably standard in the insurance market with respect to power generation and desalination facilities of similar size, technology and location. The insurance coverage must insure, to the maximum foreseeable loss amount of the facilities, against physical damage to the facilities. Each generation subsidiary is also required to carry terrorism insurance in accordance with the financing agreements relating to the relevant facilities and the PWPA.

Liability and indemnity

The PWPAs include customary indemnification provisions between the parties for claims due to loss of or damage to property, death or injury to persons (except for workers' compensation claims) resulting from a negligent act or omission by the liable party. In addition, the generation subsidiary is required to indemnify ADWEC against claims under environmental laws or regulations applicable to the plant and claims arising out of the design or construction of the facilities.

Assignment and transfer

ADWEC may, at any time, assign or transfer its rights or obligations under the PWPA to ADWEA, Abu Dhabi Power Corporation or Transco without the prior written consent of the relevant generation subsidiary, subject to certain conditions. The generation subsidiary may assign its rights under the PWPA pursuant to the financing documents to which it is a party. Otherwise, neither the UAE generation subsidiary nor ADWEC is permitted under the PWPA to assign or transfer its rights or obligations under the PWPA without the prior consent of the other.

Management, Operation and Maintenance Agreement

Each generation subsidiary is a party to an operation and maintenance (or similar) agreement (the "**O&M Agreement**") with an operations and maintenance company formed by the 40 per cent. international investor shareholder in respect of the facility in question (the "**Operator**"). The term of the agreement is generally structured either initially or with agreed extensions to match the terms of the corresponding PWPA.

Scope of services

Under the terms of the O&M Agreement, the Operator agrees to provide the operation and maintenance services necessary for the production and delivery of electricity and water, including, among other obligations: (a) the operation and maintenance of the facilities; (b) preparation of annual operating budgets and maintenance plans for the generation subsidiary's approval; (c) planning, managing and conducting routine inspection and maintenance programmes; (d) executing scheduled and unscheduled maintenance and repair and major overhauls; and (e) (where relevant) monitoring the operation and maintenance of the shared facilities.

Parent guarantee

The payment obligations of the Operator under the O&M Agreement are guaranteed by its parent(s), subject to a maximum agreed aggregate cap.

Compensation

The Operator is compensated, broadly, either by way of a fixed price payment structure or through a structure whereby costs are, essentially, passed through subject to a premium.

Termination

The O&M Agreement may be terminated by a party if, among other things, the other party (or its parent, in the case of the Operator) becomes bankrupt, insolvent or is dissolved, or the other party commits a material breach of the O&M Agreement, including non-payment of sums properly due. In addition, the O&M Agreement may be terminated by the generation subsidiary if: (a) the Operator wilfully fails to operate the plant in accordance with the provisions of

the O&M Agreement; (b) as a result of poor performance by the Operator, the availability of power or water capacity of the plant is less than pre-agreed levels required under the PWPA; (c) the maximum aggregate amount of liquidated damages is incurred in each of any three consecutive domestic generation years; (d) any change in ownership takes place in the Operator; or (e) the PWPA is terminated.

Force majeure or government action or inaction

The *force majeure* or government action or inaction provisions in the O&M Agreements are generally similar to such provisions in the PWPA. A party cannot rely on an event of *force majeure* or government action or inaction to excuse certain circumstances.

Insurance

The UAE generation subsidiary and the Operator each assumes responsibility for obtaining insurance coverage from financially responsible insurers in a manner that will avoid duplication of insurance coverage and premium costs. The UAE generation subsidiary is required to effect and maintain insurance in respect of all loss or physical damage to the plant and other property on the land that is subject to the land lease.

Liability and indemnity

The Operator's liability with respect to the O&M Agreement is limited to certain fixed amounts or percentage of management fees depending on the operational period. This limitation does not apply to gross negligence or wilful misconduct of the Operator or its affiliates.

In respect of the brownfield sites, each party indemnifies the other for claims and losses arising from the existing facilities under environmental laws or violation of water and electricity laws for the period during which the existing facilities were under such party's control. In the case of Taweelah A1, this indemnity is given by the Operator only, in favour of the generation subsidiary, ADWEC, ADWEA and the financing parties.

Assignment

The O&M Agreement cannot be assigned without the prior written consent of the other party, provided that the generation subsidiary may assign the O&M Agreement to the lenders (and, in the case of Umm al Naar and Taweelah A1, to ADWEC).

Project and (where relevant) Shared Facilities Lease Agreements

The land required for each project (and its shared facilities, where relevant), including necessary access, utility and other easements, is leased to the UAE generation subsidiary from ADWEA for a period that exceeds the term of the PWPA, usually by five years, with renewal options consistent with the renewal options in the corresponding PWPA. The land lease continues on a year-to-year basis following expiry of the initial term, unless the UAE generation subsidiary gives ADWEA at least 180 days' notice prior to expiry of the initial term or any renewal of its intention not to continue.

The basic rent for the initial term of the land lease is a nominal sum.

The land leases may be terminated: (a) by mutual agreement between ADWEA and the UAE generation subsidiary; (b) by the non-defaulting party on the occurrence of an event of default; (c) if the facilities are completely destroyed or so damaged that the UAE generation subsidiary elects not to rebuild, restore or repair them; or (d) when the useful life of the facilities has ended and demolition and removal has occurred in accordance with the land lease. The events of default include: (i) failure to pay amounts due under the land lease within 60 days after the date such amount is due; and (ii) failure to perform or meet in any material respect any material condition, covenant or obligation under the land lease which remains uncured for 90 days or, if the defaulting party is diligently pursuing a cure, 180 days. In the event of a UAE generation subsidiary default, ADWEA may, but has no obligation to, cure the UAE generation subsidiary default.

Shareholders' Agreement

Each UAE generation subsidiary has entered into a shareholders' agreement that governs the management of the UAE generation subsidiary and the relationship between its shareholders.

Shareholder loans

Shareholders are required to advance interest-free loans to a pre-agreed maximum, at such time or times as required by the generation subsidiary, on terms to be established at the time the loan is made. The shareholder loans are subordinated to other generation subsidiary indebtedness under the financing documents.

Restrictions on transfer

All transfers of generation subsidiary shares are subject to a provision of UAE law limiting the foreign ownership of each generation subsidiary's share capital to not more than 49 per cent. Except for transfers by shareholders to the relevant ADWEA subsidiary, and transfers by the relevant ADWEA subsidiary to its affiliates, transfers required by operation of law or transfers resulting from the creation or enforcement of a lien on shares to secure indebtedness of the generation subsidiary, shareholders cannot sell, transfer, assign, pledge or hypothecate their shares.

Management

The business and affairs of the generation subsidiary are managed by, and under the direction of, its board of directors. The directors are appointed by the shareholders with the relevant subsidiary of ADWEA holding shares in the relevant UAE generation subsidiary nominating a majority of directors. The executive managing director of the UAE generation subsidiary is nominated by the minority shareholder owned by the respective joint venture partners in each project and is responsible for day-to-day management, including compliance by the UAE generation subsidiary with its obligations under the PWPA.

Matters requiring unanimous shareholder approval

Certain matters require the unanimous written approval of the shareholders including, for example: (a) a change in the general nature and business of the generation subsidiary; (b) the winding-up of the generation subsidiary or the sale, transfer, assignment, pledge or hypothecation of generation subsidiary shares; (c) the acquisition, formation or disposition of subsidiaries; (d) the merger, consolidation or reorganisation of the generation subsidiary with another company; (e) the sale, transfer, disposition, lease or other disposal of all or substantially all of the generation subsidiary's business, undertaking or assets; and (f) incurring indebtedness in an aggregate amount in excess of an agreed minimum level in a fiscal year.

Dividend policy

Subject to the relevant finance documents, to the greatest extent permitted by UAE commercial companies law, but subject to forecasted working capital requirements in accordance with the agreed annual budget, profits are distributed to the shareholders, and available cash in the UAE generation subsidiary is to be used to repay subordinated loans.

Term and termination

The initial term of a shareholders' agreement is 40 years from the generation subsidiary's registration date and it is renewed automatically for five-year periods, unless either party gives at least 12 months' prior written notice to terminate at the end of a relevant period. A shareholders' agreement can be terminated by agreement between the shareholders. In addition, the agreement terminates automatically if either of the shareholders no longer holds shares in the generation subsidiary, if the joint venture partners together own less than 25 per cent. of the shares in the generation subsidiary or if the relevant land lease is terminated as a result of demolition and removal of the relevant facilities.

Default

Events of default consist of: (a) a material breach of the shareholders' agreement; (b) the voluntary or involuntary winding-up of a shareholder; or (c) a breach by the UAE generation subsidiary of its obligations under the PWPA resulting in the termination by ADWEC of the PWPA. Following the occurrence of an event of default caused by the joint venture partners, the relevant subsidiary of ADWEA may purchase all of its shares and shareholder loans in the generation subsidiary. If the relevant subsidiary of ADWEA is the defaulting party, the joint venture partners may require such subsidiary to purchase all of their shares and shareholder loans in the generation subsidiary at prices set out in the agreement. The purchase price for the shareholder loans is equal to their outstanding principal amount. The purchase price for the defaulting party's shares is to be agreed between the parties, failing which the purchase price will be determined by a third party valuer.

SUMMARY OF CERTAIN INTERNATIONAL GENERATION PROJECT AGREEMENTS

Jorf Lasfar

Power purchase agreements

JLEC and its subsidiary, JLEC 5&6, have each executed a PPA with ONEE. The first PPA, signed with JLEC, relates to the existing four units and the second PPA, signed with JLEC 5&6, covers the two new units currently being built. Both PPAs are for periods of 30 years starting from September 1997 in the case of JLEC and the commercial operation date of unit 5 in the case of JLEC 5&6.

JLEC and JLEC 5&6 sell available power generation capacity and net electricity production from the Jorf Lasfar facility to ONEE. Each PPA is a take-or-pay contract, subject to the availability of the units, which provides for capacity and energy payments at contracted tariffs denominated in U.S. dollars, euro and Moroccan dirham.

Under the PPAs, ONEE bears substantially all foreign exchange and coal price risk, subject in the case of the latter to the Jorf Lasfar facility meeting certain guaranteed levels of plant thermal efficiency and other contractual provisions. In addition, the PPAs contain change-in-law provisions that allow certain costs which JLEC or JLEC 5&6 may incur as a result of regulatory changes that affect the Jorf Lasfar project to be passed through to ONEE.

The PPAs set out the obligations of both JLEC and JLEC 5&6 on the one hand and ONEE on the other hand and include default provisions for failure to meet those obligations which, subject to cure rights and materiality, could ultimately provide a party with termination rights. Early termination of a PPA by any of JLEC, JLEC 5&6 or ONEE obligates the payment by ONEE of a termination amount specified with regard to the subject termination event.

ONEE is required to maintain bank letters of credit as security for its monthly payment obligations under each PPA. In addition, the Government of Morocco has guaranteed payments of the termination amounts under the PPAs and JLEC and JLEC 5&6's rights of quiet enjoyment of the Jorf Lasfar power station.

Each PPA is governed by the laws of Morocco. Disputes that cannot otherwise be resolved by the parties are ultimately subject to arbitration in accordance with the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

Transfer of possession agreements ("TPAs")

In conjunction with the implementation of the initial Jorf Lasfar project for the first four units, JLEC entered into a TPA with ONEE. The term of the TPA runs for a period of 30 years from September 1997. The TPA establishes JLEC's rights of possession and quiet and peaceful enjoyment, as well as responsibilities for use, operation and maintenance, of units 1 – 4 of the Jorf Lasfar facility. ONEE retained legal title to units 1 – 4.

In conjunction with the implementation of the expansion of the Jorf Lasfar power plant, JLEC and JLEC 5&6 entered into an additional TPA with ONEE. The term of the TPA runs for a period of 30 years from the commercial operation date of unit 5. The TPA establishes JLEC's and JLEC 5&6's rights of possession and quiet and peaceful enjoyment, as well as responsibilities for use, operation and maintenance of the common site and common facilities to be shared by JLEC and JLEC 5&6 for the operation and maintenance of all six units of the Jorf Lasfar power plant. ONEE retains title in the existing shared facilities and future shared facilities being developed by JLEC 5&6 as part of the expansion of the Jorf Lasfar power plant.

Each TPA provides for certain events of default on the part of JLEC, JLEC 5&6 and ONEE. If the occurrence of any event of default under a TPA relating to a party to it results in the termination of the TPA, the relevant PPA automatically terminates, although the other TPAs will continue in effect subject to any defaults under it.

Each TPA is governed by the laws of Morocco. Any disputes in respect of a TPA are subject to the dispute resolution procedure provided for in the relevant PPA.

Right of surface agreement ("RSA")

In conjunction with the implementation of the expansion of the Jorf Lasfar power plant by JLEC 5&6, JLEC 5&6 entered into the RSA with ONEE. The RSA runs for a period ending on the earlier of: (a) the date falling 35 years following 18 January 2013; and (b) the date of termination or expiry of the PPA between JLEC 5&6 and ONEE. Pursuant to the RSA, JLEC 5&6 is granted all the attributes of the right of ownership over units 5&6 of the Jorf Lasfar power plant.

The RSA provides for certain events of default on the part of each of JLEC 5&6 and ONEE. If the occurrence of any event of default under the RSA relating to either party results in the termination of the RSA, the PPA between JLEC 5&6 and ONEE automatically terminates.

Following completion of units 5 and 6 of the Jorf Lasfar power plant, the surface right and the underlying title in units 5 and 6 of the Jorf Lasfar power plant granted to JLEC 5&6 pursuant to the RSA will be automatically reassigned to ONEE upon the expiry of the PPA between JLEC 5&6 and ONEE or, if earlier, upon the termination of such PPA.

The RSA is governed by the laws of Morocco. Any disputes in respect of the RSA are subject to the dispute resolution procedure provided for in the PPA between JLEC 5&6 and ONEE.

Coal terminal concession agreements ("CTCAs")

In conjunction with the implementation of the initial Jorf Lasfar project for the first four units, JLEC entered into a coal terminal agreement with l'Agence Nationale des Ports ("**ANP**") (formerly the Office National d'Exploitation des Ports), the national port authority of Morocco. Following the expiry of that initial agreement and in conjunction

with the implementation of the Jorf Lasfar units 5 and 6 expansion project, JLEC and JLEC 5&6 each entered into a CTCA with ANP for a term of 30 years from 11 November 2012. Pursuant to the CTCA entered into between JLEC and ANP, JLEC is granted an operation and maintenance concession over quay 3 at the Jorf Lasfar port and a handling concession over quay 3bis at the Jorf Lasfar Port. Pursuant to the CTCA entered into between JLEC 5&6 and ANP, JLEC 5&6 is granted an operation and maintenance concession over quay 3bis at the Jorf Lasfar port and a handling concession over quay 3 at the Jorf Lasfar Port.

The CTCAs provide for certain events of default on the part of each of JLEC, JLEC 5&6 and ANP.

The CTCAs are governed by the laws of Morocco. Any disputes in respect of a CTCA that cannot otherwise be resolved by the parties are ultimately subject to the dispute resolution procedure provided for in the relevant CTCA.

Common terms agreement

In January 2013, JLEC 5&6 closed a multi-tranche project financing of the expansion. All tranches are governed by a common terms agreement (the "**Common Terms Agreement**") which restricts the ability of JLEC 5&6 to make distributions to shareholders based on factors such as repayment history and a prescribed order of priority for payments. JLEC 5&6 has made a series of positive and negative undertakings under the Common Terms Agreement, ranging from performance of a designated hedging strategy related to both interest rate and foreign exchange rate risk to limitations on other borrowings, loans and guarantees. The Common Terms Agreement subjects the financing to certain customary events of default, such as insolvency and nationalisation, and includes a cross-default clause linked to other financing agreements.

Operation and maintenance agreements

JLEC, JLEC 5&6 and TAQA North Africa ("**TNA**") have entered into two operation and maintenance agreements to govern the operation of units 1-4 and units 5 and 6 and the shared facilities of the Jorf Lasfar power plant, respectively. Each agreement has an initial term covering the term of the relevant PPA.

Under the terms of the agreements, TNA is required to operate, maintain and repair the power station and common facilities (including the port coal unloading terminal installations) in accordance with the governing agreements and to provide certain management personnel to supervise JLEC and JLEC 5&6's employees.

JLEC and JLEC 5&6 are required to pay TNA a management fee and, if relevant, incentive payments (relating to performance targets for available capacity, heat rate and budget performance). TNA is liable to pay liquidated damages to JLEC or JLEC 5&6 for failing to meet the targets referred to above as well as for certain environmental liabilities arising out of TNA's performance.

The operation and maintenance agreements are governed by the laws of Morocco. Disputes arising under or in relation to the agreement that otherwise cannot be resolved by the parties are ultimately subject to arbitration in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce ("**ICC**").

Neyveli (India)

Power purchase agreement

SCECPL is party to a PPA with TANGEDCO, as successor in interest with respect to the PPA to the Tamil Nadu Electricity Board, that runs for a 30-year term (from 15 December 2002), which may be extended for a further 15 years (in five year increments) at TANGEDCO's option, subject to agreement on certain terms of extension between SCECPL and TANGEDCO.

Under the terms of the PPA, TANGEDCO is the sole purchaser of power generated at the plant and delivered in accordance with the agreed dispatch instructions, save in the event a TANGEDCO event of default occurs, in which case power may be sold to any purchaser within Tamil Nadu.

The tariff levied under the PPA is based on the availability of the plant. It includes a fixed capacity component covering, *inter alia*, interest on loans, taxes and depreciation, a variable fuel component covering the cost of primary and secondary fuel, and an incentive charge.

TANGEDCO's payment obligations under the PPA are reinforced by a payment assurance package. The security provided includes a letter of credit (covering one month's payment of tariff at 80 per cent. plant load factor) and a Government of Tamil Nadu guarantee which covers all monies owed to SCECPL by TANGEDCO. Each party is relieved from liability if the performance of its respective obligations under the PPA is materially and adversely affected by *force majeure*.

The agreement contains a change-in-law provision which provides for the agreement to be amended to put the parties back in their respective economic positions in the event that a given change in law results in an increase/decrease in costs or decrease/increase in net after tax return to SCECPL in excess of U.S.$125,000 in any year.

The PPA provides for certain events of default on the part of both SCECPL and TANGEDCO and specifies cure periods during which the party which is in default can remedy the default. If a default is not remedied within the requisite cure period, the other party can terminate the PPA.

Under the terms of the PPA, in the event of default by TANGEDCO, SCECPL has an option to require TANGEDCO to purchase the project at a purchase price to be determined in accordance with the terms of the PPA. Similarly, in the event of default by SCECPL, TANGEDCO may exercise an option to purchase the project at a price determined in accordance with the terms of the PPA.

The PPA is governed by Indian law and disputes are dealt with according to a phased procedure culminating ultimately in arbitration, conducted in London in accordance with the Rules of Conciliation and Arbitration of the ICC.

Fuel supply agreement

Lignite is supplied to the plant by NLC under an FSA entered into in April 1998.

NLC is required to supply scheduled monthly quantities of lignite, which quantities may be revised by SCECPL, provided that the average annual quantities do not exceed 1.90 million metric tonnes or fall below 1.15 million metric tonnes. Under the FSA, SCECPL may not purchase or receive fuel from any other source except to the extent NLC does not deliver 90 per cent. of the required quantity of lignite for a period of three consecutive months.

The base price paid for lignite under the agreement is the annual weighted average price of lignite produced from NLC's various mines. In addition, SCECPL is required to make an incentive payment for supplies made in excess of 97 per cent. of the annual average quantity and a guarantee charge commencing in the 13th year of commercial operation which is equal to 1 per cent. of the base price of lignite delivered in each year after the 12th year of commercial operation, up to a maximum of 1.77 million metric tonnes. The delivery price comprises the sum of the base price, applicable taxes and royalties, charges for sampling and analysis of the lignite supplied, the guarantee charge and the incentive charge.

The agreement provides for a number of events of default on the part of either party which will trigger the payment of certain agreed liquidated damages.

The FSA is governed by Indian law. Disputes arising under the FSA are to be resolved by negotiations between representatives of both parties and in the event of non-resolution are subject to arbitration, which is to be conducted in Chennai in accordance with the Indian Arbitration and Conciliation Act of 1996.

Red Oak (USA)

Red Oak Tolling Agreement

The Red Oak Tolling Agreement was acquired by TAQA Gen-X through a wholly-owned subsidiary. Under the Red Oak Tolling Agreement, TAQA Gen-X makes fixed and variable monthly payments to Read Oak Power, LLC in exchange for all economic rights to the Red Oak plant's power generation capacity and output (power sales, capacity payments and ancillary services) and assumes the obligation of obtaining fuel for the plant, in each case, for the duration of the contract (to September 2022), providing a similar investment and risk exposure to physical ownership of the Red Oak plant on a merchant basis with a third-party plant operations and maintenance contractor. Profit is generated when the revenue from the power sales, capacity payments and ancillary services of the plant (together with net proceeds from electricity and natural gas price hedges) is higher than the fixed and variable monthly payments under the Red Oak Tolling Agreement and the fuel supply/transportation, energy management, hedging and other costs paid by TAQA Gen-X.

Energy management agreement

The management of the Red Oak Tolling Agreement is outsourced by TAQA Gen-X to Morgan Stanley Capital Group, an affiliate of the sole general partner of TAQA Gen-X, through an Energy Management Agreement ("**EMA**"). The management of the contract includes decisions on plant dispatch when economically viable and hedging and trading power and gas forward to optimise risk-adjusted returns. For performance of its services under the EMA, Morgan Stanley is paid a fixed monthly management fee and an additional variable annual incentive fee which is applicable to the extent that achieved annual financial results exceed a specified return on investment threshold.

Common Terms Agreement

Takoradi International Company ("**TICO**") entered into third party financing arrangements which closed in November 2012. There are multiple tranches of financing. Although each tranche of financing is subject to certain conditions, all tranches are governed by a common terms agreement (the "**Common Terms Agreement**"), which restricts the ability of TICO to make distributions to shareholders based on factors such as repayment history and a prescribed order of priority for payments. TICO has made a series of positive and negative undertakings under the

Common Terms Agreement, ranging from performance of a designated hedging strategy to limitations on other borrowings, loans and guarantees. The Common Terms Agreement subjects the financing to certain customary events of default, such as insolvency and nationalisation, and includes a cross-default clause linked to other financing agreements.

SUMMARY OF PRINCIPAL OIL AND GAS AGREEMENTS

Oil and Gas Sales Contracts and Decommissioning Bonds (North America)

The Group has bonds that are posted in the United States with various federal and state agencies for TAQA USA, Inc.'s operation of oil and gas assets. Placement of the bonds is required for the operation of the US assets and in the event of a default by TAQA USA, Inc., as operator of the subject oil and gas assets, the bond would be redeemed and the funds utilised by the obligee as required. A letter of credit has been issued by TAQA North Ltd. to RLI Insurance Company as security for the aggregate value of the bonds that have been posted by TAQA USA, Inc. The following is a summary of the TAQA USA, Inc. bonds that are currently in place.

Obligee	Term	Amount	Area
US Dept. of Interior BLM	1/12/2016 – 1/12/2017	U.S.$25,000	Montana
Industrial Commission of the State of ND	1/12/2016 – 1/12/2017	U.S.$25,000	North Dakota
US Dept. of Interior BLM	1/12/2016 – 1/12/2017	U.S.$25,000	Wyoming
US Dept. of Interior BIA	1/12/2016 – 1/12/2017	U.S.$75,000	Dwyer
State of Wyoming Oil and Gas Conservation Commission	1/12/2016 – 1/12/2017	U.S.$100,000	Rocky Point
Industrial Commission of the State of ND	13/7/2017 – 13/7/2018	U.S.$100,000	North Dakota
State of Montana	13/7/2017 – 13/7/2018	U.S.$50,000	Montana
State of Montana	17/7/2016 – 17/7/2017	U.S.$369,750	Montana
US Dept. of Interior BLM	2/8/2017 – 2/8/2018	U.S.$33,616	Wyoming
US Dept. of Interior BLM	2/8/17 – 2/8/18	U.S.$59,181	Wyoming

Oil and Gas Sales Contracts and Decommissioning Deeds (UK North Sea)

The Group has entered into crude oil sales agreements with Chevron in relation to the Group's crude oil production from the Brae Assets. The agreements are for 12-month periods commencing 1 January and terminating on 31 December in each year. The sale price per barrel is based on the "Forties" quotation published in Platts Crude Oil Marketwire plus a fixed differential and adjusted in relation to the sulphur content.

The Group has a contract with TOTSA for the sale of its crude oil produced from the Cormorant Area North Sea Assets. The agreement is for a 12-month period commencing on 1 January 2018 and terminating on 31 December 2018. The purchase price per barrel is based on the published Brent Ninian Blend as published in Platts Crude Oil Marketwire plus a fixed differential.

The Group has entered into a Sale and Purchase and Marketing of Crude Oil Agreement with Maersk Energy Marketing A/S ("**MEMAS**") which governs the marketing and sale of Harding cargoes. The agreement expires automatically on 31 December 2018 unless the parties mutually agree to extend the agreement for a further specified period of time. MEMAS purchases crude oil from TAQA, which is priced with reference to Brent Blend Dated Pricing as published in Platts Crude Oil Marketwire with a differential, which is negotiated by MEMASBP in the market, to reflect the quality of the Harding blend compared to the Brent Blend. A marketing fee, capped at 13 cents per barrel, is payable to MEMAS for negotiating a differential above a floating benchmark.

The Group has entered into an Agreement for the Sale and Purchase of Natural Gas with Petronas Energy Trading Limited ("**Petronas**") for the sale of natural gas arising from the Brae area and the Devenick field. The agreement is for a 12-month period commencing on 1 October 2017 and terminating on 1 October 2018 unless the parties mutually agree to extend the term for another year. Petronas purchases natural gas from TAQA at the day-ahead National Balancing Point market price per therm.

The Group has entered into decommissioning cost provision deeds (the "**Decommissioning Deeds**") for each of its operated, 100 per cent. owned, fields constituting the Northern North Sea Assets for the benefit of the sellers of those fields. Under the Decommissioning Deeds, the Group is required to either: (a) place monies in trust or procure the issuance of letters of credit in an amount equal to 150 per cent. of the Group's share of the estimated pre-tax net decommissioning costs of the fields; or (b) procure the issuance of a guarantee by an affiliate with a credit rating of not less than AA- (Standard & Poor's) or Aa3 (Moody's) or an equivalent rating by another rating agency approved by all

the parties to the Decommissioning Deeds. The estimated net decommissioning costs of the fields are revised each year by the parties to the Decommissioning Deeds. A guarantee has been issued by TAQA as a qualifying surety in relation to each of the Decommissioning Deeds with the exception of a single field for which a letter of credit has been issued.

The Group has entered into Decommissioning Security Agreements ("**DSAs**") for its non-operated, central North Sea assets constituting the Brae area. Under these DSAs, TAQA is required to either: (a) place monies in trust or procure the issuance of letters of credit in an amount equal to 140 per cent., or 120 per cent. where a Front-End Engineering Design study for decommissioning has been completed, of TAQA's share of the estimated post-tax net decommissioning costs of the fields; or (b) procure the issuance of a guarantee by an affiliate with a credit rating of not less than A- (Standard & Poor's) or A3 (Moody's) or an equivalent rating by another rating agency approved by all the parties to the relevant DSA.

The Group has entered into a DSA for the Hudson field, a non-operated, jointly owned field in the northern North Sea of which TAQA owns 26.73 per cent. as at the date of this Prospectus. Under the Hudson DSA, TAQA is required to either: (a) place monies in trust or procure the issuance of a letter of credit in an amount equal to 120 per cent. of TAQA's share of the estimated post-tax net decommissioning costs for the field; or (b) procure the issuance of a guarantee by an affiliate with a credit rating of not less than A- (Standard & Poor's) or A3 (Moody's) or an equivalent rating by another rating agency approved by all the parties to the DSA.

The UK government has recently entered into DRDs with individual oil companies (including TAQA Bratani Limited and TAQA Bratani LNS Limited) operating in the UK continental shelf which effectively guarantee the tax reliefs that companies can expect when decommissioning their UK continental shelf assets, providing that if the current rate of tax relief on decommissioning (which is approximately 50 – 75 per cent. (depending on the tax rate and asset in question)) is reduced in the future, the UK government will make a compensating payment. The security provided in relation to the payment of decommissioning costs is typically governed by DSAs between joint venture partners or between buyers and sellers of assets. Assuming a DRD is in place on a default by a joint venture partner, under the corresponding DSA the non-defaulting parties are contractually guaranteed tax relief on the additional expenditure imposed on them. See "*Risk Factors — Factors that may Affect TAQA's Ability to Fulfil its Obligations under Notes Issued under the Programme — Risks Relating to the Group's Business Generally — The Group could incur significant decommissioning costs in relation to its facilities*".

Gas Sales and Gas Storage Agreements (The Netherlands)

P/15 and P/18 offshore

Most gas from the P/15 and P/18 fields in The Netherlands is contracted for sale to GasTerra under standard Dutch small field gas sales agreements. The gas sales agreements remain in force until the earlier of:

(a) the production licences being no longer in force;

(b) upon two years' prior notice that the reservoirs are deemed by the sellers to be no longer capable of producing natural gas in commercial quantities;

(c) the sellers' interests in the reserves committed to the purchaser are delivered to the purchaser; or

(d) 30 years from the effective date, which was 1 January 2007. Annually, amendments to the gas sales agreements result in a new contract price based on TTF-spot prices with the introduction of a "Technical Minimum" without the obligation to pay a service fee.

In addition, there is a long-term agreement with BP for the sale and offtake of oil and condensate produced from the P15/P18 licences at a price based upon the published Brent prices.

Bergen onshore

All gas from currently producing gas fields in the Bergen licence area is contracted for sale to GasTerra under a gas sales agreement. Pursuant to this agreement, the sellers (including TAQA Onshore) have committed their participation interests in the remaining and new gas reserves up to 15 billion m^3. Following an amendment that became effective in January 2009, the purchase price for the gas is calculated on the basis of the TTF. Almost all fields contractually deliver the gas on a so called "As Produced" arrangement. The gas sales agreement remains in force until the earlier of:

(a) the production licences being no longer in force;

(b) upon two years' prior notice that the reservoirs are deemed by the sellers to be no longer capable of producing natural gas in commercial quantities;

(c) the sellers' interests in the reserves committed to the purchaser are delivered to the purchaser; or

(d) 30 years from the effective date, which was 1 January 2007.

Non-operated assets

All gas from currently producing gas fields in non-operated Dutch offshore licences is contracted for sale to GasTerra under standard Dutch small field gas sales agreements.

Joint Venture Agreements

The Dutch assets are held jointly in various partner groups under upstream joint operating agreements, always including a Dutch State owned subsidiary as partner for at least 40 per cent.

Alkmaar PGI Capacity Agreement

There is an agreement with GasTerra for the provision of gas storage services at Alkmaar PGI for a fixed (indexed) price with an extended term expiring 1 April 2021.

Bergermeer Capacity Agreements

An agreement with Gazprom Export for provision of gas storage services in exchange for the delivery of cushion gas for the Bergermeer project was signed in August 2009. Pursuant to the agreement, Gazprom Export will deliver for the project a defined amount of cushion gas for injection into the Bergermeer storage facility. In exchange, Gazprom Export will receive working capacity and GM&T will receive a participating interest in the technical operator of the facility.

Capacity at Bergermeer is offered under Standard Storage Agreements.

Atrush Lifting Agreement

TAQA Atrush BV. (on behalf of the Atrush co-venturers) and the KRG are parties to the Atrush Lifting Agreement. Under the agreement, the KRG will buy oil exported from the Atrush field by pipeline at the Atrush block boundary based upon the Dated Brent oil price minus approximately $15.73/bbl for quality discount and all local and international transportation costs. This discount is based on the same principles as other oil sales agreements in the Kurdistan Region of Iraq.

Other Material Agreements

The Company entered into a framework lease agreement with ADWEA whereby ADWEA has granted the Company 99-year leasehold rights over certain plots of land in the UAE for a nominal amount. As of 31 December 2016, the Company recorded the fair value of the leasehold land, amounting to AED 18,682 million, under property, plant and equipment with a corresponding amount recorded as an equity contribution from ADWEA. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Impairment Charges*" and "*Relationships and Transactions with Related Parties*".

OVERVIEW OF THE UAE AND ABU DHABI

THE UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and as President of the UAE.

Based on IMF data for 2016 (extracted from the World Economic Outlook Database (October 2017)), the UAE is the third largest economy in the MENA region after Saudi Arabia and Iran, based on nominal GDP, and the second largest after Qatar, based on nominal GDP per capita. It has a more diversified economy than most of the other countries in the GCC. According to OPEC data, at 31 December 2016, the UAE had approximately 6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world).

The UAE enjoys generally good relations with the other states in the GCC, although, along with Saudi Arabia and Bahrain, the UAE has severed diplomatic ties with, and imposed sanctions on, Qatar. The UAE also has a longstanding territorial dispute with Iran over three islands in the Gulf and, as such, is not immune to the political risks that have overshadowed the region.

On 15 June 2017, Moody's reaffirmed the UAE's long-term credit rating of Aa2, with a stable outlook.

ABU DHABI

Abu Dhabi is the largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE federation.

Abu Dhabi, with proven crude oil reserves estimated to be in excess of 90 billion barrels, has approximately 95 per cent. of the UAE's total oil reserves and approximately 6 per cent. of the world's proven oil reserves (which were 1,492 billion barrels according to OPEC estimates at 31 December 2016). In recent years, Abu Dhabi has produced between 2.9 and 3.3 million barrels of oil per day on average. At this rate of production, Abu Dhabi's oil reserves would last over 80 years. In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. Abu Dhabi has approximately 93 per cent. of the UAE's natural gas resources. These were 6,091 billion standard cubic metres and represented approximately 3.0 per cent. of the world's natural gas reserves of 200,539 billion standard cubic metres, in each case at 31 December 2016 and according to OPEC estimates.

SUMMARY STATISTICAL DATA

Abu Dhabi and UAE GDP

The tables below show Abu Dhabi's nominal GDP, its percentage growth rate, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated.

	2012	*2013*	*2014*	*2015*	*2016*
	(AED billions, except for percentages)				
Abu Dhabi nominal GDP (current price)	909.7	931.8	960.1	778.5	728.5
Percentage change in Abu Dhabi nominal GDP	7.4	2.2	3.0	(18.9)	(6.4)
UAE nominal GDP (current prices)	1,377	1,434	1,481	1,315	1,281
Abu Dhabi as a percentage of UAE	66.1	65.0	64.8	59.2	56.9

*Sources: Statistics Centre – Abu Dhabi ("**SCAD**") (for Abu Dhabi nominal GDP) and FCSA (for UAE nominal GDP only).*

Abu Dhabi's GDP is generated principally by the hydrocarbon sector (mining and quarrying), which contributed 56.7 per cent. of nominal GDP in 2012, 54.5 per cent. in 2013, 50.6 per cent. in 2014, 35.1 per cent. in 2015 and 27.5 per cent. in 2016.

Outside the hydrocarbon sector, the principal contributors to Abu Dhabi's nominal GDP in each of 2012, 2013, 2014, 2015 and 2016 have been:

- construction (which accounted for 12.6 per cent. of Abu Dhabi's nominal GDP in 2016);
- financial and insurance activities (which accounted for 9.8 per cent. of Abu Dhabi's nominal GDP in 2016);
- public administration and defence, compulsory social service (which accounted for 7.3 per cent. of Abu Dhabi's nominal GDP in 2016);
- manufacturing (which accounted for 6.9 per cent. of Abu Dhabi's nominal GDP in 2016);
- real estate activities (which accounted for 6.1 per cent. of Abu Dhabi's nominal GDP in 2016);
- wholesale and retail trade, repair of motor vehicles and motorcycles (which accounted for 5.9 per cent. of Abu Dhabi's nominal GDP in 2016); and
- transportation and storage (which accounted for 5.5 per cent. of Abu Dhabi's nominal GDP in 2016).

Together, these non-hydrocarbon sectors accounted for 32.1 per cent. of nominal GDP in 2012, 34.1 per cent. in 2013, 37.3 per cent. in 2014, 48.7 per cent. in 2015 and 54.1 per cent. in 2016.

Abu Dhabi real GDP

In common with general practice among hydrocarbon-producing countries, Abu Dhabi's real GDP is calculated using hydrocarbon prices from a base year (in Abu Dhabi's case, 2007). This eliminates the effect of volatile price changes in hydrocarbon products on real hydrocarbon GDP and instead shows only the effects of production changes. The production figures that are included in the calculation of hydrocarbon real GDP include both oil and gas production, as well as the production of certain related products.

Abu Dhabi's real GDP has grown strongly during the period between 2011 and 2015. The tables below show the growth rates in Abu Dhabi's real GDP by hydrocarbon sector and non-hydrocarbon sector for each of the years indicated.

	2012	*2013*	*2014*	*2015*	*2016*
			(%)		
Abu Dhabi hydrocarbon real GDP growth	3.9	3.1	0.5	4.4	2.7
Abu Dhabi non-hydrocarbon real GDP growth	5.9	6.1	8.6	5.5	2.8
Abu Dhabi total real GDP growth	4.8	4.5	4.4	4.9	2.8

Source: SCAD

Real growth in the hydrocarbon sector has been driven principally by production changes. The non-hydrocarbon sector of the economy grew strongly between 2012 and 2015, with real GDP growth rates for that sector ranging between 5.5 per cent. and 8.9 per cent., although real GDP growth for the non-hydrocarbon sector slowed to 2.8 per cent. in 2016.

The table below shows Abu Dhabi's real GDP and its percentage growth rate for each of the years indicated.

	2012	*2013*	*2014*	*2015*	*2016*
		(AED billions, except for percentages)			
Abu Dhabi real GDP (constant 2007 prices)	673	703	734	770	791
Percentage change in Abu Dhabi real GDP..........	4.8	4.5	4.4	4.9	2.8

The fastest growing sectors between 2012 and 2016 were:

- activities of households as employers, with a compound annual growth rate of 20.8 per cent.;
- financial institutions and insurance, with a compound annual growth rate of 16.1 per cent.;
- human health and social work activities, with a compound annual growth rate of 11.3 per cent.;
- electricity, gas and water supply; waste management activities, with a compound annual growth rate of 9.5 per cent.;
- public administration and defence and compulsory social security, with a compound annual growth rate of 5.7 per cent.; and
- information and communication, with a compound annual growth rate of 5.3 per cent.

UAE and Abu Dhabi population

The most recent estimate of population for the UAE as a whole was made by the FCSA in relation to 2016 and estimated the population of the UAE to be approximately 9.1 million as at 30 June in that year. SCAD estimated the population of Abu Dhabi to be approximately 2.9 million as at 30 June 2016.

The populations of both the UAE and Abu Dhabi have grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed.

The table below illustrates this growth, using mid-year population figures.

	1985	*1995*	*2005*	*2010*	*2016*
Abu Dhabi population	566,036	942,463	1,399,484	2,094,480(1)	2,908,173(1)
Total UAE population	1,379,303	2,411,041	4,106,427	8,264,070(2)	9,121,167(2)

(1) SCAD final estimate as at 30 June.
(2) FCSA estimates as at 30 June.

Sources: SCAD (Abu Dhabi estimates) and FCSA (UAE estimates).

Based on SCAD estimates, in 2016 Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 and over and 16.6 per cent. being under the age of 15. The historic annual average growth rate of the population between 2010 and 2016 was 5.6 per cent., with the national population growing at an average 3.9 per cent. over the period and the non-national population growing at an annual average of 6.0 per cent. over the period. The population mix in 2016 is estimated to have comprised 19.0 per cent. UAE nationals and 81.0 per cent. non-nationals. The majority of the non-national population is male (with a ratio of 2.01 males to 1 female at 30 June 2016), reflecting the fact that the population principally comprises male migrant workers.

Abu Dhabi inflation

The table below sets out annual inflation rates in Abu Dhabi for each of the periods indicated:

	2012	*2013*	*2014*	*2015*	*2016*	*2017*
			(%)			
Consumer prices (*percentage change, year on year*)						
Abu Dhabi annual inflation rate	1.1	1.3	3.2	4.3	2.0	1.6

Source: SCAD.

The principal inflation basket component impacting the increase in inflation during 2014 was a 4.0 per cent. increase in housing, water, electricity, gas and other fuels. Changes in rental rates were the principal factor within this component as a new law at the end of 2013 abolished a 5 per cent. limit on annual rent increases which had been in place for some time. As a result, rents increased significantly during 2014 and into 2015. In addition, increases in the prices for the fixtures and fittings, household equipment, and routine household maintenance; food and beverages; and miscellaneous goods and services components also contributed to the overall increase in inflation during 2014, although to a lesser extent.

In 2016, the consumer price index was re-weighted, with the new weights being applied to 2015 data for the purposes of consistent calculation in 2016. Among other changes, this re-weighting resulted in a reduction in the weighting for the housing, water, electricity, gas and other fuels component (from 37.9 per cent. to 31.2 per cent.). In 2015 and 2016, housing, water, electricity, gas and other fuels was again the principal basket component impacting the changes in inflation in those years. In 2015, there was a 10.2 per cent. increase in that component, in part driven by rent increases and in part by reduced subsidies resulting in tariff increases for electricity and water. In 2016, the increase was 5.6 per cent., principally reflecting lower residential rental rates, which accounted for most of the decrease in the rate of inflation in 2016 when compared to that in 2015.

The consumer price index remained relatively flat in 2017 although monthly inflation rates (compared to the same month in the previous year) ranged between 0.5 per cent. (in September) and 2.6 per cent. (in April).

Abu Dhabi crude oil production

The table below shows Abu Dhabi's crude oil production (including condensates), exports and average selling prices for each of the years indicated.

	2012	*2013*	*2014*	*2015*	*2016*
Crude oil production (*million b/d*)......................	2.9	3.0	3.0	3.1	3.3
Crude oil exports (*million b/d*)(1)	2.4	2.5	2.5	2.4	2.6
Crude oil exports (*U.S.$ billion*)(2)	56	58	72	32	25
Average crude oil price (*U.S.$ per barrel*)..........	112	109	99	52	44

Note:
(1) ADNOC and industry shareholders combined.
(2) ADNOC only.

Source: ADNOC

ABU DHABI'S RATINGS

Abu Dhabi's long-term sovereign credit ratings were affirmed at AA (long-term) and A-1+ (short-term) by S&P on 12 January 2018. The ratings are supported by the Government's strong fiscal and external positions which afford it fiscal policy flexibility. The strength of the Government's net asset position also provides a buffer to counter the negative impact of oil price volatility on economic growth, Government revenue and the external account. The ratings are, however, constrained by less-developed political institutions than non-regional peers in the same ratings category. They are also constrained by limited monetary policy flexibility, gaps and delays in the provision of economic and fiscal data and an underdeveloped local currency domestic bond market.

Abu Dhabi's long-term foreign and local currency issuer default ratings were affirmed at AA and its short-term foreign currency issuer default ratings were affirmed at F1+ by Fitch on 15 December 2017. Fitch cited Abu Dhabi's strong fiscal and external metrics and high GDP per capita as strengths and noted that a reduction in oil dependence and a strengthening in governance, the business environment and the economic policy framework could lead to a positive rating action. Risks noted by Fitch that could result in a rating downgrade include an erosion of fiscal and external positions, for example due to a sustained period of low oil prices or a materialisation of contingent liabilities and a regional shock that impacts economic, social or political stability.

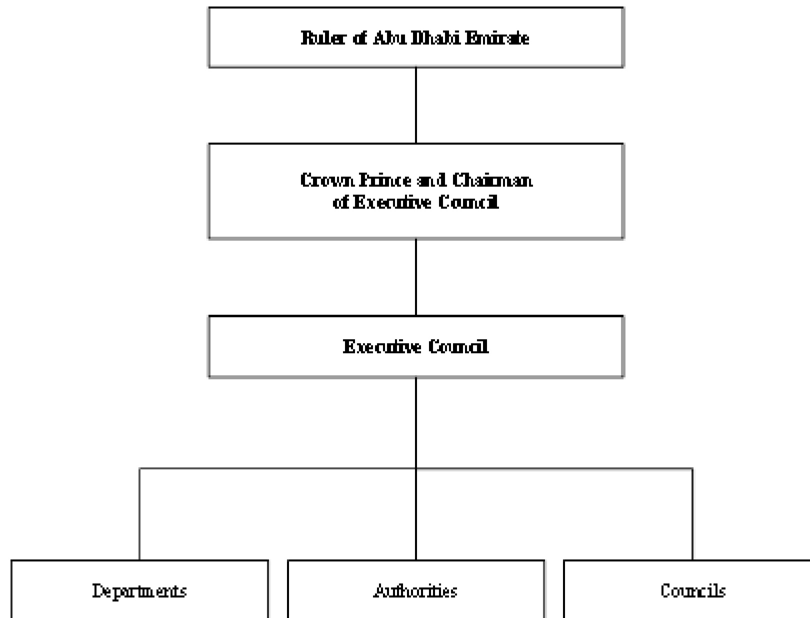
Abu Dhabi is also rated by Moody's Investors Service Singapore Pte. Ltd., which has assigned an Aa2 long-term foreign and local currency issuer rating. This rating has a stable outlook.

ABU DHABI GOVERNMENT

Executive authority in Abu Dhabi is derived from the Ruler, Sheikh Khalifa bin Zayed Al Nahyan, and the Crown Prince, Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Abu Dhabi Executive Council, which is the principal executive authority below the Ruler and the Crown Prince. The Executive Council currently comprises 18 members appointed by the Ruler of Abu Dhabi through an Emiri Decree issued in September 2017.

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Executive Council. Departments manage administration within the Emirate and manage specific portfolios including, for example, the Department of Finance, the Department of Energy, the Department of Transport, the Department of Urban Development and Municipalities, the Department of Health, the Department of Economic Development, the Department of Education & Knowledge and the Department of Culture & Tourism. Authorities manage the Emirate's resources and strategies and include the Accountability Authority, the Higher Authority for Specialized Zones (ZonesCorp) and the Abu Dhabi Media Zone Authority. Councils act as controlling bodies for certain Abu Dhabi government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards, and include the Council for Economic Development and the Regulation and Supervision Bureau for the Water, Wastewater and Electricity Sector in Abu Dhabi.

The chart below summarises the structure of the Abu Dhabi government.



The Abu Dhabi government owns or has significant shareholdings in a number of companies. The most important companies wholly owned by the Abu Dhabi government are ADNOC, which manages all aspects of the Emirate's oil and gas industry, Mubadala Investment Company ("**MIC**"), which was formed in early 2017 and is the development and investment company leading the government's economic diversification strategy (MIC owns 100 per cent. of each of Mubadala Development Company PJSC, an investment and development company, and International Petroleum Investment Company PJSC, which principally invests in international oil and gas interests), Tourism and Development Investment Company, which is a developer of tourism and real estate assets in Abu Dhabi and is charged with fulfilling the Emirate's ambition to become a global tourist destination, General Holding Corporation, an industrial investment holding company with holdings in companies operating in the metals, oil and gas services, construction and building materials and food and beverage manufacturing sectors which operates under the brand name Senaat, ADIA and ADIC, which are the vehicles through which the Abu Dhabi government has historically invested its surplus hydrocarbon revenue and Etihad Airways PJSC, the national airline of the UAE and a key facilitator of the government's tourism strategy. Each of these companies is wholly owned by the Abu Dhabi government and one or more members of the Executive Council sit on the boards of most of these companies.

ABU DHABI'S ECONOMIC STRATEGY

The Abu Dhabi government's development strategy is articulated in the Abu Dhabi Policy Agenda 2007-2008 (the "**Policy Agenda**") and the Abu Dhabi Economic Vision 2030, issued by the government in January 2009 (the "**2030 Economic Vision**"). Drawing on the Policy Agenda, the 2030 Economic Vision sets forth a roadmap for developing the Abu Dhabi government's strategy for economic development over the period to 2030.

The Policy Agenda established broad, long-term policy goals to drive economic, social and geopolitical/governance change in Abu Dhabi. It also set out four priority areas of focus: economic development; social and human resource development; infrastructure development and environmental sustainability; and optimisation of the role of government in the future of the Emirate.

In addition, the Policy Agenda identifies the need to develop a sufficient and resilient infrastructure (including power and water infrastructure) capable of supporting anticipated economic growth and the Group is playing a significant enabling role in the implementation of this policy through its majority-ownership interest in all of Abu Dhabi's operating non-renewable power generation facilities.

Based on the principles set out in the Policy Agenda, the 2030 Economic Vision set out a comprehensive plan to diversify the Emirate's economy and grow the contribution of the non-oil sector significantly.

TAQA'S RELATIONSHIP WITH THE GOVERNMENT OF ABU DHABI

TAQA was established in June 2005 by Emiri Decree to participate in the privatisation of Abu Dhabi's power and water generation infrastructure. Since that time, ADWEA has contributed to the Group 54 per cent. ownership interests in eight power generation and water desalination assets in the UAE. As a result, the Group, through its majority ownership interests in these assets, provides more than 95 per cent. of the electricity and water requirements of the Emirate of Abu Dhabi. In addition, ADWEA has contributed other significant assets to TAQA, including a 40 per cent. ownership interest in Sohar Aluminium.

The Abu Dhabi government is the majority shareholder of TAQA and, through The Regulation and Supervision Bureau (the "**Bureau**"), is regulator for the power and water sector in Abu Dhabi, see "*— Overview of the Power and Water Sector in Abu Dhabi*" below. All of TAQA's directors have positions at other significant Abu Dhabi government-owned companies such as ADIA, ADWEA and Nawah Energy Company. In July 2008, TAQA issued AED 4.15 billion of convertible bonds, AED 2.7 billion of which were subscribed by its Abu Dhabi government shareholders. The convertible bonds were mandatorily converted in September 2008 into shares of TAQA at a ratio of 500 shares per AED 1,000 nominal amount of bonds. In 2017, ADWEA purchased all of the Farm Owners' Fund's shareholding, bringing ADWEA's shareholding in TAQA to 74.05 per cent.

As discussed above, TAQA is mandated to implement a significant part of the Abu Dhabi government's development strategy, particularly the government's initiative to diversify geographically Abu Dhabi's oil and gas assets and to develop a sufficient and resilient power and water infrastructure. In January 2011, the Abu Dhabi Department of Finance confirmed that the Abu Dhabi government's policy is to provide broad and ongoing support to a limited number of government-owned entities, including TAQA. Abu Dhabi Law No. 1 of 2017 on the Financial System of Abu Dhabi Government (the "**Financial System Law**") came into effect on 31 January 2017. Among other things, the Financial System Law regulates borrowings by government-related entities, such as TAQA, and states that while the Abu Dhabi government is directly liable for public debt, it is not responsible for the liabilities of any government-related entity.

OVERVIEW OF THE POWER AND WATER SECTOR IN ABU DHABI

Power in Abu Dhabi is generated in predominantly gas-fired power stations located throughout the Emirate of Abu Dhabi, most of which are part-owned by the Group.

Transmission of electricity and water from production/generation companies to the two distribution companies in the Emirate of Abu Dhabi is undertaken by TRANSCO. Transmission lines at voltages of 400, 220 and 132 kilovolts connect the major centres of generation and demand (some small centres of population in remote areas are not connected to the transmission grid and are served by separate generating facilities). Electricity is distributed to customers at 33, 22, 11 and 0.4 kilovolts through two licensed distributors based in Abu Dhabi city and Al Ain.

Potable water is produced mainly from desalination plants. Desalination takes place predominantly alongside the generation of electricity in cogeneration stations. Water is transmitted through 600 millimetre ("**mm**") to 1,600 mm diameter trunk mains pipelines and pumping stations. Distribution to customers is carried out through main pipelines of less than 600 mm diameter and, in some remote areas, by road tankers.

In December 2009, the Abu Dhabi government established Emirates Nuclear Energy Corporation ("**ENEC**") as the entity responsible for developing nuclear power plants in the UAE. ENEC is currently constructing a four unit reactor, with the construction of the first reactor being approximately 96 per cent. complete at the end of July 2017 and the four reactors overall being approximately 81 per cent. complete (in terms of construction progress) at the same date. The current target is for the first unit to obtain its operating licence to load fuel in 2018, with the other units then being brought on line at approximately one-year intervals thereafter. The plant will be operated through a joint venture with an international partner. The project is located at Barakah in Abu Dhabi, approximately 53 km west-southwest of the city of Ruwais.

In early 2017, the UAE government announced its 2050 Energy Plan, which targets an energy mix that combines renewable, nuclear and clean energy resources to meet the country's requirements and environmental goals. The plan envisages increasing the contribution of clean energy in the total energy mix to 50 per cent. and cutting carbon dioxide emissions by 70 per cent., in each case by 2050. The Abu Dhabi government's principal vehicle for supporting this initiative is the Masdar Project being undertaken by Abu Dhabi Future Energy Company ("**Masdar**"), which is indirectly wholly owned by the Abu Dhabi government. Major projects which have been and are being implemented by Masdar in the UAE include the construction of a 100 MW concentrated solar plant in Abu Dhabi which has been operational since 2013.

TAXATION

The following summary of certain United States, European Union and United Arab Emirates tax consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not purport to constitute legal or tax advice or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the supplementary Prospectus or the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note if appropriate. This summary deals only with initial purchasers of Notes at their issue price (as defined below) that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address the alternative minimum tax, the net investment tax or special rules for the taxable year of inclusion for accrual basis taxpayers under section 451(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or state, local, non-U.S. or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, U.S. expatriates and former long-term residents of the United States, or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less and assumes that the Notes it describes will be characterised as debt for U.S. federal tax purposes. The U.S. federal income tax consequences of owning Notes with a longer term, or which are not characterised as debt, may be discussed in the supplementary Prospectus or the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes), as applicable.

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes. A "Non-U.S. Holder" is a beneficial owner of Notes that is not a U.S. Holder.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax adviser concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

PAYMENTS OF INTEREST

General

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "**foreign currency**"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "— *Original Issue Discount — General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("**OID**"), if any, accrued with respect to the Notes (as described below under "*Original Issue Discount*") generally will constitute income from sources outside the United States.

ORIGINAL ISSUE DISCOUNT

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Issuer issues contingent payment debt instruments, the supplementary Prospectus or the relevant Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "— *Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described below under "— *Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity. If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent of the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service (the "**IRS**"). A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "*— Original Issue Discount — General*", with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under "*— Notes Purchased at a Premium*") or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "*Market Discount*" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "**qualified floating rate**" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (for example, two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (that is, a cap) or a minimum numerical limitation (that is, a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An "**objective rate**" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (for example, one or more qualified

floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (for example, the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "**current value**" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (that is, at a price below the Note's stated principal amount) equal to or in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a

contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be more fully described in the supplementary Prospectus or the relevant Pricing Supplement.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Fungible Issue

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

NOTES PURCHASED AT A PREMIUM

A U.S. Holder that purchases a Note for an amount in excess of its principal amount or, for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*— Original Issue Discount — Election to Treat All Interest as Original Issue Discount*" above. A U.S. Holder that does not elect to take amortisable bond premium (other than acquisition premium) into account currently will recognise a capital loss when the Note matures.

PURCHASE, SALE AND RETIREMENT OF NOTES

A U.S. Holder's adjusted tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*— Original Issue Discount — Market Discount*" or "*Original Issue Discount — Short-Term Notes*" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

FOREIGN CURRENCY NOTES

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Amortisable Bond Premium

Amortisable bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such amortisable bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date amortisable bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder.

Sale or Retirement

As discussed above under "— *Purchase, Sale and Retirement of Notes*", a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with

foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, as defined in the applicable Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (as adjusted for amortised bond premium, if any) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

TAXATION OF NON-U.S. HOLDERS

A Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, redemption or other disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the U.S.; (ii) in the case of any gain realised on the sale or exchange of a Note by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Non-U.S. Holders should consult their own tax advisers regarding the U.S. federal income and other tax consequences of owning Notes.

BACKUP WITHHOLDING AND INFORMATION REPORTING

In general, payments of interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments and to accruals of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Accordingly, if a U.S. Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to penalties. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

THE PROPOSED FINANCIAL TRANSACTIONS ACT ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the Code, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes that are not treated as equity for U.S. federal income tax purposes and that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

UNITED ARAB EMIRATES

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of oil, gas and petrochemical companies and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of principal or interest on the Notes.

The Constitution of the UAE specifically reserves to the federal government of the UAE the right to raise taxes on a federal basis for the purpose of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with a number of countries, but these are not extensive in number.

PRC

In respect of any Renminbi denominated Notes, Noteholders and prospective holders of Notes are advised to consult their own tax advisers as to the overall PRC tax consequences of the purchase, ownership, transfer and disposal of Notes, including the effect of any state or local taxes, under the tax laws of the PRC.

CERTAIN ERISA CONSIDERATIONS

Unless otherwise provided in any supplement to this Prospectus, the Notes should be eligible for purchase by employee benefit plans and other plans subject to Part 4, Subtitle B, Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and/or the provisions of Section 4975 of the Code and by entities, accounts and arrangements that are treated for purposes of such provisions of law as holding plan assets of such plans investing therein (collectively "**Benefit Plan Investors**"). Governmental, church and non-U.S. plans that are subject to U.S. or non-U.S. law that is substantially similar to fiduciary responsibility or prohibited transaction provisions of Part 4, Subtitle B, Title I of ERISA (including the "plan assets" regulation under 29 C.F. R. Section 2510.3-101) or Section 4975 of the Code ("**Similar Law**") subject to consideration of the issues described in this section. ERISA establishes fiduciary responsibility standards and, separately with Section 4975 of the Code, sets forth prohibited transaction provisions applicable to Benefit Plan Investors and fiduciaries acting on behalf thereof. Any person that, for any direct or indirect compensation, makes a suggestion, directly or indirectly, to engage in or refrain from a particular action in connection with the acquisition or holding of a Note by any Benefit Plan Investor might be treated for purposes of ERISA or Section 4975 of the Code as rendering "investment advice" so as to become a fiduciary to the Benefit Plan Investor. Each of the Issuer, the Registrar, the Arrangers and the Dealers has its own interests in the offering and sale of Notes and related transactions, which differ from the interests of any Benefit Plan Investor considering the acquisition or holding of Notes, and accordingly have not provided, and are not authorized and do not undertake to provide, any impartial or other investment advice in any fiduciary capacity to any Benefit Plan Investor or any fiduciary, representative or agent thereof. There is a safe harbour applicable to persons seeking to avoid being a "fiduciary" to any Benefit Plan Investor by reason of investment advice if, among other requirements, the Benefit Plan Investor is represented by an independent fiduciary with financial expertise that has the authority and meets all of the requirements described in U.S. Department of Labor regulation Section 2510.3-21(c)(1). For avoidance of doubt, Benefit Plan Investors shall be required to engage and be represented by one or more such independent fiduciaries in connection with the acquisition, holding, transfer or other disposition of Notes, and such fiduciaries shall be required to make representations and warranties pertaining thereto and to the applicability of ERISA. The acquisition and holding of any Notes must be determined by the responsible fiduciary of a Benefit Plan Investor by taking into account the particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "*Risk Factors*".

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Benefit Plan Investor and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships thereto, unless an exemption applies. A party in interest or disqualified person, including a Plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code, and the transaction may need to be rescinded or otherwise corrected.

The Issuer, the Registrar, the Arrangers, the Dealers or any other party to the transactions referred to in this Prospectus may be parties in interest or disqualified persons with respect to many Benefit Plan Investors. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes is acquired or held by a Plan, including but not limited to where the Issuer, the Registrar, the Arrangers, the Dealers or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), describing what constitutes the assets of a Plan

with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an equity interest of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the United States Investment Company Act of 1940, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in the form of debt may be considered an equity interest if it has substantial equity features. If the Group was deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in any of the Notes, such plan assets would include an undivided interest in the assets held by the Group and transactions by the Group would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code. Equity participation by Benefit Plan Investors in any entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25 per cent. or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising control over the assets of the entity or providing investment advice to the entity for a fee or any affiliates of such persons) is held by Benefit Plan Investors. If, as a result of any investment, 25 per cent. or more of the value of any class of equity interests in the Issuer is being held by Benefit Plan Investors, the applicable Notes may be redeemed by the Issuer. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Notes should not be treated as equity interests for the purposes of the Plan Asset Regulation and, therefore, the Plan Asset Regulation should not apply and any such redemptions would not be necessary.

Accordingly, except as otherwise provided in any supplement to this Prospectus, each purchaser and subsequent transferee of any Notes will be deemed to represent and warrant, on each day from the date on which the purchaser or transferee acquires such Notes (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Notes (or any interest therein), either that (a) it is not a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law) for which an exemption is not available.

In addition, each Benefit Plan Investor who purchases or holds any Notes, or any beneficial interest therein, including any fiduciary acting on behalf of a Benefit Plan Investor ("**Plan Fiduciary**"), will be deemed to represent and warrant that (i) none of the Issuer, the Registrar, the Arrangers, the Dealers or any other party to the transactions contemplated by this Prospectus or any of their respective affiliated entities (the "**Transaction Parties**"), has provided or undertakes to provide advice in a fiduciary capacity with respect to the acquisition or holding of the Notes by the Benefit Plan Investor, and no fee or other compensation is being paid directly to any of the Transaction Parties by the Benefit Plan Investor or the Plan Fiduciary for investment advice (as opposed to other services) in connection with any such acquisition or holding of the Notes, (ii) the Plan Fiduciary is an independent fiduciary with financial expertise having the authority and meeting all of the requirements described in U.S. Department of Labor regulation Section 2510.3-21(c)(1) as to the Benefit Plan Investor's investment in the Notes; and (iii) the Plan Fiduciary has been informed by the Transaction Parties of the existence and nature of the Transaction Parties' financial interests in the Benefit Plan Investor's investment in the Notes. The above representations in this paragraph are intended to comply with the Department of Labor's regulation, Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on 8 April 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

Any Plan proposing to invest in such Notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Notes to a Plan is in no respect a representation by the Issuer, the Registrar, the Arrangers, the Dealers or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan. Any further ERISA considerations with respect to the Notes may be found in the relevant supplement.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 11 April 2018 (such dealer agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. One or more Dealers may purchase the Notes, as principal or agent, from the Issuer from time to time for his/their own account or for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any Dealer or, if so specified in the relevant Final Terms (or the relevant Pricing Supplement, in the case of Exempt Notes), for resale at a fixed offering price. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that may be jointly and severally, or severally, underwritten by two or more Dealers. To the extent that any Dealers that are not U.S. registered broker-dealers intend to effect any sales of the Notes in the United States, they will only do so through one or more U.S. registered broker-dealers as permitted by Financial Industry Regulatory Authority ("**FINRA**") regulations.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse each Arranger for certain of its expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme.

Unless otherwise specified in the relevant Final Terms (or the relevant Pricing Supplement, in the case of Exempt Notes), any Notes sold to one or more Dealers as principal will be purchased by such Dealers at a price equal to 100 per cent. of the principal amount thereof or such other price as may be set forth in the relevant Final Terms or relevant Pricing Supplement (as applicable) less a percentage of the principal amount equal to a commission as agreed upon by the Issuer and the relevant Dealers. A Dealer may sell the Notes it has purchased from the Issuer as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. Such Dealer may allow, and such dealers may reallow, a discount to certain other dealers. After the initial offering of the Notes, the offering price, the concession and the reallowance may be changed.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their respective affiliates have, in the past, performed investment banking and advisory services for, and provided credit facilities to, the Issuer for which they have received customary fees and expenses. Each of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer in the ordinary course of their respective businesses. The Issuer may apply all or part of the proceeds of any Notes issued pursuant to the Programme in repayment of all or part of any such credit facilities.

In December 2017, the Issuer entered into the Bridge Loan with Citibank, N.A., London Branch, HSBC Bank Middle East Limited, ING Bank N.V., Dublin Branch, Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and The Bank of Nova Scotia, all of whom are affiliated with certain of the Dealers. The Issuer may use a part of the proceeds from the issue of one or more Tranches of Notes to repay indebtedness to lenders or their affiliates who may be underwriters of a relevant Tranche of Notes, including the Bridge Loan. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes).

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Principal Paying and Transfer Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S.

persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

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

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in a Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") Rulebook; and

b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

State of Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any

Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority ("**CMA**") resolution number 3-123-2017 dated 27 December 2017 (the "**KSA Regulations**"), made through an authorised person licensed by the CMA to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes by it to a Saudi Investor will be made in compliance with Articles 9 or 10 and Article 11 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; (b) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); or (c) the Notes are being offered or sold in such other circumstances as the CMA may prescribe.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes, except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, deliver or sell, at any time directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar. This Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange.

State of Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of any Notes is being made in the State of Kuwait, and no agreement relating to the sale of any Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market any Notes in the State of Kuwait.

Republic of Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore and the Notes to be issued under the Programme will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer or sell any Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in

connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) or any person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) pursuant to Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

GENERAL

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms (or the Pricing Supplement, in the case of Exempt Notes) issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

Neither the Issuer nor any Dealer has made any representation that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms or Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in

which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms or Pricing Supplement and neither the Issuer nor any other Dealer shall have responsibility therefor.

TRANSFER RESTRICTIONS

RULE 144A NOTES

Each purchaser of Rule 144A Notes, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(i) It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of a QIB, (c) not formed for the purpose of investing in the Issuer and (d) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(ii) The Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(iii) The Rule 144A Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend substantially to the following effect:

> "THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.
>
> BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW, FOR WHICH AN EXEMPTION IS NOT AVAILABLE.
>
> IN ADDITION, BY ITS ACQUISITION AND HOLDING OF THIS NOTE, EACH HOLDER OF THIS NOTE OR ANY INTEREST HEREIN THAT IS A BENEFIT PLAN INVESTOR (AS DEFINED BELOW), INCLUDING ANY FIDUCIARY ACTING ON BEHALF OF A BENEFIT PLAN INVESTOR ("**PLAN FIDUCIARY**") WILL BE DEEMED TO REPRESENT AND WARRANT, AT ANY TIME WHEN REGULATION 29 C.F.R. SECTION 2510.3-21, AS MODIFIED IN 2016, IS APPLICABLE, THAT (I) NONE OF THE ISSUER, THE REGISTRAR, THE ARRANGERS, THE DEALERS OR ANY OTHER PARTY TO THE TRANSACTIONS CONTEMPLATED BY THE PROSPECTUS OR ANY OF THEIR RESPECTIVE AFFILIATED ENTITIES (THE "**TRANSACTION PARTIES**"), HAS PROVIDED OR UNDERTAKES TO

PROVIDE ADVICE IN A FIDUCIARY CAPACITY WITH RESPECT TO THE ACQUISITION OR HOLDING OF THIS NOTE BY THE BENEFIT PLAN INVESTOR, AND NO FEE OR OTHER COMPENSATION IS BEING PAID DIRECTLY TO ANY OF THE TRANSACTION PARTIES BY THE BENEFIT PLAN INVESTOR OR THE PLAN FIDUCIARY FOR INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH ANY SUCH ACQUISITION OR HOLDING OF THE NOTES, (II) THE PLAN FIDUCIARY IS AN INDEPENDENT FIDUCIARY WITH FINANCIAL EXPERTISE HAVING THE AUTHORITY AND MEETING ALL OF THE REQUIREMENTS DESCRIBED IN U.S. DEPARTMENT OF LABOR REGULATION SECTION 2510.3-21(C)(1) AS TO THE BENEFIT PLAN INVESTOR'S INVESTMENT IN THIS NOTE; AND (III) THE PLAN FIDUCIARY HAS BEEN INFORMED BY THE TRANSACTION PARTIES OF THE EXISTENCE AND NATURE OF THE TRANSACTION PARTIES' FINANCIAL INTERESTS IN THE BENEFIT PLAN INVESTOR'S INVESTMENT IN THIS NOTE. "BENEFIT PLAN INVESTOR" MEANS A BENEFIT PLAN INVESTOR, AS DEFINED IN SECTION 3(42) OF ERISA, AND INCLUDES (A) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA, (B) A PLAN THAT IS SUBJECT TO SECTION 4975 OF THE CODE OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY."

(iv) It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

(v) It understands that the Rule 144A Notes will be evidenced by a Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Either (a) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any Similar Law, or (b) its acquisition, holding and disposition of the Notes (or any interest therein) will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of such a governmental, church or non-U.S. plan, a violation of any Similar Law, for which an exemption is not available. In addition, each Benefit Plan Investor who purchases or holds any Notes, or any beneficial interest therein, including any Plan Fiduciary, will be deemed to represent and warrant that (i) none of the Transaction Parties has provided or undertakes to provide advice in a fiduciary capacity with respect to the acquisition or holding of the Notes by the Benefit Plan Investor, and no fee or other compensation is being paid directly to any of the Transaction Parties by the Benefit Plan Investor or the Plan Fiduciary for investment advice (as opposed to other services) in connection with any such acquisition or holding of the Notes, (ii) the Plan Fiduciary is an independent fiduciary with financial expertise having the authority and meeting all of the requirements described in U.S. Department of Labor regulation Section 2510.3-21(c)(1) as to the Benefit Plan Investor's investment in the Notes; and (iii) the Plan Fiduciary has been informed by the Transaction Parties of the existence and nature of the Transaction Parties' financial interests in the Benefit Plan Investor's investment in the Notes.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

REGULATION S NOTES

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes pursuant to resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(i) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such

Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(iii) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend substantially to the following effect:

> "THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.
>
> BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW, FOR WHICH AN EXEMPTION IS NOT AVAILABLE.
>
> IN ADDITION, BY ITS ACQUISITION AND HOLDING OF THIS NOTE, EACH HOLDER OF THIS NOTE OR ANY INTEREST HEREIN THAT IS A BENEFIT PLAN INVESTOR (AS DEFINED BELOW), INCLUDING ANY FIDUCIARY ACTING ON BEHALF OF A BENEFIT PLAN INVESTOR ("**PLAN FIDUCIARY**") WILL BE DEEMED TO REPRESENT AND WARRANT, AT ANY TIME WHEN REGULATION 29 C.F.R. SECTION 2510.3-21, AS MODIFIED IN 2016, IS APPLICABLE, THAT (I) NONE OF THE ISSUER, THE REGISTRAR, THE ARRANGERS, THE DEALERS OR ANY OTHER PARTY TO THE TRANSACTIONS CONTEMPLATED BY THE PROSPECTUS OR ANY OF THEIR RESPECTIVE AFFILIATED ENTITIES (THE "**TRANSACTION PARTIES**"), HAS PROVIDED OR UNDERTAKES TO PROVIDE ADVICE IN A FIDUCIARY CAPACITY WITH RESPECT TO THE ACQUISITION OR HOLDING OF THIS NOTE BY THE BENEFIT PLAN INVESTOR, AND NO FEE OR OTHER COMPENSATION IS BEING PAID DIRECTLY TO ANY OF THE TRANSACTION PARTIES BY THE BENEFIT PLAN INVESTOR OR THE PLAN FIDUCIARY FOR INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH ANY SUCH ACQUISITION OR HOLDING OF THE NOTES, (II) THE PLAN FIDUCIARY IS AN INDEPENDENT FIDUCIARY WITH FINANCIAL EXPERTISE HAVING THE AUTHORITY AND MEETING ALL OF THE REQUIREMENTS DESCRIBED IN U.S. DEPARTMENT OF LABOR REGULATION SECTION 2510.3-21(C)(1) AS TO THE BENEFIT PLAN INVESTOR'S INVESTMENT IN THIS NOTE; AND (III) THE PLAN FIDUCIARY HAS BEEN INFORMED BY THE TRANSACTION PARTIES OF THE EXISTENCE AND NATURE OF THE TRANSACTION PARTIES' FINANCIAL INTERESTS IN THE BENEFIT PLAN INVESTOR'S INVESTMENT IN THIS NOTE. "BENEFIT PLAN INVESTOR" MEANS A BENEFIT PLAN INVESTOR, AS DEFINED IN SECTION 3(42) OF ERISA, AND INCLUDES (A) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA, (B) A PLAN THAT IS SUBJECT TO SECTION 4975 OF THE CODE OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY."

(iv) It understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(v) It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Note Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(vi) Either (a) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any Similar Law, or (b) its acquisition, holding and disposition of the Notes (or any interest therein) will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of such a governmental, church or non-U.S. plan, a violation of any Similar Law, for which an exemption is not available. In addition, each Benefit Plan Investor who purchases or holds any Notes, or any beneficial interest therein, including any Plan Fiduciary, will be deemed to represent and warrant that (i) none of the Transaction Parties has provided or undertakes to provide advice in a fiduciary capacity with respect to the acquisition or holding of the Notes by the Benefit Plan Investor, and no fee or other compensation is being paid directly to any of the Transaction Parties by the Benefit Plan Investor or the Plan Fiduciary for investment advice (as opposed to other services) in connection with any such acquisition or holding of the Notes, (ii) the Plan Fiduciary is an independent fiduciary with financial expertise having the authority and meeting all of the requirements described in U.S. Department of Labor regulation Section 2510.3-21(c)(1) as to the Benefit Plan Investor's investment in the Notes; and (iii) the Plan Fiduciary has been informed by the Transaction Parties of the existence and nature of the Transaction Parties' financial interests in the Benefit Plan Investor's investment in the Notes.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche of Notes, subject only to the deletion of non-applicable provisions, is set out below:

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Final Terms dated [ ]

Abu Dhabi National Energy Company PJSC

Legal entity identifier (LEI): 213800UNJSVQFNUYYW03

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.$9,000,000,000

Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 11 April 2018 [and the supplemental Prospectus dated [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplemental Prospectus] [have][has] been published on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") contained in the Trust Deed dated [*original date*] and set forth in the Prospectus dated [*original date*] [and the supplemental Prospectus dated [ ]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus dated [*original date*] [and the supplemental Prospectus dated [ ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectuses [and the supplemental Prospectuses] have been published on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

1	Issuer:		Abu Dhabi National Energy Company PJSC
2	(i)	Series Number:	[ ]
	(ii)	[Tranche Number:	[ ]]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date][Not Applicable]
3	Specified Currency or Currencies:		[ ]
4	Aggregate Nominal Amount of Notes:		
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
5	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (if applicable)*]
6	(i)	Specified Denominations:	[ ]
	(ii)	Calculation Amount:	[ ] [*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor.*] [*Note: There must be a common factor in the case of two or more Specified Denominations*]
7	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
8	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9	Interest Basis:		[[ ] per cent. Fixed Rate] [ ] month [*Specify reference rate*] +/- [ ] per cent. Floating Rate] [Zero Coupon]] (see paragraph [14]/[15]/[16] below)
10	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11	Change of Interest Basis:		[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there*][Not Applicable]
12	Put/Call Options:		[General Put Option] [Change of Control Put Option] [Call Option] [(see paragraph [18]/[19]/[20] below)]
13	[(i)]	Status of the Notes:	[Senior]
	(ii)	[Date approval for issuance of Notes obtained:]	[ ] [and [ ], respectively] [*(N.B. Only relevant where authorisation is required for the particular tranche of Notes)*]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date

	(ii)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
	(iv)	Broken Amount(s):	[[ ] per Calculation Amount payable on the Interest Payment date falling [in/on] [ ]][Not Applicable]
	(v)	Day Count Fraction:	[Actual/Actual (ICMA/ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)] (*See Condition 5(j) for alternatives*)
	(vi)	[Determination Dates:	[[ ] in each year][Not Applicable] *(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*]
15	**Floating Rate Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Period(s):	[ ]
	(ii)	Specified Interest Payment Dates:	[ ]
	(iii)	First Interest Payment Date:	[ ]
	(iv)	Interest Period Date:	[ ] (*Not applicable unless different from Interest Payment Date*)
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(vi)	Business Centre(s):	[ ]
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[ ] [Not Applicable]
	(ix)	Screen Rate Determination:	
		– Reference Rate:	[ ] month [LIBOR/EURIBOR/HIBOR/CNH HIBOR]
		– Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR, the first day of each Interest Period if HIBOR and the second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR and the Specified Currency is Renminbi*)
		– Relevant Screen Page:	[ ]

	(x) ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	*[ ]* *(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)* *(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations which, depending on market circumstances, may not be available at the relevant time)*
	(xi) Linear Interpolation:	[Not Applicable/Applicable — the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(xii) Margin(s):	[+/-][ ] per cent. per annum
	(xiii) Minimum Rate of Interest:	[ ] per cent. per annum
	(xiv) Maximum Rate of Interest:	[ ] per cent. per annum
	(xv) Day Count Fraction:	[Actual/Actual (ICMA/ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)] (*See Condition 5(j) for alternatives*)
16	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield:	[ ] per cent. per annum
	(ii) Reference Price:	[ ]
	(iii) Day Count Fraction in relation to Early Redemption Amounts	[Actual/Actual (ICMA/ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)] (*See Condition 5(j) for alternatives*)

PROVISIONS RELATING TO REDEMPTION

17	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) of each Note:	[ ] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ] per Calculation Amount
	(b) Maximum Redemption Amount:	[ ] per Calculation Amount
	(iv) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days

18	**General Put Options**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Note:	[ ] per Calculation Amount
	(iii)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
19	**Change of Control Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Put Date:	[ ]
	(ii)	Change of Control Redemption Amount:	[ ] per Calculation Amount
	(iii)	Put Period:	[ ]
20	**Final Redemption Amount of each Note**		[ ] per Calculation Amount

21	**Early Redemption Amount**	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default:	[ ] per Calculation Amount *(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be).*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22	Form of Notes:	Registered Notes: [Regulation S Global Note Certificate ([ ] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg] [Rule 144A Global Note Certificate ([ ] nominal amount) registered in the name of a nominee for DTC]
23	Additional Financial Centre(s):	[Not Applicable/*give details.* [*Note that this paragraph relates to the date and place of payment, and not the end dates of each Interest Period, to which sub-paragraph 15(iv) relates*]
24	Provisions applicable to Renminbi Notes:	[Applicable/Not Applicable] (*if not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Relevant Currency:	[*give details*]
	(ii) RMB Currency Event:	[Applicable/Not Applicable]

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ______________________________
Duly authorised

PART B — OTHER INFORMATION

1 LISTING

(i)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [ ].]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2 RATINGS

Ratings:	The Notes to be issued have been rated: [[Moody's Investors Service Ltd.] ("**Moody's**"): [ ] Moody's is established in the EU and registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**").] [[Fitch Ratings Limited] ("**Fitch**"): [ ] Fitch is established in the EU and registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**").] [[Other (*specify full legal name*)]: [ ]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[[Save as discussed in "Subscription and Sale"], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business].

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i)	[Reasons for the offer:	[ ]
(ii)	[Estimated net proceeds:]	[ ]
(iii)	[Estimated total expenses:]	[ ] (*Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.*)

5 [Fixed Rate Notes only — YIELD

Indication of yield:	[ ] per cent. per annum [on a [[semi-]annual]/[quarterly] basis] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/HIBOR/CNH HIBOR/*specify other Reference Rate*] rates can be obtained from [Reuters].

7 OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CUSIP:	[ ]

(iv)	CFI:	[[ ]/Not Applicable]
(v)	FISN:	[[ ]/Not Applicable] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable"*)
(vi)	Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. and/or DTC and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vii)	Delivery:	Delivery [against/free of] payment
(viii)	Names and addresses of initial Paying and Transfer Agent(s):	[ ]
(ix)	Names and addresses of additional Paying and Transfer Agent(s) (if any):	[ ]

8 DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-Syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Date of [Subscription] Agreement:	[ ]
(iv)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(vi)	U.S. Selling Restrictions:	[Rule 144A/Reg S Compliance Category 2; TEFRA not applicable]
(vii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement that will be issued in respect of each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) or a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW AND THE PRICING SUPPLEMENT WHICH DOCUMENTS SUCH NOTES IS THEREFORE NOT COMPLIANT WITH DIRECTIVE 2003/71/EC. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.

Pricing Supplement dated [ ]

Abu Dhabi National Energy Company PJSC

Legal entity identifier (LEI): 213800UNJSVQFNUYYW03

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.$9,000,000,000

Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated **[●]** 2018 [and the supplemental Prospectus dated [ ]]. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus [as so supplemented]. Copies of the Prospectus [and the supplemental Prospectus] may be obtained from [*address*].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") contained in the Trust Deed dated [*original date*] and set forth in the Prospectus dated [*original date*] [and the supplemental Prospectus dated [ ]]. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Prospectus dated [*original date*] [and the supplemental Prospectus dated [ ]], including the Conditions incorporated by reference in the Prospectus. Copies of the Prospectus [and the supplemental Prospectus] may be obtained from [*address*].

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.*]

1	Issuer:	Abu Dhabi National Energy Company PJSC

2	(i)	Series Number:	[ ]
	[(ii)	Tranche Number:	[ ]]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date][Not Applicable]
3	Specified Currency or Currencies:		[ ]
4	Aggregate Nominal Amount of Notes:		
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
5	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (if applicable)*]
6	(i)	Specified Denominations:	[ ]
	(ii)	Calculation Amount:	[ ] [*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor.*] [*Note: There must be a common factor in the case of two or more Specified Denominations*]
7	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
8	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][1]
9	Interest Basis:		[[ ] per cent. Fixed Rate] [[*Specify reference rate*] +/- [ ] per cent. Floating Rate] [Zero Coupon]] [*specify other*] (see paragraph [14]/[15]/[16] below)
10	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount [*specify other*]
11	Change of Interest Basis:		[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there*][Not Applicable]
12	Put/Call Options:		[General Put Option] [Change of Control Put Option] [Call Option] [(further particulars specified below)]
13	(i)	[Status of the Notes:]	[Senior]
	(ii)	[Date approval for issuance of Notes obtained:]	[ ] [and [ ], respectively] [*(N.B. Only relevant where authorisation is required for the particular tranche of Notes)*]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

[1] Note that for Renminbi-denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(i)	Rate[(s)] of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
(ii)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*/not adjusted][2]
(iii)	Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount[3]
(iv)	Broken Amount(s):	[[ ] per Calculation Amount payable on the Interest Payment date falling [in/on] [ ]][Not Applicable]
(v)	Day Count Fraction:	[30/360][/Actual/Actual (ICMA/ISDA)/*specify other*][4]
(vi)	[Determination Dates:	[[ ] in each year][Not Applicable] *(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes:	[None/*Give details*]

15	**Floating Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Interest Period(s):	[ ]
(ii)	Specified Interest Payment Dates:	[ ]
(iii)	First Interest Payment Date:	[ ]
(iv)	Interest Period Date:	[ ] (*Not applicable unless different from Interest Payment Date*)
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(vi)	Business Centre(s):	[ ]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[ ]
(ix)	Screen Rate Determination:	
	– Reference Rate:	Reference Rate: [ ] month [LIBOR/EURIBOR/HIBOR/CNH HIBOR]/*specify other Reference Rate*].
	– Interest Determination Date(s):	[ ]
	– Relevant Screen Page:	[ ]

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2 For certain Renminbi-denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day".

3 For Renminbi-denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB 0.01, RMB 0.005 being rounded upwards."

4 Applicable to Renminbi-denominated Fixed Rate Notes.

	(x)	ISDA Determination:	[ ]
		– Floating Rate Option:	[ ]
		– Designated Maturity:	[ ]
		– Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*) (*N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations which, depending on market circumstances, may not be available at the relevant time*)
	(xi)	Linear Interpolation:	[Not Applicable/Applicable — the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(xii)	Margin(s):	[+/-][ ] per cent. per annum
	(xiii)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xiv)	Maximum Rate of Interest:	[ ]] per cent. per annum
	(xv)	Day Count Fraction:	[Actual/Actual (ICMA/ISDA)] [30/360] [*specify other*]
	(xvi)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions:	[ ]
16	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Amortisation Yield:	[ ] per cent. per annum
	(ii)	Reference Price:	[ ]
	(iii)	Day Count Fraction in relation to Early Redemption Amounts	[Actual/Actual (ICMA/ISDA)] [30/360] [*specify other*]
	(iv)	Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes:	[ ]

PROVISIONS RELATING TO REDEMPTION

17	**Call Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption	[ ] per Calculation Amount

		Amount:	
		(b) Maximum Redemption Amount:	[ ] per Calculation Amount
	(iv)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
18	**General Put Options**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
	(iii)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
19	**Change of Control Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Put Date:	[ ]
	(ii)	Change of Control Redemption Amount:	[[ ] per Calculation Amount/*specify other*/see Appendix]
	(iii)	Put Period:	[ ]
20	**Final Redemption Amount of each Note**		[[ ] per Calculation Amount/*specify other*/see Appendix]
21	**Early Redemption Amount**		
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default:		[[ ] per Calculation Amount/*specify other*/see Appendix] *(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be).*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22	Form of Notes:		Registered Notes: Regulation S Global Note Certificate ([ ] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg] [Rule 144A Global Note Certificate ([ ] nominal amount) registered in the name of a nominee for DTC]
23	Additional Financial Centre(s):		[Not Applicable/*give details.* (*Note that this paragraph relates to the date and place of payment, and not the end dates of each Interest Period, to which sub-paragraph 15(iv) relates*]
24	Provisions applicable to Renminbi Notes:		[Applicable/Not Applicable] (*if not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Relevant Currency:	[*give details*]
	(ii)	RMB Currency Event	[Applicable/Not Applicable]
25	Other final terms:		[Not Applicable/*give details*]

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ______________________________
Duly authorised

PART B – OTHER INFORMATION

1 LISTING

Admission to trading:	[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [*specify relevant market — note this should not be a regulated market*]] with effect from [ ].] [Not Applicable.]

2 RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[[Save as discussed in "*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business — *Amend as appropriate if there are other interests*]

4 REASONS FOR THE OFFER

Reasons for the offer:	[ ]

5 OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CUSIP:	[ ]
(iv)	CFI:	[[ ]/Not Applicable]
(v)	FISN:	[[ ]/Not Applicable] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable"*)
(vi)	Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. and/or DTC and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vii)	Delivery:	Delivery [against/free of] payment
(viii)	Names and addresses of initial Paying and Transfer Agent(s):	[ ]
(ix)	Names and addresses of additional Paying and Transfer Agent(s) (if any):	[ ]

6 DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-Syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
(iv)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(v)	U.S. Selling Restrictions:	Rule 144A/Reg S Compliance Category 2; [TEFRA not applicable]
(vi)	Additional selling restrictions:	[Not Applicable/*give details*] (*Additional selling restrictions are only likely to be relevant for certain structured notes, such as commodity-*

		linked notes)
(vii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)

GENERAL INFORMATION

1. The listing of the Notes (other than Exempt Notes) on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of one or more Certificates in respect of each Tranche. The listing of the Programme in respect of the Notes (other than Exempt Notes) is expected to be granted on or around 17 April 2018. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction. In addition, application may be made to admit the Notes to trading on the Abu Dhabi Securities Exchange. However, unlisted Notes may be issued pursuant to the Programme.

2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 11 September 2007 (pursuant to powers delegated by a resolution of the Extraordinary General Meeting of the Shareholders of the Issuer passed on 22 April 2007) and the update of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 7 February 2018.

3. There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2017 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017.

4. Neither the Issuer nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

5. Notes have been accepted for clearance through the Euroclear, Clearstream, Luxembourg and/or DTC systems (which are the entities in charge of keeping the records). The Common Code, the ISIN and/or the CUSIP Number and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms (or the relevant Pricing Supplement, in the case of Exempt Notes). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States.

6. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

7. For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer:

   (i) the Trust Deed (which includes the form of the Certificates);

   (ii) the Agency Agreement;

   (iii) the Dealer Agreement;

   (iv) the constitutional documents of the Issuer;

   (v) the audited annual consolidated financial statements of the Issuer as at and for the years ended 31 December 2017 and 2016;

   (vi) each Final Terms and Pricing Supplement (save that Pricing Supplements relating to a Note which is neither admitted to trading on a regulated market within the EEA nor offered in the EEA in circumstances where a Prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Principal Paying and Transfer Agent as to its holding of Notes and identity); and

   (vii) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus.

   This Prospectus and each Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

8 The consolidated financial statements of the Issuer as of and for the years ended 31 December 2017 and 2016 and independent auditors' reports thereon have been incorporated by reference herein. These consolidated financial statements have been audited by Ernst & Young Middle East (Abu Dhabi branch) (which is authorised and regulated by the Ministry of Economy and Planning of the United Arab Emirates) as stated in their reports incorporated by reference herein.

9 Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer and its affiliates routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

10 TAQA's registered number is 1003072. TAQA's telephone number is +971 (0)2 691 4900.

GLOSSARY AND CERTAIN DEFINED TERMS

bbls/d	Barrels per day
bcf	Billion cubic feet
bcm	Billion normal cubic metres
boe/d	Barrels of oil equivalent per day
Brae Assets	The non-operated interests in the United Kingdom Continental Shelf, the related interest in the SAGE pipeline and the Brae-Miller Linkline located in the North Sea
brownfield	The development, extension and upgrade of existing plants at the relevant sites. Umm al Naar, Taweelah Al, Taweelah B and Fujairah are examples of brownfield developments
greenfield	The construction of new plants. Taweelah A2 and Shuweihat S1 are examples of greenfield developments
GWh	Gigawatt hours
Islamic loan facility	In the context of the transactions described in this Prospectus, a loan facility which has been structured to provide an economic return which is substantially equivalent to that provided by a parallel term loan or equity bridge loan facility while being compliant with Shari'ah law
mbbls/d	Thousand barrels per day
mboe/d	Thousand barrels of oil equivalent per day
MIG	Million Imperial Gallons
MIGD	Million Imperial Gallons per Day
mmbbls	Million barrels
mmbbls/d	Million barrels per day
mmboe	Million barrels of oil equivalent
mmboe/d	Million barrels of oil equivalent per day
mmbtu	Million British thermal units
mmcf/d	Million cubic feet per day
mmscf/d	Million standard cubic feet per day
MW	Megawatt
North Sea Assets	The operated interests in the Tern, Eider, Pelican, North Cormorant, Cormorant Alpha and Kestrel producing fields in the North Sea, the non-operated interest in the producing Hudson field, the operated interest in the Brent pipeline system and the non-operated interest in the Sullom Voe terminal
2C	Best estimate of contingent resources
3C	High estimate of contingent resources
2P	Proved and probable reserves

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ICM:29378400.17