

ABU DHABI NATIONAL ENERGY COMPANY "TAQA"
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
November 14, 2011

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1. Summary of Quarterly Results

(AED millions, except per share amounts)	Three months ended							
	Sep 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010	Sep 30 2010	Jun 30 2010	Mar 31 2010	Dec 31 2009
Total assets	114,200	117,176	115,755	116,059	105,289	91,834	94,133	91,845
Shareholders' equity	12,420	16,063	16,261	15,238	11,482	11,814	13,110	12,410
Revenues	6,168	7,069	5,506	6,283	5,201	5,141	4,776	4,377
Profit for the period	811	712	311	548	537	358	440	44
Attributable to non-controlling interests	274	277	159	205	319	187	153	128
Attributable to equity holders of the parent	537	435	152	343	218	171	287	(84)
Earnings per share (AED per share)	0.086	0.072	0.025	0.057	0.036	0.028	0.047	(0.018)

2. Business Environment

Average prices		Three months ended							
		Sep 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010	Sep 30 2010	Jun 30 2010	Mar 31 2010	Dec 31 2009
WTI crude oil	US\$/bbl	89.54	102.34	94.60	85.21	76.96	78.05	78.88	76.13
Brent crude oil	US\$/bbl	112.09	116.99	105.52	87.45	76.21	79.41	68.43	75.54
NYMEX natural gas	US\$/mmbtu	4.06	4.38	4.20	3.98	4.24	4.35	4.99	4.93
AECO natural gas	CA\$/GJ	3.48	3.69	3.82	3.42	3.36	3.70	4.67	4.38

Exchange Rate		Exchange rates as of							
		Sep 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010	Sep 30 2010	Jun 30 2010	Mar 31 2010	Dec 31 2009
US \$/Cdn \$	US\$	0.952	1.038	1.031	1.002	0.972	0.940	0.985	0.950
US \$/British pound	US\$	1.558	1.605	1.603	1.561	1.572	1.494	1.518	1.617
US \$/Euro	US\$	1.339	1.450	1.416	1.338	1.363	1.224	1.351	1.430
US \$/Moroccan dirham	US\$	0.120	0.128	0.126	0.120	0.121	0.111	0.121	0.127

Crude Oil & Natural Gas Prices

TAQA's operating results are partially dependent on crude oil and natural gas prices.

Prices for TAQA's oil production are primarily driven by changes in the price of West Texas Intermediate ("WTI") crude oil at TAQA NORTH and changes in the price of Brent crude oil in Europe. Crude oil prices were relatively stronger in 2011.

Revenues for TAQA's natural gas production in North America are primarily driven by changes in NYMEX natural gas priced at Henry Hub but are subject to market factors which can affect the basis price between the Nymex benchmark and prices received in Western Canada.

Foreign Exchange

TAQA is exposed to the impact of fluctuations in foreign exchange rates and interest rates. Revenues from its domestic subsidiaries are receivable in UAE Dirhams. Revenues from TAQA's other operating subsidiaries are receivable in U.S. Dollars, Euros, Canadian Dollars, British Pounds, Moroccan Dirhams and Indian Rupees.

3. Significant Activities in the Period

Power & Water

Domestic

TAQA's domestic portfolio of assets generated 16,865 GWh of electricity and 57,272 MIG of water during the third quarter of 2011.

International

TAQA's international power portfolio, which comprises of assets in Morocco, Ghana, India, Saudi Arabia and the USA, generated 3,649 GWh of power during the third quarter. International technical availability was 91%, a slight increase compared to the same period last year despite issues at Takoradi in Ghana resulting from a generator rotor ground fault. The issue has now been fixed and the plant was fully back in service in early October.

In Morocco, the expansion of the Jorf Lasfar plant is proceeding within budget and on schedule. Commissioning and takeover of units 5 & 6 is planned for the end of 2013 and early 2014, respectively.

On 21 July, TAQA signed a Memorandum of Understanding with Jyoti Structures Limited (Jyoti) to explore ways to collaborate in the power sector in India. Initially, TAQA and Jyoti will pursue the expansion of TAQA's existing 250MW power plant at Neyveli, which is expected to double in capacity through the construction of an additional 250MW plant.

Oil & Gas

North America

Production in North America was flat year-on-year primarily as a result of the cold weather issues experienced early in the year.

UK

Production volumes in the UK North Sea averaged 43.5 mboe/day in the third quarter, an 8% increase compared to the same period last year due to the addition of production from the Falcon discovery and the completion of the first phase of the Otter acquisition as detailed below.

In July, TAQA announced first oil from its new field development in the UK North Sea, the Falcon field, following a record appraisal and development phase of just under two years.

Also in July, TAQA completed of the first phase of its acquisition (which was signed between Total and TAQA in October 2010) of the Otter field (31% interest) and at the same time has taken over as operator. The field is tied back to the TAQA operated Eider subsea platform. The second phase of the transaction, which will eventually result in TAQA taking ownership of Total's entire equity stake of 81% in production licenses for two blocks is expected to be completed in Q1 2012.

Netherlands

Production in the Netherlands averaged 7.6 mboe/day, a 10% decrease compared to the same period last year.

Post-period corporate developments

In October TAQA made three significant announcements:

- On 02 October, TAQA announced it had established a 3.5 billion Malaysian Ringgit programme (\$1.1 billion) as it continues to diversify its financing options. The programme will allow TAQA to issue debt swiftly when market conditions are optimal.
- Secondly, TAQA announced a strategic investment agreement with WesternZagros Resources Ltd. On 17 October 2011, the Company entered into an agreement with Western Zagros Resources Ltd ("Western Zagros") to purchase, through a private placement, 19.9% of issued and outstanding common shares of Western Zagros. The total value of the transaction is CAD \$46.6 million (AED 176 million). The transaction was completed on 25 October 2011. The proceeds from the private placement will be used towards WesternZagros's 2011/2012 capital and operating program in Kurdistan, Northern Iraq, in line with TAQA's stated strategy to start building its Oil & Gas footprint in the IMENA region.
- Finally, at the end of October, Carl Sheldon was appointed Chief Executive Officer of the company. Carl was previously the General Manager for TAQA since October 2009 and is a member of TAQA's Board of Directors.

4. Results of Operations

Revenues

Power

<i>(AED millions)</i>	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	2011	2010
Revenue from electricity and water	1,927	1,595	5,400	4,668
Fuel revenue	1,158	1,527	4,157	3,785
Net liquidated damages received	50	311	115	311
Other operating revenues	23	11	60	62
	3,158	3,444	9,732	8,826

TAQA generates its revenues primarily from power generation, water desalination, fuel revenues, liquidated damages, and other operating revenues.

Three months ended 30 September 2011 compared with three months ended 30 September 2010

Revenues from the sale of electricity and water were up 21% at AED 1,927 million in 2011 compared to AED 1,595 million in 2010. New acquisitions Fujairah 2 and Shuweihat 2 contributed AED 407 million of the increase, partly offset by lower revenue of AED 54 million in Um Al Naar due to reduced capacity income from an amendment to PWPA for the old plant.

Fuel revenue recoveries were AED 1,158 million in 2011 compared to AED 1,527 million in 2010. Reduced fuel revenue in 2011 was due to lower use of back up fuel at the U.A.E. subsidiaries, AED 380 million. At other subsidiaries lower fuel revenue at Takoradi due to maintenance outage AED 144 million was partly offset by higher revenue at JLEC of AED 98 million due to higher coal prices.

The liquidated damages entitlements in respect of loss of revenue due to late commissioning were AED 50 million in 2011 compared to AED 311 million in 2010, in Shuweihat 2 and Fujairah 2 respectively.

Other operating revenues were AED 23 million in 2011 compared to AED 11 million in 2010. The 2011 increase was primarily related to sundry revenues from JLEC expansion.

Nine months ended 30 September 2011 compared with nine months ended 30 September 2010

Revenues from electricity and water sales were AED 5,400 million in 2011, 16% higher compared to AED 4,668 million in 2010. New plants Fujairah 2 and Shuweihat 2 contributed AED 961 million of the increase, partly offset by decrease at Um Al Naar of AED 147 million due to reduced capacity income from an amendment to PWPA for the old plant effective 7 December 2010. International plants had net revenue decrease due to unplanned outages.

Fuel revenue recoveries were AED 4,157 million in 2011 compared to AED 3,785 million in 2010. The increase was mainly from the new plants, Fujairah 2 and Shuweihat 2. Existing U.A.E. plants saw an increase in use of back up fuel, except at Um Al Naar where there was a decrease. Of the other plants, fuel revenue at Takoradi decreased due to unplanned outages, partly offset by increases in JLEC and Neyveli due to higher coal prices.

Net liquidated damages received were AED 115 million in 2011 compared to AED 311 million in 2010, in Shuweihat 2 and Fujairah 2 respectively.

Other operating revenues were AED 60 million in 2011 compared to AED 62 million in 2010.

Oil & Gas

<i>(AED millions)</i>	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	2011	2010
Revenue from oil and gas	2,742	1,635	8,056	5,762
Gas storage revenue	9	13	187	200
Other operating revenues	259	109	768	330
	3,010	1,757	9,011	6,292

Oil and gas segment generate revenues primarily from upstream exploration and production, and midstream processing, transmission and storage.

Three months ended 30 September 2011 compared with three months ended 30 September 2010

Revenue from oil and gas was up 68% at AED 2,742 million in 2011 compared to AED 1,635 million in 2010. Revenues increase was primarily due to higher crude oil prices and higher production.

Gas storage revenues were lower in 2011 primarily due to lower volumes at TAQA North.

Other operating revenues were AED 259 million in 2011 compared to AED 109 million in 2010. TAQA Energy contributed increase of AED 131 million mainly due to higher trade sales. Increase at TAQA Bratani was AED 17 million mainly due to expiration of physical sales contracts in the current period for gas injected during prior period.

Nine months ended 30 September 2011 compared with nine months ended 30 September 2010

Oil and gas revenues were AED 8,056 million in 2011, an increase of 40% compared to AED 5,762 million in 2010. This increase was driven primarily by stronger crude oil prices and higher production particularly in TAQA Bratani where the average realized price was \$108.96 versus \$71.91 per barrel, on a higher sold volume of 5,118 barrel/day.

Gas storage revenues were AED 187 million in 2011 compared to AED 200 million in 2010. The reduction was due to lower volumes at TAQA North, and was consistent with the lower gas storage expenses in 2011.

Other operating revenues in 2011 were AED 768 million compared to AED 330 million in 2010. Revenue increase at TAQA Energy was AED 368 million, partly due to higher trade sales in 2011. Other increases were mainly due to higher processing income and sulphur sales.

Cost of sales

Power

Cost of sales for power units consist of depreciation depletion and amortisation, fuel expenses, and operating expenses. Operating expenses includes staff costs, repairs, maintenance and consumables used, operation and maintenance charges, and other operating expenses.

<i>(AED millions)</i>	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	2011	2010
Operating expenses	(510)	(497)	(1,476)	(1,333)
Fuel expenses	(926)	(1,347)	(3,576)	(3,456)
Depreciation, depletion and amortization	(402)	(296)	(1,144)	(880)
	(1,838)	(2,140)	(6,196)	(5,669)

Three months ended 30 September 2011 compared with three months ended 30 September 2010

Operating expenses were AED 510 million in 2011 compared to AED 497 million in 2010. New acquisitions Fujairah 2 and Shuweihat 2 accounted for AED 56 million increase, partially offset by decrease at other subsidiaries.

Fuel expenses were AED 926 million in 2011 compared to AED 1,347 million in 2010. At Umm Al Naar the decrease was AED 307 million due to reduced use of back up fuel. Remaining U.A.E. subsidiaries had a decrease of AED 120 million. At other subsidiaries Takoradi had a reduction of AED 143 million due to unplanned outages, partly offset by higher fuel expenses at JLEC of AED 117 million due to higher production and higher fuel prices. Shuweihat 2 received back up fuel free of cost, consequently it had substantially lower fuel cost relative to the fuel revenue.

DD&A expenses were AED 402 million in 2011, compared to AED 296 million in 2010 mostly due to new acquisitions Fujairah 2 and Shuweihat 2.

Nine months ended 30 September 2011 compared with nine months ended 30 September 2010

Operating expenses were AED 1,476 million in 2011 compared to AED 1,333 million in 2010. New acquisitions Fujairah 2 and Shuweihat 2 contributed AED 110 million of the increase, the other increases were at U.A.E. subsidiaries.

Fuel expenses were AED 3,576 million in 2011 compared to AED 3,456 million in 2010. Fuel expense at the new acquisition Fujairah 2 was AED 202 million. Fuel expenses increased at JLEC and Neyveli due to higher coal prices, offset by reduction at Um Al Naar of AED 356 million due to lower use of backup fuel, and the reduction at Takoradi due to unplanned outages. Fujairah 2 in 2010 and Shuweihat 2 in 2011 received back up fuel free of cost, consequently both these subsidiaries have a substantially lower fuel cost relative to the fuel revenues in the respective periods.

DD&A expenses were AED 1,144 million in 2011 compared to AED 880 million in 2010. New acquisitions Fujairah 2 and Shuweihat 2 contributed AED 253 million of the increase.

Oil and gas

Cost of sales for oil and gas units consist of depreciation depletion and amortisation, gas storage expenses, and operating expenses. Operating expenses includes staff costs, repairs, maintenance and consumables used, fuel expenses, and other operating expenses.

<i>(AED millions)</i>	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	2011	2010
Operating expenses	(924)	(369)	(2,693)	(2,047)
Gas storage expenses	(10)	(13)	(82)	(86)
Depreciation, depletion and amortization	(951)	(798)	(2,764)	(2,362)
	(1,885)	(1,180)	(5,539)	(4,495)

Three months ended 30 September 2011 compared with three months ended 30 September 2010

Operating expenses were AED 924 million in 2011 compared to AED 369 million in 2010. The increases include AED 395 million due to crude inventory movements, AED 110 million at TAQA Energy influenced by higher costs of trade gas sales, and AED 50 million higher maintenance and operational expenses at TAQA North primarily due to adverse weather conditions.

Gas storage expenses were lower in 2011 due to lower gas storage volumes at TAQA North.

DD&A expenses were AED 951 million in 2011, compared to AED 798 million in 2010. The 2011 increase was primarily due to higher production at TAQA Bratani, and higher DD&A rates.

Nine months ended 30 September 2011 compared with nine months ended 30 September 2010

Operating expenses were AED 2,693 million in 2011 compared to AED 2,047 million in 2010. The increases in 2011 include AED 60 million due to crude inventory movements, AED 363 million at TAQA Energy influenced by higher costs of trade gas sales, and AED 23 million at TAQA North due to higher power, fuel, and lease expiry costs.

Gas storage expenses were marginally lower in 2011 as compared to 2010, mainly due to lower gas volumes.

DD&A expenses were AED 2,764 million in 2011 compared to AED 2,362 million in 2010. The 2011 increase was primarily due to higher production at TAQA Bratani, and higher DD&A rates.

Other Income Statement Items

TAQA's administrative and other expenses consist of salaries and related expenses, professional fees, and other expenses.

TAQA's finance costs primarily consist of interest expense on bank loans and outstanding bonds.

The foreign exchange (loss) gain results from the translation of net monetary assets and liabilities of subsidiaries and the settlement of transactions denominated in currencies other than the dirham, TAQA's functional currency.

Power

<i>(AED millions)</i>	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	2011	2010
Administrative and other expenses	(40)	(26)	(110)	(108)
Finance costs	(554)	(446)	(1,596)	(1,278)
Changes in fair value of derivatives	45	(61)	104	147
Net foreign exchange (loss) gain	85	(127)	55	24
Interest income	8	16	38	44
Gain (loss) on asset sale	-	-	28	-
Other income	3	8	17	21
Share of results of joint venture	-	12	-	54
Share of results of associates	2	1	7	10

Three months ended 30 September 2011 compared with three months ended 30 September 2010

Administrative and other expenses were AED 40 million in 2011 compared to AED 26 million in 2010. New plants Fujairah 2 and Shuweihat 2 contributed AED 3 million increases, with AED 9 million increase at other domestics mainly due to absence of one-time credit in Fujairah 1. At other subsidiaries Red Oak saw increase of AED 13 million due to variable fee payable under the Energy Management Agreement, partly offset by reversal of accrual at JLEC relating to withholding taxes.

Finance costs were AED 554 million in 2011 compared with AED 446 million in 2010. New plants Fujairah 2 and Shuweihat 2 contributed AED 149 million increase, other U.A.E. subsidiaries had AED 10 million reductions due to lower debts. At other subsidiaries JLEC had a reduction of AED 30 million.

Net mark to market movement in fair value of derivatives at Red Oak was favourable at AED 45 million in 2011 compared to unfavorable movement of AED 61 million in 2010.

Net foreign exchange gains were AED 85 million favourable in 2011 compared to unfavourable exchange losses of AED 127 million in 2010. The gains in current quarter arose due to appreciation of US Dollar against Rupee, and depreciation of Morocco Dirham (MAD) relating to MAD loans at JLEC. In 2010 the losses were due to strength of MAD.

Interest income was AED 8 million compared to AED 16 million in 2010. The reduction was due to lower deposits in 2011.

Other income was AED 3 million compared to AED 8 million in 2010. The reduction was due to lower other income at JLEC.

The absence in earnings from share of results in joint ventures was due to absence of earnings from the Marubeni TAQA Caribbean Ltd. (MTC) joint venture which was sold in January 2011.

The increase in earnings from share of results in associates was due to higher earnings from Jubail Energy Company.

Nine months ended 30 September 2011 compared with nine months ended 30 September 2010

For the first nine months, administrative and other expenses were AED 110 million of 2011 compared to AED 108 million in 2010. New plants Fujairah 2 and Shuweihat 2 contributed increase of AED 11 million. At other subsidiaries Red Oak saw an increase of AED 13 million due to variable fee payable under the Energy Management Agreement, partly offset by JLEC reversal of accrual relating to withholding taxes.

Finance costs were AED 1,596 million in 2011 compared to AED 1,278 million in 2010. New plants Fujairah 2 and Shuweihat 2 contributed AED 334 million increase, other U.A.E. subsidiaries saw reductions of AED 24 million due to lower debts. At other subsidiaries JLEC saw an increase of AED 6 million relating to JLEC 5&6 financing fees.

The favorable mark to market movement in fair value of derivatives was AED 104 million in 2011 compared to favorable movement of AED 147 million in 2010.

Net foreign exchange gains were AED 55 million favourable in 2011 compared to favourable exchange gains of AED 24 million in 2010. The 2011 gains were mainly from appreciation of US Dollar against Indian Rupee.

Interest income was AED 38 million in 2011 compared to AED 44 million in 2010. The reduction was due to lower deposits in 2011.

Gains on assets sale were AED 28 million in 2011. Current year gains were due to gain on sale of MTC joint venture which was sold in January 2011.

Other income was AED 17 million in 2011 compared to AED 21 million in 2010. The reduction was due to lower other income at JLEC.

The absence in the share of results in joint venture in 2011 was due to absence of earnings from joint venture Marubeni TAQA Caribbean Ltd. (MTC) which was sold in January 2011.

The decrease in earnings from share of results in associates was due to lower year-to-date earnings from Jubail Energy Company.

Oil and gas

<i>(AED millions)</i>	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	2011	2010
Administrative and other expenses	(132)	(95)	(368)	(249)
Finance costs	(92)	(71)	(256)	(213)
Changes in fair value of derivatives	94	(17)	93	(17)
Net foreign exchange (loss) gain	45	(30)	27	21
Interest income	1	3	6	7
Gain (loss) on asset sale	19	-	80	-
Other income	10	-	10	-
Share of results of joint venture	26	25	85	91

Three months ended 30 September 2011 compared with three months ended 30 September 2010

Administrative and other expenses were AED 132 million in 2011 compared to AED 95 million in 2010. The increase was mainly due to higher business development costs, and higher salaries and professional fees.

Finance costs were AED 92 million in 2011 compared with AED 71 million in 2010. Increase was mainly due to debt restructuring, higher accretion expense due to new acquisitions, and interest on prior year tax claims.

Net mark to market movement in fair value of derivatives at TAQA North was favourable at AED 94 million in 2011 due to lower crude prices compared to prices at the contract dates.

Net foreign exchange gains were AED 45 million favourable in 2011 compared to unfavourable exchange losses of AED 30 million in 2010. The gains in current quarter arose primarily at TAQA Bratani due to appreciation of US Dollar against British Pound relating to revaluation of net monetary liabilities.

Gains on assets sale was at TAQA North related to the sale of certain non-core assets.

The earnings from share of results in joint venture NoordGas Transport BV at TAQA Energy was AED 26 million in 2011 compared to AED 25 million in 2010.

Nine months ended 30 September 2011 compared with nine months ended 30 September 2010

For the first nine months, administrative and other expenses were AED 368 million in 2011 compared to AED 249 million in 2010. The increase was mainly due to higher business development costs, and higher salaries and professional fees.

Finance costs were AED 256 million in 2011 compared to AED 213 million in 2010. Increase was mainly due to debt restructuring, higher accretion expense due to new acquisitions, and interest on prior year tax claims.

The favorable mark to market movement in fair value of derivatives at TAQA North was AED 93 million in 2011 compared to unfavorable movement of AED 17 million in 2010, due to lower crude prices compared to prices at the contract dates.

Net foreign exchange gains were AED 27 million favourable in 2011 compared to favourable exchange gains of AED 21 million in 2010. The gains in 2011 arose due to appreciation of US Dollar against British Pound relating to revaluation of net monetary liabilities.

Gains on assets sale of AED 80 million was from sale of certain non-core assets at TAQA North.

The earnings from share of results in joint venture NoordGas Transport BV at TAQA Energy was AED 85 million in 2011 compared to AED 91 million in 2010, lower due to lower volumes 2011.

Corporate Interest and Other

Group financing (including finance costs except for the subsidiaries involved in power and water generation with project financing arrangements and interest income) is managed on a group basis and is not allocated to operating segments.

Investment in certain associates with activities other than power and water generation and oil and gas and available for sale investments are managed on a group basis and are therefore not allocated to operating segments.

<i>(AED millions)</i>	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	2011	2010
Finance costs	(485)	(469)	(1,448)	(1,418)
Administrative and other expenses	(29)	(61)	(106)	(191)
Share of results of associates	103	68	242	178
Other	(36)	67	(41)	16

Three months ended 30 September 2011 compared with three months ended 30 September 2010

Corporate finance costs were AED 485 million in 2011 compared with AED 469 million in 2010. The increase was mainly due to unwinding of interest rate swap changing interest exposure from floating to fixed.

Corporate administrative and other expenses were AED 29 million in 2011 compared to AED 61 million in 2010. The decrease was primarily due to higher allocation of costs to business units in 2011.

Corporate earnings from share of results of associates were AED 103 million in 2011 compared to AED 68 million in 2010. The increase was primarily due to higher earnings from Sohar Aluminium Company LLC.

Other corporate expenses were AED 36 million in 2011 compared to income of AED 67 million in 2010. The variance was due to additional interest income of AED 51 million in 2010 from MTC, unfavourable changes in fair value of derivatives in 2011 of AED 30 million, and higher exchange losses in 2011.

Nine months ended 30 September 2011 compared with nine months ended 30 September 2010

Corporate finance costs were AED 1,448 million in 2011 compared to AED 1,418 million in 2010. The increase was mainly due to unwinding of interest rate swap changing interest exposure from floating to fixed.

Corporate administrative and other expenses were AED 106 million in 2011 compared to AED 191 million in 2010. The decrease was primarily due to higher allocation of costs to business units in 2011.

Corporate earnings from share of results of associates were AED 242 million in 2011 compared to AED 178 million in 2010. The increase was primarily due to higher earnings from Sohar Aluminium Company LLC.

Other was expenses of AED 41 million in 2011 compared to credits of AED 16 million in 2010. The variance was mainly due to additional interest income of AED 51 million in 2010 from MTC, and unfavourable changes in fair value of derivatives in 2011 of AED 24 million.

Profits and Taxes

<i>(AED millions)</i>	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	2011	2010
Profit before taxes	1,513	679	3,851	2,094
Income tax expenses	(702)	(142)	(2,017)	(759)
Profit after taxes(before non-controlling interest)	811	537	1,834	1,335

Three months ended 30 September 2011 compared with three months ended 30 September 2010

Profit before tax

Profit before tax for the third quarter of 2011 was AED 1,513 million, compared to a profit before tax of AED 679 million in the third quarter of 2010, an increase of 123%.

Income Tax

Income tax expense was AED 702 million for 2011, comprising AED 670 million of current income tax expense and AED 32 million of deferred income tax expense, resulting in an effective tax rate of 46%, compared to an effective tax rate of 21% in 2010, comprising AED 187 million of current income tax expense partially offset by AED 45 million of deferred income tax benefit. The increase in total income tax expense in 2011 was primarily due to the higher income achieved in the oil and gas business stream, exacerbated by the imposition of significant additional taxes on UK oil and gas producing companies which came into effect on 24 March 2011.

Profit for the period

Profit for the period (before non-controlling interest) was AED 811 million for the third quarter of 2011, compared with the profit of AED 537 million for the third quarter of 2010, an increase of 51%.

Nine months ended 30 September 2011 compared with nine months ended 30 September 2010

Profit before tax

Profit before tax for the first nine months of 2011 was AED 3,851 million, compared to a profit before tax of AED 2,094 million in the first nine months of 2010, an increase of 84%.

Income Tax

Income tax expense was AED 2,017 million for 2011, comprising AED 1,915 million of current income tax expense and AED 102 million of deferred income tax expense, resulting in an effective tax rate of 52%, compared to an effective tax rate of 36% in 2010, comprising AED 418 million of current income tax expense and AED 341 million of deferred income tax expense. The increase in total income tax expense in 2011 was primarily due to the higher income achieved in the oil and gas business stream, exacerbated by the imposition of significant additional taxes on UK oil and gas producing companies which came into effect on 24 March 2011.

Profit for the period

Profit for the period (before non-controlling interest) was AED 1,834 million in the first nine months of 2011, compared with the profit of AED 1,335 million for the first nine months of 2010, an increase of 37%.

5. Capital Structure and Liquidity

Capital Structure (AED millions)	Nine months ended Sep 30	
	2011	2010
Total assets	114,200	105,289
Total debt	73,517	70,944
Cash and cash equivalents	4,064	5,691
Net debt	69,453	65,253
Total equity	12,420	11,482
Net debt/Total capital	80.6	80.5

Total assets were AED 114.2 billion, up from AED 105.3 billion at the end of September 2010. The increase was primarily due to the transfers of Fujairah 2, Shuweihat 2 and Sohar Aluminium, and the acquisition of certain oil and gas assets from Suncor during 2010.

Total debt and net debt increased due to the transfer of interests in Fujairah 2 and Shuweihat 2 and the acquisition of oil and gas assets from Suncor.

TAQA's net debt to total capital ratio was 80.6% at the end of September 2011 compared with 80.5% at the end of September 2010.

Liquidity (AED millions)	Nine months ended Sep 30	
	2011	2010
Cash and cash equivalents	4,064	5,691
Unused portion of credit facilities	11,549	8,300
Total available liquidity	15,613	13,991

Consolidated cash on hand as of 30 September 2011 was AED 4.1 billion compared with AED 5.7 billion at the end of 30 September 2010.

The company had unused credit lines of AED 11.5 billion as of 30 September 2011, compared to AED 8.3 billion at the end of September 2010.

6. Operational Data

Power & Water

		Three months ended Sep 30		Nine months ended Sep 30	
		2011	2010	2011	2010
UAE domestic plants					
Power generation	(GWh)	16,865	12,878	36,678	31,207
Water desalination	(MIG)	57,272	47,047	163,931	150,997
Technical availability	(%)	96.4	98.8	94.5	94.5
International plants					
Power generation	(GWh)	3,649	3,872	10,682	11,252
Technical availability	(%)	90.8	89.9	90.3	93.5

Upstream

Pricing

Average Realised Prices		Three months ended Sep 30		Nine months ended Sep 30	
		2011	2010	2011	2010
TAQA NORTH					
Crude oil	(US\$/bbl)	82.01	65.15	84.87	66.91
Natural gas liquids	(US\$/bbl)	71.90	48.12	71.94	52.98
Natural gas	(US\$/mcf)	4.14	3.70	4.16	4.32
Average	(US\$/boe)	43.37	35.67	44.36	39.04
TAQA Bratani					
Crude oil	(US\$/bbl)	114.81	77.24	112.89	77.61
Natural gas liquids	(US\$/bbl)	74.26	54.52	77.01	55.48
Natural gas	(US\$/mcf)	9.50	6.71	9.05	6.10
Average	(US\$/boe)	112.34	71.06	108.96	71.91
TAQA Energy					
Crude oil	(US\$/bbl)	102.40	92.18	99.71	83.80
Natural gas	(US\$/mcf)	10.74	7.29	10.41	7.43
Average	(US\$/boe)	71.98	51.23	69.79	48.91

Netback Analysis

(US\$/boe)	Three months ended Sep 30		Nine months ended Sep 30	
	2011	2010	2011	2010
TAQA NORTH				
Gross price	43.37	35.67	44.36	39.04
Royalties	8.30	5.12	7.49	6.02
Net sales price	35.07	30.55	36.87	33.02
Operating costs	11.77	9.35	11.55	10.00
Operating netback	23.30	21.20	25.32	23.02
TAQA Bratani				
Gross price	112.34	71.06	108.96	71.91
Net sales	112.34	71.06	108.96	71.91
Operating costs	26.05	28.20	28.31	30.50
Operating netback	86.29	42.86	80.65	41.41
TAQA Energy				
Gross price	71.98	51.23	69.79	48.91
Royalties	1.21	1.39	1.37	2.10
Net sales price	70.77	49.84	68.42	46.81
Operating costs	18.03	5.84	15.90	11.48
Operating netback	52.74	44.00	52.52	35.33

Oil & Gas Production

Average Daily Production		Three months ended Sep 30		Nine months ended Sep 30	
		2011	2010	2011	2010
TAQA NORTH					
Crude oil	<i>(mbbls/day)</i>	19.2	21.4	19.8	21.0
Natural gas liquids	<i>(mbbls/day)</i>	11.1	10.4	10.9	10.8
Natural gas	<i>(mmcf/day)</i>	342.9	338.6	341.4	337.1
Total	<i>(mboe/day)</i>	87.4	88.2	87.6	88.0
TAQA Bratani					
Crude oil	<i>(mbbls/day)</i>	41.8	36.5	39.4	33.2
Natural gas liquids	<i>(mbbls/day)</i>	0.3	0.8	0.5	0.8
Natural gas	<i>(mmcf/day)</i>	7.7	17.5	12.1	18.5
Total	<i>(mboe/day)</i>	43.5	40.2	42.0	37.1
TAQA Energy					
Crude oil	<i>(mbbls/day)</i>	1.4	1.0	1.5	1.1
Natural gas	<i>(mmcf/day)</i>	37.1	44.7	40.0	45.3
Total	<i>(mboe/day)</i>	7.6	8.4	8.1	8.6
Total	<i>(mboe/day)</i>	138.4	136.8	137.7	133.7

Carl Sheldon
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Abu Dhabi National Energy Company "TAQA"